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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Amendment No. 1 to  
FORM 10**

**GENERAL FORM FOR REGISTRATION OF SECURITIES  
Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934**

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**Adient Ltd**

(Exact Name of Registrant as Specified in Its Charter)

**England and Wales**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**98-1287606**  
(I.R.S. Employer  
Identification No.)

**1 Fetter Lane**  
**London, United Kingdom, EC4A 1BR**  
(Address of Principal Executive Offices)

**414-524-1200**  
(Registrant's telephone number, including area code)

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**Securities to be registered pursuant to Section 12(b) of the Act:**

**Title of each class  
to be so registered**

**Name of each exchange on which  
each class is to be registered**

Ordinary Shares, par value £0.01

New York Stock Exchange

**Securities to be registered pursuant to Section 12(g) of the Act:**  
**None**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934, as amended. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐  
(Do not check if a smaller reporting company)

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**INFORMATION REQUIRED IN REGISTRATION STATEMENT  
CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT  
AND ITEMS OF FORM 10**

Certain information required to be included herein is incorporated by reference to specifically identified portions of the body of the information statement filed herewith as Exhibit 99.1. None of the information contained in the information statement shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference.

**Item 1. *Business.***

The information required by this item is contained under the sections of the information statement entitled “Information Statement Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” “Certain Relationships and Related Person Transactions,” and “Where You Can Find More Information.” Those sections are incorporated herein by reference.

**Item 1A. *Risk Factors.***

The information required by this item is contained under the section of the information statement entitled “Risk Factors.” That section is incorporated herein by reference.

**Item 2. *Financial Information.***

The information required by this item is contained under the sections of the information statement entitled “Selected Historical Combined Financial Data of Adient,” “Unaudited Pro Forma Condensed Combined Financial Statements,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Those sections are incorporated herein by reference.

**Item 3. *Properties.***

The information required by this item is contained under the section of the information statement entitled “Business.” That section is incorporated herein by reference.

**Item 4. *Security Ownership of Certain Beneficial Owners and Management.***

The information required by this item is contained under the section of the information statement entitled “Security Ownership of Certain Beneficial Owners and Management.” That section is incorporated herein by reference.

**Item 5. *Directors and Executive Officers.***

The information required by this item is contained under the sections of the information statement entitled “Management” and “Directors.” Those sections are incorporated herein by reference.

**Item 6. *Executive Compensation.***

The information required by this item is contained under the sections of the information statement entitled “Compensation Discussion and Analysis” and “Executive Compensation.” Those sections are incorporated herein by reference.

**Item 7. *Certain Relationships and Related Transactions.***

The information required by this item is contained under the sections of the information statement entitled “Management” and “Certain Relationships and Related Person Transactions.” Those sections are incorporated herein by reference.

**Item 8. *Legal Proceedings.***

The information required by this item is contained under the section of the information statement entitled “Business—Legal Proceedings.” That section is incorporated herein by reference.

**Item 9. *Market Price of, and Dividends on, the Registrant’s Common Equity and Related Stockholder Matters.***

The information required by this item is contained under the sections of the information statement entitled “The Separation and Distribution,” “Dividend Policy,” “Capitalization,” and “Description of Adient’s Capital Stock.” Those sections are incorporated herein by reference.

**Item 10. *Recent Sales of Unregistered Securities.***

The information required by this item is contained under the sections of the information statement entitled “Description of Material Indebtedness” and “Description of Adient’s Capital Stock—Sale of Unregistered Securities.” Those sections are incorporated herein by reference.

**Item 11. *Description of Registrant’s Securities to be Registered.***

The information required by this item is contained under the sections of the information statement entitled “The Separation and Distribution,” “Dividend Policy,” and “Description of Adient’s Capital Stock.” Those sections are incorporated herein by reference.

**Item 12. *Indemnification of Directors and Officers.***

The information required by this item is contained under the section of the information statement entitled “Description of Adient’s Capital Stock—Indemnification of Officers and Directors and Insurance.” That section is incorporated herein by reference.

**Item 13. *Financial Statements and Supplementary Data.***

The information required by this item is contained under the section of the information statement entitled “Index to Financial Statements” and the financial statements referenced therein. That section is incorporated herein by reference.

**Item 14. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

**Item 15. *Financial Statements and Exhibits.***

**(a) *Financial Statements***

The information required by this item is contained under the section of the information statement entitled “Index to Financial Statements” and the financial statements referenced therein. That section is incorporated herein by reference.

**(b) Exhibits**

See below.

The following documents are filed as exhibits hereto:

<b>Exhibit Number</b>	<b>Exhibit Description</b>
2.1	Form of Separation and Distribution Agreement by and between Johnson Controls and Adient.**
3.1	Form of Memorandum of Association and Amended and Restated Articles of Association of Adient.*
10.1	Form of Transition Services Agreement by and between Johnson Controls and Adient.**
10.2	Form of Tax Matters Agreement by and between Johnson Controls and Adient.**
10.3	Form of Employee Matters Agreement by and between Johnson Controls and Adient.**
10.4	Form of Transitional Trademark License Agreement between Johnson Controls and Adient.**
10.5	Form of Indemnification Agreement (UK) with individual directors and officers.*
10.6	Form of Indemnification Agreement (US) with individual directors and officers.*
10.7	Joint Venture Contract, dated October 22, 1997, between Shanghai Yanfeng Automotive Trim Company, Ltd. and Johnson Controls International, Inc., as amended.†
21.1	List of Subsidiaries.*
99.1	Information Statement of Adient Ltd, preliminary and subject to completion, dated June 27, 2016.**

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\* To be filed by amendment.

\*\* Filed herewith.

† Filed previously.

## **SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Adient Ltd

By: /s/ R. Bruce McDonald

Name: R. Bruce McDonald

Title: Chairman and Chief Executive Officer

Date: June 27, 2016



, 2016

Dear Johnson Controls Shareholder:

On July 24, 2015, we announced plans to separate our Automotive Seating and Interiors businesses from the rest of Johnson Controls by means of a spin-off of a newly formed company named Adient plc, which will contain our automotive seating and interiors businesses. Johnson Controls, the existing publicly traded company, will continue to manage our building efficiency and power solutions businesses. As two distinct publicly traded companies, Johnson Controls and Adient will be better positioned to capitalize on significant growth opportunities and focus resources on their respective businesses and strategic priorities.

To implement the separation, Johnson Controls will transfer its automotive seating and interiors businesses to Adient, and in return, Adient will issue ordinary shares to Johnson Controls shareholders, pro rata to their respective holdings. Each Johnson Controls shareholder will receive one Adient ordinary share for every ten shares of Johnson Controls held as of the close of business on , 2016, the record date for the distribution. The distribution will generally be taxable to Johnson Controls shareholders for U.S. federal income tax purposes.

No vote of Johnson Controls shareholders is required for the distribution. You do not need to take any action to receive Adient ordinary shares to which you are entitled as a Johnson Controls shareholder, and you do not need to pay any consideration or surrender or exchange your Johnson Controls shares.

I encourage you to read the attached information statement, which is being provided to all Johnson Controls shareholders who held shares of Johnson Controls on the record date for the distribution. The information statement describes the separation in detail and contains important business and financial information about Adient.

I believe the separation provides tremendous opportunities for our businesses and our shareholders, as we work to continue building long-term shareholder value. We appreciate your continuing support of Johnson Controls, and look forward to your future support of both companies.

Sincerely,

Alex A. Molinaroli  
*Chairman and Chief Executive Officer*  
Johnson Controls

, 2016

Dear Future Adient Shareholder:

I am pleased to welcome you as a future shareholder of Adient, whose ordinary shares we intend to list on the New York Stock Exchange under the symbol “ADNT.”

Adient is the global leader in automotive seating and interiors. We are an established and trusted partner for all of the world’s major automakers, helping them differentiate their vehicles to consumers. We are the largest supplier of seats in the growing China market, with 17 joint ventures and 60 manufacturing locations. With approximately 230 locations in 33 countries and approximately 75,000 employees, Adient will deliver 25 million seating systems used on more than 360 nameplates around the globe.

We intend to outpace the growth of the overall automotive industry by leveraging our advantaged global manufacturing footprint, our unique customer mix and strong relationships, our increased focus on innovation and our experienced management team. Our capabilities will create new growth opportunities within and adjacent to the automotive industry.

At the same time, we will continue to increase profitability through a world-class operating system that is driving leadership in cost, quality, launch execution and customer satisfaction.

Our business is less capital intensive than other automotive companies, increasing our financial flexibility and returns on capital. The combination of operating and financial discipline will result in solid and improving cash flow, allowing us to reduce leverage, pay a dividend and support growth investments. However, the timing, declaration, amount of and payment of any dividends are within the discretion of the Adient board of directors and will depend upon many factors, and, therefore, there is no assurance as to the timing or amount of any such dividends.

We believe our strengths and discipline will translate into an attractive return for you, our shareholders. Our goal is to provide sustainable, top quartile returns versus the automotive peer group.

We invite you to learn more about Adient and our strategic initiatives by reading the attached information statement. We thank you in advance for your support as a future shareholder of Adient.

Sincerely,

R. Bruce McDonald  
*Chairman and Chief Executive Officer*  
Adient

INFORMATION STATEMENT

## Adient Ltd

This information statement is being furnished in connection with the distribution to Johnson Controls shareholders of 100% of the ordinary shares of Adient, which will hold directly and/or indirectly the assets and liabilities associated with Johnson Controls' automotive seating and interiors businesses. To implement the distribution, Johnson Controls will transfer its automotive seating and interiors businesses to Adient, and in return, Adient will issue its ordinary shares to Johnson Controls shareholders, pro rata to their respective holdings. The distribution generally will be taxable to Johnson Controls shareholders for U.S. federal income tax purposes.

For every ten shares of Johnson Controls held of record by you as of the close of business on \_\_\_\_\_, 2016, the record date for the distribution, you will receive one Adient ordinary share. You will receive cash in lieu of any fractional Adient ordinary shares that you would have received after application of the above ratio. As discussed under "The Separation and Distribution—Trading Before Distribution Date," if you sell your Johnson Controls shares in the "regular-way" market after the record date and before the distribution, you also will be selling your right to receive Adient ordinary shares in connection with the separation. We expect the Adient ordinary shares to be distributed to you on \_\_\_\_\_, 2016. We refer to the date of the distribution of the Adient ordinary shares as the distribution date.

**No vote of Johnson Controls shareholders is required for the distribution. Therefore, you are not being asked for a proxy, and you are requested not to send Johnson Controls a proxy, in connection with the distribution. You do not need to pay any consideration, exchange or surrender your existing Johnson Controls shares or take any other action to receive your Adient ordinary shares.**

On January 24, 2016, Johnson Controls, Inc. entered into an Agreement and Plan of Merger with Tyco International plc and certain other parties named therein. Pursuant to the merger agreement and subject to the terms and conditions set forth therein, an indirect wholly owned subsidiary of Tyco will merge with and into Johnson Controls, Inc., with Johnson Controls, Inc. surviving as an indirect wholly owned subsidiary of Tyco. At the effective time of the merger (or as soon as possible thereafter), Tyco will change its name to "Johnson Controls plc" and will trade under the ticker "JCI." It is currently expected that the distribution of Adient ordinary shares will occur after the consummation of this merger, and that the record date for the distribution and the distribution date will be set by the board of directors of Johnson Controls plc following the merger. As a result, former shareholders of both Johnson Controls, Inc. and Tyco who hold shares of the combined company as of the record date will receive Adient ordinary shares in the distribution. References to "Johnson Controls" in this information statement therefore refer to Johnson Controls, Inc. prior to the merger and refer to Johnson Controls plc after the merger.

There is no current trading market for Adient ordinary shares, although Adient expects that a limited market, commonly known as a "when-issued" trading market, will develop on or shortly before the record date for the distribution, and Adient expects "regular-way" trading of Adient ordinary shares to begin on the first trading day following the completion of the distribution. Adient intends to apply to have its ordinary shares authorized for listing on the New York Stock Exchange under the symbol "ADNT." Following the spin-off, Johnson Controls will continue to trade on the New York Stock Exchange under the symbol "JCI."

**In reviewing this information statement, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 20.**

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.**

**This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.**

**This document is not a prospectus within the meaning of the Companies Act 2014 of Ireland, the Prospectus Directive (2003/71/EC) Regulations 2005 of Ireland (as amended) or the Prospectus Rules issued by the Central Bank of Ireland. No offer of shares to the public is made, or will be made, that requires the publication of a prospectus pursuant to Irish prospectus law within the meaning of the above legislation. This document has not been approved or reviewed by or registered with the Central Bank of Ireland or any other competent authority or regulatory authority in the European Economic Area. This document does not constitute investment advice or the provision of investment services within the meaning of the European Communities (Markets in Financial Instruments) Regulations 2007 of Ireland (as amended) or the Markets in Financial Instruments Directive (2004/39/EC). Neither Johnson Controls nor Adient is an authorized investment firm within the meaning of the European Communities (Markets in Financial Instruments) Regulations 2007 of Ireland (as amended) or the Markets in Financial Instruments Directive (2004/39/EC) and the recipients of this document should seek independent legal and financial advice in determining their actions in respect of or pursuant to this document.**

The date of this information statement is \_\_\_\_\_, 2016.

This information statement was first mailed to Johnson Controls shareholders on or about \_\_\_\_\_, 2016.



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### NOTE REGARDING THE USE OF CERTAIN TERMS, TRADEMARKS, TRADE NAMES AND SERVICE MARKS

Unless otherwise indicated, references to “Johnson Controls” in this information statement refer to Johnson Controls, Inc. and its subsidiaries or, after the completion of the merger of Johnson Controls, Inc. with an indirect wholly owned subsidiary of Tyco International plc, Johnson Controls plc and its subsidiaries. References to “Adient” in this information statement refer to Adient Ltd and its subsidiaries or, after the re-registration of Adient Ltd as a public limited company, Adient plc and its subsidiaries. References in this information statement to the “separation” refer to the separation of the automotive seating and interiors businesses from the rest of Johnson Controls and the creation, as a result of the distribution, of an independent, publicly traded company, Adient, which will hold the assets and liabilities associated with the automotive seating and interiors businesses after the distribution. References in this information statement to the “distribution” refer to the dividend on Johnson Controls shares outstanding on the record date that will be satisfied by Adient’s issuance of its ordinary shares to the persons entitled to receive the dividend. Adient owns or has rights to use the trademarks, service marks and trade names that it uses in conjunction with the operation of its business. Some of the more important trademarks that Adient owns or has rights to use that appear in this information statement include: ADIENT and RECARO, which may be registered or trademarked in the United States and other jurisdictions. Each trademark, trade name or service mark of any other company appearing in this information statement is, to our knowledge, owned by such other company. Solely for convenience, the trademarks, service marks and trade names referred to in this information statement are listed without the ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our right to use such trademarks, service marks and trade names.

## QUESTIONS AND ANSWERS ABOUT THE SEPARATION AND DISTRIBUTION

***What is Adient and why is Johnson Controls distributing Adient ordinary shares?***

Adient was formed to hold Johnson Controls' automotive seating and interiors businesses. The separation of the automotive seating and interiors businesses from Johnson Controls and the distribution of Adient ordinary shares are intended to create two separate, publicly traded companies, each of which will be able to focus exclusively on its own businesses and their distinct needs. Johnson Controls and Adient expect that the separation will result in enhanced long-term performance of each business for the reasons discussed in the sections entitled "The Separation and Distribution—Reasons for the Separation."

***Why am I receiving this document?***

Johnson Controls is delivering this document to you because you are a holder of Johnson Controls shares. If you are a holder of Johnson Controls shares as of the close of business on , 2016, the record date of the distribution, you will be entitled to receive one Adient ordinary share for every ten shares of Johnson Controls that you held at the close of business on such date. This document will help you understand how the separation and distribution will affect your post-separation ownership in Johnson Controls and Adient, respectively.

***How will the separation of the automotive seating and interiors businesses from Johnson Controls work?***

Johnson Controls will transfer its automotive seating and interiors businesses to Adient, and in return, Adient will issue its ordinary shares to Johnson Controls shareholders, pro rata to their respective holdings. For the purposes of Irish corporate law, this will be treated as Johnson Controls having declared a dividend in specie, or a non-cash dividend, to its shareholders and satisfying that obligation by procuring the delivery of the Adient ordinary shares to Johnson Controls shareholders. Immediately following the distribution, the persons entitled to receive Adient ordinary shares in the distribution will own all of Adient's outstanding ordinary shares.

***Will former Tyco shareholders who are holders of record of the combined company receive Adient ordinary shares in the distribution?***

Yes. On January 24, 2016, Johnson Controls, Inc. entered into an Agreement and Plan of Merger with Tyco International plc and certain other parties named therein. Pursuant to the merger agreement and subject to the terms and conditions set forth therein, an indirect wholly owned subsidiary of Tyco will merge with and into Johnson Controls, Inc., with Johnson Controls, Inc. surviving as an indirect wholly owned subsidiary of Tyco. At the effective time of the merger (or as soon as possible thereafter), Tyco will change its name to "Johnson Controls plc" and will trade under the ticker "JCI." It is currently expected that the distribution of Adient ordinary shares will occur after the consummation of this merger, and that the record date for the distribution and the distribution date will be set by the board of directors of Johnson Controls plc following the merger. As a result, former shareholders of both Johnson Controls, Inc. and Tyco who hold shares of the combined company as of the record date will receive Adient ordinary shares in the distribution. References to "Johnson Controls" in this information statement therefore refer to Johnson Controls, Inc. prior to the merger and refer to Johnson Controls plc after the merger.

***What is the record date for the distribution?***

The record date for the distribution will be \_\_\_\_\_, 2016.

***When will the distribution occur?***

It is expected that all of the ordinary shares of Adient will be distributed on \_\_\_\_\_, 2016 to holders of record of Johnson Controls shares at the close of business on \_\_\_\_\_, 2016, the record date for the distribution.

***What do shareholders need to do to participate in the distribution?***

Shareholders of Johnson Controls as of the record date for the distribution will not be required to take any action to receive Adient ordinary shares in the distribution, but you are urged to read this entire information statement carefully. No shareholder approval of the distribution is required. You are not being asked for a proxy. You do not need to pay any consideration, exchange or surrender your existing Johnson Controls shares or take any other action to receive your Adient ordinary shares. Please do not send in your Johnson Controls share certificates. The distribution will not affect the number of outstanding Johnson Controls shares or any rights of Johnson Controls shareholders, although it may affect the market value of each outstanding share of Johnson Controls.

***How will ordinary shares of Adient be issued?***

You will receive Adient ordinary shares through the same channels that you currently use to hold or trade Johnson Controls shares, whether through a brokerage account, 401(k) plan or other channel. Receipt of Adient ordinary shares will be documented for you in the same manner that you typically receive shareholder updates, such as monthly broker statements and 401(k) statements. If you own Johnson Controls shares as of the close of business on \_\_\_\_\_, 2016, the record date for the distribution, including shares owned in certificate form or through the Johnson Controls dividend reinvestment plan, Johnson Controls, with the assistance of \_\_\_\_\_, the distribution agent, will electronically distribute ordinary shares of Adient to you or to your brokerage firm on your behalf in book-entry form. \_\_\_\_\_ will mail you a book-entry account statement that reflects your ordinary shares of Adient, or your bank or brokerage firm will credit your account for the shares.

***How many ordinary shares of Adient will I receive in the distribution?***

You will receive one Adient ordinary share for every ten shares of Johnson Controls held by you as of the close of business on the record date for the distribution. Based on approximately \_\_\_\_\_ million outstanding shares of Johnson Controls as of \_\_\_\_\_, 2016, a total of approximately \_\_\_\_\_ million Adient ordinary shares will be distributed. For additional information on the distribution, see "The Separation and Distribution."

*Will Adient issue fractional shares in the distribution?*

No. Adient will not issue fractional shares in the distribution. Fractional shares that Johnson Controls shareholders would otherwise have been entitled to receive will be aggregated and sold in the public market by the distribution agent. The aggregate net cash proceeds of these sales will be distributed pro rata (based on the fractional share such holder would otherwise be entitled to receive) to those shareholders who would otherwise have been entitled to receive fractional shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares.

*What are the conditions to the distribution?*

The distribution is subject to the satisfaction (or waiver by Johnson Controls in its sole discretion) of the following conditions:

- the transfer of assets and liabilities from Johnson Controls to Adient shall be completed in accordance with the separation and distribution agreement;
- Adient shall have completed a cash transfer to Johnson Controls totaling \$ \_\_\_\_\_ and Johnson Controls shall be satisfied that it has no liability under the financing transactions entered into by Adient in connection with the separation, other than liability for interest accruing prior to the distribution date;
- the U.S. Securities and Exchange Commission, or the SEC, shall have declared effective the registration statement of which this information statement forms a part, and this information statement shall have been made available to the Johnson Controls shareholders;
- all actions or filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities laws shall have been taken and, where applicable, have become effective or been accepted by the applicable governmental entity;
- the transaction agreements relating to the separation shall have been duly executed and delivered by the parties;
- no order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, distribution or any of the related transactions shall be in effect;
- the ordinary shares of Adient to be distributed shall have been accepted for listing on the New York Stock Exchange, subject to official notice of distribution; and
- no other event or development shall exist or have occurred that, in the judgment of the Johnson Controls board of directors, in its sole discretion, makes it inadvisable to effect the separation, distribution and other related transactions.

Johnson Controls and Adient cannot assure you that any or all of these conditions will be met and may also waive any of the conditions to the distribution. In addition, Johnson Controls can decline at any time to go forward with the separation. For a complete discussion of all of the conditions to the distribution, see “The Separation and Distribution—Conditions to the Distribution.”

***What is the expected date of completion of the separation?***

The completion and timing of the separation are dependent upon a number of conditions. It is expected that the ordinary shares of Adient will be distributed on \_\_\_\_\_, 2016 to the holders of record of shares of Johnson Controls at the close of business on \_\_\_\_\_, 2016, the record date for the distribution. However, no assurance can be provided as to the timing of the separation or that all conditions to the distribution will be met.

***Can Johnson Controls decide to cancel the distribution of Adient ordinary shares even if all the conditions have been met?***

Yes. The distribution is subject to the satisfaction or waiver of certain conditions. See the section entitled “The Separation and Distribution—Conditions to the Distribution.” Until the distribution has occurred, Johnson Controls has the right to terminate the distribution, even if all of the conditions are satisfied.

***What if I want to sell my Johnson Controls shares or my Adient ordinary shares?***

You should consult with your financial advisors, such as your stockbroker, bank or tax advisor.

***What is “regular-way” and “ex-distribution” trading of Johnson Controls shares?***

Beginning on or shortly before the record date for the distribution and continuing up to and through the distribution date, it is expected that there will be two markets in Johnson Controls shares: a “regular-way” market and an “ex-distribution” market. Shares of Johnson Controls that trade in the “regular-way” market will trade with an entitlement to Adient ordinary shares distributed pursuant to the distribution. Shares that trade in the “ex-distribution” market will trade without an entitlement to Adient ordinary shares distributed pursuant to the distribution. If you decide to sell any shares of Johnson Controls before the distribution date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your shares of Johnson Controls with or without your entitlement to Adient ordinary shares pursuant to the distribution.

***Where will I be able to trade ordinary shares of Adient?***

Adient intends to apply to list its ordinary shares on the New York Stock Exchange under the symbol “ADNT.” Adient anticipates that trading in its ordinary shares will begin on a “when-issued” basis on or shortly before \_\_\_\_\_, 2016, the record date for the distribution, and will continue up to and through the distribution date and that “regular-way” trading in Adient ordinary shares will begin on the first trading day following the completion of the separation. If trading begins on a “when-issued” basis, you may purchase or sell Adient ordinary shares up to and through the distribution date, but your transaction will not settle until after the distribution date. Adient cannot predict the trading prices for its ordinary shares before, on or after the distribution date.

***What will happen to the listing of Johnson Controls shares?***

Johnson Controls shares will continue to trade on the New York Stock Exchange after the distribution under the symbol “JCI.”

***Will the number of Johnson Controls shares that I own change as a result of the distribution?***

No. The number of Johnson Controls shares that you own will not change as a result of the distribution.

***Will the distribution affect the market price of my Johnson Controls shares?***

Yes. As a result of the distribution, Johnson Controls expects the trading price of Johnson Controls shares immediately following the distribution to be lower than the “regular-way” trading price of such shares immediately prior to the distribution because the trading price will no longer reflect the value of the automotive seating and interiors businesses. There can be no assurance that the aggregate market value of the Johnson Controls shares and the Adient ordinary shares following the separation will be higher or lower than the market value of Johnson Controls shares if the separation and distribution did not occur. This means, for example, that the combined trading prices of ten shares of Johnson Controls and one Adient ordinary share after the distribution may be equal to, greater than or less than the trading price of ten Johnson Controls shares before the distribution.

***What are the material U.S. federal income tax consequences of the distribution?***

The distribution will be taxable for U.S. federal income tax purposes. An amount equal to the fair market value of the Adient ordinary shares received by you in the distribution (including any fractional shares deemed received and any ordinary shares withheld on account of any Irish withholding taxes) will be treated as a taxable dividend to the extent of your ratable share of current and accumulated earnings and profits of Johnson Controls for the taxable year of the distribution. To the extent that the fair market value of such Adient ordinary shares exceeds your ratable share of such earnings and profits, any such excess will be treated first as a nontaxable return of capital to the extent of your tax basis in Johnson Controls shares, and thereafter as capital gain recognized on a sale or exchange of such shares. You should consult your own tax advisor as to the particular consequences of the distribution to you, including the applicability and effect of any U.S. federal, state and local tax laws, as well as any foreign tax laws. For more information regarding the material U.S. federal income tax consequences of the distribution, see the section entitled “Material U.S. Federal Income Tax Consequences.”

***What will Adient’s relationship be with Johnson Controls following the separation?***

Adient will enter into a separation and distribution agreement with Johnson Controls to effect the separation and provide a framework for Adient’s relationship with Johnson Controls after the separation and will enter into certain other agreements, such as a transition services agreement, a tax matters agreement, an employee matters agreement and a transitional trademark license agreement. These agreements will provide for the separation between Adient and Johnson Controls of the assets, employees, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) of Johnson Controls and its subsidiaries attributable to periods prior to, at and after Adient’s separation from Johnson Controls and will govern the relationship between Adient and Johnson Controls subsequent to the completion of the separation. For additional information regarding the separation and distribution agreement and other transaction agreements, see the sections entitled “Risk Factors—Risks Related to the Separation” and “Certain Relationships and Related Person Transactions.”



***Who will manage Adient after the separation?***

Adient will benefit from a management team with an extensive background in the automotive seating and interiors businesses. Led by R. Bruce McDonald, who will be Adient's Chairman and Chief Executive Officer after the separation, Adient's management team will possess deep knowledge of, and extensive experience in, its industry. For more information regarding Adient's management, see "Management."

***Are there risks associated with owning Adient ordinary shares?***

Yes. Ownership of Adient ordinary shares is subject to both general and specific risks relating to Adient's business, the industry in which it operates, the separation from Johnson Controls and Adient's status as a separate, publicly traded company. These risks are described in the "Risk Factors" section of this information statement beginning on page 20. You are encouraged to read that section carefully.

***Does Adient plan to pay dividends?***

Adient currently expects that it will pay a regular cash dividend in line with industry practice after considering the dividend levels within its peer group and overall within the equity markets. The declaration and payment of any dividends in the future by Adient will be subject to the sole discretion of its board of directors and will depend upon many factors. See "Dividend Policy."

***Will Adient incur any indebtedness prior to or at the time of the distribution?***

Adient intends to enter into certain financing arrangements prior to or concurrently with the separation and distribution. A description of such financing arrangements will be included in an amendment to the registration statement of which this information statement is a part. See "Description of Material Indebtedness" and "Risk Factors—Risks Related to the Separation."

***Who will be the distribution agent, transfer agent and registrar for the Adient ordinary shares?***

The distribution agent, transfer agent and registrar for the Adient ordinary shares will be . For questions relating to the transfer or mechanics of the share distribution, you should contact toll free at or non-toll free at .

***Where can I find more information about Johnson Controls and Adient?***

Before the distribution, if you have any questions relating to Johnson Controls' business performance, you should contact:

Johnson Controls  
Shareholder Services X-76  
5757 North Green Bay Ave.  
Milwaukee, Wisconsin 53209-4408  
(800) 524-6220

After the distribution, Adient shareholders who have any questions relating to Adient's business performance should contact Adient at:

Adient  
Attention: Adient Shareholder Services  
833 East Michigan Street  
Milwaukee, Wisconsin 53202  
( ) -

The Adient investor Web site [www. .com](http://www. .com) will be operational as of , 2016.

## INFORMATION STATEMENT SUMMARY

*Except as otherwise indicated or unless the context otherwise requires, the information included in this information statement about Adient assumes the completion of all of the transactions referred to in this information statement in connection with the separation and distribution. Unless the context otherwise requires, references in this information statement to “Adient” refer to Adient Ltd, currently a private limited company organized under the laws of England and Wales, and its subsidiaries or, after the re-registration of Adient Ltd as a public limited company, Adient plc and its subsidiaries. Unless the context requires otherwise, references to Adient’s historical business and operations refer to the business and operations of Johnson Controls’ automotive seating and interiors businesses as they were historically managed as part of Johnson Controls and its subsidiaries prior to completion of the separation. References in this information statement to “Johnson Controls” refer to Johnson Controls, Inc., a Wisconsin corporation, and its subsidiaries or, after the completion of the merger of Johnson Controls, Inc. with an indirect wholly owned subsidiary of Tyco International plc, Johnson Controls plc, a public limited company organized under the laws of Ireland, and its subsidiaries, unless the context otherwise requires. References in this information statement to the “separation” refer to the separation of the automotive seating and interiors businesses from Johnson Controls and the creation, as a result of the distribution, of an independent, publicly traded company, Adient, which will hold the assets and liabilities associated with the automotive seating and interiors businesses after the distribution. References in this information statement to the “distribution” refer to the dividend on shares of Johnson Controls outstanding on the record date that will be satisfied by Adient’s issuance of its ordinary shares to the persons entitled to receive the dividend.*

### **Business**

Adient is the world’s largest automotive seating supplier.\* Adient has a leading market position in the Americas, Europe and China, and has longstanding relationships with the largest global original equipment manufacturers, or OEMs, in the automotive space. Adient’s proprietary technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests, trim covers and fabrics. Adient will be an independent seat supplier with global scale and the capability to design, develop, engineer, manufacture and deliver complete seat systems and components in every major automotive producing region in the world. Adient also participates in the automotive interiors market primarily through its joint venture in China, Yanfeng Global Automotive Interior Systems Co., Ltd., or YFAI.

The current legal and commercial name of Adient is Adient Ltd. Adient was organized under the laws of England and Wales on December 17, 2015 as a private limited company, but will be re-registered as a public limited company prior to the distribution.

Adient designs, manufactures and markets a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient also supplies high performance seating systems to the international motorsports industry through its award winning RECARO brand of products. Adient operates approximately 230 wholly- and majority-owned manufacturing or assembly facilities, with operations in 33 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America.

In fiscal 2015, the operations that will constitute Adient accounted for 54% of Johnson Controls’ consolidated net sales and 36% of Johnson Controls’ consolidated segment income. If the merger of Johnson Controls, Inc. and Tyco International plc had occurred at the beginning of fiscal 2015, the operations that will constitute Adient would have accounted for 43% of the consolidated net sales and 29% of the consolidated segment income of the combined entity. Segment income is calculated as income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.

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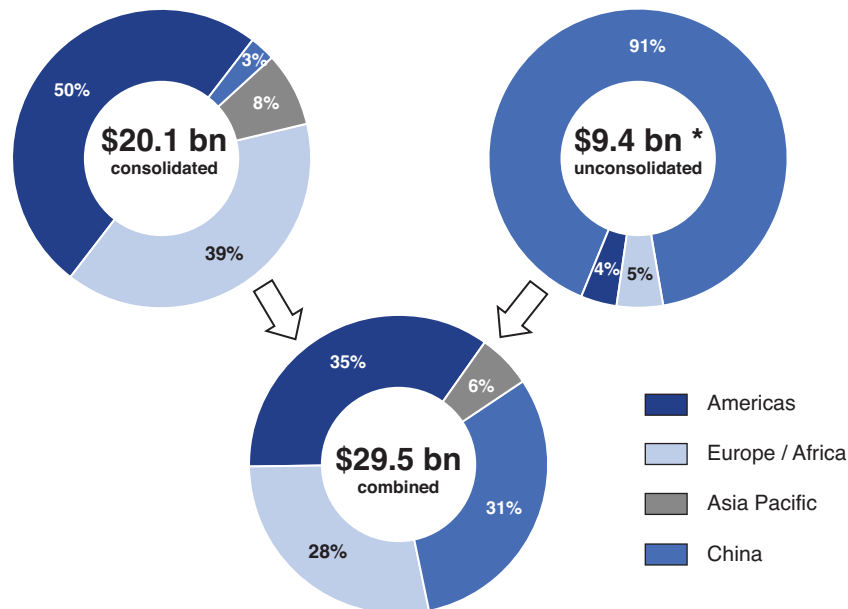
\* Based on production volumes. Source: IHS Automotive



Adient's business model is focused on developing and maintaining long-term customer relationships, which has allowed Adient to successfully grow with leading global OEMs, including BMW, Daimler AG, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Honda Motor Company, Hyundai Motor Company, Jaguar Land Rover, Kia Motor Company, Mazda Motor Company, Mitsubishi Motors, Nissan Motor Company, PSA Peugeot Citroen, Renault, Suzuki, Toyota Motor Corporation, Volkswagen AG and Volvo. Adient also supplies most of the growing regional OEMs such as BAIC Motor Co., Ltd., Brilliance Auto Group, Changan Automobile (Group) Co., Ltd., FAW Group Corporation, Great Wall Motors Company Limited, SAIC Motor Corporation Limited, Tata Motors Limited and Zhejiang Geely Holding Group Co., Ltd and newer auto manufacturers such as Tesla Motors, Inc. Adient and its engineers work closely with customers as vehicle platforms are developed, which results in close ties with key decision makers at OEM customers.

In fiscal 2015, 50% of Adient's consolidated revenue was derived from the Americas, 39% from Europe and Africa, 8% from Asia Pacific and 3% from China. Adient's unconsolidated revenue was primarily from joint ventures in China. Adient's regional balance is evident when Adient's consolidated and unconsolidated sales are viewed together.

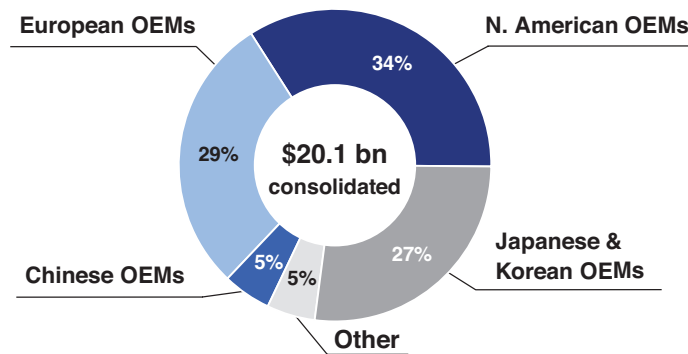
### 2015 Fiscal Sales



\* includes YFAI sales for only the period from July 2, 2015 to September 30, 2015.

In fiscal 2015, 29% of Adient's consolidated revenue was attributable to European OEMs, 27% to Japanese and Korean OEMs, 5% to Chinese OEMs and 34% to North American OEMs. This balanced portfolio has allowed Adient to effectively manage OEM share gains and losses and has provided protection against regional economic cycles.

## 2015 Fiscal Sales



Adient has a leading market share position in China with a portfolio of successful joint venture partnerships with key Chinese OEM partners. Adient is the largest supplier of “just-in-time” seating in China.\* Adient operates through 17 joint ventures and has 60 manufacturing locations in 32 cities, which are supported by additional technical centers. Adient participates in the automotive interiors market through its approximately 30% equity interest in YFAI. YFAI is one of the largest suppliers of automotive interiors, generating revenue through the sale of instrument panels, floor consoles, door panels, overhead consoles, cockpit systems, decorative trim and other products. YFAI supplies automotive interior products to a majority of the world’s major OEMs.

For the six months ended March 31, 2016, Adient generated revenue of \$8.5 billion, as compared to revenue of \$10.5 billion generated for the six months ended March 31, 2015. For the fiscal year ended September 30, 2015, Adient generated revenue of \$20.1 billion, as compared to revenue of \$22.0 billion generated for the fiscal year ended September 30, 2014. The lower revenue in the first two quarters of fiscal year 2016 and for the full fiscal year 2015 compared to the corresponding prior periods results primarily from the completion of the YFAI joint venture on July 2, 2015 and the unfavorable impact of foreign currency translation.

### Competitive Strengths

Adient possesses a number of competitive advantages that distinguish it from its competitors, including:

- *Global Market Leadership.* Adient has leading market shares in the automotive seating markets in North America and Europe, and a leading market share in China, the world’s largest and one of the fastest-growing automotive markets. Management estimates Adient’s automotive seating market share to be at least 35% in both North America and Europe. IHS Automotive estimates Adient’s automotive seating market share to be approximately 45% in China, which is greater than any of Adient’s competitors.
- *Longstanding Customer Relationships with Leading Global OEMs.* Adient does business with all major global OEM customers, and in many cases, works closely with those customers to develop a seating solution integrated into the overall vehicle appearance and architecture. As a result, the people and businesses of Adient have been recognized for their leadership by many awards from the industry and from customers, including:
  - 2015 Hyundai-Kia Technology 5 Star certification to Johnson Controls Automotive Korea for achieving the highest level of research and development;

\* Based on production volumes. Source: IHS Automotive

- 2015 J.D. Power Award Highest Quality Seating in three vehicle segments: the luxury SUV segment for the Land Rover Evoque, the mass market midsize/large car segment for the Kia Cadenza and the mass market midsize/large SUV segment for the Hyundai Santa Fe;
- 2015 Toyota Superior Toyota New Global Architecture Promotion Award for developing a next-generation front seat structure meeting Toyota's increased safety requirements and reducing weight, complexity of components and costs;
- 2015 Automotive Interiors Expo Supplier of the Year (second time), as determined by an independent panel of international automobile journalists;
- 2015 Nissan Japan Regional Quality Award to Johnson Controls Japan (second consecutive year);
- 2014 General Motors Supplier of the Year Award and Overdrive Award (fifth time) for, among other things, its collaboration with General Motors to execute continuous improvement and deliver sustainable value in General Motors' seats;
- 2014 FCA US LLC Diversity Supplier Development Supplier of the Year and Technical Cost Reduction Supplier of the Year;
- 2014 J.D. Power Award Highest Quality Seating in three vehicle segments: the luxury SUV segment for the Land Rover Evoque and the Porsche Cayenne, the mass market truck/van segment for the Ford F-150 Light Duty and the F-250/350 Super Duty trucks and the mass market midsize/large SUV segment for the Honda Pilot;
- 2014 J.D. Power Award Highest Quality Seating in the mass market truck/van vehicle segment for the Toyota Tacoma and Toyota Tundra awarded to Avanzar Interior Technologies, Ltd, a joint venture of Adient;
- 25 awards in 2014 from 11 OEM customers in China, including Excellence Supplier Award, Top 10 Supplier Award, Quality Award, Truck Excellence Supplier Award and Supply Chain Integration Award;
- 2013 Minority Manufacturer of the Year award to Bridgewater Interiors, a joint venture of Adient, an award by the U.S. Department of Commerce's Minority Business Development Agency;
- 2013 J.D. Power Award Highest Quality Seating in two vehicle segments: the mass market midsize/large SUVs for the Toyota Venza and Hyundai Santa Fe and the mass market trucks/vans for the Ford F-250/350 Super Duty; and
- 28 awards in 2013 from 20 OEM customers in China, including Excellence Supplier Award, Top 10 Supplier Award, Region Quality Award, Excellent Quality Award and Logistics Development Award.
- *Extensive Global Manufacturing Footprint and Functional Expertise.* Adient operates a global network of approximately 230 manufacturing plants in 33 countries that supplies automotive OEMs with complete seats, modules and components. In fiscal 2015, the businesses that will constitute Adient delivered more than 25 million seat systems on a "just-in-time or in-sequence" basis globally. Those businesses supplied seating systems on more than 360 nameplates to 40 different OEMs.
- *Global Development Network.* Adient's worldwide engineering network includes ten core development centers, which employ more than 5,600 employees who work in focused engineering development teams worldwide. These development centers utilize a globally consistent approach to the process for developing seating products. By leveraging a network of

subject matter technical experts, Adient is able to efficiently implement best practices and improve product cost and quality.

- *Strong Platform for Global Growth.* Adient's global platform creates multiple opportunities for growth, including market share expansion in seating and seating components, regional growth opportunities, vertical integration and business expansion. Adient believes that as a vertically integrated supplier with global scale and strong design, engineering and lean manufacturing capabilities in both complete seat systems and components, it is well positioned to benefit from these opportunities.
- *Experienced Leadership Team with Proven Track Record.* Adient has a strong, highly capable global management team with extensive experience both within the industry and with Adient. Adient's leadership draws experience from several industrial manufacturing industries, including automotive. Senior leadership is also globally diverse and combines regional understanding of the automotive supply market with a global perspective.

### **Business Strategy**

Adient seeks to grow its business through the following strategies, among others:

- *Maintain Customer Focus and Commercial Management.* Through dedicated customer teams, Adient maintains close relationships with its global OEM customers. These relationships enable Adient to clearly understand its customers' needs so that it is positioned to meet its customers' requirements. Adient's customer teams lead the new business acquisition process, which ensures alignment with Adient's product, process and manufacturing strategies. These teams partner with customers in identifying optimal product solutions to meet product demand, and also lead commercial negotiations with Adient's customers. Adient believes that its commercial teams excel at balancing these commercial topics to find "win / win" solutions for the customer and for Adient and intends to continue this approach after the separation.
- *Drive Product Innovation and Process Leadership.* Adient has a strong record for developing winning product and process technologies over many years, which has created a competitive advantage for Adient and its customers. Management expects to increase investment in innovation following the separation. Recent product innovation examples include:
  - T3000 recliner, which offers increased seating recliner strength in a smaller, lighter weight package as compared to Adient's previous generation product; and
  - Vibratech foam, which provides less vibration transmittance to the occupant which reduces fatigue and results in superior long- and short-term comfort in the seat, as compared to a traditional foam cushion (as measured using the industry's Seating Effective Amplitude Transmissibility test).

Adient utilizes a Global Core Product Portfolio, or CPP, strategy for part and design reuse in all of its product applications. Adient intends to continue investing in its core product portfolio to sustain and expand its market success and to leverage its existing modular and scalable systems and interchangeable components. Through the CPP strategy, Adient provides high quality products for its customers with market competitive cost and mass (low weight to improve fuel economy) while meeting their performance requirements. Adient intends to continue using CPP to advance Adient's lean manufacturing initiatives by providing standard, flexible processes that reduce complexity, inventory and floor space. This will yield reductions in development time, product cost and investment.

- *Further Strengthen Leadership Position in China.* Adient has an advantaged position in China established through strategic partnerships it developed as an early market entrant. Adient is the

largest supplier of “just-in-time” seating in China.\* It operates through 17 joint ventures with 60 manufacturing locations in 32 cities, which are supported by additional technical centers. Adient’s strong position with European and American automakers is complemented by partnerships with all major auto groups in China, which has resulted in Adient’s broad market penetration relative to seating competitors and market leadership in the industry’s largest and one of the fastest-growing markets. Adient leverages its operating expertise and innovation capabilities developed worldwide to further support its growth in China. Adient expects revenues in China to continue to grow as the automotive market there continues to expand.

- *Leverage Operational Efficiencies.* Adient intends to maintain high capacity utilization and increase its efficiency through continued use of standardized manufacturing processes, which represent a core competency. These standardized manufacturing processes allow Adient to deliver exceptional quality levels and minimize waste. Adient achieves scale advantages through a global manufacturing footprint and an integrated supply chain. Adient fosters an environment of continuous improvement and identifies best business practices through the analysis of process and cost metrics, which are then shared globally throughout Adient’s manufacturing network. Adient’s focus on global operational efficiencies will also be applied to its corporate cost structure, which Adient expects will produce a lean corporate overhead structure. Adient believes that maintaining a lean and operationally efficient process throughout the organization will enable it to be a market leader in cost and that this will result in increased customer satisfaction and margin expansion. Adient also intends to continue streamlining the mechanisms and structures operations, which are capital intensive with long lead times and designs that span multiple vehicle platforms. Adient has made progress integrating product and process technologies across metal structures and mechanisms; however, opportunities still exist to streamline the product and process portfolio.
- *Strong Cash Flow Generation.* Adient expects to generate strong cash flows following the separation. It will use this cash flow generation initially to support debt service and then to pursue various other alternatives, including new capital investment projects, strategic acquisitions and the return of capital to shareholders through a combination of dividends and/or share repurchases. However, there can be no guarantee that Adient will pay dividends in a timely manner, or at all, that Adient will repurchase any of its shares or the price at which any such repurchase may occur.

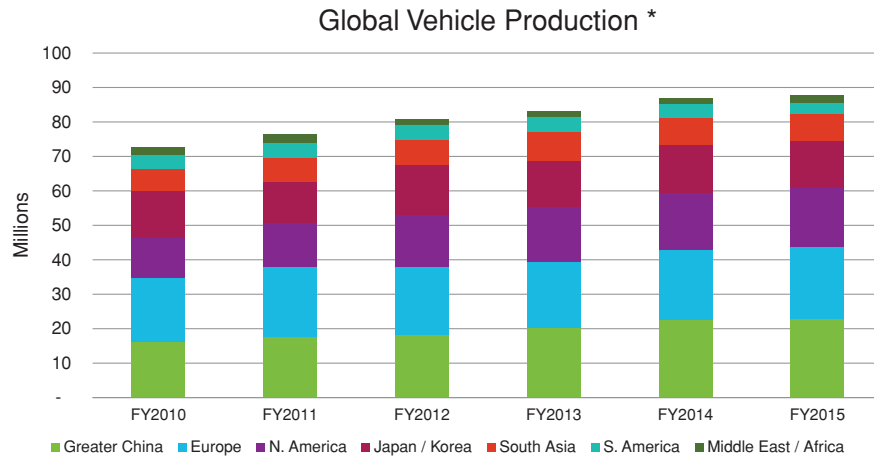
## Industry

The Automotive Seating industry provides OEMs with complete seats on a “just-in-time or in-sequence” basis. Seats are assembled to specific order and delivered on a predetermined schedule directly to an automotive assembly line. The components for these complete seat assemblies such as seating foam, metal structures, fabrics, seat covers and seat mechanisms are shipped to Adient or competitor seating assembly plants. Adient is the world’s largest\* in complete seat assembly and one of the largest in all major seating components, operating manufacturing plants that produce seating foam, metal structures, fabrics, seat covers and seat mechanisms.

Overall, Adient expects long-term growth of vehicle sales and production in the OEM market. The industry has experienced growth over the past few years in nearly all geographic regions with the exceptions being South America and Japan/Korea, where vehicle production has declined over the same period. Vehicle production increased by 3% in Europe, 2% in Greater China, 1% in South Asia and 4% in North America, and decreased by 16% in South America and 5% in Japan/Korea in fiscal year 2015, in each case as compared to fiscal year 2014.

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\* Based on production volumes. Source: IHS Automotive



\* Light Vehicle Production. Source: IHS Automotive

Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced, which is primarily driven by macro-economic factors such as credit availability, interest rates, fuel prices, consumer confidence, employment and other trends. Although OEM demand is tied to actual vehicle production, participants in the automotive supplier industry also have the opportunity to grow through increasing product content per vehicle by further penetrating business with existing customers and in existing markets, gaining new customers and increasing their presence in global markets. Adient believes that, as a company with a global presence and advanced technology, engineering, manufacturing and customer support capabilities, it is well positioned to benefit from these opportunities. In addition, Adient expects to leverage these capabilities to pursue future growth in adjacent markets.

#### ***Sourcing Patterns by OEMs***

Most OEMs have adopted global vehicle platforms to increase standardization, reduce per unit cost and increase capital efficiency and profitability. In seating, three sourcing patterns have emerged over the past five years:

1. *Core seat structures:* By developing common front seat frames and mechanisms across multiple vehicle platforms, OEMs are reducing costs.
2. *Component sourcing:* Several OEMs have shifted from sourcing a complete seating system to a components approach where the OEM sources each of the different components of the seat and seating assembly as separate business awards.
3. *Engineering “in-sourcing”:* Some OEMs are conducting the design and engineering internally and are selecting suppliers that have the capability to manufacture products on a worldwide basis and adapt to regional variations.

Adient believes that as a supplier with global scale and strong design, engineering and lean manufacturing capabilities in both complete seat systems and components it is well positioned to benefit from these opportunities.

#### ***Shorter Product Development Cycles***

As a result of new safety and environmental regulations, as well as a trend of more rapid customer preference changes, OEMs are requiring suppliers to respond faster with new designs and product innovations. Although these trends are more significant in mature markets, emerging markets are



moving rapidly towards the regulatory standards and consumer preferences of the more mature markets. Suppliers with strong technologies, robust global engineering and development capabilities will be best positioned to meet OEM demands for rapid innovation.

### **Summary of Risk Factors**

An investment in Adient ordinary shares is subject to a number of risks, including risks relating to Adient's business, risks related to the separation and risks related to Adient ordinary shares. Set forth below are some, but not all, of these risks. Please read the information in the section entitled "Risk Factors" for a more thorough description of these and other risks.

#### ***Risks Related to Adient's Business***

- Adient operates in the highly competitive automotive supply industry.
- The cyclical nature of original equipment automobile production rates may adversely affect Adient's results of operations.
- Adient may incur material losses and costs as a result of warranty claims and product liability actions that may be brought against Adient.
- Risks associated with Adient's non-U.S. operations could adversely affect Adient's business, financial condition and results of operations.
- Risks associated with joint venture partnerships may adversely affect Adient's business and financial results.
- Risks related to Adient's defined benefit retirement plans may adversely impact Adient's results of operations and cash flow.
- Adient may be unable to realize the expected benefits of its restructuring actions, which could adversely affect its profitability and operations.
- Adient's inability to achieve product cost reductions which offset customer-imposed price reductions could adversely affect Adient's financial performance.
- Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect Adient's financial performance.
- The loss of business with respect to, or the lack of commercial success of, a vehicle model for which Adient is a significant supplier could adversely affect Adient's financial performance.
- Adient's profitability and results of operations may be adversely affected by program launch difficulties.

#### ***Risks Related to the Separation***

- Adient has no history operating as an independent company. Adient may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company, and Adient may experience increased costs after the separation.
- Adient's historical and pro forma financial information is not necessarily representative of the results that it would have achieved as a separate, publicly traded company and may not be a reliable indicator of its future results.
- Adient's accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which Adient will be subject following the separation and distribution.

- It is expected that, for U.S. federal income tax purposes, the distribution will be taxable to Johnson Controls shareholders.
- Adient may not achieve some or all of the expected benefits of the separation, and the separation may adversely affect Adient's business.
- In connection with Adient's separation from Johnson Controls, Adient will incur debt obligations that could adversely affect Adient's business, profitability and its ability to meet Adient's obligations.

#### ***Risks Related to Adient Ordinary Shares***

- Adient cannot be certain that an active trading market for its ordinary shares will develop or be sustained after the separation, and following the separation, Adient's share price may fluctuate significantly.
- A number of Adient ordinary shares are or will be eligible for future sale, which may cause Adient's share price to decline.
- Adient cannot guarantee the timing, amount or payment of dividends on its ordinary shares.
- Certain provisions in Adient's articles of association, among other things, could prevent or delay an acquisition of Adient, which could decrease the trading price of Adient ordinary shares.
- As an English public limited company, certain capital structure decisions will require shareholder approval, which may limit Adient's flexibility to manage its capital structure.
- The laws of England and Wales differ from the laws in effect in the United States and may afford less protection to holders of Adient securities.
- The Internal Revenue Service (the "IRS") may not agree that Adient is a foreign corporation for U.S. federal tax purposes.
- Adient's status as a foreign corporation for U.S. federal tax purposes and its U.S. tax liabilities could be affected by a change in law.
- Future changes to U.S. and non-U.S. tax laws could adversely affect Adient.
- Transfers of Adient ordinary shares may be subject to stamp duty or stamp duty reserve tax in the United Kingdom, which would increase the cost of dealing in Adient ordinary shares.

#### **The Separation and Distribution**

On July 24, 2015, Johnson Controls announced its intent to separate its automotive seating and interiors businesses into an independent, publicly traded company—Adient. To implement the separation, Johnson Controls will transfer its automotive seating and interiors businesses to Adient, and in return, Adient will issue its ordinary shares to Johnson Controls shareholders, pro rata to their respective holdings.

On January 24, 2016, Johnson Controls, Inc. entered into an Agreement and Plan of Merger with Tyco International plc and certain other parties named therein. Pursuant to the merger agreement and subject to the terms and conditions set forth therein, an indirect wholly owned subsidiary of Tyco will merge with and into Johnson Controls, Inc., with Johnson Controls, Inc. surviving as an indirect wholly owned subsidiary of Tyco. At the effective time of the merger (or as soon as possible thereafter), Tyco will change its name to "Johnson Controls plc" and will trade under the ticker "JCI." It is currently expected that the distribution of Adient ordinary shares will occur after the consummation of this merger, and that the record date for the distribution and the distribution date will be set by the board of directors of Johnson Controls plc following the merger. As a result, former shareholders of both



Johnson Controls, Inc. and Tyco who hold shares of the combined company as of the record date will receive Adient ordinary shares in the distribution. References to “Johnson Controls” in this information statement therefore refer to Johnson Controls, Inc. prior to the merger and refer to Johnson Controls plc after the merger.

#### *Adient’s Post-Separation Relationship with Johnson Controls*

Adient will enter into a separation and distribution agreement with Johnson Controls, which is referred to in this information statement as the separation agreement or the separation and distribution agreement. In connection with the separation, Adient will also enter into various other agreements to effect the separation and provide a framework for its relationship with Johnson Controls after the separation, such as a transition services agreement, a tax matters agreement, an employee matters agreement and a transitional trademark license agreement. These agreements will provide for the allocation between Adient and Johnson Controls of Johnson Controls’ assets, employees, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Adient’s separation from Johnson Controls and will govern certain relationships between Adient and Johnson Controls after the separation. For additional information regarding the separation agreement and other transaction agreements, see the sections entitled “Risk Factors—Risks Related to the Separation” and “Certain Relationships and Related Person Transactions.”

#### *Reasons for the Separation*

The Johnson Controls board of directors believes that the creation of two independent public companies, with Adient operating Johnson Controls’ automotive seating and interiors businesses, and the new Johnson Controls operating the building efficiency and power solutions businesses, is in the best interests of Johnson Controls and its shareholders for a number of reasons, including that such separation is expected to:

- enhance the ability of management of each company to focus on their respective businesses and unique opportunities for long-term growth and profitability and to allocate capital and corporate resources in a manner that focuses on achieving each company’s own strategic priorities;
- provide each company with increased flexibility to pursue acquisitions and other strategic alternatives without having to consider the potential impact on the businesses of the other company;
- create two independent capital structures that will afford each company direct access to the debt and equity capital markets to fund their respective growth strategies and to establish an appropriate capital structure for their business needs, and to enable Adient to distribute to Johnson Controls \$            in cash immediately prior to the distribution to fund inorganic and organic growth as needed;
- enhance each company’s flexibility to establish appropriate compensation policies, including non-cash, equity-based compensation policies that reflect the performance of its operations and are designed to attract and retain skilled employees; and
- allow investors to evaluate the separate investment identities of each company, including the distinct merits, performance and future prospects of their respective businesses.

The Johnson Controls board of directors also considered a number of potentially negative factors in evaluating the separation, including the potential loss of operational synergies from operating as a consolidated entity; the potential loss of joint purchasing power; the potential exposure to operating in fewer industries reducing the ability to mitigate downturns in one business against the others; potential disruptions to the company’s businesses as a result of the spin-off, such as information technology

disruptions; the risk that Johnson Controls would not achieve the expected benefits of the separation; execution risks; the potential impact on both companies' abilities to demonstrate civic and charitable leadership in their respective communities; and one-time costs. However, the Johnson Controls board of directors concluded that the potential benefits of the separation outweighed these factors. For more information, see the sections entitled "The Separation and Distribution—Reasons for the Separation" and "Risk Factors" included elsewhere in this information statement.

## **Transaction Structure**

### ***Formation of Adient***

Adient was organized under the laws of England and Wales for the purpose of holding Johnson Controls' automotive seating and interiors businesses in connection with the separation and distribution described herein. Prior to the transfer of this business to Adient, which will occur prior to the distribution, Adient will have no operations other than those incidental to its formation and in preparation for the separation.

### ***Adient Corporate Information***

The address of Adient's principal executive offices is 1 Fetter Lane, London, United Kingdom, EC4A 1BR. Adient's telephone number after the distribution will be . Adient maintains an Internet site at [www.adient.com](http://www.adient.com). Adient's corporate offices will be located in Plymouth, Michigan; Milwaukee, Wisconsin; Burscheid, Germany; and Shanghai, China. Adient's website and the information contained therein or connected thereto shall not be deemed to be incorporated herein, and you should not rely on any such information in making an investment decision.

## **Reason for Furnishing this Information Statement**

This information statement is being furnished solely to provide information to shareholders of Johnson Controls who will receive Adient ordinary shares in the distribution. It is not to be construed as an inducement or encouragement to buy or sell any of Adient's securities. The information contained in this information statement is believed by Adient to be accurate as of the date set forth on its cover. Changes may occur after that date and neither Johnson Controls nor Adient will update the information except in the normal course of their respective disclosure obligations and practices, except as required by applicable law.

This document is not a prospectus within the meaning of the Companies Act 2014 of Ireland, the Prospectus Directive (2003/71/EC) Regulations 2005 of Ireland (as amended) or the Prospectus Rules issued by the Central Bank of Ireland. No offer of shares to the public is made, or will be made, that requires the publication of a prospectus pursuant to Irish prospectus law within the meaning of the above legislation. This document has not been approved or reviewed by or registered with the Central Bank of Ireland or any other competent authority or regulatory authority in the European Economic Area. This document does not constitute investment advice or the provision of investment services within the meaning of the European Communities (Markets in Financial Instruments) Regulations 2007 of Ireland (as amended) or the Markets in Financial Instruments Directive (2004/39/EC). Neither Johnson Controls nor Adient is an authorized investment firm within the meaning of the European Communities (Markets in Financial Instruments) Regulations 2007 of Ireland (as amended) or the Markets in Financial Instruments Directive (2004/39/EC) and the recipients of this document should seek independent legal and financial advice in determining their actions in respect of or pursuant to this document.

### **Summary Historical and Unaudited Pro Forma Condensed Combined Financial Data**

The following summary financial data reflects the combined operations of Adient. Adient derived the summary combined income statement data for the six months ended March 31, 2016 and 2015 and summary combined balance sheet data as of March 31, 2016, as set forth below, from its unaudited combined financial statements, which are included in the “Index to Financial Statements” section of this information statement. Adient derived the summary combined income statement data for the fiscal years ended September 30, 2015, 2014 and 2013, and summary combined balance sheet data as of September 30, 2015 and 2014, as set forth below, from its audited combined financial statements, which are included in the “Index to Financial Statements” section of this information statement. Adient derived the summary combined income statement for the fiscal years ended September 30, 2012 and 2011 and summary combined balance sheet data as of March 31, 2015 and September 30, 2013, 2012 and 2011 from Adient’s underlying financial records, which were derived from the financial records of Johnson Controls and are not included in this information statement. The historical results do not necessarily indicate the results expected for any future period. To ensure a full understanding of this summary financial data, you should read the summary combined financial data presented below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the combined financial statements and accompanying notes included in the “Index to Financial Statements” section of this information statement.

The summary unaudited pro forma condensed combined financial data for the six month period ended March 31, 2016 and the fiscal year ended September 30, 2015 has been prepared to reflect the separation and the operating and other agreements to be entered into by Johnson Controls and Adient. The unaudited pro forma condensed combined income statement data assumes the spin-off occurred on October 1, 2014. The unaudited pro forma condensed combined balance sheet data assumes the spin-off occurred on March 31, 2016. The assumptions used and pro forma adjustments derived from such assumptions are based on currently available information and Adient believes such assumptions are reasonable under the circumstances.

The unaudited pro forma condensed combined financial statements are not necessarily indicative of Adient’s results of operations or financial condition had the distribution and its anticipated post-separation capital structure been completed on the date assumed. Also, they may not reflect the results of operations or financial condition that would have resulted had Adient been operating as an independent, publicly traded company during such periods. In addition, they are not necessarily indicative of its future results of operations or financial condition.

You should read this summary financial data together with “Unaudited Pro Forma Condensed Combined Financial Statements,” “Capitalization,” “Selected Historical Combined Financial Data of

Adient,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the combined financial statements and accompanying notes included in this information statement.

(dollars in millions, unless otherwise noted)	As of or for the Six Months Ended March 31,			As of or for the Fiscal Year Ended September 30,					
	Pro forma 2016	2016	2015	Pro forma 2015	2015	2014	2013	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)				(unaudited)	(unaudited)
<b>Operating results</b>									
Net sales(1) . . . . .	\$ 8,531	\$ 8,531	\$10,507	\$20,071	\$20,071	\$22,041	\$20,470	\$19,986	\$18,776
Segment income(2) . . . . .	449	464	463	1,140	1,159	893	716	671	633
Net income (loss) attributable to Adient(3) . . . . .	(589)	(642)	383	344	475	307	187	267	368
Capital expenditures . . . . .	186	186	260	478	478	624	659	609	566
Depreciation and amortization . . . . .	172	172	178	347	347	437	450	416	366
Number of employees . . . . .	75,000	75,000	91,000	76,000	76,000	88,000	89,000	89,000	81,000
<b>Financial Position</b>									
Working capital(4) . . . . .	\$ 283	\$ (333)	\$ 61	n/a	\$ (205)	\$ (436)	\$ (430)	\$ (51)	\$ (290)
Total assets . . . . .	10,868	10,314	10,928	n/a	10,437	11,206	11,387	10,669	10,427
Long-term debt . . . . .	3,532	32	40	n/a	35	46	58	75	84
Total debt . . . . .	3,539	171	97	n/a	59	156	138	128	179
Invested equity attributable to Adient . . . . .	2,192	4,810	5,704	n/a	5,626	5,453	5,582	5,558	5,204
Total debt to capitalization(5) . . . . .	62%	3%	2%	n/a	1%	3%	2%	2%	3%

- (1) On July 2, 2015, Adient completed its global automotive interiors joint venture with Yangfeng Automotive Trim Systems and deconsolidated the contributed interiors business since that date resulting in lower consolidated net sales in subsequent periods. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information on the impact of this transaction on consolidated net sales.
- (2) Segment income is calculated as income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.
- (3) In the six months ended March 31, 2016, income attributable to Adient includes \$778 million of tax expense related to the change in assertion over permanently reinvested earnings as a result of the spin-off and \$169 million of restructuring and impairment costs. Income attributable to Adient includes \$182 million, \$158 million, \$280 million and \$143 million of restructuring and impairment costs in fiscal year 2015, 2014, 2013 and 2012, respectively. It also includes \$6 million, \$50 million, \$13 million, \$37 million and \$2 million of net mark-to-market charges on pension and postretirement plans in fiscal year 2015, 2014, 2013, 2012 and 2011, respectively. The preceding amounts are stated on a pre-tax basis.
- (4) Working capital is defined as current assets less current liabilities.
- (5) Total debt to capitalization represents total debt divided by the sum of total debt and invested equity attributable to Adient.

## RISK FACTORS

*You should carefully consider the following risks and other information in this information statement in evaluating Adient and Adient ordinary shares. Any of the following risks could materially and adversely affect Adient's business, financial condition or results of operations. The risk factors generally have been separated into three groups: risks related to Adient's business, risks related to the separation and risks related to Adient ordinary shares.*

### **Risks Related to Adient's Business**

***General economic, credit and capital market conditions could adversely affect Adient's financial performance, Adient's ability to grow or sustain its businesses and Adient's ability to access the capital markets.***

Adient competes around the world in various geographic regions and product markets. Global economic conditions affect Adient's business. As discussed in greater detail below, any future financial distress in the industries and/or markets where Adient competes could negatively affect Adient's revenues and financial performance in future periods, result in future restructuring charges, and adversely impact Adient's ability to grow or sustain its businesses.

The capital and credit markets provide Adient with liquidity to operate and grow its business beyond the liquidity that operating cash flows provide. A worldwide economic downturn and/or disruption of the credit markets could reduce Adient's access to capital necessary for its operations and executing its strategic plan. If Adient's access to capital were to become constrained significantly, or if costs of capital increased significantly, due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, Adient's financial condition, results of operations and cash flows could be adversely affected.

The U.K.'s referendum to leave the European Union, which we refer to as "Brexit," has and may continue to cause disruptions to capital and currency markets worldwide. The full impact of the Brexit decision, however, remains uncertain. A process of negotiation will determine the future terms of the U.K.'s relationship with the European Union. During this period of negotiation, Adient's results of operations and access to capital may be negatively affected by interest rate, exchange rate and other market and economic volatility, as well as regulatory and political uncertainty. Brexit may also have a detrimental effect on Adient's customers and suppliers, which would, in turn, adversely affect Adient's revenues and financial condition.

***Adient operates in the highly competitive automotive supply industry.***

The global automotive component supply industry is highly competitive. Competition is based primarily on price, technology, quality, delivery and overall customer service. There can be no assurance that Adient's products will be able to compete successfully with the products of Adient's competitors. Furthermore, the rapidly evolving nature of the markets in which Adient competes may attract new entrants. Additionally, consolidation in the automotive industry may lead to decreased product purchases from Adient. As a result, Adient's sales levels and margins could be adversely affected by pricing pressures from OEMs and pricing actions of competitors. These factors may lead to selective resourcing of business to competitors. In addition, any of Adient's competitors may foresee the course of market development more accurately than Adient, develop products that are superior to Adient's products, produce similar products at a lower cost than Adient, or adapt more quickly than Adient to new technologies or evolving customer requirements. As a result, Adient's products may not be able to compete successfully with its competitors' products and Adient may not be able to meet the growing demands of customers. These trends may adversely affect Adient's sales as well as the profit margins on Adient's products.

***Unfavorable changes in the condition of the global automotive industry may adversely affect Adient's results of operations.***

Adient's financial performance will depend, in part, on conditions in the automotive industry. If automakers experience a decline in the number of new vehicle sales, Adient may experience reductions in orders from these customers, incur write-offs of accounts receivable, incur impairment charges or require additional restructuring actions beyond its current restructuring plans, particularly if any of the automakers cannot adequately fund their operations or experience financial distress. In addition, such adverse changes could have a negative impact on Adient's business, financial condition or results of operations.

***The cyclical nature of original equipment automobile production rates may adversely affect Adient's results of operations.***

The financial performance of Adient's business is directly related to automotive production by its customers. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences. An economic decline that results in a reduction in automotive production by Adient's customers could have a material adverse impact on Adient's results of operations.

***Adient may incur material losses and costs as a result of warranty claims and product liability actions that may be brought against Adient.***

Adient faces an inherent business risk of exposure to warranty claims and product liability in the event that its products fail to perform as expected and, in the case of product liability, such failure of its products results, or is alleged to result, in bodily injury and/or property damage. If any of Adient's products are or are alleged to be defective, Adient may be required to participate in a recall involving such products. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, auto manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. A recall claim brought against Adient, or a product liability claim brought against Adient in excess of its available insurance, could have a material adverse impact on Adient's results of operations. In addition, a recall claim could require Adient to review its entire product portfolio to assess whether similar issues are present in other product lines, which could result in significant disruption to Adient's business and could have a material adverse impact on Adient's results of operations.

Auto manufacturers are also increasingly requiring their suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. Depending on the terms under which Adient supplies products to an auto manufacturer, an auto manufacturer may attempt to hold Adient responsible for some or all of the repair or replacement costs of defective products under new vehicle warranties, when the vehicle manufacturer asserts that the product supplied did not perform as warranted. Although Adient cannot assure that the future costs of warranty claims by its customers will not be material, Adient believes its established reserves are adequate to cover potential warranty settlements. Adient's warranty reserves are based on Adient's best estimates of amounts necessary to settle future and existing claims. Adient regularly evaluates the level of these reserves, and adjusts them when appropriate. However, the final amounts determined to be due related to these matters could differ materially from Adient's recorded estimates.

***Any changes in consumer credit availability or cost of borrowing could adversely affect Adient's business.***

Declines in the availability of consumer credit and increases in consumer borrowing costs have negatively impacted global automotive sales and resulted in lower production volumes in the past. Substantial declines in automotive sales and production by Adient's customers could have a material adverse effect on Adient's business, results of operations and financial condition.



***Risks associated with Adient's non-U.S. operations could adversely affect Adient's business, financial condition and results of operations.***

Adient has significant operations in a number of countries outside the United States, some of which are located in emerging markets. Long-term economic uncertainty in some of the regions of the world in which Adient operates, such as Asia, South America and Europe and other emerging markets, could result in the disruption of markets and negatively affect cash flows from Adient's operations to cover its capital needs and debt service requirements.

In addition, as a result of Adient's global presence, a significant portion of its revenues and expenses is denominated in currencies other than the U.S. dollar. Adient is therefore subject to foreign currency risks and foreign exchange exposure. While Adient employs financial instruments to hedge some of its transactional foreign exchange exposure, these activities do not insulate Adient completely from those exposures. Exchange rates can be volatile and could adversely impact Adient's financial results and the comparability of results from period to period.

There are other risks that are inherent in Adient's non-U.S. operations, including the potential for changes in socio-economic conditions, laws and regulations, including import, export, labor and environmental laws, and monetary and fiscal policies; protectionist measures that may prohibit acquisitions or joint ventures, or impact trade volumes; unsettled political conditions; government-imposed plant or other operational shutdowns; backlash from foreign labor organizations related to Adient's restructuring actions; corruption; natural and man-made disasters, hazards and losses; violence, civil and labor unrest; and possible terrorist attacks.

These and other factors may have a material adverse effect on Adient's non-U.S. operations and therefore on Adient's business and results of operations.

***Risks associated with joint venture partnerships may adversely affect Adient's business and financial results.***

Adient has entered into several joint ventures worldwide and may enter into additional joint ventures in the future. Adient's joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with Adient's goals or with the goals of the joint venture. In addition, Adient may compete against its joint venture partners in certain of its other markets. Disagreements with Adient's business partners may impede Adient's ability to maximize the benefits of its partnerships. Adient's joint venture arrangements may require Adient, among other matters, to pay certain costs or to make certain capital investments or to seek its joint venture partner's consent to take certain actions. In addition, Adient's joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and Adient may be required to either fulfill those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture. The above risks, if realized, could result in a material adverse effect on Adient's business and financial results.

***The regulation of Adient's international operations could adversely affect its business, results of operations and reputation.***

Due to Adient's global operations, Adient is subject to many laws governing international relations, including those that prohibit improper payments to government officials and commercial customers, and restrict where Adient can do business, what information or products Adient can supply to certain countries and what information Adient can provide to a non-U.S. government, including but not limited to the U.S. Foreign Corrupt Practices Act (FCPA), U.K. Bribery Act, the U.S. Export Administration Act and U.S. and international economic sanctions regulations. Adient has internal policies and procedures relating to such regulations; however, there is a risk that such policies and procedures will not always protect Adient from the reckless acts of employees or representatives, particularly in the case of recently acquired operations that may not have significant training in applicable compliance policies and procedures. Violations of these laws, which are complex, may result in criminal penalties,

sanctions and/or fines that could have a material adverse effect on Adient's business, financial condition and results of operations and reputation. In addition, Adient is subject to antitrust laws in various countries throughout the world. Changes in these laws or their interpretation, administration or enforcement may occur over time. Any such changes may limit Adient's future acquisitions or operations. Violations of antitrust laws may result in penalties, sanctions and/or fines that could have a material adverse effect on Adient's business, financial condition and results of operations and reputation.

***Global climate change could negatively affect Adient's business.***

Increased public awareness and concern regarding global climate change may result in more regional and/or federal requirements to reduce or mitigate the effects of greenhouse gas emissions. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such regulatory uncertainty extends to future incentives for energy efficient vehicles and costs of compliance, which may impact the demand for Adient's products and Adient's results of operations.

There is a growing consensus that greenhouse gas emissions are linked to global climate changes. Climate changes, such as extreme weather conditions, create financial risk to Adient's business. For example, the demand for Adient's products and services may be affected by unseasonable weather conditions. Climate changes could also disrupt Adient's operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. These factors may impact Adient's decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. Adient could also face indirect financial risks passed through the supply chain, and process disruptions due to physical climate changes could result in price modifications for Adient's products and the resources needed to produce them.

***Risks related to Adient's defined benefit retirement plans may adversely impact Adient's results of operations and cash flow.***

Significant changes in actual investment return on defined benefit plan assets, discount rates, mortality assumptions and other factors could adversely affect Adient's results of operations and the amounts of contributions Adient must make to its defined benefit plans in future periods. Generally accepted accounting principles in the United States require that Adient calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for Adient's defined benefit plans are dependent upon, among other factors, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to defined benefit funding obligations.

***Negative or unexpected tax consequences could adversely affect Adient's results of operations.***

Adverse changes in the underlying profitability and financial outlook of Adient's operations in several jurisdictions could lead to additional changes in Adient's valuation allowances against deferred tax assets and other tax reserves on Adient's statements of financial position. Additionally, changes in tax laws in the United States, the United Kingdom or in other countries where Adient has significant operations could materially affect deferred tax assets and liabilities on Adient's statements of financial position and income tax provision on Adient's statements of income.

Adient is also subject to tax audits by governmental authorities in the United States and in non-U.S. jurisdictions. Negative unexpected results from one or more such tax audits could adversely affect Adient's results of operations.



***Legal proceedings in which Adient is, or may be, a party may adversely affect Adient.***

Adient is currently and may in the future become subject to legal proceedings and commercial or contractual disputes. These are typically lawsuits, claims and proceedings that arise in the normal course of business including, without limitation, claims pertaining to product liability, product safety, environmental, safety and health, intellectual property, employment, commercial and contractual matters and various other matters. The outcome of such lawsuits, claims or proceedings cannot be predicted with certainty and some may be disposed of unfavorably to Adient. There exists the possibility that such claims may have an adverse impact on Adient's results of operations that is greater than Adient anticipates, and/or negatively affect Adient's reputation.

Adient is also subject to a risk of product liability or warranty claims if its products actually or allegedly fail to perform as expected or the use of its products results, or is alleged to result, in bodily injury and/or property damage. While Adient will maintain reasonable limits of insurance coverage to appropriately respond to such exposures, large product liability claims, if made, could exceed Adient's insurance coverage limits and insurance may not continue to be available on commercially acceptable terms, if at all. Adient may incur significant costs to defend these claims or experience product liability losses in the future. In addition, if any of Adient's designed products are, or are alleged to be, defective, Adient may be required to participate in recalls and exchanges of such products. The future cost associated with providing product warranties and/or bearing the cost of repair or replacement of Adient's products could have a material adverse effect on Adient's business, financial condition and results of operations.

***A downgrade in the ratings of Adient's debt capital could restrict Adient's ability to access the debt capital markets and increase Adient's interest costs.***

Unfavorable changes in the ratings that rating agencies assign to Adient's debt may ultimately negatively impact Adient's access to the debt capital markets and increase the costs Adient incurs to borrow funds. Future tightening in the credit markets and a reduced level of liquidity in many financial markets due to turmoil in the financial and banking industries could affect Adient's access to the debt capital markets or the price Adient pays to issue debt. A downgrade in Adient's ratings or volatility in the financial markets causing limitations to the debt capital markets could have an adverse effect on Adient's business or Adient's ability to meet its liquidity needs.

Additionally, an increase in the level of Adient's indebtedness may increase Adient's vulnerability to adverse general economic and industry conditions and may affect Adient's ability to obtain additional financing.

***The potential insolvency or financial distress of third parties could adversely impact Adient's business and results of operations.***

Adient is exposed to the risk that third parties to various arrangements who owe Adient money or goods and services, or who purchase goods and services from Adient, will not be able to perform their obligations or continue to place orders due to insolvency or financial distress. If third parties fail to perform their obligations under arrangements with Adient, Adient may be forced to replace the underlying commitment at current or above-market prices or on other terms that are less favorable to Adient. In such events, Adient may incur losses, or Adient's results of operations, financial condition or liquidity could otherwise be adversely affected.

***Adient may be unable to complete or integrate acquisitions or joint ventures effectively, which may adversely affect its growth, profitability and results of operations.***

Adient expects acquisitions of businesses and assets, as well as joint ventures (or other strategic arrangements) to play a role in its future growth. Adient cannot be certain that it will be able to identify attractive acquisition or joint venture targets, obtain financing for acquisitions on satisfactory

terms, successfully acquire identified targets or form joint ventures, or manage the timing of acquisitions due to other capital obligations across its businesses. Additionally, Adient may not be successful in integrating acquired businesses or joint ventures into its existing operations and achieving projected synergies. Competition for acquisition opportunities in the various industries in which Adient operates may rise, thereby increasing Adient's costs of making acquisitions or causing Adient to refrain from making further acquisitions. If Adient were to use equity securities to finance a future acquisition, Adient's then-current shareholders would experience dilution. Adient is also subject to applicable antitrust laws and must avoid anticompetitive behavior. These and other factors related to acquisitions and joint ventures may negatively and adversely impact Adient's growth, profitability and results of operations.

***Adient may be unable to realize the expected benefits of its restructuring actions, which could adversely affect its profitability and operations.***

In order to align Adient's resources with its growth strategies, operate more efficiently and control costs, Adient may periodically announce restructuring plans, which may include workforce reductions, global plant closures and consolidations, asset impairments and other cost reduction initiatives. Adient may undertake restructuring actions and workforce reductions in the future. As these plans and actions are complex, unforeseen factors could result in expected savings and benefits to be delayed or not realized to the full extent planned (if at all), and Adient's operations and business may be disrupted.

***A failure of Adient's information technology (IT) and data security infrastructure could adversely impact Adient's business, operations and reputation.***

Adient relies upon the capacity, reliability and security of its IT and data security infrastructure, as well as its ability to expand and continually update this infrastructure in response to the changing needs of its business. If Adient experiences a problem with the functioning of an important IT system or a security breach of Adient's IT systems, including during system upgrades and/or new system implementations, the resulting disruptions could have an adverse effect on Adient's business.

Adient and certain of its third-party vendors receive and store personal information in connection with Adient's human resources operations and other aspects of Adient's business. Despite Adient's implementation of security measures, Adient's IT systems, like those of other companies, are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Any system failure, accident or security breach could result in disruptions to Adient's operations. A material network breach in the security of Adient's IT systems could include the theft of Adient's intellectual property, trade secrets, customer information, human resources information or other confidential information. To the extent that any disruptions or security breach results in a loss or damage to Adient's data, or an inappropriate disclosure of confidential, proprietary or customer information, it could cause significant damage to Adient's reputation, affect Adient's relationships with its customers, lead to claims against Adient and ultimately harm its business. In addition, Adient may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

***Regulations related to conflict minerals could adversely impact Adient's business.***

SEC rules aimed at improving the transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo (DRC) and adjoining countries, impose annual disclosure requirements on companies that use such minerals in their products. There are costs associated with complying with these disclosure requirements, including for diligence to determine the sources of conflict minerals used in Adient's products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. Adient's compliance with these disclosure rules could adversely affect the sourcing, supply and pricing of materials used in Adient's products. As there may be only a limited number of suppliers

offering “conflict free” conflict minerals, Adient cannot be sure that it will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices, or that Adient will be able to satisfy customers who require Adient’s products to be conflict free. Also, Adient may face reputational challenges if Adient determines that certain of its products contain minerals not determined to be conflict free or if Adient is unable to sufficiently verify the origins for all conflict minerals used in its products through the procedures Adient may implement.

***Adient’s business success depends on attracting and retaining qualified personnel.***

Adient’s ability to sustain and grow its business requires it to hire, retain and develop a highly skilled and diverse management team and workforce. Failure to ensure that Adient has the leadership capacity with the necessary skill set and experience could impede Adient’s ability to deliver its growth objectives and execute its strategic plan. Organizational and reporting changes as a result of any future leadership transition and corporate initiatives could result in increased turnover. Additionally, any unplanned turnover or inability to attract and retain key employees could have a negative effect on Adient’s results of operations.

***Adient’s inability to achieve product cost reductions that offset customer-imposed price reductions could adversely affect Adient’s financial performance.***

Downward pricing pressure by automotive manufacturers is a characteristic of the automotive industry. Adient’s financial performance is largely dependent on its ability to achieve product cost reductions through product design enhancement and supply chain management, as well as manufacturing efficiencies and restructuring actions. Adient’s inability to achieve product cost reductions that offset customer-imposed price reductions could adversely affect Adient’s financial condition, operating results and cash flows.

***Adverse developments affecting, or the financial distress of, one or more of Adient’s suppliers could adversely affect Adient’s financial performance.***

Adient obtains components and other products and services from numerous automotive suppliers and other vendors throughout the world. Adient is responsible for managing its supply chain, including suppliers that may be the sole sources of products that Adient requires, which Adient’s customers direct Adient to use or which have unique capabilities that would make it difficult and/or expensive to re-source. In certain instances, entire industries may experience short-term capacity constraints. Additionally, Adient’s production capacity, and that of Adient’s customers and suppliers, may be adversely affected by natural disasters. Any such significant disruption could adversely affect Adient’s financial performance. Unfavorable economic or industry conditions could also result in financial distress within Adient’s supply chain, thereby increasing the risk of supply disruption. Although market conditions generally have improved in recent years, uncertainty remains and another economic downturn or other unfavorable industry conditions in one or more of the regions in which Adient operates could cause a supply disruption and thereby adversely affect Adient’s financial condition, operating results and cash flows.

***Increases in the costs and restrictions on the availability of raw materials, energy, commodities and product components could adversely affect Adient’s financial performance.***

Raw material, energy and commodity costs can be volatile. Although Adient has developed and implemented strategies to mitigate the impact of higher raw material, energy and commodity costs, these strategies, together with commercial negotiations with Adient’s customers and suppliers, typically offset only a portion of the adverse impact. Certain of these strategies also may limit Adient’s opportunities in a declining commodity environment. In addition, the availability of raw materials, commodities and product components fluctuates from time to time due to factors outside of Adient’s control. If the costs of raw materials, energy, commodities and product components increase or the

availability thereof is restricted, it could adversely affect Adient's financial condition, operating results and cash flows.

***The loss of business with respect to, or the lack of commercial success of, a vehicle model for which Adient is a significant supplier could adversely affect Adient's financial performance.***

Although Adient receives purchase orders from its customers, these purchase orders often provide for the supply of a customer's annual requirements for a particular vehicle model and assembly plant, or in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. In addition, it is possible that Adient's customers could elect to manufacture its products internally or increase the extent to which they require Adient to utilize specific suppliers or materials in the manufacture of its products. The loss of business with respect to, the lack of commercial success of or an increase in directed component sourcing for a vehicle model for which Adient is a significant supplier could reduce Adient's sales or margins and thereby adversely affect Adient's financial condition, operating results and cash flows.

***Shifts in market shares among vehicles or vehicle segments or shifts away from vehicles on which Adient has significant content could have a material adverse effect on Adient's profitability.***

While Adient supplies parts for a wide variety of vehicles produced globally, Adient does not supply parts for all vehicles produced, nor is the number or value of parts evenly distributed among the vehicles for which Adient does supply parts. Shifts in market shares among vehicles or vehicle segments, particularly shifts away from vehicles on which Adient has significant content and shifts away from vehicle segments in which Adient's sales may be more heavily concentrated, could have a material adverse effect on Adient's profitability.

***Changes in consumer demand may adversely affect Adient's results of operations.***

Increases in energy costs or other factors (e.g., climate change concerns) may shift consumer demand away from motor vehicles that typically have higher interior content that Adient supplies, such as light trucks, crossover vehicles, minivans and sports utility vehicles, to smaller vehicles having less interior content. The loss of business with respect to, or a lack of commercial success of, one or more particular vehicle models for which Adient is a significant supplier could reduce Adient's sales and harm Adient's profitability, thereby adversely affecting Adient's results of operations.

***Adient may not be able to successfully negotiate pricing terms with its customers, which may adversely affect its results of operations.***

Adient will negotiate sales prices annually with its automotive customers. Any cost-cutting initiatives that its customers adopt generally result in increased downward pressure on pricing. If Adient is unable to generate sufficient production cost savings in the future to offset price reductions, Adient's results of operations may be adversely affected. In particular, large commercial settlements with Adient's customers may adversely affect Adient's results of operations.

***Adient's profitability and results of operations may be adversely affected by a significant failure or inability to comply with the specifications and manufacturing requirements of its OEM customers.***

Adient's business faces the production demands and requirements of its OEM customers, as described in the section of this information statement entitled "Business—Industry." A significant failure or inability to comply with customer specifications and manufacturing requirements or delays or other problems with existing or new products (including program launch difficulties, as discussed below) could result in financial penalties, increased costs, loss of sales, loss of customers or potential breaches of customer contracts, which could have an adverse effect on Adient's profitability and results of operations.

*Adient's profitability and results of operations may be adversely affected by program launch difficulties.*

The launch of new business is a complex process, the success of which depends on a wide range of factors, including the production readiness of Adient's and its suppliers' manufacturing facilities and manufacturing processes, as well as factors related to tooling, equipment, employees, initial product quality and other factors. Adient's failure to successfully launch material new or takeover business could have an adverse effect on Adient's profitability and results of operations.

*Work stoppages and similar events could significantly disrupt Adient's business.*

Because the automotive industry relies heavily on just-in-time delivery of components during the assembly and manufacture of vehicles, a work stoppage at one or more of Adient's manufacturing and assembly facilities could have material adverse effects on the business. Similarly, if one or more of Adient's customers were to experience a work stoppage, that customer would likely halt or limit purchases of Adient's products, which could result in the shutdown of the related manufacturing facilities. A significant disruption in the supply of a key component due to a work stoppage at one of Adient's suppliers or any other supplier could have the same consequences, and accordingly, have a material adverse effect on Adient's financial results.

*A variety of other factors could adversely affect Adient's results of operations.*

Any of the following could materially and adversely impact Adient's results of operations: the loss of, or changes in, automobile supply contracts, sourcing strategies or customer claims with Adient's major customers or suppliers; start-up expenses associated with new vehicle programs or delays or cancellations of such programs; underutilization of Adient's manufacturing facilities, which are generally located near, and devoted to, a particular customer's facility; inability to recover engineering and tooling costs; market and financial consequences of any recalls that may be required on products that Adient has supplied or sold into the automotive aftermarket; delays or difficulties in new product development and integration; quantity and complexity of new program launches, which are subject to Adient's customers' timing, performance, design and quality standards; interruption of supply of certain single-source components; the potential introduction of similar or superior technologies; changing nature and prevalence of Adient's joint ventures and relationships with its strategic business partners; and global overcapacity and vehicle platform proliferation.

### **Risks Related to the Separation**

*Adient has no history operating as an independent company. Adient may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company, and Adient may experience increased costs after the separation.*

Adient's business has historically operated as part of Johnson Controls' corporate organization and Johnson Controls has assisted Adient by providing certain corporate functions. Following the separation, Johnson Controls will provide some of these functions to Adient, as described in "Certain Relationships and Related Person Transactions." Adient will need to make investments to replicate or outsource from other providers certain facilities, systems, infrastructure, and personnel to which Adient will no longer have access after its separation from Johnson Controls. These initiatives to develop Adient's independent ability to operate without access to Johnson Controls' existing operational and administrative infrastructure will have a cost to implement. Adient may not be able to operate its business efficiently or at comparable costs, and its profitability may decline.



***Adient's historical and pro forma financial information is not necessarily representative of the results that it would have achieved as a separate, publicly traded company and may not be a reliable indicator of its future results.***

The historical information about Adient in this information statement refers to Adient's business as operated by and integrated with Johnson Controls. Adient's historical and pro forma financial information included in this information statement is derived from the consolidated financial statements and accounting records of Johnson Controls. Accordingly, the historical and pro forma financial information included in this information statement does not necessarily reflect the financial condition, results of operations or cash flows that Adient would have achieved as a separate, publicly traded company during the periods presented or those that Adient will achieve in the future primarily as a result of the factors described below:

- Prior to the separation, Adient's business has been operated by Johnson Controls as part of its broader corporate organization, rather than as an independent company. Johnson Controls or one of its affiliates performed various corporate functions for Adient, such as accounting, information technology, and treasury. Adient's historical and pro forma financial results reflect allocations of corporate expenses from Johnson Controls for such functions and may not reflect the expenses Adient would have incurred had it operated as a separate publicly traded company. Following the separation, Adient will be responsible for the additional costs associated with being an independent, publicly-traded company, including costs related to corporate governance and external reporting;
- Generally, Adient's working capital requirements and capital for its general corporate purposes, including acquisitions, research and development and capital expenditures, have historically been satisfied as part of the corporate-wide cash management policies of Johnson Controls. Following the completion of the separation, Adient may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements; and
- After the completion of the separation, the cost of capital for Adient's business may be higher than Johnson Controls' cost of capital prior to the separation.

Other significant changes may occur in Adient's cost structure, management, financing and business operations as a result of operating as a company separate from Johnson Controls. For additional information about the past financial performance of Adient's business and the basis of presentation of the historical combined financial statements and the unaudited pro forma combined financial statements of Adient's business, see "Selected Historical Combined Financial Data of Adient," "Unaudited Pro Forma Condensed Combined Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and accompanying notes included in the "Index to Financial Statements" section of this information statement.

***As an independent, publicly traded company, Adient may not enjoy the same benefits that it did as a segment of Johnson Controls.***

Currently, Adient's business is integrated with the other businesses of Johnson Controls. Adient is able to use Johnson Controls' size and purchasing power in procuring various goods and services and has shared economies of scope and scale in costs, employees, vendor relationships and customer relationships. Although Adient will enter into transition agreements with Johnson Controls, these arrangements may not fully capture the benefits Adient has enjoyed as a result of being integrated with Johnson Controls and may result in Adient paying higher amounts than in the past for these services. As a separate, independent company, Adient may be unable to obtain goods and services at the prices and terms obtained prior to the separation, which could decrease Adient's overall profitability. This

could have an adverse effect on Adient's results of operations and financial condition following the completion of the separation.

***Adient's accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which Adient will be subject following the separation and distribution.***

Adient's financial results previously were included within the consolidated results of Johnson Controls. Although Adient believes that its financial reporting and internal controls were appropriate for those of a subsidiary of a public company, it was not directly subject to reporting and other requirements of the U.S. Securities Exchange Act of 1934, or Exchange Act. As a result of the separation and distribution, Adient will be directly subject to reporting and other obligations under the Exchange Act. Beginning with Adient's Annual Report on Form 10-K for fiscal 2016, Adient intends to comply with Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, which will require annual management assessments of the effectiveness of Adient's internal control over financial reporting and a report by Adient's independent registered public accounting firm on the effectiveness of Adient's internal control over financial reporting. These reporting and other obligations may place significant demands on management, administrative and operational resources, including accounting systems and resources.

The Exchange Act requires that Adient file annual, quarterly and current reports with respect to its business and financial condition. Under the Sarbanes Oxley Act, Adient is required to maintain effective disclosure controls and procedures and internal controls over financial reporting. To comply with these requirements, Adient may need to upgrade its systems, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and finance staff. Adient expects to incur additional annual expenses for the purpose of addressing these requirements. If Adient is unable to upgrade its financial and management controls, reporting systems, information technology systems and procedures in a timely and effective fashion, its ability to comply with financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on Adient's business, financial condition, results of operations and cash flow.

***As Adient builds its information technology infrastructure and transitions its data to its own systems, Adient could incur substantial additional costs and experience temporary business interruptions.***

After the separation, Adient will install and implement information technology infrastructure to support certain of its business functions, including accounting and reporting, manufacturing process control, customer service, inventory control and distribution. Adient may incur temporary interruptions in business operations if it cannot transition effectively from Johnson Controls' existing transactional and operational systems, data centers and the transition services that support these functions as Adient replaces these systems. Adient may not be successful in implementing its new systems and transitioning its data, and it may incur substantially higher costs for implementation than currently anticipated. Adient's failure to avoid operational interruptions as it implements the new systems and replaces Johnson Controls' information technology services, or its failure to implement the new systems and replace Johnson Controls' services successfully, could disrupt its business and have a material adverse effect on its profitability. In addition, if Adient is unable to replicate or transition certain systems, its ability to comply with regulatory requirements could be impaired.

***Johnson Controls may fail to perform under various transaction agreements that have or will be executed as part of the separation or Adient may fail to have necessary systems and services in place when certain of the transaction agreements expire.***

In connection with the separation, Adient and Johnson Controls will enter into a separation and distribution agreement and various other agreements, including a transition services agreement, a tax matters agreement, an employee matters agreement and a transitional trademark license agreement. These agreements are discussed in greater detail in the section titled “Certain Relationships and Related Person Transactions.” Certain of these agreements will provide for the performance of services by each company for the benefit of the other for a period of time after the separation. Adient will rely on Johnson Controls to satisfy its performance and payment obligations under these agreements. If Johnson Controls is unable to satisfy its obligations under these agreements, including its indemnification obligations, Adient could incur operational difficulties or losses.

If Adient does not have in place its own systems and services, or if Adient does not have agreements with other providers of these services when the transaction or long-term agreements terminate, Adient may not be able to operate its business effectively and its profitability may decline. Adient will be in the process of creating its own, or engaging third parties to provide, systems and services to replace many of the systems and services Johnson Controls currently provides to it. Adient may not be successful in effectively or efficiently implementing these systems and services or in transitioning data from Johnson Controls’ systems to Adient’s. These systems and services may also be more expensive or less efficient than the systems and services Johnson Controls is expected to provide during the transition period.

***Potential indemnification liabilities to Johnson Controls pursuant to the separation agreement could materially adversely affect Adient.***

The separation agreement with Johnson Controls will provide for, among other things, the principal corporate transactions required to effect the separation, certain conditions to the separation and provisions governing the relationship between Adient and Johnson Controls with respect to and resulting from the separation. For a description of the separation agreement, see “Certain Relationships and Related Person Transactions—Separation Agreement.” Among other things, the separation agreement provides for indemnification obligations designed to make Adient financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the separation, as well as those obligations of Johnson Controls assumed by Adient pursuant to the separation agreement. If Adient is required to indemnify Johnson Controls under the circumstances set forth in the separation agreement, Adient may be subject to substantial liabilities.

***The distribution will generally be taxable to Johnson Controls shareholders for U.S. federal income tax purposes.***

The distribution will be a taxable distribution for U.S. federal income tax purposes. An amount equal to the fair market value of the Adient ordinary shares received by a Johnson Controls shareholder in the distribution (including any fractional shares deemed received and any ordinary shares withheld on account of any Irish withholding taxes) will be treated as a taxable dividend to the extent of such shareholder’s ratable share of current and accumulated earnings and profits of Johnson Controls for the taxable year of the distribution. To the extent that the fair market value of such Adient ordinary shares exceeds a Johnson Controls shareholder’s ratable share of such earnings and profits, any such excess will be treated first as a nontaxable return of capital to the extent of such shareholder’s tax basis in Johnson Controls shares, and thereafter as capital gain recognized on a sale or exchange of such shares. No cash will be distributed to Johnson Controls shareholders pursuant to the distribution (except for cash paid in lieu of fractional Adient ordinary shares). Accordingly, Johnson Controls



shareholders will need to have alternative sources of cash from which to pay any resulting U.S. federal income tax liability. For more information, see “Material U.S. Federal Income Tax Consequences.”

***Johnson Controls has applied to the Irish Revenue for an opinion in respect of certain aspects of the Irish tax treatment of the transaction. There is no certainty that such an opinion will be obtained from the Irish Revenue or, if an opinion was obtained, that the Irish Revenue would not determine at a subsequent audit that the relevant conditions were not satisfied.***

Johnson Controls has applied to the Irish Revenue for an opinion in respect of certain aspects of the Irish tax treatment of the transaction. In particular, Johnson Controls has applied for a confirmation that the indirect distribution of Adient shares to the Johnson Controls shareholders does not trigger an obligation on Johnson Controls to apply Irish withholding tax (at the current rate of 20%). There is no certainty that such an opinion will be obtained from the Irish Revenue or, if an opinion was obtained, that the Irish Revenue would not determine at a subsequent audit that the relevant conditions were not satisfied. If the indirect distribution is determined to be subject to Irish dividend withholding tax and the relevant Johnson Controls shareholder did not qualify for an exemption from Irish dividend withholding tax (for example on the basis that the relevant shareholder was not resident for tax purposes in either the European Union or a country with which Ireland has a double tax treaty), Johnson Controls could be subject to a material Irish tax liability and the relevant Johnson Controls shareholder could receive a reduced number of Adient shares.

***Adient may not be able to engage in desirable strategic or capital raising transactions after the separation.***

Johnson Controls and Adient will engage in various restructuring transactions in connection with the distribution. To preserve the tax-free treatment of certain such restructuring transactions, for the two-year period following the separation, under the tax matters agreement that Adient will enter into with Johnson Controls, Adient may be prohibited, except in specific circumstances, from (i) entering into any transaction pursuant to which all or a portion of the Adient ordinary shares would be acquired, whether by merger or otherwise, (ii) ceasing to actively conduct certain of its businesses or (iii) taking or failing to take any other action that would prevent certain of such restructuring transactions from qualifying as transactions that are generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”). These restrictions may limit for a period of time Adient’s ability to pursue certain strategic transactions or other transactions that Adient may believe to be in the best interests of its shareholders or that might increase the value of its business. For more information, see “Certain Relationships and Related Person Transactions—Tax Matters Agreement.”

***After the separation, certain of Adient’s executive officers and directors may have actual or potential conflicts of interest because of their service as executive officers or directors of Johnson Controls.***

Because of their past service with Johnson Controls, certain of Adient’s expected officers and directors own Johnson Controls shares, options to purchase Johnson Controls shares or other equity awards. Following the separation, even though Adient’s board of directors will consist of a majority of directors who are independent, and Adient’s expected executive officers and directors who are currently employees or directors of Johnson Controls and cease to be employees or directors of Johnson Controls, some Adient executive officers and directors will continue to have a financial interest in Johnson Controls shares. Continuing ownership of Johnson Controls shares and equity awards could create, or appear to create, potential conflicts of interest if Adient and Johnson Controls pursue the same corporate opportunities or face decisions that could have different implications for Adient and Johnson Controls.

***Adient may not achieve some or all of the expected benefits of the separation, and the separation may adversely affect Adient's business.***

Adient may not be able to achieve the full strategic and financial benefits expected to result from the separation, or such benefits may be delayed or not occur at all. The separation and distribution are expected to provide the following benefits, among others: (i) allowing Johnson Controls and Adient to focus exclusively on their own businesses and their distinct needs, and pursue unique opportunities for long-term growth and profitability; (ii) more efficient allocation of capital for both Johnson Controls and Adient; and (iii) direct access by Adient to the capital markets.

Adient may not achieve these and other anticipated benefits for a variety of reasons, including, among others: (a) the separation will require significant amounts of management's time and effort, which may divert management's attention from operating and growing Adient's business; (b) following the separation, Adient may be more susceptible to market fluctuations and other adverse events than if it were still a part of Johnson Controls; (c) following the separation, Adient's business will be less diversified than Johnson Controls' business prior to the separation; and (d) the other actions required to separate Johnson Controls' and Adient's respective businesses could disrupt Adient's operations. If Adient fails to achieve some or all of the benefits expected to result from the separation, or if such benefits are delayed, the business, financial conditions, and results of operations of Adient could be adversely affected.

***Adient may have received better terms from unaffiliated third parties than the terms it will receive in its agreements with Johnson Controls.***

The agreements Adient will enter into with Johnson Controls in connection with the separation, including a transition services agreement, a tax matters agreement, an employee matters agreement and a transitional trademark license agreement, were prepared in the context of the separation while Adient's business was still operated by and part of Johnson Controls. Accordingly, during the period in which the terms of those agreements were prepared, Adient did not have an independent board of directors or a management team that was independent of Johnson Controls. As a result, the terms of those agreements may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties. Arm's-length negotiations between Johnson Controls and an unaffiliated third party in another form of transaction, such as a buyer in a sale of a business transaction, may have resulted in more favorable terms to the unaffiliated third party. See "Certain Relationships and Related Person Transactions."

***Challenges in the commercial and credit environment may adversely affect Adient's ability to complete the separation and Adient's future access to capital.***

Adient's ability to issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for Adient's products or in the solvency of its customers or suppliers or other significantly unfavorable changes in economic conditions. Volatility in the world financial markets could increase borrowing costs or affect Adient's ability to access the capital markets. These conditions may adversely affect Adient's ability to obtain targeted credit ratings prior to and following the separation.

***In connection with Adient's separation from Johnson Controls, Adient will incur debt obligations that could adversely affect Adient's business, profitability and its ability to meet Adient's obligations.***

As of March 31, 2016, on a pro forma basis after giving effect to the new financing arrangements that Adient expects to enter into in connection with the separation and after giving effect to the application of the net proceeds of such financing, Adient's total combined indebtedness would have been \$3.5 billion.

This significant amount of debt could potentially have important consequences to Adient and its debt and equity investors, including:

- requiring a substantial portion of Adient's cash flow from operations to make interest payments on this debt following the separation;
- making it more difficult to satisfy debt service and other obligations;
- increasing the risk of a future credit ratings downgrade of its debt, which could increase future debt costs and limit the future availability of debt financing;
- increasing Adient's vulnerability to general adverse economic and industry conditions;
- reducing the cash flow available to fund capital expenditures and other corporate purposes and to grow Adient's business;
- limiting Adient's flexibility in planning for, or reacting to, changes in its business and the industry;
- placing Adient at a competitive disadvantage relative to its competitors that may not be as highly leveraged with debt; and
- limiting Adient's ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase ordinary shares.

To the extent that Adient incurs additional indebtedness, the risks described above could increase. In addition, Adient's actual cash requirements in the future may be greater than expected. Adient's cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and Adient may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance Adient's debt.

#### **Risks Related to Adient Ordinary Shares**

***Adient cannot be certain that an active trading market for its ordinary shares will develop or be sustained after the separation, and following the separation, Adient's share price may fluctuate significantly.***

A public market for Adient ordinary shares does not currently exist. Adient anticipates that on or prior to the record date for the distribution, trading of its ordinary shares will begin on a "when-issued" basis and will continue through the distribution date. However, Adient cannot guarantee that an active trading market will develop or be sustained for its ordinary shares after the separation. Nor can Adient predict the prices at which its ordinary shares may trade after the separation. Similarly, Adient cannot predict the effect of the separation on the trading prices of its ordinary shares or whether the combined market value of the ordinary shares of Adient and the shares of Johnson Controls will be less than, equal to or greater than the market value of Johnson Controls shares prior to the separation.

The market price of Adient ordinary shares may fluctuate significantly due to a number of factors, some of which may be beyond Adient's control, including:

- actual or anticipated fluctuations in Adient's operating results;
- changes in earnings estimated by securities analysts or Adient's ability to meet those estimates;
- the operating and stock price performance of comparable companies;
- changes to the regulatory and legal environment under which Adient operates;
- the trading volume and liquidity of Adient ordinary shares; and
- domestic and worldwide economic conditions.

In addition, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against Adient could cause it to incur substantial costs and could divert the time and attention of its management and other resources.

***A number of Adient ordinary shares are or will be eligible for future sale, which may cause Adient's share price to decline.***

Any sales of substantial amounts of Adient ordinary shares in the public market or the perception that such sales might occur, in connection with the distribution or otherwise, may cause the market price of Adient ordinary shares to decline. Upon completion of the distribution, Adient expects that it will have an aggregate of approximately                      million ordinary shares issued and outstanding on                      , 2016. These shares will be freely tradeable without restriction or further registration under the U.S. Securities Act of 1933, as amended, or the Securities Act, unless the shares are owned by one of Adient's "affiliates," as that term is defined in Rule 405 under the Securities Act.

Adient is unable to predict whether large amounts of its ordinary shares will be sold in the open market following the distribution. Adient is also unable to predict whether a sufficient number of buyers would be in the market at that time.

***Adient cannot guarantee the timing, amount or payment of dividends on its ordinary shares.***

Although Adient expects to pay regular cash dividends following the separation, the timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of Adient's board of directors. The board's decisions regarding the payment of dividends will depend on many factors, such as Adient's financial condition, earnings, sufficiency of distributable reserves, capital requirements, debt service obligations, legal requirements, regulatory constraints and other factors that the board deems relevant. For more information, see "Dividend Policy." Adient's ability to pay dividends will depend on its ongoing ability to generate cash from operations and access capital markets. Adient cannot guarantee that it will pay a dividend in the future or continue to pay any dividend if Adient commences paying dividends.

***Your percentage of ownership in Adient may be diluted in the future.***

In the future, your percentage ownership in Adient may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including equity awards that Adient will be granting to Adient's directors, officers and employees. Adient's employees will have options to purchase its ordinary shares after the distribution as a result of the conversion of their Johnson Controls stock options (in whole or in part) to Adient share options. Adient anticipates its compensation committee will grant additional stock options or other stock-based awards to its employees after the distribution. Such awards will have a dilutive effect on Adient's earnings per share, which could adversely affect the market price of Adient ordinary shares. From time to time, Adient will issue additional options or other stock-based awards to its employees under Adient's employee benefits plans.

In addition, Adient's articles of association will authorize Adient to issue, without the approval of Adient's shareholders, one or more classes or series of preferred shares having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over Adient ordinary shares respecting dividends and distributions, as Adient's board of directors generally may determine. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of Adient ordinary shares. For example, Adient could grant the holders of preferred shares the right to elect some number of Adient's directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences Adient could assign to holders of preferred shares could affect the residual value of the ordinary shares. See "Description of Adient's Capital Stock."

***Adient ordinary shares will have rights different from Johnson Controls shares.***

Upon completion of the distribution, the rights of Johnson Controls shareholders who become Adient shareholders will be governed by the articles of association of Adient and by English law. The rights associated with Johnson Controls shares are different from the rights associated with Adient ordinary shares. Material differences between the rights of shareholders of Johnson Controls and the rights of shareholders of Adient include differences with respect to, among other things, the election of directors, the removal of directors, the indemnification of directors and officers, limitations on director liability, the convening of annual meetings of shareholders and special shareholder meetings, notice provisions for meetings, the exercise of voting rights, shareholder action by written consent, shareholder approval of certain transactions, anti-takeover measures and provisions relating to the ability to amend the articles of association. See “Description of Adient’s Capital Stock.”

***Certain provisions in Adient’s articles of association, among other things, could prevent or delay an acquisition of Adient, which could decrease the trading price of Adient ordinary shares.***

An English public limited company is potentially subject to the protections afforded by the Takeover Code if, among other factors, its central place of management and control is within the United Kingdom, the Channel Islands or the Isle of Man. Based upon Adient’s current and intended plans for its directors and management, the Takeover Code would not apply to Adient, although it is possible that, in the future, circumstances could change that may cause the Takeover Code to apply.

For so long as Adient is not subject to the Takeover Code, the Adient articles of association will include measures which may be found in the charters of U.S. companies, including (i) the power for the board of directors to issue and allot preferred shares or implement a shareholder rights plan without shareholder approval in certain circumstances; and (ii) a provision similar to Section 203 of the Delaware General Corporation Law, which provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15 percent of the outstanding ordinary shares of Adient shall not engage in any business combination with Adient, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliates becomes the holder of more than 15 percent of Adient’s outstanding ordinary shares. The provisions described in (i) and (ii) would cease to be applicable if the Takeover Code is subsequently deemed by the Takeover Panel to be applicable to Adient.

It could be more difficult for Adient to obtain shareholder approval for a merger or negotiated transaction after the distribution because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under English law than under U.S. state law.

***As an English public limited company, certain capital structure decisions will require shareholder approval, which may limit Adient’s flexibility to manage its capital structure.***

English law provides that a board of directors may allot shares (or rights to subscribe for or convertible into shares) only with the prior authorization of shareholders, such authorization for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. This authorization would need to be renewed by Adient’s shareholders upon its expiration (*i.e.*, at least every five years). The Adient articles of association will authorize the allotment of shares (subject to the limits provided for in the NYSE Listed Company Manual) for a period of five years from the date of adoption of the Adient articles of association, which authorization will need to be renewed by ordinary resolution, being a resolution passed by a simple majority of votes cast, upon expiration (*i.e.*, at least every five years) but may be sought more frequently for additional five-year terms (or any shorter period).

English law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for the Adient articles of association, or shareholders in general



meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution; in either case, this exclusion would need to be renewed by Adient's shareholders upon its expiration (*i.e.*, at least every five years). The Adient articles of association will exclude preemptive rights for a period of five years from the date of adoption of the Adient articles of association, which exclusion will need to be renewed by special resolution, being a resolution passed by not less than 75% of votes cast, upon expiration (*i.e.*, at least every five years) but may be sought more frequently for additional five-year terms (or any shorter period).

English law also generally prohibits a public company from repurchasing its own shares without the prior approval of shareholders by ordinary resolution, being a resolution passed by a simple majority of votes cast, and other formalities. Such approval may be for a maximum period of up to five years. Adient anticipates that, prior to the distribution, an ordinary resolution will be adopted to permit purchases of Adient ordinary shares. This ordinary resolution will need to be renewed upon expiration (*i.e.*, at least every five years) but may be sought more frequently for additional five-year terms (or any shorter period).

***English law will require that Adient meet certain additional financial requirements before it declares dividends following the distribution.***

Under English law, Adient will be able to declare dividends or make distributions only out of distributable reserves of Adient. Distributable reserves are the accumulated realized profits of Adient that have not previously been utilized in a distribution or capitalization less accumulated realized losses that have not previously been written off in a reduction or reorganization of capital, and include reserves created by way of a reduction of capital, including the share premium account. In addition, no distribution or dividend may be paid or made by Adient unless the net assets of Adient are equal to, or exceed, the aggregate of Adient's called up share capital plus non-distributable reserves and the distribution does not reduce Adient's net assets below such aggregate. Non-distributable reserves include the share premium account, the capital redemption reserve fund and the amount by which Adient's accumulated unrealized profits that have not previously been utilized by any capitalization exceed Adient's accumulated unrealized losses that have not previously been written off in a reduction or reorganization of capital.

Following the distribution, it is expected that Adient will capitalize the reserve created pursuant to the internal restructuring transactions related to the distribution and implement a parallel court-approved reduction of that capital in order to create a reserve of an equivalent amount of distributable reserves to support the payment of possible future dividends or future share repurchases. Neither the capitalization nor the reduction will impact shareholders' relative interests in the capital of Adient. The Adient articles of association are expected to permit Adient by ordinary resolution of the shareholders to declare dividends, provided that the directors have made a recommendation as to its amount. The dividend shall not exceed the amount recommended by the directors. The directors may also decide to pay interim dividends if it appears to them that the profits available for distribution justify the payment. When recommending or declaring the payment of a dividend, the directors will be required under English law to comply with their duties, including considering Adient's future financial requirements.

***The laws of England and Wales differ from the laws in effect in the United States and may afford less protection to holders of Adient securities.***

It may not be possible to enforce court judgments obtained in the United States against Adient in England and Wales based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of England and Wales would recognize or enforce judgments of U.S. courts obtained against Adient or its directors or officers based on the civil

liabilities provisions of the U.S. federal or state securities laws or hear actions against Adient or those persons based on those laws. The United States currently does not have a treaty with England and Wales providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters in each of the United Kingdom's jurisdictions. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in the United Kingdom.

A judgment obtained against Adient will be enforced by English courts if the following general requirements are met: (i) the U.S. court must have been one of competent jurisdiction in relation to the particular defendant according to English conflict of laws rules (the submission to jurisdiction by the defendant in the U.S. court would satisfy this rule), (ii) the judgment must be for a sum of money, but not for taxes, a fine or other penalty and (iii) the judgment must be final and conclusive and unalterable in the court which pronounced it. A judgment may be final and conclusive even though an appeal is pending in the U.S. court where it was given, although in such a case a stay of execution would likely be ordered by the U.S. court pending a possible appeal. A judgment given in default of appearance may be considered by the English courts as final and conclusive. However, the English courts may refuse to enforce a judgment of the U.S. courts that meets the above requirements for one of the following reasons: (a) if the judgment was obtained by fraud, (b) the enforcement or recognition of the judgment would be contrary to public policy or the European Convention on Human Rights, (c) the proceedings in which the judgment was obtained were opposed to natural justice, (d) the judgment is inconsistent with a prior judgment on the same subject matter and between the same parties, (e) the judgment is for multiple damages and is therefore unenforceable under the Protection of Trading Interests Act 1980 or (f) the proceedings in which the judgment was obtained were brought contrary to a jurisdiction or arbitration agreement.

As a company incorporated under the laws of England and Wales, Adient will be governed by the U.K. Companies Act 2006, as amended, or the Companies Act, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an English company generally are owed to the company only. Shareholders of English companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of Adient securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the United States.

In addition, the Adient articles of association will provide that the courts of England and Wales have exclusive jurisdiction to determine any and all derivative actions in which a holder of Adient ordinary shares asserts a claim in the name of Adient, actions asserting a claim of breach of a fiduciary duty of any of the directors of Adient and actions asserting a claim arising pursuant to any provision of English law or Adient's articles of association. Under English law, the proper claimant for wrongs committed against Adient, including by the Adient directors, is considered to be Adient itself. English law permits a shareholder to initiate a lawsuit on behalf of a company such as Adient only in limited circumstances, and requires court permission to do so.

***The IRS may not agree that Adient is a foreign corporation for U.S. federal tax purposes.***

For U.S. federal tax purposes, a corporation is generally considered to be a tax resident of the jurisdiction of its organization or incorporation. Because Adient is a company incorporated under the laws of England and Wales, it would be classified as a foreign corporation under these rules. Section 7874 of the Code, or Section 7874, provides an exception to this general rule under which a foreign incorporated entity may, in certain circumstances, be classified as a U.S. corporation for U.S.



federal tax purposes. The rules under Section 7874 are relatively new and complex and there is limited guidance regarding their application.

Under Section 7874, a corporation created or organized outside the United States (*i.e.*, a foreign corporation) will nevertheless be treated as a U.S. corporation for U.S. federal tax purposes if (i) the foreign corporation directly or indirectly acquires substantially all of the properties held directly or indirectly by a U.S. corporation (including through an acquisition of the outstanding shares of the U.S. corporation), (ii) the former shareholders of the acquired U.S. corporation hold at least 80% (by either vote or value) of the shares of the foreign acquiring corporation after the acquisition by reason of holding shares in the acquired U.S. corporation (including the receipt of the foreign corporation's shares in exchange for the U.S. corporation's shares), or the 80% Ownership Test, and (iii) the foreign corporation's "expanded affiliated group" does not have substantial business activities in the foreign corporation's country of organization or incorporation relative to such expanded affiliated group's worldwide activities. For purposes of Section 7874, acquisitions of multiple U.S. corporations (and/or substantially all of the assets of multiple U.S. corporations) by a foreign corporation, if treated as part of a plan or series of related transactions, may be treated as a single acquisition, in which case all shares of the foreign acquiring corporation received by the shareholders of the U.S. corporations would be aggregated for purposes of the 80% Ownership Test. Where, pursuant to the same transaction, stock of the foreign acquiring corporation is received in exchange for stock of a U.S. corporation as well as other property, the portion of the stock of the foreign acquiring corporation received in exchange for the stock of the U.S. corporation is determined based on the relative value of the stock of the U.S. corporation compared with the aggregate value of such stock and such other property.

As part of the separation, Adient will indirectly acquire assets, including stock of U.S. subsidiaries, from Johnson Controls, Inc., which is a U.S. corporation. It is currently not expected that Section 7874 will cause Adient or any of its affiliates to be treated as a U.S. corporation for U.S. tax purposes as a result of such acquisitions because, among other things, based on the rules for determining ownership under Section 7874 and the Treasury Regulations promulgated thereunder and certain factual assumptions, (i) the assets acquired from Johnson Controls, Inc. are not expected to constitute "substantially all" of the properties held directly or indirectly by Johnson Controls, Inc. and (ii) the shares received by reason of holding stock in the U.S. subsidiaries of Johnson Controls, Inc. transferred in the separation are not expected to represent at least 80% (by either vote or value) of the relevant shares. However, whether or not certain of the tests under Section 7874 are satisfied must be finally determined at the completion of the separation, by which time there could be adverse changes in relevant facts and circumstances. Moreover, the law and Treasury Regulations promulgated under Section 7874 are relatively new, complex and somewhat unclear, and there is limited guidance regarding the application of Section 7874 in circumstances similar to the separation. For example, there is currently no guidance that expressly defines what constitutes "substantially all" of the properties of a U.S. corporation for purposes of Section 7874 and it is possible that the IRS may assert that "substantially all" of the properties of Johnson Controls, Inc. (or of a U.S. subsidiary of Johnson Controls, Inc.) were acquired in the separation. In addition, there is limited guidance on the application of the 80% Ownership Test in circumstances similar to the separation and the IRS may not agree that the shares held by reason of holding shares in U.S. subsidiaries that (or substantially all of the assets of which) were transferred in the separation represent less than 80% (by either vote or value) of the relevant shares for purposes of Section 7874. Moreover, the percentage represented by such shares will depend on the relative valuation of the various assets (including stock of subsidiaries) that are transferred in connection with the separation. Valuation matters can be subjective, and the IRS may also seek to challenge the valuation of such assets.

In addition, on April 4, 2016, the U.S. Department of Treasury (the "U.S. Treasury") and the IRS issued temporary Treasury Regulations under Section 7874 (the "Temporary 7874 Regulations"), which generally increase the likelihood that the relevant ownership percentages under Section 7874 will be

exceeded. Although it is presently not expected that the Temporary 7874 Regulations will adversely affect the U.S. federal tax status of Adient or any of its foreign affiliates as a foreign corporation (and although it is possible that the Temporary 7874 Regulations could cause certain exceptions to the application of Section 7874 to apply to the separation), the Temporary 7874 Regulations are new and complex, and there is limited guidance regarding their application.

Accordingly, there can be no assurance that the IRS will not challenge the status of Adient or any of its foreign affiliates as a foreign corporation under Section 7874 or that such challenge would not be sustained by a court. If the IRS were to successfully challenge such status under Section 7874, Adient and its affiliates could be subject to substantial additional U.S. tax liability. In addition, Adient and certain of its foreign affiliates are expected, regardless of any application of Section 7874, to be treated as tax residents of countries other than the United States. Consequently, if Adient or any such affiliate is treated as a U.S. corporation for U.S. federal tax purposes under Section 7874, Adient or such affiliate could be liable for both U.S. and non-U.S. taxes, which could have a material adverse effect on its financial condition and results of operations.

Please see “Material U.S. Federal Income Tax Consequences—U.S. Federal Income Tax Consequences of the Separation to Adient—Tax Residence of Adient for U.S. Federal Income Tax Purposes” for a more detailed discussion of the application of Section 7874 to the separation.

***Section 7874 may limit the ability of Adient’s U.S. affiliates to use certain tax attributes following the separation or otherwise increase such U.S. affiliates’ U.S. taxable income.***

Following the acquisition of a U.S. corporation by a foreign corporation, Section 7874 of the Code can limit the ability of the acquired U.S. corporation and its U.S. affiliates to use U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. taxable income resulting from certain transactions. Specifically, Section 7874 can apply in this manner if (i) the foreign corporation acquires, directly or indirectly, substantially all of the properties held directly or indirectly by a U.S. corporation (including through an acquisition of the outstanding shares of the U.S. corporation), (ii) after the acquisition, the former shareholders of the acquired U.S. corporation hold at least 60% (by either vote or value) but less than 80% (by vote and value) of the shares of the foreign acquiring corporation by reason of holding shares in the acquired U.S. corporation (including the receipt of the foreign corporation’s shares in exchange for the U.S. corporation’s shares), or the 60% Ownership Test, and (iii) the foreign corporation’s “expanded affiliated group” does not have substantial business activities in the foreign corporation’s country of organization or incorporation relative to such expanded affiliated group’s worldwide activities. For purposes of Section 7874, acquisitions of multiple U.S. corporations (and/or substantially all of the assets of multiple U.S. corporations) by a foreign corporation, if treated as part of a plan or series of related transactions, may be treated as a single acquisition, in which case all shares of the foreign acquiring corporation received by the shareholders of the U.S. corporations would be aggregated for purposes of the 60% Ownership Test. Where, pursuant to the same transaction, stock of the foreign acquiring corporation is received in exchange for stock of a U.S. corporation as well as other property, the stock of the foreign acquiring corporation that was received in exchange for the stock of the U.S. corporation is determined based on the relative value of the stock of the U.S. corporation compared with the aggregate value of such stock and such other property.

As part of the separation, Adient will indirectly acquire assets, including stock of U.S. subsidiaries, from Johnson Controls, Inc., which is a U.S. corporation, in exchange for Adient ordinary shares. It is currently not expected that Section 7874 will limit the ability of Adient’s U.S. affiliates to use certain tax attributes because, among other things, based on the rules for determining ownership under Section 7874 and the Treasury Regulations promulgated thereunder and certain factual assumptions, (i) the assets acquired from Johnson Controls, Inc. are not expected to constitute “substantially all” of the properties held directly or indirectly by Johnson Controls and (ii) the shares received by reason of

holding stock in the U.S. subsidiaries transferred in the separation are not expected to represent at least 60% (by either vote or value) of the relevant shares. However, whether or not certain of the tests under Section 7874 are satisfied must be finally determined at the completion of the separation, by which time there could be adverse changes in relevant facts and circumstances. In addition, as discussed above, the Treasury Regulations promulgated under Section 7874 are relatively new, complex and somewhat unclear and there is limited guidance regarding the application of Section 7874 in circumstances similar to the separation. Moreover, the percentage of shares held by reason of holding stock of relevant U.S. subsidiaries of Johnson Controls, Inc. will depend on the relative valuation of the assets transferred in connection with the separation and valuation matters can be subjective.

In addition, the Temporary 7874 Regulations generally increase the likelihood that the relevant ownership percentages under Section 7874 will be exceeded and limit or eliminate certain tax benefits to so-called inverted corporations and groups, including with respect to access to certain foreign earnings, post-inversion restructuring transactions and the ability to use certain attributes and deductions. Although it is presently not expected that the Temporary 7874 Regulations will materially adversely affect the benefits of the separation or the ability of Adient's U.S. affiliates to use certain U.S. tax attributes or deductions (and although it is possible that the Temporary 7874 Regulations could cause certain exceptions to the application of Section 7874 to apply to the separation), the Temporary 7874 Regulations are new and complex, and there is limited guidance regarding their application.

Accordingly, there can be no assurance that the IRS would not assert that Section 7874 applies to limit the ability of the U.S. subsidiaries and affiliates of Adient to use certain U.S. tax attributes or that such challenge would not be sustained by a court. If the relevant tests under Section 7874 are satisfied for any reason, or if changes in applicable law adversely affect the application of the above rules to Adient, Adient's U.S. affiliates could be limited in their ability to use their U.S. tax attributes, if any, to offset taxable income resulting from certain transactions, or could otherwise have their U.S. taxable income increased.

Please see "Material U.S. Federal Income Tax Consequences—U.S. Federal Income Tax Consequences of the Separation to Adient—Tax Residence of Adient for U.S. Federal Tax Purposes" for a more detailed discussion of the application of Section 7874 to the separation.

***Adient's status as a foreign corporation for U.S. federal tax purposes and the U.S. tax liabilities of the Adient group could be affected by a change in law.***

Under current law, Adient is expected to be treated as a foreign corporation for U.S. federal tax purposes and Section 7874 is not otherwise expected to apply to Adient or its affiliates as a result of the separation. However, changes to the rules contained in Section 7874 and the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect Adient's and/or its affiliates' status as foreign corporations for U.S. federal tax purposes, the ability of Adient's U.S. affiliates to use certain attributes or deductions, the Adient group's effective tax rate and/or future tax planning for the Adient group, and any such changes could have prospective or retroactive application to Adient, its shareholders and affiliates, and/or the separation and distribution.

Recent legislative and other proposals have aimed to expand the scope of U.S. corporate tax residence, including in such a way as could cause Adient and/or its affiliates to be treated as U.S. corporations if the management and control of Adient or such affiliates were determined to be located primarily in the United States. In addition, recent legislative and other proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called inversion transactions. For example, a provision in the Obama Administration's 2017 budget proposals, which if enacted in its present form, would be effective for transactions completed after December 31, 2016, as well as proposals that have been introduced by members of Congress which, if enacted in their present form, would be effective retroactively to any transactions completed after

May 8, 2014, would, among other things, treat a foreign acquiring corporation as a U.S. corporation for U.S. federal tax purposes under Section 7874 if the former shareholders of the acquired U.S. corporation own more than 50% of the shares of the foreign acquiring corporation after the transaction by reason of holding shares in the U.S. acquired corporation (including the receipt of the foreign corporation's shares in exchange for the U.S. corporation's shares). Such or similar proposals, if made retroactively effective to transactions completed during the period in which the separation occurs, could cause Adient and/or its affiliates to be treated as U.S. corporations for U.S. federal tax purposes. In such case, the Adient group would be subject to substantially greater U.S. tax liability than currently contemplated. Other recent legislative and regulatory proposals (including, most recently, proposed legislation introduced by Democratic members of the House of Representatives on February 23, 2016, which, if enacted in its present form, would be effective with respect to any transactions completed on or after May 8, 2014; proposed legislation introduced by Democratic members of the Senate on March 10, 2016, which, if enacted in its present form, would be effective with respect to taxable years ending after March 9, 2016; proposed legislation introduced by Democratic members of the Senate on March 10, 2016, which, if enacted in its present form, would be effective with respect to taxable years beginning after the date of enactment; and proposed Treasury Regulations under Section 385 of the Code issued by the U.S. Treasury and the IRS on April 4, 2016), if enacted or finalized, could cause Adient's U.S. affiliates to be subject to certain intercompany financing limitations, including with respect to their ability to deduct certain interest expense, and could cause Adient and its affiliates to recognize additional taxable income. It is presently uncertain whether any such legislative proposals or any other legislation relating to Section 7874 or so-called inversion transactions will be enacted into law or whether such proposed Treasury Regulations will be issued in final form and, if so, what impact such legislation or final Treasury Regulations would have on Adient and its affiliates.

Any change of law or regulatory action relating to Section 7874 or so-called inversion transactions or inverted groups could adversely impact Adient's and/or its affiliates' U.S. tax status as foreign corporations as well as their financial position, flexibility and results in a material manner.

***The IRS may assert that Section 7874 applies to the separation as a result of the merger.***

For purposes of Section 7874, if two or more foreign corporations directly or indirectly acquire, in the aggregate, substantially all of the properties of a U.S. corporation, and such acquisitions are treated as part of a plan or a series of related transactions, then each such foreign corporation may be treated as acquiring substantially all of the properties of such U.S. corporation. However, there is no specific guidance regarding how the percentage ownership of the former shareholders of such U.S. corporation in each such foreign corporation is determined for purposes of Section 7874 in such circumstances. The IRS may assert that, even though the Tyco merger is a separate transaction from the separation, the merger should be integrated with the separation and that Adient and/or its affiliates should therefore be treated as having acquired substantially all of the properties of Johnson Controls, Inc. in the separation. In the event the IRS were to prevail with such assertion, the application of Section 7874 to the separation is not entirely clear. It is possible that the determination of whether the 60% Ownership Test or the 80% Ownership Test is met with respect to the separation would be made by reference to the percentage of shares of Johnson Controls held by the former shareholders of Johnson Controls, Inc. after the Tyco merger by reason of holding shares in Johnson Controls, Inc. Under this approach, based on certain factual assumptions and current provisions of U.S. federal income tax law, it is expected that Adient would be respected as a foreign corporation for U.S. federal tax purposes. However, there can be no assurance that the IRS would not assert a different methodology and conclude that either the 60% Ownership Test or the 80% Ownership Test is satisfied. If the IRS were to prevail with such assertion, the ability of Adient's U.S. affiliates to use certain U.S. tax attributes could be limited and/or Adient or its foreign affiliates could be treated as a U.S. corporation for U.S. federal tax purposes. If Adient or its affiliates were to be subject to such limitations or to be so treated, significant adverse tax consequences would result.

***Future changes to U.S. and non-U.S. tax laws could adversely affect Adient.***

The U.S. Congress, the Organization for Economic Co-operation and Development and other government agencies in jurisdictions where Adient and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of “base erosion and profit shifting,” including situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the United States and other countries in which Adient and its affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect Adient and its affiliates.

***Legislative action in the United States could materially adversely affect Adient.***

Legislative action may be taken by the U.S. Congress which, if ultimately enacted, could limit the availability of tax benefits or deductions that Adient and its affiliates currently claim, override tax treaties upon which Adient and its affiliates rely, or otherwise affect the taxes that the United States imposes on Adient’s and its affiliates’ worldwide operations. Such changes could materially adversely affect Adient’s effective tax rate and/or require Adient to take further action, at potentially significant expense, to seek to preserve Adient’s effective tax rate. In addition, if proposals were enacted that had the effect of limiting Adient’s or its affiliates’ ability to take advantage of tax treaties with the United States, Adient and/or its affiliates could incur additional tax expense and/or otherwise incur business detriment.

***Changes to the U.S. Model Income Tax Treaty could adversely affect Adient.***

On February 17, 2016, the U.S. Treasury released a newly revised U.S. model income tax convention (the “model”), which is the baseline text used by the U.S. Treasury to negotiate tax treaties. The new model treaty provisions were preceded by draft versions released by the U.S. Treasury on May 20, 2015 (the “May 2015 draft”) for public comment. The revisions made to the model address certain aspects of the model by modifying existing provisions and introducing entirely new provisions. Specifically, the new provisions target (i) permanent establishments subject to little or no foreign tax, (ii) special tax regimes, (iii) “expatriated entities” subject to Section 7874, (iv) the anti-treaty shopping measures of the limitation on benefits article and (v) subsequent changes in treaty partners’ tax laws.

With respect to the new model provisions pertaining to expatriated entities, because it is expected that the separation will not result in the creation of an “expatriated entity” as defined in Section 7874, payments of interest, dividends, royalties and certain other items of income by or to Adient’s U.S. affiliates to or from non-U.S. persons would not be expected to become subject to full U.S. withholding tax, even if applicable treaties were subsequently amended to adopt the new model provisions. In response to comments that the U.S. Treasury received regarding the May 2015 draft, the new model treaty provisions pertaining to expatriated entities fix the definition of “expatriated entity” to the meaning ascribed to such term under Section 7874(a)(2)(A) as of the date the relevant bilateral treaty is signed. As discussed above, the rules under Section 7874 are relatively new, complex and are the subject of current and future legislative and regulatory changes. Accordingly, there can be no assurance that the IRS will agree with the position that the separation does not result in the creation of an “expatriated entity” (within the meaning of Section 7874) under current law or law as in effect at the time the applicable treaty were amended or that any such challenge by the IRS would not be sustained by a court, or that such position would not be affected by future or regulatory action which may apply retroactively to the separation.



***Legislative and other proposals that would deny governmental contracts to U.S. companies that move their corporate location abroad may affect Adient if adopted.***

Various U.S. federal and state legislative and other proposals that would deny governmental contracts to U.S. companies (and subsidiaries of U.S. companies) that move (or have moved) their corporate location abroad may affect Adient and/or its affiliates if adopted. It is difficult to predict the likelihood that any such proposals might be adopted, the nature of the regulations that might be promulgated, or the effect such adoptions and increased regulatory scrutiny might have on Adient's business.

***Transfers of Adient ordinary shares may be subject to stamp duty or stamp duty reserve tax in the United Kingdom, which would increase the cost of dealing in Adient ordinary shares.***

Stamp duty and/or stamp duty reserve tax, or SDRT, are imposed in the United Kingdom on certain transfers of chargeable securities (including shares in companies incorporated in the United Kingdom) at a rate of 0.5% of the consideration paid for the transfer. Issues and transfers of shares to depositaries or into clearance systems were formerly charged at a higher rate of 1.5%. However, following litigation, Her Majesty's Revenue and Customs, or HMRC, has announced that it will no longer seek to impose this charge on the issue of new shares into depositaries or clearing systems anywhere in the world, as this is incompatible with EU law.

Transfers of shares held in book entry form through the Depository Trust & Clearing Corporation, or DTC, should not be subject to stamp duty or SDRT in the United Kingdom. But a transfer of title in the shares from within the DTC system out of DTC and any subsequent transfers that occur entirely outside the DTC system, including a repurchase by Adient, will generally be subject to stamp duty or SDRT at a rate of 0.5% of any consideration. This stamp duty must be paid by the transferee (and the relevant transfer document stamped by HMRC) before the transfer can be registered in the books of Adient. If these shares are redeposited into the DTC system, the redeposit will be subject to stamp duty or SDRT at the higher 1.5% rate.

Adient expects to put in place arrangements to require that shares held in certificated form cannot be transferred into the DTC system until the transferor of the shares has first delivered the shares to a depository specified by Adient so that stamp duty or SDRT may be collected in connection with the initial delivery to the depository. These shares will be evidenced by a receipt issued by the depository. Before the transfer can be registered in the books of Adient, the transferor will also be required to put in the depository funds to settle the applicable stamp duty or SDRT charged at a rate of 1.5% of the value of the shares.

## **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This information statement and other materials Johnson Controls and Adient have filed or will file with the SEC contain, or will contain, certain forward-looking statements regarding business strategies, market potential, future financial performance and other matters. The words “believe,” “expect,” “anticipate,” “project” and similar expressions, among others, generally identify “forward-looking statements,” which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. In particular, information included under “Risk Factors,” “The Separation and Distribution,” “Business,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contain forward-looking statements. Where, in any forward-looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of Adient management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. Except as may be required by law, Adient undertakes no obligation to modify or revise any forward-looking statements to reflect events or circumstances occurring after the date of this information statement. Factors that could cause actual results or events to differ materially from those anticipated include the matters described under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”



## THE SEPARATION AND DISTRIBUTION

### Background and Overview

On July 24, 2015, Johnson Controls announced its intent to separate its automotive seating and interiors businesses into an independent, publicly traded company—Adient. To implement the separation, Johnson Controls will transfer its automotive seating and interiors businesses to Adient, and in return, Adient will issue its ordinary shares to Johnson Controls shareholders, pro rata to their respective holdings.

On January 24, 2016, Johnson Controls, Inc. entered into an Agreement and Plan of Merger with Tyco International plc and certain other parties named therein. Pursuant to the merger agreement and subject to the terms and conditions set forth therein, an indirect wholly owned subsidiary of Tyco will merge with and into Johnson Controls, Inc., with Johnson Controls, Inc. surviving as an indirect wholly owned subsidiary of Tyco. At the effective time of the merger (or as soon as possible thereafter), Tyco will change its name to “Johnson Controls plc” and will trade under the ticker “JCI.” It is currently expected that the distribution of Adient ordinary shares will occur after the consummation of this merger, and that the record date for the distribution and the distribution date will be set by the board of directors of Johnson Controls plc following the merger. As a result, former shareholders of both Johnson Controls, Inc. and Tyco who hold shares of the combined company as of the record date will receive Adient ordinary shares in the distribution. References to “Johnson Controls” in this information statement therefore refer to Johnson Controls, Inc. prior to the merger and refer to Johnson Controls plc after the merger.

On \_\_\_\_\_, 2016, the distribution date, each Johnson Controls shareholder will receive one Adient ordinary share for every ten shares of Johnson Controls held at the close of business on the record date for the distribution, as described below. Johnson Controls shareholders will receive cash in lieu of any fractional Adient ordinary shares that they would have received after application of this ratio. You will not be required to make any payment, surrender or exchange your Johnson Controls shares or take any other action to receive your ordinary shares of Adient in the distribution. The distribution of Adient ordinary shares as described in this information statement is subject to the satisfaction or waiver of certain conditions. For a more detailed description of these conditions, see “—Conditions to the Distribution.”

### Reasons for the Separation

The Johnson Controls board of directors determined that the creation of two independent public companies, with Adient operating Johnson Controls’ automotive seating and interiors businesses, and the new Johnson Controls operating the building efficiency and power solutions businesses is in the best interests of Johnson Controls and its shareholders and approved the plan of separation. A wide variety of factors were considered by the Johnson Controls board of directors in evaluating the creation of independent public companies. Among other things, the Johnson Controls board of directors considered the following potential benefits:

- *Strategic Focus.* Enhance the ability of management of each company to focus on their respective businesses and unique opportunities for long-term growth and profitability and to allocate capital and corporate resources in a manner that focuses on achieving each company’s own strategic priorities.
- *Strategic Flexibility.* Provide each company with increased flexibility to pursue acquisitions and other strategic alternatives without having to consider the potential impact on the businesses of the other company.
- *Access to Capital.* Create two independent capital structures that will afford each company direct access to the debt and equity capital markets to fund their respective growth strategies and to

establish an appropriate capital structure for their business needs. In addition, Adient will distribute to Johnson Controls \$            in cash immediately prior to the distribution to fund inorganic and organic growth as needed;

- *Management and Employee Incentives.* Enhance each company's flexibility to establish appropriate compensation policies, including non-cash equity-based compensation policies that are reflective of the performance of its operations and are designed to attract and retain skilled employees.
- *Investor Perspectives.* Allow investors to evaluate the separate investment identities of each company, including the distinct merits, performance and future prospects of their respective businesses, and providing investors with a more targeted investment opportunity.

Neither Adient nor Johnson Controls can assure you that, following the separation, any of the benefits described above or otherwise will be realized to the extent anticipated or at all.

The Johnson Controls board of directors also considered a number of potentially negative factors in evaluating the separation, including the potential loss of operational synergies from operating as a consolidated entity; the potential loss of joint purchasing power; the potential exposure to operating in fewer industries reducing the ability to mitigate downturns in one business against the others; potential disruptions to the company's businesses as a result of the spin-off, such as information technology disruptions; the risk that Johnson Controls would not achieve the expected benefits of the separation; execution risks; and one-time costs. However, the board of directors concluded that the potential benefits of the separation outweighed these factors.

### **Formation of Adient**

Adient is currently a private limited company organized under the laws of England and Wales, but will be re-registered as a public limited company prior to the distribution. Adient was formed for the purpose of holding Johnson Controls' automotive seating and interiors businesses. All of Adient's issued shares will be held beneficially by a U.K. corporate services provider (which is not a subsidiary of Johnson Controls). Prior to the transfer by Johnson Controls to Adient of its automotive seating and interiors businesses, Adient will have no operations other than those incidental to its formation and in preparation for the separation. Johnson Controls will transfer its automotive seating and interiors businesses to Adient, and in return, Adient will issue shares to Johnson Controls shareholders, pro rata to their respective holdings.

### **When and How to Receive the Distribution**

With the assistance of           , Adient expects to issue its ordinary shares on           , 2016, the distribution date, to all holders of outstanding Johnson Controls shares as of the close of business on           , 2016, the record date for the distribution.           will serve as the settlement and distribution agent in connection with the distribution and the transfer agent and registrar for Adient ordinary shares.

If you own Johnson Controls shares as of the close of business on the record date for the distribution, Adient ordinary shares that you are entitled to receive in the distribution will be issued electronically, as of the distribution date, to you in direct registration form or to your bank or brokerage firm on your behalf. If you are a registered holder,           will then mail you a direct registration account statement that reflects your Adient ordinary shares. If you hold your shares through a bank or brokerage firm, your bank or brokerage firm will credit your account for the shares. If you own Johnson Controls shares through the Johnson Controls dividend reinvestment plan, the Adient ordinary shares you receive will be distributed electronically to you or to your brokerage firm on your behalf in book-entry form. Direct registration form refers to a method of recording share

ownership when no physical share certificates are issued to shareholders, as is the case in this distribution. If you sell Johnson Controls shares in the “regular-way” market up to and including the distribution date, you will be selling your right to receive Adient ordinary shares in the distribution.

Commencing on or shortly after the distribution date, if you hold physical share certificates that represent your Johnson Controls shares and you are the registered holder of the shares represented by those certificates, the distribution agent will mail to you an account statement that indicates the number of Adient ordinary shares that have been registered in book-entry form in your name.

Most Johnson Controls shareholders hold their shares through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the shares in “street name” and ownership would be recorded on the bank or brokerage firm’s books. If you hold your Johnson Controls shares through a bank or brokerage firm, your bank or brokerage firm will credit your account for the Adient ordinary shares that you are entitled to receive in the distribution. If you have any questions concerning the mechanics of having shares held in “street name,” please contact your bank or brokerage firm.

### **Transferability of Shares You Receive**

Adient ordinary shares distributed to holders in connection with the distribution will be transferable without registration under the Securities Act, except for shares received by persons who may be deemed to be Adient affiliates. Persons who may be deemed to be Adient affiliates after the distribution generally include individuals or entities that control, are controlled by or are under common control with Adient, which may include certain Adient executive officers, directors or principal shareholders. Securities held by Adient affiliates will be subject to resale restrictions under the Securities Act. Adient affiliates will be permitted to sell Adient ordinary shares only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Rule 144 under the Securities Act.

### **Number of Adient Ordinary Shares You Will Receive**

For every ten shares of Johnson Controls that you own at the close of business on \_\_\_\_\_, 2016, the record date for the distribution, you will receive one Adient ordinary share on the distribution date. Adient will not issue any fractional Adient ordinary shares to Johnson Controls shareholders. Instead, if you are a registered holder, \_\_\_\_\_ (which is sometimes referred to herein as the distribution agent) will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds (net of discounts and commissions) of the sales pro rata (based on the fractional share such holder would otherwise be entitled to receive) to each holder who otherwise would have been entitled to receive a fractional share in the distribution. The distribution agent, in its sole discretion, without any influence by Johnson Controls or Adient, will determine when, how, and through which broker-dealer and at what price to sell the whole shares. Any broker-dealer used by the distribution agent will not be an affiliate of either Johnson Controls or Adient. \_\_\_\_\_ is not an affiliate of either Johnson Controls or Adient. Neither Adient nor Johnson Controls will be able to guarantee any minimum sale price in connection with the sale of these shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares.

The aggregate net cash proceeds of these sales of fractional shares will be taxable for U.S. federal income tax purposes. See “Material U.S. Federal Income Tax Consequences” for an explanation of the material U.S. federal income tax consequences of the distribution. If you hold physical certificates for shares of Johnson Controls and are the registered holder, you will receive a check from the distribution agent in an amount equal to your pro rata share of the aggregate net cash proceeds of the sales. Adient estimates that it will take approximately two weeks from the distribution date for the distribution agent to complete the distributions of the aggregate net cash proceeds. If you hold your

shares of Johnson Controls through a bank or brokerage firm, your bank or brokerage firm will receive, on your behalf, your pro rata share of the aggregate net cash proceeds of the sales and will electronically credit your account for your share of such proceeds.

### **Treatment of Equity Based Compensation**

The employee matters agreement will generally provide for the conversion of the outstanding awards granted under the Johnson Controls equity compensation programs into adjusted awards relating to shares of Johnson Controls, or both shares of Johnson Controls and Adient ordinary shares. The adjusted awards generally will be subject to the same or equivalent vesting conditions and other terms that applied to the applicable original Johnson Controls award immediately before the separation.

Each Johnson Controls stock option and each Johnson Controls stock appreciation right that is held by an employee who continues service with Johnson Controls following the distribution date (whom we collectively refer to as “Johnson Controls allocated employees”) or a former employee will be converted into an adjusted Johnson Controls stock option or stock appreciation right, as applicable, with the exercise price and the number of shares subject to the stock option or stock appreciation right adjusted to preserve the aggregate intrinsic value of the original Johnson Controls stock option or stock appreciation right as measured immediately before and immediately after the separation, subject to rounding. Each Johnson Controls stock option and each Johnson Controls stock appreciation right that is held by an employee who will be an Adient employee following the separation (whom we collectively refer to as “Adient allocated employees”) will be converted into an adjusted Johnson Controls stock option or stock appreciation right, as applicable, and an Adient stock option or stock appreciation right, as applicable. The exercise price and number of shares subject to each such stock option and stock appreciation right will be adjusted in order to preserve the aggregate intrinsic value of the original Johnson Controls stock option or stock appreciation right, as measured immediately before and immediately after the separation, subject to rounding.

Holders of outstanding Johnson Controls restricted stock unit awards who are Johnson Controls allocated employees or former employees will receive corresponding adjusted Johnson Controls restricted stock unit awards, with the number of shares adjusted in each case to preserve the aggregate value of the original Johnson Controls award as measured immediately before and immediately after the separation, subject to rounding. Holders of outstanding Johnson Controls restricted stock unit awards who are Adient allocated employees will retain those awards and also receive a corresponding Adient restricted stock unit award covering a number of Adient ordinary shares that reflects the distribution to Johnson Controls shareholders, determined by applying the distribution ratio to the shares underlying the applicable Johnson Controls award as though they were actual shares of Johnson Controls, subject to rounding.

For purposes of vesting for all awards, continued employment with or service to Johnson Controls or Adient, as applicable, will be treated as continued employment with or service to either Johnson Controls or both Johnson Controls and Adient, as applicable.

### **Results of the Distribution**

After the distribution, Adient will be an independent, publicly traded company. The actual number of shares to be distributed will be determined at the close of business on \_\_\_\_\_, 2016, the record date for the distribution, and will reflect any exercise of Johnson Controls options between the date the Johnson Controls board of directors declares the distribution and the record date for the distribution. The distribution will not affect the number of outstanding shares of Johnson Controls or any rights of Johnson Controls shareholders. Johnson Controls will not distribute any fractional Adient ordinary shares.

Adient will enter into a separation agreement and other related agreements with Johnson Controls before the distribution to effect the separation and provide a framework for Adient's relationship with Johnson Controls after the separation. These agreements will provide for the allocation between Johnson Controls and Adient of Johnson Controls' assets, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to Adient's separation from Johnson Controls and will govern the relationship between Johnson Controls and Adient after the separation. For a more detailed description of these agreements, see "Certain Relationships and Related Person Transactions."

### **Market for Adient Ordinary Shares**

There is currently no public trading market for Adient ordinary shares. Adient intends to apply to have its ordinary shares authorized for listing on the New York Stock Exchange under the symbol "ADNT." Adient has not and will not set the initial price of its ordinary shares. The initial price will be established by the public markets.

Adient cannot predict the price at which its ordinary shares will trade after the distribution. In fact, the combined trading prices, after the separation, of the Adient ordinary shares that each Johnson Controls shareholder will receive in the distribution and the shares of Johnson Controls held at the record date for the distribution may not equal the "regular-way" trading price of a Johnson Controls share immediately prior to the separation. The price at which Adient ordinary shares trade may fluctuate significantly, particularly until an orderly public market develops. Trading prices for Adient ordinary shares will be determined in the public markets and may be influenced by many factors. See "Risk Factors—Risks Related to Adient Ordinary Shares."

### **Trading Before Distribution Date**

Beginning on or shortly before the record date for the distribution and continuing up to and including through the distribution date, Johnson Controls expects that there will be two markets in Johnson Controls shares: a "regular-way" market and an "ex-distribution" market. Shares of Johnson Controls that trade on the "regular-way" market will trade with an entitlement to Adient ordinary shares distributed pursuant to the separation. Shares of Johnson Controls that trade on the "ex-distribution" market will trade without an entitlement to Adient ordinary shares distributed pursuant to the distribution. Therefore, if you sell shares of Johnson Controls in the "regular-way" market up to and including through the distribution date, you will be selling your right to receive Adient ordinary shares in the distribution. If you own shares of Johnson Controls at the close of business on the record date and sell those shares on the "ex-distribution" market up to and including through the distribution date, you will receive the Adient ordinary shares that you are entitled to receive pursuant to your ownership as of the record date of the shares of Johnson Controls.

Furthermore, beginning on or shortly before the record date for the distribution and continuing up to and including the distribution date, Adient expects that there will be a "when-issued" market in its ordinary shares. "When-issued" trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. The "when-issued" trading market will be a market for Adient ordinary shares that will be distributed to holders of shares of Johnson Controls on the distribution date. If you owned shares of Johnson Controls at the close of business on the record date for the distribution, you would be entitled to Adient ordinary shares distributed pursuant to the distribution. You may trade this entitlement to Adient ordinary shares, without the shares of Johnson Controls you own, on the "when-issued" market. On the first trading day following the distribution date, "when-issued" trading with respect to Adient ordinary shares will end, and "regular-way" trading will begin.

## Conditions to the Distribution

Adient has announced that the distribution will be effective at 12:01 a.m., Eastern Time, on \_\_\_\_\_, 2016, which is the distribution date, provided that the following conditions shall have been satisfied (or waived by Johnson Controls in its sole discretion):

- the transfer of assets and liabilities from Johnson Controls to Adient shall have been completed in accordance with the separation agreement;
- Adient shall have completed a cash transfer to Johnson Controls totaling \$ \_\_\_\_\_ and Johnson Controls shall be satisfied that it has no liability under the financing transactions entered into by Adient in connection with the separation, other than liability for interest accruing prior to the distribution date;
- the SEC shall have declared effective the registration statement on Form 10 of which this information statement forms a part, and this information statement shall have been mailed to the Johnson Controls shareholders;
- all actions or filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities laws shall have been taken and, where applicable, have become effective or been accepted by the applicable governmental entity;
- the transaction agreements relating to the separation shall have been duly executed and delivered by the parties;
- no order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, distribution or any of the related transactions shall be in effect;
- the Adient ordinary shares to be distributed shall have been accepted for listing on the New York Stock Exchange, subject to official notice of distribution; and
- no other event or development shall exist or have occurred that, in the judgment of the Johnson Controls board of directors, in its sole discretion, makes it inadvisable to effect the separation, distribution and other related transactions.

Johnson Controls and Adient cannot assure you that any or all of these conditions will be met and may also waive any of the conditions to the distribution. In addition, Johnson Controls will have the sole and absolute discretion to determine (and change) the terms of, and whether to proceed with, the distribution and, to the extent it determines to so proceed, to determine the record date for the distribution and the distribution date and the distribution ratio. Johnson Controls will also have sole discretion to waive any of the conditions to the distribution. Johnson Controls does not intend to notify its shareholders of any modifications to the terms of the separation that, in the judgment of its board of directors, are not material. For example, the Johnson Controls board of directors might consider material such matters as significant changes to the distribution ratio, the assets to be transferred in the separation or the liabilities to be assumed in the separation. To the extent that the Johnson Controls board of directors determines that any modifications by Johnson Controls materially change the material terms of the distribution, Johnson Controls will notify Johnson Controls shareholders in a manner reasonably calculated to inform them about the modification as may be required by law, by, for example, publishing a press release, filing a current report on Form 8-K, or circulating a supplement to this information statement.



## **DIVIDEND POLICY**

### **Dividend Policy**

Following the distribution, Adient expects to pay a regular cash dividend in line with other automotive suppliers. The timing, declaration, amount of and payment of any dividends following the separation by Adient are within the discretion of its board of directors and will depend upon many factors, including Adient's financial condition, earnings, sufficiency of distributable reserves, capital requirements of its operating subsidiaries, debt service obligations, covenants associated with certain of Adient's debt service obligations, legal requirements, regulatory constraints, ability to gain access to capital markets, and other factors deemed relevant by its board of directors. Moreover, if Adient determines to pay any dividend in the future, there can be no assurance that it will continue to pay such dividends or the amount of such dividends.

### **Creation of Distributable Reserves**

Under English law, dividends and distributions may be made only from "distributable reserves" of Adient. In addition, no distribution or dividend may be paid or made by Adient unless the net assets of Adient are equal to, or exceed, the aggregate of Adient's called up share capital plus non-distributable reserves and the distribution does not reduce Adient's net assets below such aggregate. For more information regarding distributable reserves, see "Description of Adient's Capital Stock—Dividends" and "Description of Adient's Capital Stock—Share Repurchases, Redemptions and Conversions."

Immediately following the spin-off, Adient will not have any distributable reserves. Adient therefore will not have the ability to pay dividends (or make other forms of distributions) immediately following the distribution until it obtains the court approval described below or creates distributable reserves as a result of the profitable operation of its business.

Following the distribution, Adient expects to capitalize the reserve created pursuant to the internal restructuring transactions related to the distribution and implement a parallel court-approved reduction of that capital in order to create a reserve of an equivalent amount of distributable reserves to support the payment of possible future dividends or future share repurchases. Johnson Controls, as sole shareholder of Adient, will approve the reduction in share capital by a special resolution. To complete this process, Adient will need to obtain the approval of the Companies Court, which is a specialist court within the Chancery Division of the High Court of Justice of the United Kingdom and is referred to as the High Court. Adient will seek to obtain these approvals as soon as practicable following the distribution, but whether and when Adient receives such approvals depends on a number of factors, such as the case load of the High Court at the time of Adient's initial application, and court vacations. Accordingly, there is no guarantee that Adient will obtain such approvals.

## CAPITALIZATION

The following table sets forth Adient's capitalization as of March 31, 2016, on a historical basis and on a pro forma basis to give effect to the pro forma adjustments included in Adient's unaudited pro forma financial information. The information below is not necessarily indicative of what Adient's capitalization would have been had the separation, distribution and related financing transactions been completed as of March 31, 2016. In addition, it is not indicative of Adient's future capitalization. This table should be read in conjunction with "Selected Historical Combined Financial Data of Adient," "Unaudited Pro Forma Condensed Combined Financial Statements," "Selected Historical Combined Financial Data of Adient," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Adient's combined financial statements and notes included in the "Index to Financial Statements" section of this information statement.

(in millions)	As of March 31, 2016		
	Historical	Pro Forma Adjustments	Pro Forma
Cash and cash equivalents . . . . .	\$ 66	\$ 510	\$ 576
Debt, including current and long-term:			
Short term debt . . . . .	\$ 132	\$ (132)	\$ —
Current portion of long-term debt . . . . .	7	—	7
Long-term debt . . . . .	32	3,500	3,532
Total debt . . . . .	171	3,368	3,539
Redeemable noncontrolling interests . . . . .	42	—	42
Stockholders' equity			
Common Stock . . . . .	—	—	—
Additional Paid-in Capital . . . . .	—	2,400	2,400
Net parent company investment . . . . .	5,018	(5,018)	—
Accumulated other comprehensive loss . . . . .	(208)	—	(208)
Invested equity attributable to Adient . . . . .	4,810	(2,618)	2,192
Noncontrolling interests . . . . .	151	—	151
Total invested equity . . . . .	4,961	(2,618)	2,343
Total capitalization . . . . .	\$5,174	\$ 750	\$5,924

## SELECTED HISTORICAL COMBINED FINANCIAL DATA OF ADIENT

The following selected financial data reflect the combined operations of Adient. Adient derived the selected combined income statement data for the six months ended March 31, 2016 and 2015 and selected combined balance sheet data as of March 31, 2016, as set forth below, from its unaudited combined financial statements, which are included in the “Index to Financial Statements” section of this information statement. Adient derived the selected combined income statement data for the fiscal years ended September 30, 2015, 2014 and 2013 and the selected combined balance sheet data as of September 30, 2015 and 2014, as set forth below, from its audited combined financial statements, which are included in the “Index to Financial Statements” section of this information statement. Adient derived the selected combined income statement data for the fiscal years ended September 30, 2012 and 2011 and selected combined balance sheet data as of March 31, 2015 and September 30, 2013, 2012 and 2011 from Adient’s underlying financial records, which were derived from the financial records of Johnson Controls and are not included in this information statement. The historical results do not necessarily indicate the results expected for any future period. To ensure a full understanding, you should read the selected combined financial data presented below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the combined financial statements and accompanying notes included in the “Index to Financial Statements” section of this information statement.

(dollars in millions, unless otherwise noted)	As of or for the Six Months Ended March 31,		As of or for the Fiscal Year Ended September 30,				
	2016	2015	2015	2014	2013	2012	2011
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
<b>Operating results</b>							
Net sales(1) . . . . .	\$ 8,531	\$10,507	\$20,071	\$22,041	\$20,470	\$19,986	\$18,776
Segment income(2) . . . . .	464	463	1,159	893	716	671	633
Net income (loss) attributable to							
Adient(3) . . . . .	(642)	383	475	307	187	267	368
Capital expenditures . . . . .	186	260	478	624	659	609	566
Depreciation and amortization . . . . .	172	178	347	437	450	416	366
Number of employees . . . . .	75,000	91,000	76,000	88,000	89,000	89,000	81,000
<b>Financial Position</b>							
Working capital(4) . . . . .	\$ (333)	\$ 61	\$ (205)	\$ (436)	\$ (430)	\$ (51)	\$ (290)
Total assets . . . . .	10,314	10,928	10,437	11,206	11,387	10,669	10,427
Long-term debt . . . . .	32	40	35	46	58	75	84
Total debt . . . . .	171	97	59	156	138	128	179
Invested equity attributable to Adient . . . . .	4,810	5,704	5,626	5,453	5,582	5,558	5,204
Total debt to capitalization(5) . . . . .	3%	2%	1%	3%	2%	2%	3%

- (1) On July 2, 2015, Adient completed its global automotive interiors joint venture with Yangfeng Automotive Trim Systems and deconsolidated the contributed interiors business since that date resulting in lower consolidated net sales in subsequent periods. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information on the impact of this transaction on consolidated net sales.
- (2) Segment income is calculated as income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.
- (3) In the six months ended March 31, 2016, income attributable to Adient includes \$778 million of tax expense related to the change in assertion over permanently reinvested earnings as a result of the spin-off and \$169 million of restructuring and impairment costs. Income attributable to Adient includes \$182 million, \$158 million, \$280 million and \$143 million of restructuring and impairment costs in fiscal year 2015, 2014, 2013 and 2012, respectively. It also includes \$6 million, \$50 million, \$13 million, \$37 million and \$2 million of net mark-to-market charges on pension and postretirement plans in fiscal year 2015, 2014, 2013, 2012 and 2011, respectively. The preceding amounts are stated on a pre-tax basis.
- (4) Working capital is defined as current assets less current liabilities.
- (5) Total debt to capitalization represents total debt divided by the sum of total debt and invested equity attributable to Adient.

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma financial statements illustrate the financial impacts of the separation and the related transactions described below. The unaudited pro forma combined balance sheet gives effect to the separation and related transactions described below as if they had occurred on March 31, 2016. The unaudited pro forma combined statements of income for the six months ended March 31, 2016 and for the year ended September 30, 2015 give effect to the separation and related transactions described below as if they occurred as of October 1, 2014, the first day of the last fiscal year.

The unaudited pro forma combined balance sheet and statements of income have been derived from the historical audited combined annual and unaudited combined interim financial statements of the automotive seating and interiors businesses of Johnson Controls included in the “Index to Financial Statements” section of this information statement. These adjustments give effect to events that are (i) directly attributable to the distribution and related transaction agreements, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on Adient, such as:

- the transfer from Johnson Controls to Adient of the assets and liabilities that comprise Adient’s business;
- the expected transfer to Adient of various corporate and other assets and liabilities not included in Adient’s historical combined balance sheet;
- the expected incurrence of \$3.5 billion of debt, consisting of \$2.0 billion of eight to ten-year bonds and a \$1.5 billion five-year term loan, at a weighted average estimated interest rate of 4.1% and a cash distribution of \$3.0 billion to Johnson Controls;
- the issuance of approximately [ • ] million Adient ordinary shares; and
- the impact of the transition services agreement, the tax matters agreement, the employee matters agreement, the transitional trademark license agreement and certain other agreements to be entered into by Johnson Controls and Adient.

The unaudited pro forma combined financial statements are for informational purposes only and do not purport to represent what Adient’s financial position and results of operations actually would have been had the separation and related transactions occurred on the dates indicated, or to project Adient’s financial performance for any future period. The unaudited pro forma combined financial statements are based on information and assumptions, which are described in the accompanying notes.

The Adient historical financial information, which was the basis for the unaudited pro forma combined financial statements, was prepared on a carve-out basis, as Adient was not operated as a separate, independent company for the periods presented. Accordingly, such financial information reflects an allocation of certain corporate costs for corporate administrative services, including general corporate expenses related to tax, treasury, finance, audit, risk management, legal, information technology, human resources, shareholder relations, compliance, shared services, insurance, employee benefits, incentives and stock-based compensation. These historical allocations may not be indicative of Adient’s future cost structure; however, the pro forma results have not been adjusted to reflect any potential changes associated with Adient being an independent public company as such amounts are estimates that are not factually supportable.

Johnson Controls will pay certain non-recurring third-party costs and expenses related to the separation. Such non-recurring amounts will include fees for financial advisors, outside legal and accounting fees, costs to separate information technology systems and other similar costs. After the separation, each party will generally bear its own costs and expenses.

The unaudited pro forma combined financial statements reported below should be read in conjunction with the section herein entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as the historical audited combined annual financial statements and the unaudited combined interim financial statements and the corresponding notes included in the “Index to Financial Statements” section of this information statement.

**ADIANT**  
**UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(in millions, except share and per share data)	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Net sales . . . . .	\$20,071	\$ —	\$20,071
Cost of sales . . . . .	18,219	—	18,219
Gross profit . . . . .	1,852	—	1,852
Selling, general and administrative expenses . . . . .	(1,131)	(19) (F)	(1,150)
Gain (loss) on business divestitures—net . . . . .	137	—	137
Restructuring and impairment costs . . . . .	(182)	—	(182)
Net financing charges . . . . .	(12)	(151) (A)	(163)
Equity income . . . . .	295	—	295
Income before income taxes . . . . .	959	(170)	789
Income tax provision . . . . .	418	(39) (B)	379
Net income . . . . .	541	(131)	410
Income attributable to noncontrolling interests . . . . .	66	—	66
Net income attributable to Adiant . . . . .	<u>\$ 475</u>	<u>\$(131)</u>	<u>\$ 344</u>
Earnings per share			
Basic . . . . .	n/a	(C)	
Diluted . . . . .	n/a	(D)	
Weighted-average shares outstanding			
Basic . . . . .	n/a	(C)	
Diluted . . . . .	n/a	(D)	



**ADIANT**  
**UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME**  
**FOR THE SIX MONTHS ENDED MARCH 31, 2016**

(in millions, except share and per share data)	Historical	Pro Forma Adjustments		Pro Forma
Net sales . . . . .	\$8,531	\$ —		\$8,531
Cost of sales . . . . .	7,733	—		7,733
Gross profit . . . . .	798	—		798
Selling, general and administrative expenses . . . . .	(505)	117	(F)(I)	(388)
Restructuring costs . . . . .	(169)	—		(169)
Net financing charges . . . . .	(6)	(76)	(A)	(82)
Equity income . . . . .	171	—		171
Income before income taxes . . . . .	289	41		330
Income tax provision . . . . .	891	(12)	(B)	879
Net income (loss) . . . . .	(602)	53		(549)
Income attributable to noncontrolling interests . . . . .	40	—		40
Net income (loss) attributable to Adiant . . . . .	<u>\$ (642)</u>	<u>\$ 53</u>		<u>\$ (589)</u>
Earnings per share				
Basic . . . . .	n/a		(C)	
Diluted . . . . .	n/a		(D)	
Weighted-average shares outstanding				
Basic . . . . .	n/a		(C)	
Diluted . . . . .	n/a		(D)	

**ADIANT**  
**UNAUDITED PRO FORMA COMBINED BALANCE SHEET**  
**AS OF MARCH 31, 2016**

(in millions)	Historical	Pro Forma Adjustments		Pro Forma
<b>Assets</b>				
Cash and cash equivalents . . . . .	\$ 66	\$ 510	(E)	\$ 576
Accounts receivables—net . . . . .	2,195	—		2,195
Inventories . . . . .	722	—		722
Other current assets . . . . .	651	—		651
Current assets . . . . .	<u>3,634</u>	<u>510</u>		<u>4,144</u>
Property, plant and equipment—net . . . . .	2,125	—		2,125
Goodwill . . . . .	2,184	—		2,184
Other intangible assets—net . . . . .	121	—		121
Investments in partially-owned affiliates . . . . .	1,768	—		1,768
Other noncurrent assets . . . . .	482	44	(H)	526
Total assets . . . . .	<u>\$10,314</u>	<u>\$ 554</u>		<u>\$10,868</u>
<b>Liabilities and Equity</b>				
Short-term debt . . . . .	\$ 132	\$ (132)	(E)	\$ —
Current portion of long-term debt . . . . .	7	—		7
Accounts payable . . . . .	2,595	—		2,595
Accrued compensation and benefits . . . . .	338	21	(J)	359
Restructuring reserve . . . . .	365	—		365
Other current liabilities . . . . .	530	—		530
Current liabilities . . . . .	<u>3,967</u>	<u>(111)</u>		<u>3,856</u>
Long-term debt . . . . .	32	3,500	(E)	3,532
Pension and postretirement benefits . . . . .	107	—		107
Other noncurrent liabilities . . . . .	1,205	(217)	(K)	988
Long-term liabilities . . . . .	<u>1,344</u>	<u>3,283</u>		<u>4,627</u>
Redeemable noncontrolling interests . . . . .	42	—		42
<b>Equity</b>				
Common Stock . . . . .	—	—	(G)	—
Additional Paid-in Capital . . . . .	—	2,400	(E)(G)	2,400
Net parent company investment . . . . .	5,018	(5,018)	(G)	—
Accumulated other comprehensive loss . . . . .	(208)	—		(208)
Invested equity attributable to Adiant . . . . .	<u>4,810</u>	<u>(2,618)</u>		<u>2,192</u>
Noncontrolling interests . . . . .	151	—		151
Total invested equity . . . . .	<u>4,961</u>	<u>(2,618)</u>		<u>2,343</u>
Total liabilities and equity . . . . .	<u>\$10,314</u>	<u>\$ 554</u>		<u>\$10,868</u>

**ADIENT**  
**THE AUTOMOTIVE BUSINESS OF JOHNSON CONTROLS**  
**NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

- (A) Reflects interest expense related to \$3.5 billion in debt that Adient expects to incur in connection with the separation and amortization of deferred debt issuance costs. Based on Adient's currently expected debt rating, the weighted average interest rate on the debt is expected to be approximately 4.1%. Interest expense was calculated assuming constant debt levels throughout the periods. Interest expense may be higher or lower if Adient's actual interest rate or credit ratings change. A  $\frac{1}{8}\%$  change to the annual interest rate would change interest expense by \$4.4 million on an annual basis.
- (B) Reflects the tax effects of the pro forma adjustments at the applicable statutory income tax rates in the respective jurisdictions. The effective tax rate of Adient could be different (either higher or lower) depending on activities subsequent to the distribution.
- (C) The number of Adient ordinary shares used to compute basic earnings per share is based on the number of Adient ordinary shares assumed to be outstanding on the record date, based on the number of shares of Johnson Controls outstanding on \_\_\_\_\_, assuming a distribution ratio of one Adient ordinary share for every ten Johnson Controls shares outstanding as of the close of business on the record date.
- (D) The number of shares used to compute diluted earnings per share is based on the number of Adient ordinary shares, as described in note C above, plus the additional number of Adient shares that would be issued upon the exercise of all dilutive outstanding options and vesting of outstanding restricted stock awards.
- (E) Reflects the expected incurrence of \$3.5 billion of debt, consisting of \$2.0 billion of eight to ten-year bonds and a \$1.5 billion five-year term loan, at a weighted average estimated interest rate of 4.1%. This cash will be used to pay a distribution of \$3.0 billion to Johnson Controls, with the remaining \$500 million in cash to be held by Adient. All short term debt will be paid down.

Total cash on hand, as reflected in the pro forma balance sheet, will be subject to a post-distribution adjustment in the separation agreement. The adjustment will consist of the following items:

- \$500 million—proceeds from the debt issuance discussed above.
  - \$55 million—incremental cash balances in jurisdictions that are not readily accessible or that legally belong to joint venture partners.
  - \$39 million—funding by JCI of historical amounts of Adient's long-term debt.
  - (\$84) million—net amount to be paid by Adient to Johnson Controls for various items agreed to in the separation agreements.
- (F) Reflects the removal of multi-employer pension plan credits incurred during the historical period ((\$15) million for the six months ended March 31, 2016 and (\$19) million for the year ended September 30, 2015) for pension plans that will remain with Johnson Controls as a direct result of Adient separating from Johnson Controls.
- (G) On the distribution date, Johnson Controls net investment in Adient will be re-designated as Adient Shareholders' Equity and will be allocated between Adient's ordinary shares (par value of £0.01 per share) and additional paid in capital based on the number of Adient ordinary shares outstanding at the distribution date.

- (H) Reflects debt issuance costs of \$44 million expected to be incurred and capitalized with respect to the debt issuances described in note E above.
- (I) Reflects the removal of \$132 million of separation costs incurred and reflected in the historical results of Adient that are directly related to the separation of Adient from Johnson Controls.
- (J) As set forth in the employee matters agreement to be entered into by Johnson Controls and Adient, employee-related liabilities of approximately \$26 million for those employees who will become part of the Adient corporate team will be Adient's liabilities. These liabilities consist primarily of annual and long-term incentive compensation and equity-based compensation. The expense related to these employee-related benefits are included in the corporate allocations reflected in the historical financial statements.
- (K) Reflects \$211 million of pro forma adjustments impacting noncurrent tax balances for expected uncertain tax positions related to unresolved tax matters that will be transferred to Adient in connection with the separation. The tax matters agreement will govern the rights and obligations of Johnson Controls and Adient for certain tax liabilities. The actual amounts that may be accrued or incurred under the tax matters agreement will depend on a number of factors, including the outcome of the unresolved tax matters. Additionally, \$6 million of deferred taxes were established for the pro forma employee-related liability adjustments at the applicable statutory income tax rates in the respective jurisdictions.

## BUSINESS

### Overview

Adient is the world's largest automotive seating supplier.\* Adient has a leading market position in the Americas, Europe and China, and has longstanding relationships with the largest global original equipment manufacturers, or OEMs, in the automotive space. Adient's proprietary technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests, trim covers and fabrics. Adient will be an independent seat supplier with global scale and the capability to design, develop, engineer, manufacture and deliver complete seat systems and components in every major automotive producing region in the world. Adient also participates in the automotive interiors market primarily through its joint venture in China, Yanfeng Global Automotive Interior Systems Co., Ltd., or YFAI.

The current legal and commercial name of Adient is Adient Ltd. Adient was organized under the laws of England and Wales on December 17, 2015 as a private limited company, but will be re-registered as a public limited company prior to the distribution. Adient's fiscal year ends on September 30 each year. Adient's registered office address is 1 Fetter Lane, London, United Kingdom, EC4A 1BR. Adient's corporate offices will be located in Plymouth, Michigan; Milwaukee, Wisconsin; Burscheid, Germany; and Shanghai, China.

Adient designs, manufactures and markets a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient also supplies high performance seating systems to the international motorsports industry through its award winning RECARO brand of products. Adient operates approximately 230 wholly- and majority-owned manufacturing or assembly facilities, with operations in 33 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America.

In fiscal 2015, the operations that will constitute Adient accounted for 54% of Johnson Controls' consolidated net sales and 36% of Johnson Controls' consolidated segment income. If the merger of Johnson Controls, Inc. and Tyco International plc had occurred at the beginning of fiscal 2015, the operations that will constitute Adient would have accounted for 43% of the consolidated net sales and 29% of the consolidated segment income of the combined entity. Segment income is calculated as income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.

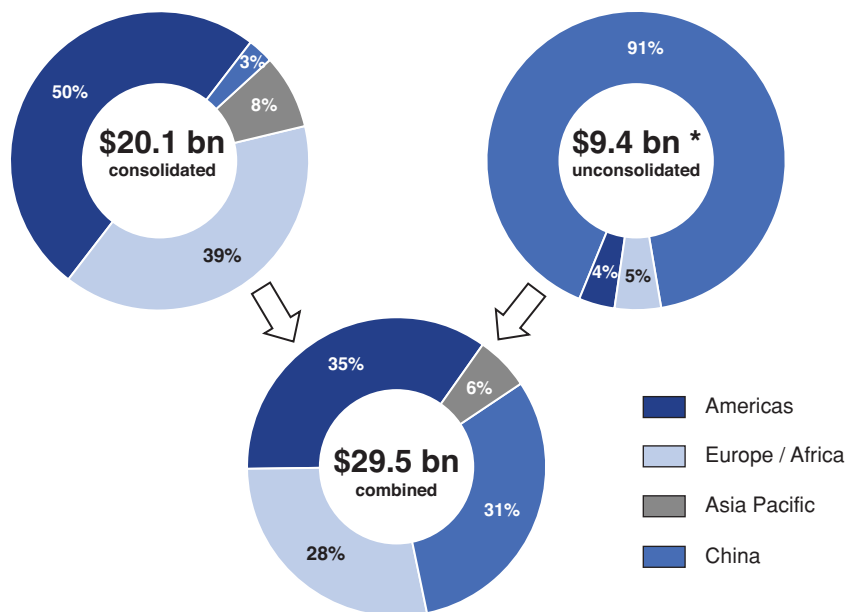
Adient's business model is focused on developing and maintaining long-term customer relationships, which has allowed Adient to successfully grow with leading global OEMs, including BMW, Daimler AG, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Honda Motor Company, Hyundai Motor Company, Jaguar Land Rover, Kia Motor Company, Mazda Motor Company, Mitsubishi Motors, Nissan Motor Company, PSA Peugeot Citroen, Renault, Suzuki, Toyota Motor Corporation, Volkswagen AG and Volvo. Adient also supplies most of the growing regional OEMs such as BAIC Motor Co., Ltd., Brilliance Auto Group, Changan Automobile (Group) Co., Ltd., FAW Group Corporation, Great Wall Motors Company Limited, SAIC Motor Corporation Limited, Tata Motors Limited and Zhejiang Geely Holding Group Co., Ltd and newer auto manufacturers such as Tesla Motors, Inc. Adient and its engineers work closely with customers as vehicle platforms are developed, which results in close ties with key decision makers at OEM customers.

In fiscal 2015, 50% of Adient's consolidated revenue was derived from the Americas, 39% from Europe and Africa, 8% from Asia Pacific and 3% from China. Adient's unconsolidated revenue was primarily from joint ventures in China. Adient's regional balance is evident when Adient's consolidated and unconsolidated sales are viewed together.

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\* Based on production volumes. Source: IHS Automotive

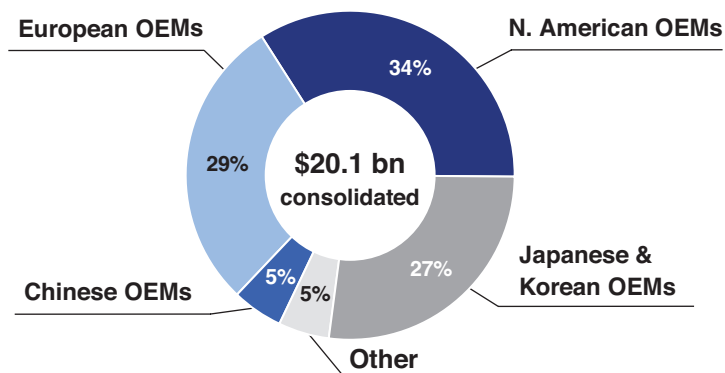
## 2015 Fiscal Sales



\* includes YFAI sales for only the period from July 2, 2015 to September 30, 2015.

In fiscal 2015, 29% of Adient's consolidated revenue was attributable to European OEMs, 27% to Japanese and Korean OEMs, 5% to Chinese OEMs and 34% to North American OEMs. This balanced portfolio has allowed Adient to effectively manage OEM share gains and losses and has provided protection against regional economic cycles.

## 2015 Fiscal Sales





Adient has a leading market share position in China with a portfolio of successful joint venture partnerships with key Chinese OEM partners. Adient is the largest supplier of “just-in-time” seating in China.\* Adient operates through 17 joint ventures and has 60 manufacturing locations in 32 cities, which are supported by additional technical centers. Adient participates in the automotive interiors market through its approximately 30% equity interest in YFAI. YFAI is one of the largest suppliers of automotive interiors, generating revenue through the sale of instrument panels, floor consoles, door panels, overhead consoles, cockpit systems, decorative trim and other products. YFAI supplies automotive interior products to a majority of the world’s major OEMs.

As a stand-alone public company, Adient is committed to be the world’s premier automotive seating supplier through leadership in cost, quality, launch execution and customer satisfaction. Through its global footprint, vertical integration and partnerships in China, Adient has leveraged its capabilities to drive growth in the automotive seating industry. Adient intends to leverage these capabilities to further grow its seating business and potentially enter into additional product markets adjacent to the automotive industry. Adient evaluates its success from the perspective of its shareholders, customers, partners and employees.

For the six months ended March 31, 2016, Adient generated revenue of \$8.5 billion, as compared to revenue of \$10.5 billion generated for the six months ended March 31, 2015. For the fiscal year ended September 30, 2015, Adient generated revenue of \$20.1 billion, as compared to revenue of \$22.0 billion generated for the fiscal year ended September 30, 2014. The lower revenue in the first two quarters of fiscal year 2016 and for the full fiscal year 2015 compared to the corresponding prior periods results primarily from the completion of the YFAI joint venture on July 2, 2015 and the unfavorable impact of foreign currency translation.

## **Competitive Strengths**

Adient possesses a number of competitive advantages that distinguish it from its competitors, including:

### ***Global Market Leadership***

Adient has leading market shares in the automotive seating markets in North America and Europe, and a leading market share in China, the world’s largest and one of the fastest-growing automotive markets. Management estimates Adient’s automotive seating market share to be at least 35% in both North America and Europe. IHS Automotive estimates Adient’s automotive seating market share to be approximately 45% in China, which is greater than any of Adient’s competitors. Additionally, management intends to continue investing in the Asia region, one of the fastest-growing regions.

Adient has longstanding relationships with premier automotive manufacturers, including BMW Group, Daimler AG, Ford Motor Company, General Motors Company, Hyundai/Kia Motors Corp, Toyota Motor Corporation, Volkswagen AG and Volvo Group. The majority of these relationships span more than 20 years. Additionally, Adient has 17 joint venture partnerships with key Chinese OEMs, including SAIC Motor Corporation Limited, Beijing Automobile Works Co., Ltd. and FAW Group Corporation.

### ***Longstanding Customer Relationships with Leading Global OEMs***

Adient works with OEMs to develop complete seating solutions to meet and exceed consumer expectations for performance, safety and comfort. Adient does business with all major global OEM customers, and in many cases, works closely with those customers to develop a seating solution

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\* Based on production volumes. Source: IHS Automotive

integrated into the overall vehicle appearance and architecture. As a result, the people and businesses of Adient have been recognized for their leadership by many awards from the industry and from customers, including:

- 2015 Hyundai-Kia Technology 5 Star certification to Johnson Controls Automotive Korea for achieving the highest level of research and development;
- 2015 J.D. Power Award Highest Quality Seating in three vehicle segments: the luxury SUV segment for the Land Rover Evoque, the mass market midsize/large car segment for the Kia Cadenza and the mass market midsize/large SUV segment for the Hyundai Santa Fe;
- 2015 Toyota Superior Toyota New Global Architecture Promotion Award for developing a next-generation front seat structure meeting Toyota's increased safety requirements and reducing weight, complexity of components and costs;
- 2015 Automotive Interiors Expo Supplier of the Year (second time), as determined by an independent panel of international automobile journalists;
- 2015 Nissan Japan Regional Quality Award to Johnson Controls Japan (second consecutive year);
- 2014 General Motors Supplier of the Year Award and Overdrive Award (fifth time) for, among other things, its collaboration with General Motors to execute continuous improvement and deliver sustainable value in General Motors' seats;
- 2014 FCA US LLC Diversity Supplier Development Supplier of the Year and Technical Cost Reduction Supplier of the Year;
- 2014 J.D. Power Award Highest Quality Seating in three vehicle segments: the luxury SUV segment for the Land Rover Evoque and the Porsche Cayenne, the mass market truck/van segment for the Ford F-150 Light Duty and the F-250/350 Super Duty trucks and the mass market midsize/large SUV segment for the Honda Pilot;
- 2014 J.D. Power Award Highest Quality Seating in the mass market truck/van vehicle segment for the Toyota Tacoma and Toyota Tundra awarded to Avanzar Interior Technologies, Ltd, a joint venture of Adient;
- 25 awards in 2014 from 11 OEM customers in China, including Excellence Supplier Award, Top 10 Supplier Award, Quality Award, Truck Excellence Supplier Award and Supply Chain Integration Award;
- 2013 Minority Manufacturer of the Year award to Bridgewater Interiors, a joint venture of Adient, an award by the U.S. Department of Commerce's Minority Business Development Agency;
- 2013 J.D. Power Award Highest Quality Seating in two vehicle segments: the mass market midsize/large SUVs for the Toyota Venza and Hyundai Santa Fe and the mass market trucks/vans for the Ford F-250/350 Super Duty; and
- 28 awards in 2013 from 20 OEM customers in China, including Excellence Supplier Award, Top 10 Supplier Award, Region Quality Award, Excellent Quality Award and Logistics Development Award.

#### ***Extensive Global Manufacturing Footprint and Functional Expertise***

Adient operates a global network of approximately 230 manufacturing plants in 33 countries that supplies automotive OEMs with complete seats, modules and components. In fiscal 2015, the businesses that will constitute Adient delivered more than 25 million seat systems on a "just-in-time or

in-sequence” basis globally. Those businesses supplied seating systems on more than 360 nameplates to 40 different OEMs. Adient’s industry-leading technologies complement proven expertise in consumer insights and marketing, value product planning, product design for cost, design for manufacturing, system integration, evaluation, validation and manufacturing. Adient’s approximately 75,000 highly skilled and engaged employees have earned a reputation for delivering high quality, value-added seating and interiors products that support auto manufacturers’ goal of brand differentiation.

### ***Global Development Network***

Adient’s expertise in innovation and development represents a key competitive differentiator in the automotive seating business. In the development process, key downstream elements of the product are locked in, including material costs, plant conversion costs, quality characteristics and certain technical requirements. Adient uses a common product development process globally that ensures that these elements are correct at the outset of the development process, reflects the best practices of Adient’s operations worldwide and meets the expectations of Adient’s diverse customer base. Its product launch system is customizable and scalable based on customer and product requirements.

Adient’s worldwide engineering network includes ten core development centers, which employ more than 5,600 employees who work in focused engineering development teams worldwide. These development centers utilize a globally consistent approach to the process for developing seating products. By leveraging a network of subject matter technical experts, Adient is able to efficiently implement best practices and improve product cost and quality. Adient’s product development practices also entail leveraging low cost country development centers in India, China and Slovakia.

### **Development Centers**

Plymouth (USA)	Trencin (Slovakia)
Burscheid (Germany)	Yokohama (Japan)
Solingen (Germany)	Shanghai (China)
Kaiserslautern (Germany)	Changchun (China)
Ansan (South Korea)	Pune (India)

### ***Strong Platform for Global Growth***

Adient’s current global platform creates multiple opportunities for growth, such as:

- *Market share expansion in seating and seating components.* Adient has extensive relationships with global OEM customers. These relationships, combined with Adient’s product offerings, enhance Adient’s ability to expand its business with regional customers who are growing and expanding globally and also with new entrants to the automotive market.
- *Regional growth opportunities.* Adient is able to leverage its position as the market leader in Europe, North America and China to grow in other markets, such as Southeast Asia.
- *Vertical integration.* Adient’s efficient operations provide opportunities for continued vertical integration in areas that could enhance Adient’s capabilities, expand profit margins and grow revenues with customers who employ component sourcing strategies. Adient believes that as a vertically integrated supplier with global scale and strong design, engineering and lean manufacturing capabilities in both complete seat systems and components, it is well positioned to benefit from these opportunities.
- *Business expansion.* Adient will be able to leverage its track record of low cost, high quality, effectively executed product launches and ability to maintain high customer satisfaction to pursue growth into additional product markets adjacent to the automotive industry.

### ***Experienced Leadership Team with Proven Track Record***

Adient has a strong, highly capable global management team with extensive experience both within the industry and with Adient. Adient's leadership draws experience from several industrial manufacturing industries, including automotive. Senior leadership is also globally diverse and combines regional understanding of the automotive supply market with a global perspective. R. Bruce McDonald, who will be Adient's Chairman and Chief Executive Officer, brings more than 25 years of industry experience and has operated in various leadership roles within Johnson Controls, including Vice Chairman and Chief Financial Officer. Cathleen A. Ebacher, who will be Adient's Vice President, General Counsel and Secretary, has served more than six years at Johnson Controls, most recently as Vice President and Global General Counsel—Centers of Excellence, and has served more than 20 years in a variety of senior management and legal positions at other companies. Byron S. Foster, who will be an Executive Vice President of Adient, has served more than 18 years at Johnson Controls, most recently as Vice President & General Manager—Complete Seat and Strategy of Johnson Controls' Automotive Experience business. Neil E. Marchuk, who has more than 30 years of management and human resources experience, will be named Adient's Executive Vice President and Chief Human Resources Officer. Eric S. Mitchell, who has served more than 10 years at Johnson Controls, most recently as Vice President & General Manager, North America of Johnson Controls' Building Efficiency business, will be an Executive Vice President of Adient. Mark Skonieczny Jr., who will be Adient's Vice President and Corporate Controller, has served more than 15 years at Johnson Controls and was Vice President of Finance, Global Aftermarket of Johnson Controls' Power Solutions segment before being appointed Vice President of Corporate Development. Jeffrey M. Stafeil, who will be Adient's Executive Vice President and Chief Financial Officer, has more than 24 years of industry experience and has operated in various financial leadership roles at companies in the automotive industry.

### **Business Strategy**

Adient seeks to grow its business through the following strategies, among others:

#### ***Maintain Customer Focus and Commercial Management***

Through dedicated customer teams, Adient maintains close relationships with its global OEM customers. These relationships enable Adient to clearly understand its customers' needs so that it is positioned to meet its customers' requirements. Adient's customer teams lead the new business acquisition process, which ensures alignment with Adient's product, process and manufacturing strategies. These teams partner with customers in identifying optimal product solutions to meet product demand, and also lead commercial negotiations with Adient's customers. Adient believes that its commercial teams excel at balancing these commercial topics to find "win / win" solutions for the customer and for Adient and intends to continue this approach after the separation.

To enhance customer experience and drive loyalty, Adient gathers customer feedback through annual "voice of the customer" surveys. Customer input from these surveys, as well as daily customer interaction, guides Adient's improvement activities in quality, cost and delivery. Input from customers, tracked using a customer relationship management tool to improve account management, enables prompt attention to customer concerns. Adient expects that its commercial management efforts will continue to yield outstanding performance and results.

#### ***Drive Product Innovation and Process Leadership***

Adient has a strong record for developing winning product and process technologies over many years, which has created a competitive advantage for Adient and its customers. Management expects to

increase investment in innovation following the separation. Recent product innovation examples include:

- T3000 recliner, which offers increased seating recliner strength in a smaller, lighter weight package as compared to Adient's previous generation product; and
- Vibratex foam, which provides less vibration transmittance to the occupant which reduces fatigue and results in superior long- and short-term comfort in the seat, as compared to a traditional foam cushion (as measured using the industry's Seating Effective Amplitude Transmissibility test).

Adient utilizes a Global Core Product Portfolio, or CPP, strategy for part and design reuse in all of its product applications. Adient intends to continue investing in its core product portfolio to sustain and expand its market success and to leverage its existing modular and scalable systems and interchangeable components. Through the CPP strategy, Adient provides high quality products for its customers with market competitive cost and mass (low weight to improve fuel economy) while meeting their performance requirements. Adient intends to continue using CPP to advance Adient's lean manufacturing initiatives by providing standard, flexible processes that reduce complexity, inventory and floor space. This will yield reductions in development time, product cost and investment.

Product templates and knowledge documents are continually updated with lessons learned from previous development programs. Knowledge is transferred from these templates into the next program design, drawings and documents. This development strategy has reduced the average seating program development time by approximately 35%. The continued use of this process will add value to customers' products and Adient through higher performing products, development time compression and lower costs.

Adient is also investing in a new Product Lifecycle Management, or PLM, system. This system is an interactive and interdisciplinary collaboration tool that will serve as a management database for program, product and process related data and simplifies the management of automotive seating programs and associated data. It is also expected to aid in the standardization of the development process and in communication with all sites that support global program execution. The PLM system not only will serve as storage for data and documents, but also will support workflow, schedule and change management of ongoing or upcoming programs, thereby enabling effective decision making and program management.

For the fiscal year ended September 30, 2015, Adient spent approximately \$599 million on research activities relating to product development and improvement. Of this amount, approximately \$364 million was spent on customer-sponsored research activities that were reimbursed by customers, and approximately \$235 million was spent on company-sponsored research and development.

#### ***Further Strengthen Leadership Position in China***

Adient has an advantaged position in China established through strategic partnerships it developed as an early market entrant. Adient is the largest supplier of "just-in-time" seating in China.\* It operates through 17 joint ventures with 60 manufacturing locations in 32 cities, which are supported by additional technical centers. Adient's strong position with European and American automakers is complemented by partnerships with all major auto groups in China, which has resulted in Adient's broad market penetration relative to seating competitors and market leadership in the industry's largest and one of the fastest-growing markets. Adient leverages its operating expertise and innovation capabilities developed worldwide to further support its growth in China. Adient expects revenues in China to continue to grow as the automotive market there continues to expand.

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\* Based on production volumes. Source: IHS Automotive

### ***Leverage Operational Efficiencies***

Adient intends to maintain high capacity utilization and increase its efficiency through continued use of standardized manufacturing processes, which represent a core competency. These standardized manufacturing processes allow Adient to deliver exceptional quality levels and minimize waste. Adient achieves scale advantages through a global manufacturing footprint and an integrated supply chain. Adient fosters an environment of continuous improvement and identifies best business practices through the analysis of process and cost metrics, which are then shared globally throughout Adient's manufacturing network.

To ensure superior service levels, minimal inventory and optimal factory utilization, Adient employs a rigorous Sales & Operational Planning, or S&OP, process. A well-executed S&OP provides two strategic advantages: superior customer service and on-time delivery which result in both customer retention and the opportunity for market share gain.

Adient's focus on global operational efficiencies will also be applied to its corporate cost structure, which Adient expects will produce a lean corporate overhead structure. Adient believes that maintaining a lean and operationally efficient process throughout the organization will enable it to be a market leader in cost and that this will result in increased customer satisfaction and margin expansion. Adient also intends to continue streamlining the mechanisms and structures operations, which are capital intensive with long lead times and designs that span multiple vehicle platforms. Adient has made progress integrating product and process technologies across metal structures and mechanisms; however, opportunities still exist to streamline the product and process portfolio.

### ***Strong Cash Flow Generation***

Adient expects to generate strong cash flows following the separation. It will use this cash flow generation initially to support debt service and then to pursue various other alternatives, including new capital investment projects, strategic acquisitions and the return of capital to shareholders through a combination of dividends and/or share repurchases. However, there can be no guarantee that Adient will pay dividends in a timely manner, or at all, that Adient will repurchase any of its shares or the price at which any such repurchase may occur.

### **Segment Information**

See Note 18, "Segment Information," of the notes to the combined financial statements included in this information statement for certain financial information about segments.

### **Product/Systems**

Adient designs and manufactures a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient's technologies extend into virtually every area of automotive seating solutions including complete seating systems, frames, mechanisms, foam, head restraints, armrests, trim covers and fabrics. Adient also supplies high performance seating systems to the international motorsports industry through its award winning RECARO brand of products.

### **Customers**

Adient is a supplier to all of the global OEMs. Adient's customer base is balanced, with approximately 37% of fiscal 2015 revenue derived from European OEMs, 33% from Asian OEMs and 30% from North American OEMs. Adient has longstanding relationships with premier automotive manufacturers, including BMW Group, Daimler AG, Ford Motor Company, General Motors Company, Hyundai/Kia Motors Corp, Toyota Motor Corporation, Volkswagen AG and Volvo Group. The majority

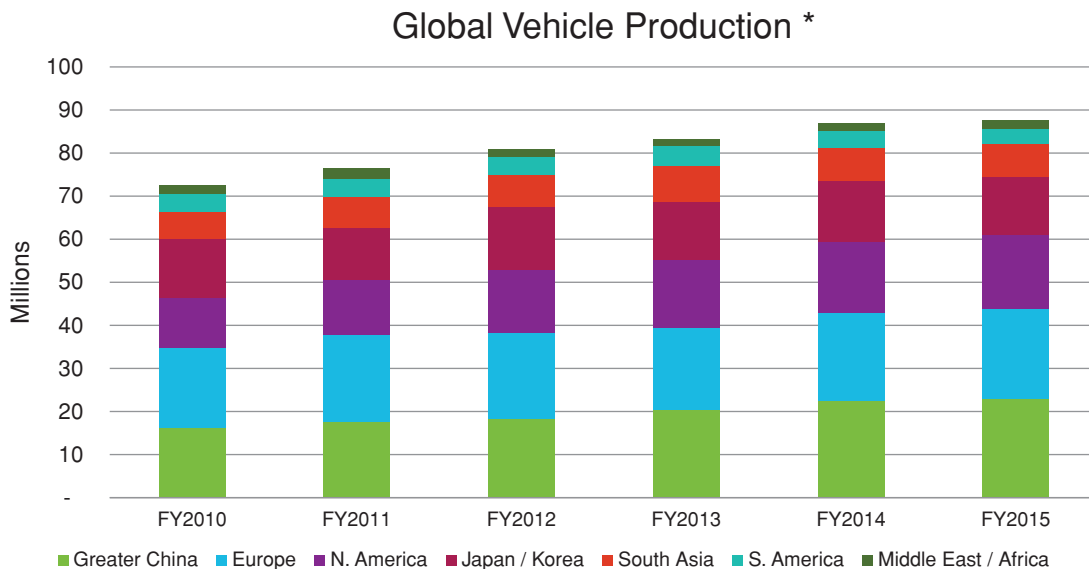


of these relationships span more than 20 years. Additionally, Adient has more than 20 joint venture partnerships with key OEMs, including SAIC Motor Corporation Limited, Beijing Automobile Works Co., Ltd. and FAW Group Corporation.

## Industry

The Automotive Seating industry provides OEMs with complete seats on a “just-in-time or in-sequence” basis. Seats are assembled to specific order and delivered on a predetermined schedule directly to an automotive assembly line. The components for these complete seat assemblies such as seating foam, metal structures, fabrics, seat covers and seat mechanisms are shipped to Adient or competitor seating assembly plants. Adient is the world’s largest\* in complete seat assembly and one of the largest in all major seating components, operating manufacturing plants that produce seating foam, metal structures, fabrics, seat covers and seat mechanisms.

Overall, Adient expects long-term growth of vehicle sales and production in the OEM market. The industry has experienced growth over the past few years in nearly all geographic regions with the exceptions being South America and Japan/Korea, where vehicle production has declined over the same period. Vehicle production increased by 3% in Europe, 2% in Greater China, 1% in South Asia and 4% in North America, and decreased by 16% in South America and 5% in Japan/Korea in fiscal year 2015, in each case as compared to fiscal year 2014.



Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced, which is primarily driven by macro-economic factors such as credit availability, interest rates, fuel prices, consumer confidence, employment and other trends. Although OEM demand is tied to actual vehicle production, participants in the automotive supplier industry also have the opportunity to grow through increasing product content per vehicle by further penetrating business with existing customers and in existing markets, gaining new customers and increasing their presence in global markets. Adient believes that, as a company with a global presence and advanced technology, engineering, manufacturing and customer support capabilities, it is well positioned to benefit from these

\* Based on production volumes. Source: IHS Automotive

opportunities. In addition, Adient expects to leverage these capabilities to pursue future growth in adjacent markets.

#### ***Sourcing Patterns by OEMs***

Most OEMs have adopted global vehicle platforms to increase standardization, reduce per unit cost and increase capital efficiency and profitability. In seating, three sourcing patterns have emerged over the past five years:

1. *Core seat structures:* By developing common front seat frames and mechanisms across multiple vehicle platforms, OEMs are reducing costs.
2. *Component sourcing:* Several OEMs have shifted from sourcing a complete seating system to a components approach where the OEM sources each of the different components of the seat and seating assembly as separate business awards.
3. *Engineering “in-sourcing”:* Some OEMs are conducting the design and engineering internally and are selecting suppliers that have the capability to manufacture products on a worldwide basis and adapt to regional variations.

Adient believes that as a supplier with global scale and strong design, engineering and lean manufacturing capabilities in both complete seat systems and components it is well positioned to benefit from these opportunities.

#### ***Shorter Product Development Cycles***

As a result of new safety and environmental regulations, as well as a trend of more rapid customer preference changes, OEMs are requiring suppliers to respond faster with new designs and product innovations. Although these trends are more significant in mature markets, emerging markets are moving rapidly towards the regulatory standards and consumer preferences of the more mature markets. Suppliers with strong technologies, robust global engineering and development capabilities will be best positioned to meet OEM demands for rapid innovation.

#### **Competition**

Adient faces competition from other automotive suppliers and, with respect to certain products, from the automobile OEMs who produce or have the capability to produce certain products the business supplies. The automotive supply industry competes on the basis of technology, quality, reliability of supply and price. Design, engineering and product planning are increasingly important factors. The competitive landscape for seating and components can be categorized into three segments: (1) traditional seating suppliers, (2) component specialists and (3) competitors who are partnered with an OEM through ownership or interlocking business relationships. Independent suppliers that represent the principal competitors of Adient include Lear Corporation, Faurecia SA and Magna International Inc. The businesses operated through Yanfeng Automotive Interiors primarily compete with Faurecia SA, Grupo Antolin—Irausa SA and International Automotive Components Group SA. Adient’s deep vertical integration, global footprint and broad product offering make it well positioned to compete against the traditional global Tier-1’s and component specialists.

#### **Raw Materials**

Raw materials used by Adient in connection with its operations, including steel, aluminum, polyurethane chemicals, fabrics, leather, vinyl and polypropylene, were readily available during fiscal 2015, and Adient expects such availability to continue. During the remainder of fiscal 2016, commodity prices could fluctuate throughout the year and could significantly affect Adient’s results of operations.

## **Intellectual Property**

Generally, Adient seeks statutory protection for strategic or financially important intellectual property developed in connection with its business. Certain intellectual property, where appropriate, is protected by contracts, licenses, confidentiality or other agreements.

Adient owns numerous U.S. and non-U.S. patents (and their respective counterparts), the more important of which cover those technologies and inventions embodied in current products or which are used in the manufacture of those products. While Adient believes patents are important to its business operations and in the aggregate constitute a valuable asset, no single patent, or group of patents, is critical to the success of the business. Adient, from time to time, grants licenses under its patents and technology and receives licenses under patents and technology of others.

Adient's trademarks, certain of which are material to its business, are registered or otherwise legally protected in the United States and many non-U.S. countries where products and services of Adient are sold. Adient, from time to time, becomes involved in trademark licensing transactions.

Most works of authorship produced for Adient, such as computer programs, catalogs and sales literature, carry appropriate notices indicating Adient's claim to copyright protection under U.S. law and appropriate international treaties.

## **Regulation**

Adient operates in a constantly evolving global regulatory environment and is subject to numerous and varying regulatory requirements for its product performance and material content. Adient's practice is to identify potential regulatory and quality risks early in the design and development process and proactively manage them throughout the product lifecycle through use of routine assessments, protocols, standards, performance measures and audits. New regulations and changes to existing regulations are managed in collaboration with the OEM customers and implemented through Adient's global systems and procedures designed to ensure compliance with existing laws and regulations. Adient demonstrates material content compliance through the International Material Data System, or IMDS, which is the automotive industry material data system. In the IMDS, all materials used for car manufacturing are archived and maintained, in order to meet the obligations placed on the car manufacturers—and thus on their suppliers—by national and international standards, laws and regulations.

Adient works collaboratively with a number of stakeholder groups including government agencies (e.g., National Highway Traffic Safety Administration), its customers and its suppliers to proactively engage in federal, state and international public policy processes.

## **Environmental, Health and Safety Matters**

Laws addressing the protection of the environment and workers' safety and health govern Adient's ongoing global operations. They generally provide for civil and criminal penalties, as well as injunctive and remedial relief, for noncompliance or require remediation of sites where Adient-related materials have been released into the environment.

Adient has expended substantial resources globally, both financial and managerial, to comply with environmental laws and worker safety laws and maintains procedures designed to foster and ensure compliance. Certain of Adient's businesses are, or have been, engaged in the handling or use of substances that may impact workplace health and safety or the environment. Adient is committed to protecting its workers and the environment against the risks associated with these substances.

Adient's operations and facilities have been, and in the future may become, the subject of formal or informal enforcement actions or proceedings for noncompliance with environmental laws and worker

safety laws or for the remediation of Adient-related substances released into the environment. Such matters typically are resolved with regulatory authorities through commitments to compliance, abatement or remediation programs and, in some cases, payment of penalties. Historically, neither such commitments nor such penalties have been material.

## Employees

As of March 31, 2016, Adient employed approximately 75,000 employees, of whom approximately 62,000 were hourly and 13,000 were salaried.

## Seasonal Factors

Adient's principal operations are directly related to the automotive industry. Consequently, Adient may experience seasonal fluctuations to the extent automotive vehicle production slows, such as in the summer months when many customer plants close for model year changeovers and in December when many customer plants close for the holidays.

## Properties

The locations of Adient's principal facilities, as of March 31, 2016, are listed below.

<u>Jurisdiction</u>	<u>City</u>
Alabama . . . . .	Clanton Cottondale Eastaboga
California . . . . .	Fremont (1)
Georgia . . . . .	West Point (1)
Illinois . . . . .	Sycamore
Indiana . . . . .	Princeton (1)
Kentucky . . . . .	Cadiz Georgetown (2) Shelbyville (1) Winchester (1)
Michigan . . . . .	Auburn Hills (1) Battle Creek Detroit Holland (2),(3) Lansing (2) Plymouth (2),(4) Warren (1)
Missouri . . . . .	Eldon (2) Riverside (1)
Ohio . . . . .	Bryan Greenfield Northwood Wauseon
Tennessee . . . . .	Athens Lexington Murfreesboro Pulaski
Texas . . . . .	El Paso (1) San Antonio (1)
Wisconsin . . . . .	Milwaukee (1),(4)
Argentina . . . . .	Rosario

<u>Jurisdiction</u>	<u>City</u>
Austria . . . . .	Graz (1) Mandling
Belgium . . . . .	Assenede (1)
Brazil . . . . .	Gravatai City Pouso Alegre Quatro Barras (2) Sao Bernardo do Campo (1),(4) São José dos Pinhais (1)
Canada . . . . .	Milton Tillsonburg Whitby (2)
China . . . . .	Shanghai (1),(4) Beijing
Czech Republic . . . . .	Bezdecin (1) Bor u Tachova (1) Ceska Lipa (2),(4) Kvasiny (1) Mlada Boleslav (1) Roudnice Rychnov nad Kneznou (1) Strakonice Straz pod Ralskem
France . . . . .	Conflans-sur-Lanterne Laroque D'Olmes Les Ulis (1),(4) Paris (1),(4) Rosny Strasbourg
Germany . . . . .	Berlin (1),(4) Bochum (2) Burscheid (2),(4) Dautphetal Espelkamp Hannover (1) Hilchenbach (1) Kaiserslautern Kirchheim Luneburg Mannweiler (1) Munchen (1),(4) Neuenbürg Neustadt Rastatt (1) Remscheid (1) Rockenhausen Russelsheim (1),(4) Saarlouis (1) Sindelfingen (1),(4) Solingen (3) Waghausel Weilheim an der Teck (1) Weyhausen (1),(4) Wuppertal (1),(3) Zwickau (2)

<u>Jurisdiction</u>	<u>City</u>
Hungary .....	Kecskemet (1) Mezolak Mor
India .....	Ahmedabad (1) Bangalore Chennai Dharwad (1) Hinjewadi Jamshedpur (1) Lucknow (1) Noida (1) Pune (2),(3) Rudrapur (1) Purwakarta (1),(3)
Indonesia .....	Grugliasco (1)
Italy .....	Melfi Ogliastro Cilento Rocca D'Evandro
Japan .....	Hamamatsu Higashiomi Hiratsuka (1) Miyako-gun (2) Torihama (4) Yokohama (2),(4) Yokosuka (2)
Korea .....	Ansan (1),(4) Asan (2) Busan (1)
Malaysia .....	Melaka (1) Pekan (1) Selangor Darul Ehsan (1),(3)
Macedonia .....	Stip Strumica
Mexico .....	El Marqués (3) Juarez Lerma (1) Matamoros (1) Monclova Puebla (1) Ramos Arizpe Saltillo (2) Tlaxcala
Poland .....	Bierun Siemianowice Skarbimierz (1) Swiebodzin Zory
Portugal .....	Palmela



<u>Jurisdiction</u>	<u>City</u>
Romania . . . . .	Bradu Craiova (1) Jimbolia Mioveni (1) Pitesti Ploiești Poiana Lacului Timisoara (1)
Russia . . . . .	Togliatti (1)
Serbia . . . . .	Kragujevac
Slovakia . . . . .	Bratislava (1),(4) Kostany nad Turcom Lozorno (1) Lucenec (1) Trencin (1),(4) Zilina
Slovenia . . . . .	Martin (1) Novo Mesto (1) Slovenj Gradec
South Africa . . . . .	East London (1) Pretoria
Spain . . . . .	Uitenhage (1) Abrera Alagon Calatorao Valencia (2) Valladolid Zaragoza
Sweden . . . . .	Goteborg (1)
Thailand . . . . .	Chonburi (1) Rayong (2),(3) Samut Prakan (1)
Turkey . . . . .	Gebze
United Kingdom . . . . .	Burton-Upon-Trent (2) Ellesmere Port (1) Liverpool (1) Sunderland (2) Telford (1) Wednesbury
Vietnam . . . . .	Hai Duong (1)

(1) Leased facility

(2) Includes both leased and owned facilities

(3) Includes both administrative and manufacturing facilities

(4) Administrative facility only

## Legal Proceedings

Adient is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, product safety, environmental, safety and health, intellectual property, employment, commercial and contractual matters and various other matters. Although the outcome of any such lawsuit, claim or proceeding cannot be predicted with

certainty and some may be disposed of unfavorably to Adient, it is management's opinion that none of these will have a material adverse effect on Adient's financial position, results of operations or cash flows. Adient accrues for potential liabilities in a manner consistent with accounting principles generally accepted in the United States, that is, when it is probable a liability has been incurred and the amount of the liability is reasonably estimable.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis presented below refer to and should be read in conjunction with the audited combined financial statements and the corresponding notes, unaudited interim combined financial statements and the corresponding notes, and the selected historical combined financial data, each included elsewhere in this information statement. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Please see the "Risk Factors" section for a discussion of the uncertainties, risks and assumptions associated with these statements.*

### **Separation from Johnson Controls**

On July 24, 2015, Johnson Controls announced its intent to separate its automotive seating and interiors businesses from the rest of Johnson Controls by means of a spin-off. The spin-off will create Adient, a separate, independent, publicly traded automotive seating and interiors company. As part of the separation, Johnson Controls intends to transfer the assets, liabilities and operations of its automotive seating and interiors businesses on a global basis to Adient.

Adient's historical combined financial statements have been prepared on a stand-alone basis and are derived from Johnson Controls' consolidated financial statements and accounting records. Therefore, these financial statements reflect, in conformity with accounting principles generally accepted in the United States, Adient's financial position, results of operations, comprehensive loss and cash flows as the business was historically operated as part of Johnson Controls prior to the distribution. They may not be indicative of Adient's future performance and do not necessarily reflect what Adient's combined results of operations, financial condition and cash flows would have been had Adient operated as a separate, publicly traded company during the periods presented, particularly because Adient expects that many changes will occur in Adient's operations and capitalization as a result of the separation from Johnson Controls.

Adient's combined statement of operations includes its direct expenses for cost of goods sold, research and development, sales and marketing, distribution, and administration as well as allocations of expenses arising from shared services and infrastructure provided by Johnson Controls to Adient, such as information technology, accounting, legal, real estate and facilities, corporate advertising, risk and insurance services, treasury, shareholder services and other corporate and infrastructure services. These operating expenses are allocated to Adient using estimates that Adient considers to be a reasonable reflection of the utilization of services provided to or benefits received by Adient.

Adient expects that Johnson Controls will continue to provide some of the services related to these functions on a transitional basis for a fee. These services will be received under the transition services agreement described in "Certain Relationships and Related Party Transactions."

### **Executive Summary**

#### ***Business overview***

Adient is the world's largest automotive seating supplier\* with relationships with the largest global auto manufacturers. Adient's technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests, trim covers and fabrics. Adient will be an independent seat supplier with global scale and the capability to design, develop, engineer, manufacture and deliver complete seat systems and components in every

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\* Based on production volumes. Source: IHS Automotive

major automotive producing region in the world. Adient also participates in the automotive interiors market primarily through its approximately 30% equity interest in Yanfeng Global Automotive Interior Systems Co., Ltd.

Adient designs, manufactures and markets a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient also supplies high performance seating systems to the international motorsports industry through its award winning RECARO brand of products. Adient operates approximately 230 wholly- and majority-owned manufacturing or assembly facilities, with operations in 33 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America.

Adient's business model is focused on developing and maintaining long-term customer relationships, which has allowed Adient to successfully grow with leading global OEMs, including BMW, Daimler AG, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Honda Motor Company, Hyundai Motor Company, Jaguar Land Rover, Kia Motor Company, Mazda Motor Company, Mitsubishi Motors, Nissan Motor Company, PSA Peugeot Citroen, Renault, Suzuki, Toyota Motor Corporation, Volkswagen AG and Volvo. Adient also supplies most of the growing regional OEMs such as BAIC Motor Co., Ltd., Brilliance Auto Group, Changan Automobile (Group) Co., Ltd., FAW Group Corporation, Great Wall Motors Company Limited, SAIC Motor Corporation Limited, Tata Motors Limited and Zhejiang Geely Holding Group Co., Ltd and newer auto manufacturers such as Tesla Motors, Inc. Adient and its engineers work closely with customers as vehicle platforms are developed, which results in close ties with key decision makers at OEM customers.

#### ***Overview—Seating***

Adient's Seating segment produces automotive seat metal structures and mechanisms, foam, trim, fabric and complete seat systems and operates assembly plants that supply automotive OEMs with complete seats on a "just-in-time/in-sequence" basis. Seats are assembled to specific order and delivered on a predetermined schedule directly to an automotive assembly line.

#### ***Overview—Interiors***

Adient's Interiors segment, primarily derived from its global interiors joint venture, produces instrument panels, floor consoles, door panels, overhead consoles, cockpit systems, decorative trim and other products. Prior to the launch of the joint venture on July 2, 2015, the Interiors segment produced instrument panels, floor consoles and door panels.

#### ***Global Automotive Industry***

Adient conducts its business in the automotive industry, which is highly competitive and sensitive to economic conditions. During the three and six months ended March 31, 2016 the global automotive industry continued to experience modest global growth. Growth in China production has outpaced the overall growth rate although at a lower rate than in prior years. Europe production has also increased based on recovering demand in Western Europe and North America production has remained strong. South America continues to experience a contraction in demand while production in the remaining regions was mixed due to varying economic, political and social factors.

Light vehicle production levels by geographic region are provided below:

(units in millions)	Light Vehicle Production					
	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Global . . . . .	23.1	22.2	4%	46.0	44.9	2%
Greater China . . . . .	6.2	5.8	7%	12.5	11.9	5%
Europe . . . . .	5.7	5.5	4%	11.3	10.9	4%
North America . . . . .	4.7	4.5	4%	9.2	8.8	5%
Japan/Korea . . . . .	3.3	3.2	3%	6.6	6.7	– 1%
South Asia . . . . .	2.0	1.9	5%	4.1	4.0	3%
South America . . . . .	0.7	0.8	– 13%	1.3	1.6	– 19%
Middle East/Africa . . . . .	0.5	0.5	0%	1.0	1.0	0%

Source: IHS Automotive, May 2016

	Light Vehicle Production					
	Change			Change		
	FY 2015	FY 2014	(FY 2015 vs FY 2014)	FY 2013	(FY 2014 vs FY 2013)	
Global . . . . .	87.7	86.9	1%	83.2	4%	
Greater China . . . . .	23.1	22.6	2%	20.3	11%	
Europe . . . . .	20.7	20.1	3%	19.2	5%	
North America . . . . .	17.4	16.8	4%	16.0	5%	
Japan/Korea . . . . .	13.2	13.9	– 5%	13.2	5%	
South Asia . . . . .	7.9	7.8	1%	8.4	– 7%	
South America . . . . .	3.3	3.9	– 15%	4.6	– 15%	
Middle East/Africa . . . . .	2.1	1.8	17%	1.5	20%	

Source: IHS Automotive, March 2016

### Financial Results Summary

Significant aspects of Adient's financial results for the three and six months ended March 31, 2016 include the following:

- On July 2, 2015, Adient completed its global automotive interiors joint venture (YFAI) with Yanfeng Automotive Trim Systems. Since that date, the contributed interiors business was deconsolidated and the results of the joint venture are included in equity income. The impact of this transaction results in significant variances when comparing periods, as discussed below within the financial statement line item discussions.
- For the three months ended March 31, 2016, Adient recorded net sales of \$4,298 million representing a decrease of \$936 million when compared to the same period last year. Excluding the impact of foreign currency translation (\$105 million) and the impact of the YFAI joint venture (\$948 million), net sales increased by 2% year over year. For the six months ended March 31, 2016, Adient recorded net sales of \$8,531 million representing a decrease of \$1,976 million when compared to the same period last year. Excluding the impact of foreign currency translation (\$375 million) and the impact of the YFAI joint venture (\$1,937 million), net sales increased by 3% year over year.
- Gross profit was \$430 million or 10.0% of net sales for the three months ended March 31, 2016 compared to \$472 million or 9.0% of net sales for the same period last year. Gross profit was

\$798 million or 9.4% of net sales for the six months ended March 31, 2016 compared to \$916 million or 8.7% of net sales for the same period last year. The increase in gross profit as a percentage of net sales for both periods was primarily due to the impact of the YFAI joint venture and the benefits of cost reduction initiatives.

- Equity income was \$77 million for the three months ended March 31, 2016 which is \$8 million higher than the same period last year. Equity income was \$171 million for the six months ended March 31, 2016 which is \$17 million higher than the same period last year. In both periods the increase is primarily due to current year income related to the YFAI joint venture and higher equity income from certain other partially-owned seating affiliates.
- Net loss attributable to Adient was \$779 million for the three months ended March 31, 2016 compared to net income of \$201 million in the same period last year. The decrease is primarily due to higher tax expense related to the change in assertion over permanently reinvested earnings as a result of the spin-off (\$778 million), current period restructuring and impairment charges (\$169 million) and costs related to the separation of Adient (\$72 million). Excluding these items, net income attributable to Adient increased by \$39 million. Net loss attributable to Adient was \$642 million for the six months ended March 31, 2016 compared to net income of \$383 million in the same period last year. The decrease is primarily due to higher tax expense related to the change in assertion over permanently reinvested earnings as a result of the spin-off (\$778 million), current period restructuring and impairment charges (\$169 million) and costs related to the separation of Adient (\$132 million). Excluding these items, net income attributable to Adient increased by \$54 million.
- Adient provided \$294 million of cash from operating activities for the six months ended March 31, 2016, \$508 million more than for the three months ended March 31, 2015, primarily due to favorable changes in working capital.

Significant aspects of the Company's financial results for the year ended September 30, 2015 include the following:

- The Company recorded net sales of \$20,071 million representing a decrease of \$1,970 million when compared to the year ended September 30, 2014. Excluding the impact of foreign currency translation (\$1.6 billion) and the impact of the YFAI joint venture (\$924 million), net sales increased by 3% year over year.
- Gross profit was \$1,852 million or 9.2% of net sales for the year ended September 30, 2015 compared to \$1,953 million or 8.9% of net sales for the same period in 2014. The increase in gross profit as a percentage of net sales was primarily due to the benefits of cost reduction initiatives and the impact of the YFAI joint venture.
- Equity income was \$295 million for the year ended September 30, 2015 which is \$11 million higher than the same period in 2014. The increase is primarily due to higher current year income at certain partially-owned Seating affiliates in China.
- Net income attributable to Adient was \$475 million for the year ended September 30, 2015 which is \$168 million higher than the same period in 2014. The increase is primarily due to the gain related to the YFAI joint venture, and lower selling, general and administrative expenses due to the benefits of cost reduction initiatives.
- The Company generated \$397 million of cash from operating activities for the year ended September 30, 2015, \$400 million lower than cash from operating activities of \$797 million for the same period in 2014, primarily due to unfavorable changes in working capital.



**Three and Six Months Ended March 31, 2016 Compared to Corresponding Periods Ended March 31, 2015**

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Net sales . . . . .	\$4,298	\$5,234	– 18%	\$8,531	\$10,507	– 19%
Cost of sales . . . . .	3,868	4,762	– 19%	7,733	9,591	– 19%
Gross profit . . . . .	430	472	– 9%	798	916	– 13%
Selling, general and administrative expenses	(252)	(298)	– 15%	(505)	(607)	– 17%
Restructuring and impairment costs . . . . .	(169)	—	*	(169)	—	*
Net financing charges . . .	(4)	(3)	33%	(6)	(7)	– 14%
Equity income . . . . .	77	69	12%	171	154	11%
Income before income taxes . . . . .	82	240	– 66%	289	456	– 37%
Income tax provision . . . .	838	21	*	891	36	*
Net income (loss) . . . . .	(756)	219	*	(602)	420	*
Income attributable to noncontrolling interests	23	18	28%	40	37	8%
Net income (loss) attributable to Adient . .	<u>\$ (779)</u>	<u>\$ 201</u>	*	<u>\$ (642)</u>	<u>\$ 383</u>	*

\* Measure not meaningful

**Net Sales**

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Net sales . . . . .	\$4,298	\$5,234	– 18%	\$8,531	\$10,507	– 19%

Net sales for the three months ended March 31, 2016 were unfavorably impacted by foreign currency translation (\$105 million) and by the impact of the YFAI joint venture (\$948 million). Excluding the above items, net sales increased by \$117 million, or 2%, primarily due to higher volumes attributable to growth in North America and Asia, partially offset by softness in Europe and South America due to changes in automotive production levels. Refer to the segment analysis below for a discussion of net sales by segment.

Net sales for the six months ended March 31, 2016 were unfavorably impacted by foreign currency translation (\$375 million) and by the impact of the YFAI joint venture (\$1,937 million). Excluding the above items, net sales increased by \$336 million, or 3%, primarily due to higher volumes attributable to growth in North America and Asia, partially offset by softness in Europe and South America due to changes in automotive production levels. Refer to the segment analysis below for a discussion of net sales by segment.

### *Cost of Sales / Gross Profit*

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Cost of sales . . . . .	\$3,868	\$4,762	– 19%	\$7,733	\$9,591	– 19%
Gross profit . . . . .	430	472	– 9%	798	916	– 13%
% of sales . . . . .	10.0%	9.0%		9.4%	8.7%	

Cost of sales for the three months ended March 31, 2016 was favorably impacted by foreign currency translation (\$94 million) and by the impact of the YFAI joint venture (\$881 million). Excluding the above items, costs of sales increased by \$81 million, or 2%. These items favorably impacted current period gross profit as a percent of net sales by 50 basis points. The increase in gross profit as a percent of net sales is primarily due to the impact of the YFAI joint venture, operational efficiencies and the result of cost reduction initiatives. Refer to the segment analysis below for a discussion of segment income by segment.

Cost of sales for the six months ended March 31, 2016 was favorably impacted by foreign currency translation (\$333 million) and by the impact of the YFAI joint venture (\$1,801 million). Excluding the above items, costs of sales increased by \$276 million, or 3%. These items favorably impacted current period gross profit as a percent of net sales by 40 basis points. The increase in gross profit as a percent of net sales is primarily due to the impact of the YFAI joint venture, operational efficiencies and the result of cost reduction initiatives. Refer to the segment analysis below for a discussion of segment income by segment.

### *Selling, General and Administrative Expenses*

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Selling, general and administrative expenses . . . . .	\$252	\$298	– 15%	\$505	\$607	– 17%
% of sales . . . . .	5.9%	5.7%		5.9%	5.8%	

Selling, general and administrative expenses (SG&A) for the three months ended March 31, 2016 was favorably impacted by foreign currency translation (\$6 million) and by the impact of the YFAI joint venture (\$49 million), offset by separation costs (\$72 million). Excluding the above items, SG&A decreased by \$63 million, or 21%, primarily due to the result of cost reduction initiatives and prior year transaction costs (\$11 million). Refer to the segment analysis below for a discussion of segment income by segment.

SG&A for the six months ended March 31, 2016 was favorably impacted by foreign currency translation (\$26 million) and by the impact of the YFAI joint venture (\$106 million), offset by separation costs (\$132 million). Excluding the above items, SG&A decreased by \$102 million, or 17%, primarily due to lower engineering costs and the result of cost reduction initiatives. Refer to the segment analysis below for a discussion of segment income by segment.

### *Restructuring and Impairment Costs*

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Restructuring and impairment costs . . . .	\$169	\$—	*	\$169	\$—	*

\* Measure not meaningful

Refer to Note 8, “Significant Restructuring and Impairment Costs,” of the notes to combined unaudited interim financial statements for information related to Adient’s restructuring plans.

### *Net Financing Charges*

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Net financing charges . . . . .	\$4	\$3	33%	\$6	\$7	– 14%

Net financing charges increased for the three months ended March 31, 2016 and decreased for the six months ended March 31, 2016 primarily due to variations in Adient’s average borrowing levels primarily in foreign jurisdictions.

### *Equity Income*

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Equity income . . . . .	\$77	\$69	12%	\$171	\$154	11%

The increase in equity income was primarily due to current year income related to the YFAI joint venture and higher equity income from certain other partially-owned Seating affiliates. Refer to the segment analysis below for a discussion of segment income by segment. Refer to Note 17, “Nonconsolidated Partially-Owned Affiliates,” of the notes to combined unaudited interim financial statements for further disclosure related to Adient’s nonconsolidated partially-owned affiliates.

### *Income Tax Provision*

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Income tax provision . . . . .	\$838	\$21	*	\$891	\$36	*

\* Measure not meaningful

In calculating the provision for income taxes, Adient uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the annual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter.

For the three and six months ended March 31, 2016, Adient’s effective tax rate was 1,022% and 308%, respectively. The effective rate was higher than the U.S. federal statutory rate of 35% primarily due to Adient’s change in assertion over permanently reinvested earnings as a result of the spin-off (\$778 million), the jurisdictional mix of significant restructuring and impairment costs, and the tax impacts of separation costs, partially offset by the benefits of global tax planning initiatives and foreign tax rate differentials. For the three and six months ended March 31, 2015, Adient’s effective tax rate was 9% and 8%, respectively. The effective rate was lower than the U.S. federal statutory rate of 35% primarily due to global tax planning and foreign tax rate differentials, partially offset by a tax law change in Japan.

***Income Attributable to Noncontrolling Interests***

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Income attributable to noncontrolling interests . . . . .	\$23	\$18	28%	\$40	\$37	8%

The increase in income attributable to noncontrolling interests for the three and six months ended March 31, 2016 was primarily due to higher income at partially-owned Seating affiliates.

***Net Income Attributable to Adient***

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Net income (loss) attributable to Adient . . . . .	\$(779)	\$201	*	\$(642)	\$383	*

\* Measure not meaningful

The decrease in net income attributable to Adient for the three months ended March 31, 2016 was primarily due to higher tax expense related to the change in assertion over permanently reinvested earnings as a result of the spin-off (\$778 million), current period restructuring and impairment costs (\$169 million) and costs related to the separation of Adient (\$72 million). Excluding these items, net income attributable to Adient increased by \$39 million.

The decrease in net income attributable to Adient for the six months ended March 31, 2016 was primarily due to higher tax expense related to the change in assertion over permanently reinvested earnings as a result of the spin-off (\$778 million), current period restructuring and impairment costs (\$169 million) and costs related to the separation of Adient (\$132 million). Excluding these items, net income attributable to Adient increased by \$54 million.

***Comprehensive Income (Loss) Attributable to Adient***

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Comprehensive income (loss) attributable to Adient . . . . .	\$(590)	\$(232)	154%	\$(603)	\$(288)	109%

The increase in comprehensive loss attributable to Adient for the three months ended March 31, 2016 was primarily due to lower net income (loss) attributable to Adient (\$980 million) as discussed above, partially offset by favorable foreign currency translation adjustments (\$622 million). The favorable foreign currency translation adjustments were primarily driven by the weakening of the Brazilian real, British pound, Euro, Japanese yen and Polish zloty against the U.S. dollar in the prior year.

The increase in comprehensive loss attributable to Adient for the six months ended March 31, 2016 was primarily due to lower net income (loss) attributable to Adient (\$1,025 million) as discussed above, partially offset by favorable foreign currency translation adjustments (\$699 million). The favorable foreign currency translation adjustments were primarily driven by the weakening of the Brazilian real, British pound, Euro, Japanese yen and Polish zloty against the U.S. dollar in the prior year.

### Segment Analysis

Management evaluates the performance of its business units based primarily on segment income, which is defined as income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
<i>Net Sales</i>						
Seating . . . . .	\$4,266	\$4,224	1%	\$8,438	\$ 8,430	0%
Interiors . . . . .	32	1,010	– 97%	93	2,077	– 96%
Total net sales . . . . .	<u>\$4,298</u>	<u>\$5,234</u>	– 18%	<u>\$8,531</u>	<u>\$10,507</u>	– 19%

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
<i>Segment Income</i>						
Seating . . . . .	\$ 228	\$225	1%	\$ 426	\$415	3%
Interiors . . . . .	27	18	50%	38	48	– 21%
Total segment income . . . . .	\$ 255	\$243	5%	\$ 464	\$463	0%
Total restructuring and impairment costs . . . . .	(169)	—	*	(169)	—	*
Net financing charges . . . . .	(4)	(3)	33%	(6)	(7)	– 14%
Income before income taxes . . . . .	<u>\$ 82</u>	<u>\$240</u>	– 66%	<u>\$ 289</u>	<u>\$456</u>	– 37%

\* Measure not meaningful

### Seating

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Net sales . . . . .	\$4,266	\$4,224	1%	\$8,438	\$8,430	0%
Segment income . . . . .	228	225	1%	426	415	3%

### Three Months

- Net sales increased for the three months ended March 31, 2016 due to higher volumes (\$170 million), partially offset by the unfavorable impact of foreign currency translation (\$107 million), and net unfavorable pricing and commercial settlements (\$21 million). The higher volumes were attributable to growth in North America and Asia, partially offset by softness in Europe and South America due to changes in automotive production levels.
- Segment income increased for the three months ended March 31, 2016 due to lower operating costs (\$20 million) and lower selling, general and administrative expenses (\$16 million) as a result of restructuring actions and operational efficiencies, net favorable pricing and commercial settlements (\$13 million), lower purchasing costs resulting from supplier price concessions (\$12 million), higher volumes as discussed above (\$10 million), higher equity income (\$6 million) and lower engineering expenses (\$3 million), partially

offset by current year separation costs (\$72 million) and the unfavorable impact of foreign currency translation (\$5 million).

#### *Year-to-Date*

- Net sales increased for the six months ended March 31, 2016 due to higher volumes (\$391 million) and incremental sales related to a prior year business acquisition (\$19 million), partially offset by the unfavorable impact of foreign currency translation (\$365 million), and net unfavorable pricing and commercial settlements (\$37 million). The higher volumes were attributable to growth in North America and Asia, partially offset by softness in Europe and South America due to changes in automotive production levels.
- Segment income increased for the six months ended March 31, 2016 due to lower operating costs (\$36 million) and lower selling, general and administrative expenses (\$35 million) as a result of restructuring actions and operational efficiencies, higher volumes as discussed above (\$28 million), lower purchasing costs resulting from supplier price concessions (\$20 million), net favorable pricing and commercial settlements (\$16 million), lower engineering expenses (\$13 million), higher equity income (\$8 million) and incremental operating income related to a prior year business acquisition (\$2 million), partially offset by current year separation costs (\$132 million) and the unfavorable impact of foreign currency translation (\$15 million).

#### *Interiors*

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2016	2015	Change	2016	2015	Change
Net sales . . . . .	\$32	\$1,010	(97)%	\$93	\$2,077	(96)%
Segment income . . . . .	27	18	50%	38	48	(21)%

#### *Three Months*

- Net sales decreased for the three months ended March 31, 2016 due to the impact of the YFAI joint venture (\$948 million) and lower volumes primarily due to plant wind downs (\$35 million), partially offset by favorable pricing and commercial settlements (\$3 million), and the favorable impact of foreign currency translation (\$2 million).
- Segment income increased for the three months ended March 31, 2016 due to favorable settlements from prior year business divestitures (\$22 million), prior year transaction costs (\$11 million), lower selling, general and administrative expenses (\$7 million), and lower operating costs (\$4 million), partially offset by the prior year held for sale depreciation impact of the contributed interiors business to YFAI (\$30 million) and lower volumes as discussed above (\$5 million).

#### *Year-to-Date*

- Net sales decreased for the six months ended March 31, 2016 due to the impact of the YFAI joint venture (\$1,937 million), lower volumes primarily due to plant wind downs (\$35 million), the unfavorable impact of foreign currency translation (\$10 million), and net unfavorable pricing and commercial settlements (\$2 million).
- Segment income decreased for the six months ended March 31, 2016 due to the prior year held for sale depreciation impact of the contributed interiors business to YFAI (\$54 million), lower volumes as discussed above (\$5 million), unfavorable pricing and



commercial settlements (\$5 million), and the unfavorable impact of foreign currency translation (\$1 million), partially offset by favorable settlements from prior year business divestitures (\$22 million), prior year transaction costs (\$17 million), lower selling, general and administrative expenses (\$12 million), and lower operating costs (\$4 million).

#### Fiscal Year 2015 Compared to Fiscal Year 2014

(in millions)	Year Ended September 30,		Change
	2015	2014	
Net sales . . . . .	\$20,071	\$22,041	– 9%
Cost of sales . . . . .	18,219	20,088	– 9%
Gross profit . . . . .	1,852	1,953	– 5%
Selling, general and administrative expenses . . . . .	(1,131)	(1,308)	– 14%
Gain (loss) on business divestitures—net . . . . .	137	(86)	*
Restructuring and impairment costs . . . . .	(182)	(158)	15%
Net financing charges . . . . .	(12)	(15)	– 20%
Equity income . . . . .	295	284	4%
Income before income taxes . . . . .	959	670	43%
Income tax provision . . . . .	418	296	41%
Net income . . . . .	541	374	45%
Income attributable to noncontrolling interests . . . . .	66	67	– 1%
Net income attributable to Adient . . . . .	\$ 475	\$ 307	55%

\* Measure not meaningful

#### Net Sales

(in millions)	Year Ended September 30,		Change
	2015	2014	
Net sales . . . . .	\$20,071	\$22,041	– 9%

Net sales for the year ended September 30, 2015 were unfavorably impacted by foreign currency translation (\$1.6 billion) and by the impact of the YFAI joint venture (\$924 million). Excluding the above items, net sales increased by \$563 million, or 3%, primarily due to higher volumes, incremental sales related to business acquisitions, and net favorable pricing and commercial settlements in South America, partially offset by lower volumes related to a prior year divestiture. The increase in volumes was attributable to increased automotive production levels in the majority of regions around the globe with the exception of South America. Refer to the segment analysis below for a discussion of net sales by segment.

#### Cost of Sales / Gross Profit

(in millions)	Year Ended September 30,		Change
	2015	2014	
Cost of sales . . . . .	\$18,219	\$20,088	– 9%
Gross profit . . . . .	1,852	1,953	– 5%
% of sales . . . . .	9.2%	8.9%	

Cost of sales for the year ended September 30, 2015 was favorably impacted by foreign currency translation (\$1.5 billion) and by the impact of the YFAI joint venture (\$843 million). Excluding the above items, cost of sales increased by \$464 million, or 2%. These items favorably impacted current period gross profit as a percent of net sales by 20 basis points. Gross profit as a percentage of sales was also favorably impacted by lower purchasing costs related to supplier pricing concessions, the benefits of cost reduction initiatives and favorable commercial settlements due to recoveries in South America, partially offset by higher operating costs related to current year platform launches and other inefficiencies. Mark-to-market adjustments on pension and postretirement plans had a net favorable impact on cost of sales of \$7 million (\$3 million charge in fiscal 2015 compared to a \$10 million charge in fiscal 2014). Refer to the segment analysis below for a discussion of segment income by segment.

***Selling, General and Administrative Expenses***

(in millions)	Year Ended September 30,		Change
	2015	2014	
Selling, general and administrative expenses . . . . .	\$1,131	\$1,308	– 14%
% of sales . . . . .	5.6%	5.9%	

SG&A for the year ended September 30, 2015 was favorably impacted by foreign currency translation (\$68 million) and by the impact of the YFAI joint venture (\$48 million). Excluding the above items, SG&A decreased by \$61 million, or 5%, primarily due to lower engineering expenses resulting from higher cost recoveries and lower program support requirements, and lower employee related costs from cost reduction initiatives, partially offset by transaction and integration costs. Mark-to-market adjustments on pension and postretirement plans had a net favorable impact on SG&A of \$37 million (\$3 million charge in fiscal 2015 compared to a \$40 million charge in fiscal 2014) primarily due to decreases in discount rates for certain non-U.S. pension plans in the prior year. Refer to the segment analysis below for a discussion of segment income by segment.

***Gain (Loss) on Business Divestitures—Net***

(in millions)	Year Ended September 30,		Change
	2015	2014	
Gain (loss) on business divestitures—net . . . . .	\$137	\$(86)	*

\* Measure not meaningful

The gain in fiscal 2015 relates primarily to the YFAI joint venture transaction and the loss in fiscal 2014 relates primarily to the divestiture of the Interiors headliner and sun visor product lines. Refer to Note 2, “Acquisitions and Divestitures,” of the notes to the combined financial statements for further information on the gain (loss) on business divestitures—net.

***Restructuring and Impairment Costs***

(in millions)	Year Ended September 30,		Change
	2015	2014	
Restructuring and impairment costs . . . . .	\$182	\$158	15%

Refer to Note 15, “Significant Restructuring and Impairment Costs,” of the notes to the combined financial statements for information related to Adient’s restructuring plans.

### *Net Financing Charges*

(in millions)	Year Ended September 30,		Change
	2015	2014	
Net financing charges . . . . .	\$12	\$15	– 20%

Net financing charges decreased in fiscal 2015 as compared to fiscal 2014 primarily due to lower average borrowing levels.

### *Equity Income*

(in millions)	Year Ended September 30,		Change
	2015	2014	
Equity income . . . . .	\$295	\$284	4%

The increase in equity income was primarily due to higher current year income at certain partially-owned Seating affiliates in China resulting from higher automotive production levels. Refer to the segment analysis below for a discussion of segment income by segment. Refer to Note 19, “Nonconsolidated Partially-Owned Affiliates,” of the notes to the combined financial statements for further disclosure related to Adient’s nonconsolidated partially-owned affiliates.

### *Income Tax Provision*

(in millions)	Year Ended September 30,		Change
	2015	2014	
Income tax provision . . . . .	\$418	\$296	41%

The effective tax rate of 44% is above the U.S. statutory rate for fiscal 2015 primarily due to the tax consequences of business divestitures (\$356 million) partially offset by the benefits of U.S. tax on foreign income (\$252 million), income in certain non-U.S. jurisdictions with a tax rate lower than the U.S. statutory tax rate (\$13 million) and global tax planning initiatives. The effective tax rate of 44% is above the U.S. statutory rate for fiscal 2014 primarily due to the tax consequences of business divestitures partially offset by the benefits of continuing global tax planning initiatives and income in certain non-U.S. jurisdictions with a tax rate lower than the U.S. statutory tax rate. The global tax planning initiatives in both fiscal years relate primarily to Adient’s portion of Johnson Controls’ foreign tax credit planning, global financing structures and alignments of its global business functions in a tax efficient manner.

### *Valuation Allowances*

As a result of our fiscal 2015 analysis of the realizability of our worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined that it was more likely than not that deferred tax assets within South Africa would be realized. Therefore, Adient released \$13 million of net valuation allowances as income tax benefit in the fiscal year ended September 30, 2015.

### *Other Tax Matters*

In fiscal 2015, Adient completed its global automotive interiors joint venture with Yanfeng Automotive Trim Systems. Refer to Note 2, “Acquisitions and Divestitures,” of the notes to the

combined financial statements for additional information. In connection with the joint venture transaction, Adient recorded a pre-tax gain on divestiture of \$127 million, \$20 million net of tax. The tax impact of the gain is due to the jurisdictional mix of gains and losses on the divestiture, which resulted in non-benefited expenses in certain countries and taxable gains in other countries. In addition, in fiscal 2015, Adient provided income tax expense for repatriation of cash and other tax reserves associated with the Interiors joint venture transaction, which resulted in a tax charge of \$293 million.

In fiscal 2014, Adient disposed of its Interiors headliner and sun visor product lines. Refer to Note 2, "Acquisitions and Divestitures," of the notes to the combined financial statements for additional information. As a result, Adient recorded a pre-tax loss on divestiture of \$95 million and income tax expense of \$38 million. The income tax expense is due to the jurisdictional mix of gains and losses on the sale, which resulted in non-benefited losses in certain countries and taxable gains in other countries.

#### *Income Attributable to Noncontrolling Interests*

(in millions)	Year Ended September 30,		Change
	2015	2014	
Income attributable to noncontrolling interests . . . . .	\$66	\$67	– 1%

The decrease in income attributable to noncontrolling interests for fiscal 2015 was primarily due to lower income at partially-owned Seating affiliates in North America.

#### *Net Income Attributable to Adient*

(in millions)	Year Ended September 30,		Change
	2015	2014	
Net income attributable to Adient . . . . .	\$475	\$307	55%

The increase in net income attributable to Adient was primarily due to lower selling, general and administrative expenses, and net gains on business divestitures, partially offset by higher income tax expense.

#### *Comprehensive Income (Loss) Attributable to Adient*

(in millions)	Year Ended September 30,		Change
	2015	2014	
Comprehensive income (loss) attributable to Adient . . . . .	\$(48)	\$49	*

\* Measure not meaningful

The increase in comprehensive loss attributable to Adient was primarily due to unfavorable foreign currency translation adjustments (\$259 million), partially offset by higher net income attributable to Adient (\$168 million). The unfavorable foreign currency translation adjustments were primarily driven by the weakening of the Brazilian real, British pound, Czech koruna, Euro, Japanese yen and Polish zloty against the U.S. dollar in the current year.

#### *Segment Analysis*

Management evaluates the performance of its business units based primarily on segment income, which is defined as income before income taxes and noncontrolling interests excluding net financing

charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.

(in millions)	Year Ended September 30,		Change
	2015	2014	
<i>Net Sales</i>			
Seating . . . . .	\$16,859	\$17,871	– 6%
Interiors . . . . .	3,212	4,170	– 23%
Total net sales . . . . .	<u>\$20,071</u>	<u>\$22,041</u>	– 9%

	Year Ended September 30,		Change
	2015	2014	
<i>Segment Income (Loss)</i>			
Seating . . . . .	\$ 935	\$ 898	4%
Interiors . . . . .	224	(5)	*
Total segment income . . . . .	<u>\$1,159</u>	<u>\$ 893</u>	30%
Net financing charges . . . . .	(12)	(15)	– 20%
Restructuring and impairment costs . . . . .	(182)	(158)	15%
Net mark-to-market adjustments on pension and postretirement plans . . . . .	(6)	(50)	– 88%
Income before income taxes . . . . .	<u>\$ 959</u>	<u>\$ 670</u>	43%

\* Measure not meaningful

#### *Seating*

(in millions)	Year Ended September 30,		Change
	2015	2014	
Net sales . . . . .	\$16,859	\$17,871	– 6%
Segment income . . . . .	935	898	4%

- Net sales decreased due to the unfavorable impact of foreign currency translation (\$1.4 billion), partially offset by higher volumes (\$277 million), incremental sales related to a business acquisition (\$57 million), and net favorable pricing and commercial settlements (\$34 million). The increase in volumes was attributable to increased automotive production levels in North America and Europe, partially offset by decreases in production levels in South America.
- Segment income increased due to lower purchasing costs resulting from supplier price concessions (\$64 million), higher volumes as discussed above (\$29 million), net favorable pricing and commercial settlements due to recoveries in South America (\$48 million), lower engineering expenses due to higher cost recoveries and lower program support requirements (\$29 million), higher equity income resulting from higher automotive production levels in China (\$20 million), a gain on a business divestiture (\$10 million), lower selling, general and administrative expenses (\$9 million), and incremental operating income related to a business acquisition (\$7 million), partially offset by higher operating costs related to current year platform launches and other inefficiencies (\$132 million), and the unfavorable impact of foreign currency translation (\$47 million).

## Interiors

(in millions)	Year Ended September 30,		Change
	2015	2014	
Net sales . . . . .	\$3,212	\$4,170	– 23%
Segment income (loss) . . . . .	224	(5)	*

\* Measure not meaningful

- Net sales decreased due to the impact of the YFAI joint venture (\$924 million), lower volumes related to a prior year business divestiture (\$248 million) and the unfavorable impact of foreign currency translation (\$229 million), partially offset by higher volumes (\$371 million), net favorable pricing and commercial settlements (\$45 million), and incremental sales related to business acquisitions (\$27 million). The increase in volumes was primarily attributable to increased automotive production levels in North America, China and Europe, partially offset by sales containing lower vehicle content.
- Segment income increased due to the net gain on the YFAI joint venture transaction (\$127 million), a prior year net loss on business divestitures (\$86 million), higher volumes as discussed above (\$37 million), lower operating costs resulting from the held for sale depreciation impact of the contributed interiors business to YFAI (\$25 million), lower selling, general and administrative expenses (\$10 million), lower purchasing costs (\$6 million), lower engineering expenses (\$5 million), higher equity income (\$3 million) and incremental operating income related to business acquisitions (\$3 million), partially offset by current year transaction and integration costs (\$38 million), lower operating income related to a current year business divestiture (\$19 million), net unfavorable pricing and commercial settlements (\$12 million), and the unfavorable impact of foreign currency translation (\$4 million).

## Fiscal Year 2014 Compared to Fiscal Year 2013

(in millions)	Year Ended September 30,		Change
	2014	2013	
Net sales . . . . .	\$22,041	\$20,470	8%
Cost of sales . . . . .	20,088	18,895	6%
Gross profit . . . . .	1,953	1,575	24%
Selling, general and administrative expenses . . . . .	(1,308)	(1,203)	9%
Gain (loss) on business divestitures—net . . . . .	(86)	29	*
Restructuring and impairment costs . . . . .	(158)	(280)	– 44%
Net financing charges . . . . .	(15)	(10)	50%
Equity income . . . . .	284	302	– 6%
Income before income taxes . . . . .	670	413	62%
Income tax provision . . . . .	296	168	76%
Net income . . . . .	374	245	53%
Income attributable to noncontrolling interests . . . . .	67	58	16%
Net income attributable to Adient . . . . .	\$ 307	\$ 187	64%

\* Measure not meaningful

### *Net Sales*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Net sales . . . . .	\$22,041	\$20,470	8%

Net sales for the year ended September 30, 2014 were favorably impacted by foreign currency translation (\$87 million). Excluding the impact of foreign currency translation, net sales increased by \$1.5 billion, or 7% as compared to the prior year, primarily due to higher volumes attributable to increased production levels in the majority of regions around the globe with the exception of South America, incremental sales related to business acquisitions, and net favorable pricing and commercial settlements in China and Europe, partially offset by lower volumes related to business divestitures. Refer to the segment analysis below for a discussion of net sales by segment.

### *Cost of Sales / Gross Profit*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Cost of sales . . . . .	\$20,088	\$18,895	6%
Gross profit . . . . .	1,953	1,575	24%
% of sales . . . . .	8.9%	7.7%	

Cost of sales for the year ended September 30, 2014 was unfavorably impacted by foreign currency translation (\$83 million). Excluding the impact of foreign currency translation, cost of sales increased by \$1.1 billion, or 6%, and gross profit as a percentage of net sales increased by 120 basis points. The increase in gross profit is primarily due to higher volumes as discussed above, lower operating costs resulting from lower current year launch costs and the held for sale depreciation impact of the contributed interiors business to YFAI, and lower purchasing costs related to supplier pricing concessions, partially offset by net unfavorable pricing and commercial settlements. Mark-to-market adjustments on pension and postretirement plans had a net unfavorable impact on cost of sales of \$20 million (\$10 million charge in fiscal 2014 compared to a \$10 million gain in fiscal 2013) primarily due to a decrease in discount rates. Refer to the segment analysis below for a discussion of segment income by segment.

### *Selling, General and Administrative Expenses*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Selling, general and administrative expenses . . . . .	\$1,308	\$1,203	9%
% of sales . . . . .	5.9%	5.9%	

SG&A for the year ended September 30, 2014 increased by \$105 million, or 9%, primarily due to higher employee related expenses, partially offset by lower engineering expenses, prior year distressed supplier costs and the benefits of cost reduction initiatives. The year over year impact of foreign currency translation on SG&A was not material. Mark-to-market adjustments on pension and postretirement plans had a net unfavorable impact on SG&A of \$17 million (\$40 million charge in fiscal 2014 compared to a \$23 million charge in fiscal 2013) primarily due to a decrease in discount rates. Refer to the segment analysis below for a discussion of segment income by segment.



***Gain (Loss) on Business Divestitures—Net***

(in millions)	Year Ended September 30,		Change
	2014	2013	
Gain (loss) on business divestitures—net . . . . .	\$(86)	\$29	*

\* Measure not meaningful

The loss in fiscal 2014 relates primarily to the divestiture of the Interiors headliner and sun visor product lines and the gain in fiscal 2013 relates to a divestiture in the Seating segment. Refer to Note 2, “Acquisitions and Divestitures,” of the notes to the combined financial statements for further information on the gain (loss) on business divestitures—net.

***Restructuring and Impairment Costs***

(in millions)	Year Ended September 30,		Change
	2014	2013	
Restructuring and impairment costs . . . . .	\$158	\$280	– 44%

Refer to Note 15, “Significant Restructuring and Impairment Costs,” of the notes to the combined financial statements for information related to Adient’s restructuring plans.

***Net Financing Charges***

(in millions)	Year Ended September 30,		Change
	2014	2013	
Net financing charges . . . . .	\$15	\$10	50%

Net financing charges increased in fiscal 2014 as compared to fiscal 2013 primarily due to higher average borrowing levels.

***Equity Income***

(in millions)	Year Ended September 30,		Change
	2014	2013	
Equity income . . . . .	\$284	\$302	– 6%

The decrease in equity income was primarily due to gains in fiscal 2013 on acquisitions of partially-owned affiliates (\$106 million), partially offset by higher current year income at certain partially-owned affiliates in China resulting from higher automotive production levels. Refer to the segment analysis below for a discussion of segment income by segment. Refer to Note 19, “Nonconsolidated Partially-Owned Affiliates,” of the notes to the combined financial statements for further disclosure related to Adient’s nonconsolidated partially-owned affiliates.

***Income Tax Provision***

(in millions)	Year Ended September 30,		Change
	2014	2013	
Income tax provision . . . . .	\$296	\$168	76%

The effective tax rate of 44% is above the U.S. statutory rate for fiscal 2014 primarily due to the tax consequences of business divestitures (\$71 million) partially offset by income in certain non-U.S. jurisdictions with a tax rate lower than the U.S. statutory tax rate (\$14 million) and global tax planning initiatives. The effective tax rate of 41% is above the U.S. statutory rate for fiscal 2013 primarily due to foreign losses with no associated tax benefit. The global tax planning initiatives in both fiscal years relate primarily to Adient's portion of Johnson Controls' foreign tax credit planning, global financing structures and alignments of its global business functions in a tax efficient manner.

#### *Valuation Allowances*

As a result of our fiscal 2013 analysis of the realizability of our worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined that it was more likely than not that deferred tax assets within Romania would not be realized. Therefore, Adient recorded \$10 million of net valuation allowances as income tax expense in the fiscal year ended September 30, 2013.

#### *Other Tax Matters*

In fiscal 2014, Adient disposed of its Interiors headliner and sun visor product lines. Refer to Note 2, "Acquisitions and Divestitures," of the notes to the combined financial statements for additional information. As a result, Adient recorded a pre-tax loss on divestiture of \$95 million and income tax expense of \$38 million. The income tax expense is due to the jurisdictional mix of gains and losses on the sale, which resulted in non-benefited losses in certain countries and taxable gains in other countries.

#### *Income Attributable to Noncontrolling Interests*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Income attributable to noncontrolling interests . . . . .	\$67	\$58	16%

The increase in income attributable to noncontrolling interests for fiscal 2014 was primarily due to higher income at certain partially-owned Seating affiliates in North America.

#### *Net Income Attributable to Adient*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Net income attributable to Adient . . . . .	\$307	\$187	64%

The increase in net income attributable to Adient was primarily due to higher gross profit and lower restructuring and impairment costs, partially offset by higher income tax expense, higher selling, general and administrative expenses, and loss on business divestitures.

#### *Comprehensive Income Attributable to Adient*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Comprehensive income attributable to Adient . . . . .	\$49	\$196	-75%

The decrease in comprehensive income attributable to Adient was primarily due to unfavorable foreign currency translation adjustments (\$262 million), partially offset by higher net income attributable to Adient (\$120 million). The unfavorable foreign currency translation adjustments were primarily driven by the weakening of the Euro against the U.S. dollar in the current year.

### *Segment Analysis*

Management evaluates the performance of its business units based primarily on segment income, which is defined as income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans.

(in millions)	Year Ended September 30,		Change
	2014	2013	
<i>Net Sales</i>			
Seating . . . . .	\$17,871	\$16,621	8%
Interiors . . . . .	4,170	3,849	8%
Total net sales . . . . .	<u>\$22,041</u>	<u>\$20,470</u>	8%
	Year Ended September 30,		Change
	2014	2013	
<i>Segment Income (Loss)</i>			
Seating . . . . .	\$ 898	\$ 737	22%
Interiors . . . . .	(5)	(21)	76%
Total segment income . . . . .	<u>\$ 893</u>	<u>\$ 716</u>	25%
Net financing charges . . . . .	(15)	(10)	50%
Restructuring and impairment costs . . . . .	(158)	(280)	– 44%
Net mark-to-market adjustments on pension and postretirement plans . . . . .	(50)	(13)	*
Income before income taxes . . . . .	\$ 670	\$ 413	62%

\* Measure not meaningful

### *Seating*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Net sales . . . . .	\$17,871	\$16,621	8%
Segment income . . . . .	898	737	22%

- Net sales increased due to higher volumes attributable to increased automotive production levels in the majority of regions around the globe with the exception of South America (\$1.1 billion), incremental sales related to business acquisitions (\$139 million) and the favorable impact of foreign currency translation (\$44 million), partially offset by lower volumes due to a prior year business divestiture (\$53 million), and net unfavorable pricing and commercial settlements (\$25 million).

- Segment income increased due to higher volumes as discussed above (\$129 million), lower operating costs resulting from lower current year launch costs and continuous improvement efficiencies (\$137 million), lower purchasing costs from supplier price concessions (\$88 million), higher equity income resulting from higher automotive production levels in China (\$71 million), prior year distressed supplier costs (\$21 million), lower engineering expenses (\$20 million), incremental operating income due to business acquisitions (\$9 million) and the favorable impact of foreign currency translation (\$4 million), partially offset by higher selling, general and administrative expenses resulting from higher employee related expenses (\$116 million), prior year gains on acquisitions of partially-owned affiliates (\$106 million), net unfavorable pricing and commercial settlements (\$58 million), a prior year gain on business divestiture (\$29 million) and lower operating income due to a prior year business divestiture (\$9 million).

### *Interiors*

(in millions)	Year Ended September 30,		Change
	2014	2013	
Net sales . . . . .	\$4,170	\$3,849	8%
Segment loss . . . . .	(5)	(21)	76%

- Net sales increased due to higher volumes (\$333 million), net favorable pricing and commercial settlements (\$79 million), and the favorable impact of foreign currency translation (\$43 million), partially offset by lower volumes related to business divestitures (\$134 million). The increase in volumes was primarily attributable to increased automotive production levels in China, Europe and North America.
- Segment income increased due to higher volumes as discussed above (\$63 million), lower operating costs related to the held for sale depreciation impact of the contributed interiors business to YFAI (\$47 million), higher equity income resulting from higher automotive production levels in China (\$19 million) and lower purchasing costs (\$6 million), partially offset by a net loss on business divestitures (\$86 million), lower operating income due to a business divestiture (\$15 million), net unfavorable pricing and commercial settlements (\$8 million), higher selling, general and administrative expenses (\$8 million), and higher engineering expenses (\$2 million).

### **Liquidity and Capital Resources**

Adient's primary liquidity needs are to fund general business requirements, including working capital, capital expenditures, restructuring and impairment costs and debt service requirements. Adient's principal sources of liquidity are cash flows from operating activities, funding from Johnson Controls and existing cash balances. Adient actively manages its working capital and associated cash requirements and continually seeks more effective uses of cash. Working capital is highly influenced by the timing of cash flows associated with sales and purchases, and therefore can be difficult to manage at times. See the "Description of Material Indebtedness" section of this information statement for discussion of future financing arrangements.

## Working Capital

(in millions)	March 31, 2016	September 30, 2015	Change
Current assets . . . . .	\$ 3,634	\$ 3,806	
Current liabilities . . . . .	(3,967)	(4,011)	
Working capital . . . . .	(333)	(205)	– 62%
Accounts receivable . . . . .	\$ 2,195	\$ 2,134	3%
Inventories . . . . .	722	701	3%
Accounts payable . . . . .	2,595	2,653	– 2%

- Lower working capital at March 31, 2016 as compared to September 30, 2015 was primarily due to a decrease in other current assets related to settlements of outstanding amounts with other subsidiaries of Johnson Controls.
- Adient's days sales in accounts receivable at March 31, 2016 was 49, consistent with September 30, 2015. There has been no significant adverse change in the level of overdue receivables.
- Adient's inventory turns for the six months ended March 31, 2016 was consistent with the comparable period ended September 30, 2015.
- Days in accounts payable at March 31, 2016 were 70, a decrease from 76 at September 30, 2015.

(in millions)	September 30, 2015	September 30, 2014	Change
Current assets . . . . .	\$ 3,806	\$ 4,500	
Current liabilities . . . . .	(4,011)	(4,936)	
	(205)	(436)	53%
Accounts receivable . . . . .	\$ 2,134	\$ 2,027	5%
Inventories . . . . .	701	745	– 6%
Accounts payable . . . . .	2,653	2,856	– 7%

- The increase in working capital at September 30, 2015 as compared to September 30, 2014, was primarily related to increases in accounts receivable and other assets and by decreases in accounts payable due to changes in foreign exchange rates and timing of supplier payments and decreases in other working capital accounts.
- Adient's days sales in accounts receivable at September 30, 2015 were 49, an increase from 45 at September 30, 2014. There has been no significant adverse change in the level of overdue receivables.
- Adient's inventory turns for the year ended September 30, 2015 were lower than the comparable period ended September 30, 2014 primarily due to changes in inventory production levels.
- Days in accounts payable at September 30, 2015 were 76, an increase from 74 at September 30, 2014.

## Cash Flows

(in millions)	Six Months Ended March 31,	
	2016	2015
Cash provided (used) by operating activities . . . . .	\$ 294	\$(214)
Cash used by investing activities . . . . .	(152)	(301)
Cash provided (used) by financing activities . . . . .	(121)	506
Capital expenditures . . . . .	(186)	(260)

- The increase in cash from operating activities was primarily due to a decrease in other current assets related to settlements of outstanding amounts with other subsidiaries of Johnson Controls.
- The decrease in cash from investing activities was primarily due to lower capital expenditures, cash received from a prior period divestiture and prior year acquisitions and investments.
- The decrease in cash from financing activities was primarily due to net transfers to Johnson Controls.
- The decrease in capital expenditures in the current year is primarily related to a reduction in program spending for new customer launches and the impact from the completion of the YFAI joint venture on July 2, 2015.

(in millions)	Year Ended September 30,	
	2015	2014
Cash provided by operating activities . . . . .	\$ 397	\$ 797
Cash used by investing activities . . . . .	(489)	(586)
Cash provided (used) by financing activities . . . . .	93	(225)
Capital expenditures . . . . .	(478)	(624)

- The decrease in cash provided by operating activities was primarily due to unfavorable changes in accounts receivable, and other assets, partially offset by lower pension contributions, and favorable changes in other working capital accounts.
- The decrease in cash used by investing activities was primarily due to lower capital expenditures.
- The increase in cash from financing activities was primarily due to net transfers from Johnson Controls related to incremental tax liabilities incurred by Johnson Controls resulting from the completion of the global interiors joint venture in fiscal 2015 and lower levels of cash provided by operating activities.
- The decrease in capital expenditures in the current year is primarily related to a reduction in program spending for new customer launches and the impact from the completion of the global interiors joint venture on July 2, 2015.

## Restructuring and Impairment Costs

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, Adient committed to a significant restructuring plan in fiscal 2016 and recorded \$169 million of restructuring and impairment costs in the combined statements of income. The costs consist primarily of workforce reductions, plant closures and asset impairments. Adient currently estimates that upon completion of the restructuring action, the fiscal 2016 restructuring plan will reduce annual operating costs by approximately \$90 million, which is primarily the result of lower cost of sales and selling, general and administrative expenses due to reduced employee-related costs and depreciation expense. For fiscal 2016, the savings, net of execution

costs, are expected to approximate 29% of the expected annual operating cost reduction. Adient expects that additional savings, net of execution costs, will be achieved in fiscal years 2017-2018 and the full annual benefit of these actions is expected in fiscal 2019. The restructuring action is expected to be substantially complete in fiscal 2017. The restructuring plan reserve balance of \$159 million at March 31, 2016 is expected to be paid in cash.

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, Adient committed to a significant restructuring plan in fiscal 2015 and recorded \$182 million of restructuring and impairment costs in the combined statements of income. The costs consist primarily of workforce reductions, plant closures and asset impairments. Adient currently estimates that upon completion of the restructuring action, the fiscal 2015 restructuring plan will reduce annual operating costs by approximately \$130 million, which is primarily the result of lower cost of sales and selling, general and administrative expenses due to reduced employee-related costs and depreciation expense. Adient expects that a portion of these savings, net of execution costs, will be achieved in fiscal 2016 and the full annual benefit of these actions is expected in fiscal 2017. For fiscal 2016, the savings, net of execution costs, are expected to approximate 19% of the expected annual operating cost reduction. The restructuring action is expected to be substantially complete in fiscal 2016. The restructuring plan reserve balance of \$137 million at March 31, 2016 is expected to be paid in cash.

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, Adient committed to significant restructuring plans in fiscal 2014 and 2013 and recorded \$158 million and \$280 million, respectively, of restructuring and impairment costs in the combined statements of income. The restructuring actions included workforce reductions, plant closures and asset impairments. Adient currently estimates that upon completion of the restructuring actions, the fiscal 2014 and 2013 restructuring plans will reduce annual operating costs by approximately \$85 million and \$210 million, respectively, which is primarily the result of lower cost of sales due to reduced employee-related costs and lower depreciation expense. Adient expects that the full annual benefit of these actions, net of execution costs, will be achieved in fiscal 2016. The restructuring actions are expected to be substantially complete in fiscal 2016. The respective year's restructuring plan reserve balances of \$42 million and \$18 million, respectively, at March 31, 2016 are expected to be paid in cash.

### ***Contractual Obligations***

A summary of Adient's significant contractual obligations as of September 30, 2015 is as follows (in millions):

	<u>Total</u>	<u>2016</u>	<u>2017 - 2018</u>	<u>2019 - 2020</u>	<u>2021 and Beyond</u>
Long-term debt (including capital lease obligations) . . .	\$ 42	\$ 7	\$ 18	\$14	\$ 3
Interest on long-term debt (including capital lease obligations) . . . . .	6	2	3	1	—
Operating leases . . . . .	238	75	92	47	24
Purchase obligations . . . . .	298	285	13	—	—
Pension and postretirement contributions . . . . .	115	30	17	17	51
Total contractual cash obligations . . . . .	<u>\$699</u>	<u>\$399</u>	<u>\$143</u>	<u>\$79</u>	<u>\$78</u>

### **Off-Balance Sheet Arrangements**

Adient enters into supply chain financing programs in certain foreign jurisdictions to sell accounts receivable without recourse to third-party financial institutions. Sales of accounts receivable are



reflected as a reduction of accounts receivable on the combined statements of financial position and the proceeds are included in cash flows from operating activities in the combined statements of cash flows. Adient's overall liquidity is not materially impacted by these programs.

### **Effects of Inflation and Changing Prices**

The effects of inflation have not been significant to Adient's results of operations in recent years. Generally, Adient has been able to implement operating efficiencies to sufficiently offset cost increases, which have been moderate.

### **Critical Accounting Estimates and Policies**

Adient prepares its combined financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. The following policies are considered by management to be the most critical in understanding the judgments that are involved in the preparation of Adient's combined financial statements and the uncertainties that could impact Adient's results of operations, financial position and cash flows.

#### ***Revenue Recognition***

Adient records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured. Adient delivers products and records revenue pursuant to commercial agreements with its customers generally in the form of an approved purchase order, including the effects of contractual customer price productivity. Adient does negotiate discrete price changes with its customers, which are generally the result of unique commercial issues between Adient and its customers. Adient records amounts associated with discrete price changes as a reduction to revenue when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable. Adient records amounts associated with discrete price changes as an increase to revenue upon execution of a legally enforceable contractual agreement and when collectability is reasonable assured.

Essentially all of Adient's sales are to the automotive industry. In fiscal year 2015, Fiat Chrysler Automobiles N.V. and Ford Motor Company had combined net sales of 13% and 11%, respectively. In fiscal year 2014, Fiat Chrysler Automobiles N.V. and Ford Motor Company had combined net sales of 14% each. In fiscal year 2013, Daimler AG and Ford Motor Company had combined net sales of 16% each.

#### ***Goodwill and Other Long-lived Assets***

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. Adient reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. Adient performs impairment reviews for its reporting units, which have been determined to be Adient's reportable segments using a fair value method based on management's judgments and assumptions or third party valuations. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. In estimating the fair value, Adient uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, Adient uses discounted cash flow analyses or estimated sales price to further support the fair value estimates. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The estimated

fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. Adient is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value.

Adient reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. Adient conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires Adient to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

During the three months ended March 31, 2016, Adient concluded it had triggering events requiring assessment of impairment for certain of its long-lived assets in conjunction with its announced restructuring actions. As a result, Adient reviewed the long-lived assets for impairment and recorded a \$9 million impairment charge within restructuring and impairment costs on the combined statements of income. The total impairment charge related to the Seating segment. Refer to Note 8, "Significant Restructuring and Impairment Costs," of the notes to combined financial statements for additional information. The impairment was measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods Adient employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

At March 31, 2015, Adient concluded it did not have any triggering events requiring assessment of impairment of its long-lived assets.

In fiscal 2015, Adient concluded it had triggering events requiring assessment of impairment for certain of its long-lived assets in conjunction with its announced restructuring actions. As a result, Adient reviewed the long-lived assets for impairment and recorded a \$27 million impairment charge within restructuring and impairment costs on the combined statements of income. The total impairment charge related to the Seating segment. Refer to Note 15, "Significant Restructuring and Impairment Costs," of the notes to the combined financial statements for additional information. The impairment was measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods Adient employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

In fiscal 2014, Adient concluded it had triggering events requiring assessment of impairment for certain of its long-lived assets in conjunction with its restructuring actions announced in fiscal 2014. As a result, Adient reviewed the long-lived assets for impairment and recorded a \$52 million impairment charge within restructuring and impairment costs on the combined statements of income. Of the total impairment charge, \$45 million related to the Interiors segment and \$7 million related to the Seating segment. Refer to Note 15, "Significant Restructuring and Impairment Costs," of the notes to the combined financial statements for additional information. The impairment was measured, depending on

the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods Adient employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

In fiscal 2013, Adient concluded it had a triggering event requiring assessment of impairment for certain of its long-lived assets in conjunction with its restructuring actions announced in fiscal 2013. As a result, Adient reviewed the long-lived assets for impairment and recorded a \$79 million impairment charge within restructuring and impairment costs on the combined statements of income. Of the total impairment charge, \$57 million related to the Interiors segment and \$22 million related to the Seating segment. Refer to Note 15, "Significant Restructuring and Impairment Costs," of the notes to the combined financial statements for additional information. The impairment was measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods Adient employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

Intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired. A considerable amount of management judgment and assumptions are required in performing the impairment tests.

#### ***Stock-based Compensation***

Adient's employees have historically participated in Johnson Controls' stock-based compensation plans. Stock-based compensation expense has been allocated to Adient based on the awards and terms previously granted to Adient's employees. The stock-based compensation was initially measured at the fair value of the awards on the grant date and is recognized in the financial statements over the period the employees are required to provide services in exchange for the awards. The fair value of option awards is measured on the grant date using the Black-Scholes option-pricing model. The fair value of each stock appreciation right, or SAR, is estimated using a similar method described for stock options. The fair value of each SAR is recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value. The fair value of performance-based share unit, or PSU, awards is based on the Johnson Controls stock price at the grant date and the assessed probability of meeting future performance targets. The fair value of restricted stock awards is based on the number of units granted and the Johnson Controls stock price on the grant date. Stock-based compensation cost for Adient employees who participate in the Johnson Controls plans, excluding the offsetting impact of outstanding Johnson Controls equity swaps, was \$16 million, \$19 million and \$28 million for the fiscal years ended September 30, 2015, 2014 and 2013, respectively.

#### ***Employee Benefit Plans***

Johnson Controls provides defined benefit pension, postretirement health care and defined contribution benefits to its eligible employees and retirees, including eligible employees and retirees of Adient. These liabilities are not reflected in Adient's combined statements of financial position.

Adient's combined statements of income include expense allocations for these benefits which were determined using a proportional allocation based on headcount and payroll expense for Adient's employees. Adient considers the expense allocation methodology and results to be reasonable for all periods presented. Total Johnson Controls benefit plan net expenses allocated to Adient amounted to \$32 million, \$45 million and \$21 million for the fiscal years ended 2015, 2014 and 2013, respectively. These costs are reflected in Adient's cost of sales and selling, general and administrative expenses. These costs were funded through intercompany transactions with Johnson Controls which are now reflected within the net parent investment equity balance.

Adient provides a range of benefits to its employees and retired employees, including pensions and postretirement benefits. These benefits are Adient's direct obligation and have been recorded within Adient's historical combined financial statements. Plan assets and obligations are measured annually, or more frequently if there is a remeasurement event, based on Adient's measurement date utilizing various actuarial assumptions such as discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates as of that date. Adient reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when appropriate.

Johnson Controls utilizes a mark-to-market approach for recognizing pension and postretirement benefit expenses, including measuring the market related value of plan assets at fair value and recognizing actuarial gains and losses in the fourth quarter of each fiscal year or at the date of a remeasurement event. Refer to Note 14, "Retirement Plans," of the notes to the combined financial statements for disclosure of Adient's pension and postretirement benefit plans.

U.S. GAAP requires that companies recognize in the statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or unfunded, or an asset for defined benefit pension and postretirement plans that are overfunded. U.S. GAAP also requires that companies measure the benefit obligations and fair value of plan assets that determine a benefit plan's funded status as of the date of the employer's fiscal year end.

Adient considers the expected benefit payments on a plan-by-plan basis when setting assumed discount rates. As a result, Adient uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the U.S. pension and postretirement plans, Adient uses a discount rate provided by an independent third party calculated based on an appropriate mix of high quality bonds. For the non-U.S. pension and postretirement plans, Adient consistently uses the relevant country specific benchmark indices for determining the various discount rates. Adient's discount rate on U.S. pension plans was 4.40% and 4.35% at September 30, 2015 and 2014, respectively. Adient's discount rate on U.S. postretirement plans was 3.80% and 4.35% at September 30, 2015 and 2014, respectively. Adient's weighted average discount rate on non-U.S. plans was 3.40% and 3.50% at September 30, 2015 and 2014, respectively.

At September 30, 2015, Adient changed the method used to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits for plans that utilize a yield curve approach. This change compared to the previous method will result in different service and interest components of net periodic benefit cost (credit) in future periods. Historically, Adient estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Adient elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. Adient made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of the total benefit obligations or annual net periodic benefit cost (credit) as the change in the service and

interest costs is completely offset in the net actuarial (gain) loss reported. The change in the service and interest costs going forward is not expected to be significant. Adient has accounted for this change as a change in accounting estimate.

In estimating the expected return on plan assets, Adient considers the historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plans' invested assets. Reflecting the relatively long-term nature of the plans' obligations, approximately 53% of the plans' assets are invested in fixed income securities and 20% in equity securities, with the remainder primarily invested in alternative investments. For the years ending September 30, 2015 and 2014, Adient's expected long-term return on U.S. pension plan assets used to determine net periodic benefit cost was 7.50% and 8.00%, respectively. The actual rate of return on U.S. pension plans was below 7.50% in fiscal 2015 and above 8.00% in fiscal 2014. For the years ending September 30, 2015 and 2014, Adient's weighted average expected long-term return on non-U.S. pension plan assets was 5.40% and 5.85%, respectively. The actual rate of return on non-U.S. pension plans was below 5.40% in fiscal 2015 and was above 5.85% in fiscal 2014. For the years ending September 30, 2015 and 2014, Adient's weighted average expected long-term return on postretirement plan assets was 4.00%. The actual rate of return on postretirement plan assets was below 4.00% in fiscal 2015 and was above 4.00% in fiscal 2014.

Beginning in fiscal 2016, Adient believes the long-term rate of return will approximate 7.50%, 4.75% and 5.50% for U.S. pension, non-U.S. pension and postretirement plans, respectively. Any differences between actual investment results and the expected long-term asset returns will be reflected in net periodic benefit costs in the fourth quarter of each fiscal year. If Adient's actual returns on plan assets are less than Adient's expectations, additional contributions may be required.

In fiscal 2015, total Adient contributions to the defined benefit pension plans were \$25 million, of which \$3 million were voluntary contributions made by Adient. Adient expects to contribute approximately \$30 million in cash to its defined benefit pension plans in fiscal 2016. In fiscal 2015, total Adient contributions to the postretirement plans were not significant. Adient does not expect to make any significant contributions to its postretirement plans in fiscal year 2016.

Based on information provided by its independent actuaries and other relevant sources, Adient believes that the assumptions used are reasonable; however, changes in these assumptions could impact Adient's financial position, results of operations or cash flows.

### *Income Taxes*

Adient accounts for income taxes in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Adient records a valuation allowance that primarily represents non-U.S. operating and other loss carryforwards for which realization is uncertain. Management judgment is required in determining Adient's provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against Adient's net deferred tax assets.

Adient reviews the realizability of its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.



Adient is subject to income taxes in the United States and numerous non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Adient is regularly under audit by tax authorities. At September 30, 2015, Adient had unrecognized tax benefits of \$393 million.

The unrecognized tax benefits reflected in Adient's combined financial statements have been determined using a separate-return by legal entity basis. As a result of the final separation from Johnson Controls, Adient's unrecognized tax benefits could be different from those reflected in the combined financial statements. Adient is subject to income taxes in the United States and numerous foreign jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain.

Adient's federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2015, Adient had recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the combined statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Adient does not generally provide additional U.S. income taxes on undistributed earnings of non-U.S. consolidated subsidiaries included in invested equity attributable to Adient. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. Adient's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits.

The "look-through rule," under Section 954(c)(6) of the Code, expired for Adient on September 30, 2015. The "look-through rule" had provided an exception to the U.S. taxation of certain income generated by foreign subsidiaries. The rule was extended in December 2015 retroactive to the beginning of Adient's 2016 fiscal year. The retroactive extension was signed into legislation and was made permanent through Adient's 2020 fiscal year.

During the first quarter of fiscal 2016, other tax legislation was adopted in various jurisdictions. These law changes did not have a material impact on Adient's combined financial statements.

Refer to Note 17, "Income Taxes," of the notes to the combined audited financial statements and to Note 9, "Income Taxes," of the notes to the combined unaudited interim financial statements for Adient's income tax disclosures.

### **New Accounting Pronouncements**

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU No. 2016-09 changes the accounting for certain aspects of share-based payments to employees, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. ASU No. 2016-09 will be effective for Adient for the quarter ending December 31,

2017, with early adoption permitted. Adient is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In March 2016, the FASB issued ASU No. 2016-07, “Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting.” ASU No. 2016-07 eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retrospectively. ASU No. 2016-07 will be effective prospectively for Adient for increases in the level of ownership interest or degree of influence that result in the adoption of the equity method that occur during or after the quarter ending December 31, 2017, with early adoption permitted. The impact of this guidance for Adient is dependent on any future increases in the level of ownership interest or degree of influence that result in the adoption of the equity method.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” ASU No. 2016-02 requires recognition of operating leases as lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. ASU No. 2016-02 will be effective retrospectively for Adient for the quarter ending December 31, 2019, with early adoption permitted. Adient is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities.” ASU No. 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU No. 2016-01 will be effective prospectively for Adient for the quarter ending December 31, 2018, with early adoption permitted. Adient is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” ASU No. 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in the combined statements of financial position. ASU No. 2015-17 was early adopted by Adient for the quarter ended December 31, 2015 and was applied retrospectively to all periods presented.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.” ASU No. 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. ASU No. 2015-16 was early adopted by Adient in the quarter ended September 30, 2015. The adoption of this guidance did not have an impact on Adient’s combined financial condition or results from operations.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory.” ASU No. 2015-11 requires inventory that is recorded using the first-in, first-out method to be measured at the lower of cost or net realizable value. ASU No. 2015-11 will be effective retrospectively for Adient for the quarter ending December 31, 2017, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on Adient’s combined financial statements.

In May 2015, the FASB issued ASU No. 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).” ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Such investments should be disclosed separate from the fair value hierarchy. ASU No. 2015-07 will be effective retrospectively for Adient for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is



not expected to have an impact on Adient's combined financial statements but will impact pension asset disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU No. 2015-03 will be effective retrospectively for Adient for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on Adient's historical combined financial statements. Any future impact will depend on future debt issuances.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU No. 2015-02 amends the analysis performed to determine whether a reporting entity should combine certain types of legal entities. ASU No. 2015-02 will be effective retrospectively for Adient for the quarter ending December 31, 2016, with early adoption permitted. Adient is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 clarifies the principles for recognizing revenue when an entity either enters into a contract with customers to transfer goods or services or enters into a contract for the transfer of non-financial assets. The original standard was effective retrospectively for Adient for the quarter ending December 31, 2017; however in August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09 by one-year for all entities. The new standard will become effective retrospectively for Adient for the quarter ending December 31, 2018, with early adoption permitted, but not before the original effective date. Additionally, in March 2016 the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," in April 2016 the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," and in May 2016 the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," which provide additional clarification on certain topics addressed in ASU 2014-09. ASU 2016-08, ASU 2016-10 and ASU 2016-12 follow the same implementation guidelines as ASU 2014-09. Adient is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 limits discontinued operations reporting to situations where the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results, and requires expanded disclosures for discontinued operations. ASU No. 2014-08 was effective for Adient for the quarter ended December 31, 2015. The adoption of this guidance has not had any impact on Adient's combined financial statements.

## **Risk Management**

Johnson Controls selectively uses derivative instruments to reduce market risk associated with changes in foreign currency within Adient. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures, which strictly prohibit the use of financial instruments for speculative purposes. At the inception of the hedge, Johnson Controls assesses the effectiveness of the hedge instrument and designates the hedge instrument as either (1) a hedge of a recognized asset or liability or of a recognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to an

unrecognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a non-U.S. operation (a net investment hedge). Johnson Controls performs hedge effectiveness testing on an ongoing basis depending on the type of hedging instrument used. All other derivatives not designated as hedging instruments under ASC 815, "Derivatives and Hedging," are revalued in the combined statements of income.

For all foreign currency derivative instruments designated as cash flow hedges, retrospective effectiveness is tested on a monthly basis using a cumulative dollar offset test. The fair value of the hedged exposures and the fair value of the hedge instruments are revalued, and the ratio of the cumulative sum of the periodic changes in the value of the hedge instruments to the cumulative sum of the periodic changes in the value of the hedge is calculated. The hedge is deemed as highly effective if the ratio is between 80% and 125%.

For net investment hedges, Johnson Controls assesses its net investment positions in the non-U.S. operations and compares it with the outstanding net investment hedges on a quarterly basis. The hedge is deemed effective if the aggregate outstanding principal of the hedge instruments designated as the net investment hedge in a non-U.S. operation does not exceed its net investment positions in the respective non-U.S. operation.

A discussion of Adient's accounting policies for derivative financial instruments is included in Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," of the notes to the combined financial statements, and further disclosure relating to derivatives and hedging activities is included in Note 10, "Derivative Instruments and Hedging Activities," and Note 11, "Fair Value Measurements," of the notes to the combined financial statements.

### ***Foreign Exchange***

Adient has manufacturing, sales and distribution facilities around the world and thus makes investments and enters into transactions denominated in various foreign currencies. In order to maintain strict control and achieve the benefits of Adient's global diversification, foreign exchange exposures for each currency are netted internally so that only its net foreign exchange exposures are, as appropriate, hedged with financial instruments.

Johnson Controls hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. Johnson Controls primarily enters into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. On an ongoing basis, Adient has hedge contracts outstanding with Johnson Controls with the aim of hedging balance sheet items, or with the aim of hedging forecasted commitments. Foreign exchange contracts hedging balance sheet items are marked-to-market through the income statement, while foreign exchange contracts to hedge forecasted commitments are designated in a hedge relationship as a cash flow hedge. These are marked-to-market through other comprehensive income when effective.

Johnson Controls has entered into cross-currency interest rate swaps to selectively hedge portions of Adient's net investment in Japan. The currency effects of the cross-currency interest rate swaps are reflected in the accumulated other comprehensive income account within invested equity attributable to Adient where they offset gains and losses recorded on Adient's net investment in Japan.

At September 30, 2015 and 2014, Adient estimates that an unfavorable 10% change in the exchange rates would have decreased net unrealized gains by approximately \$58 million and \$113 million, respectively.

**Environmental, Health and Safety and Other Matters**

Adient is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other matters. Although the outcome of such lawsuits, claims and proceedings cannot be predicted with certainty and some may be disposed of unfavorably to Adient, it is management's opinion that none of these will have a material adverse effect on Adient's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented. Refer to Note 20, "Commitments and Contingencies," of the notes to the combined audited financial statements and to Note 17, "Commitments and Contingencies," of the notes to the combined unaudited interim financial statements for additional information.

## MANAGEMENT

### Executive Officers Following the Distribution

The following table sets forth information as of June 27, 2016 regarding the individuals who are expected to serve as executive officers of Adient following the distribution. While some of Adient's executive officers are currently officers and employees of Johnson Controls, after the distribution, none of these individuals will be employees or executive officers of Johnson Controls.

Name	Age	Position
R. Bruce McDonald . . . . .	56	Chairman and Chief Executive Officer
Cathleen A. Ebacher . . . . .	53	Vice President, General Counsel and Secretary
Byron S. Foster . . . . .	47	Executive Vice President
Neil E. Marchuk . . . . .	58	Executive Vice President and Chief Human Resources Officer
Eric S. Mitchell . . . . .	45	Executive Vice President
Mark A. Skonieczny Jr. . . . .	47	Vice President and Corporate Controller
Jeffrey M. Stafeil . . . . .	46	Executive Vice President and Chief Financial Officer

**R. Bruce McDonald.** Mr. McDonald will be the Chairman and Chief Executive Officer of Adient. Mr. McDonald is currently the Executive Vice President, Vice Chairman of Johnson Controls and has served in that role since 2014. He was Chief Financial Officer of Johnson Controls from 2005 to 2014 and Executive Vice President since 2006. Mr. McDonald joined Johnson Controls in 2001 as Vice President, Corporate Controller. Prior to joining Johnson Controls, Mr. McDonald held a variety of operational and financial positions at TRW, LucasVarity Automotive and Varity Corporation. Mr. McDonald is a Chartered Accountant and a Certified Public Accountant. Mr. McDonald has served on the board of Dana Holding Corporation since 2014 and is also a member of the board of directors of Milwaukee World Festival and treasurer and a member of the board for the United Way of Greater Milwaukee & Waukesha County.

**Cathleen A. Ebacher.** Ms. Ebacher will be the Vice President, General Counsel and Secretary of Adient. Ms. Ebacher is currently the Vice President and Global General Counsel—Centers of Excellence of Johnson Controls and has served in that role since 2012. She was Vice President and General Counsel—Enterprise Legal Services from 2011 to 2012. Prior to that, Ms. Ebacher was the Vice President—Global Business Lines and Operations, or GBL&O, and Director—GBL&O for Johnson Controls from 2009 to 2011. Prior to joining Johnson Controls, Ms. Ebacher served for more than 20 years in a variety of senior management and legal positions for Metavante Corporation, Fiserv, Inc., Strong Capital Management, Inc. and Reinhart Boerner Van Deuren s.c. (a large law firm). Ms. Ebacher has been a director of the United Community Center/Centro de la Comunidad Unida since 2014.

**Byron S. Foster.** Mr. Foster will be an Executive Vice President of Adient. Mr. Foster is currently the Group Vice President & General Manager—Complete Seat and Strategy of Johnson Controls' Automotive Experience business and has served in that role since 2015. He was Group Vice President & General Manager—Customer Groups & Strategy, Automotive from 2012 to 2015. Mr. Foster held a variety of other operational positions of increasing responsibility since joining Johnson Controls in 1997. Prior to joining Johnson Controls, Mr. Foster began his career at Westinghouse Electric Company.

**Neil E. Marchuk.** Mr. Marchuk will be the Executive Vice President and Chief Human Resources Officer of Adient. Mr. Marchuk joined Johnson Controls in 2016 as Chief Human Resources Officer—Adient. Prior to joining Johnson Controls, Mr. Marchuk served as Executive Vice President, Human Resources of TRW Automotive from 2006 to 2015. Prior to 2006, Mr. Marchuk held a variety of management positions at TRW Automotive and E. I. du Pont de Nemours and Company. Mr. Marchuk

is a member of the Overseas Schools Advisory Council for the United States Department of State, as well as a member of the board of directors of the American Society of Employers and Michigan Virtual University.

***Eric S. Mitchell.*** Mr. Mitchell will be an Executive Vice President of Adient. Mr. Mitchell is currently the Vice President & General Manager, North America of Johnson Controls' Building Efficiency business and has served in that role since 2015. He was Vice President and General Manager—Aftermarket, Power Solutions from 2013 to 2014 and Group Vice President and General Manager—Components & Sourcing, Power Solutions from 2012 to 2013. Mr. Mitchell held a variety of other operational positions of increasing responsibility since joining Johnson Controls in 2003. Mr. Mitchell started his career with Varsity Corporation in 1991 and held a variety of financial and business positions of increasing responsibility at Varsity Corporation, the Kelsey Hayes Group of Companies, LucasVarsity and TRW Automotive.

***Mark A. Skonieczny Jr.*** Mr. Skonieczny will be the Vice President and Corporate Controller of Adient. Mr. Skonieczny is currently the Vice President of Corporate Development of Johnson Controls and has served in that role since 2014. He was Vice President of Finance, Global Aftermarket of Johnson Controls' Power Solutions segment from 2012 to 2014 and Vice President of Finance for North America Systems, Latin America and the Middle East for Johnson Controls' Building Efficiency segment from 2007 to 2012. Mr. Skonieczny joined Johnson Controls in 1999 as an international accounting manager for the Automotive Group and held a variety of financial positions of increasing responsibility. Mr. Skonieczny began his career at Coopers & Lybrand in 1992 and also held internal audit roles at Meritor Automotive. Mr. Skonieczny is a Certified Public Accountant.

***Jeffrey M. Stafeil.*** Mr. Stafeil will be the Executive Vice President and Chief Financial Officer of Adient. Mr. Stafeil joined Johnson Controls in 2016 as Chief Financial Officer—Adient. Mr. Stafeil was Executive Vice President, Chief Financial Officer of Visteon Corporation from 2012 to 2016. He also served as Chief Executive Officer of DURA Automotive Systems from 2010 to 2012 and as DURA's Executive Vice President, Chief Financial Officer from 2008 to 2012. Mr. Stafeil has served in a variety of management positions at Klöckner Pentaplast Group, Metaldyne Corporation, Booz Allen Hamilton, Peterson Consulting and Ernst & Young. Mr. Stafeil currently serves on the board of directors, and as Audit Committee Chairman, of Mentor Graphics Corporation and Metaldyne Performance Group. Mr. Stafeil is also a member of the board of trustees for the Autism Alliance of Michigan.

## DIRECTORS

### Board of Directors Following the Distribution

The following table sets forth information as of June 27, 2016 regarding those persons who are expected to serve on Adient's board of directors following the distribution. After the distribution, none of these individuals will be employees or directors of Johnson Controls.

Name	Age	Position
R. Bruce McDonald . . . . .	56	Chairman and Chief Executive Officer
John M. Barth . . . . .	70	Lead Independent Director
Julie L. Bushman . . . . .	55	Director
Raymond L. Conner . . . . .	61	Director
Richard Goodman . . . . .	67	Director
Frederick A. Henderson . . . . .	57	Director

***R. Bruce McDonald.*** Mr. McDonald's extensive experience and knowledge of Adient and its products and services, gained from more than fifteen years of service in a wide range of Johnson Controls' leadership positions, will enable him to provide meaningful input and guidance to Adient's board of directors and management team. Mr. McDonald will bring to the board a broad strategic vision for Adient, and, as the only Adient executive serving on the board, will be able to offer valuable insights into Adient's day-to-day operations and business affairs.

***John M. Barth.*** Mr. Barth has extensive experience in the automotive industry and leading public companies as the Chairman of Johnson Controls from 2004 to 2007 and Chief Executive Officer from 2002 to 2007. Mr. Barth joined Johnson Controls in 1969 and held a number of leadership roles in the company prior to his appointment as Chief Executive Officer, including service as Chief Operating Officer from 1998 to 2002 and head of the automotive business from 1992 to 1998. Mr. Barth will bring to the board his extensive business and leadership experience and global customer knowledge and relationships in the automotive industry, which will enable him to provide guidance to Adient's management and contribute insights into Adient's strategy and operations.

***Julie L. Bushman.*** Ms. Bushman has served as a director of Johnson Controls since 2012. Ms. Bushman is currently the Senior Vice President, Business Transformation and Information Technology of 3M Company and has served in that role since 2013. Ms. Bushman served as Executive Vice President Safety & Graphics Business of 3M from 2012 to 2013, as Executive Vice President Safety, Security and Protection Services Business of 3M from 2011 to 2012, as Vice President and General Manager, Occupational Health and Environmental Safety Division of 3M from 2007 to 2011, and as Division Vice President, Occupational Health and Environmental Safety Division of 3M from 2006 to 2007. Ms. Bushman will bring to the board manufacturing and technical expertise, management and information technology experience, and leadership in product safety initiatives from her roles in the management of different 3M Company departments and divisions.

***Raymond L. Conner.*** Mr. Conner has served as a director of Johnson Controls since 2013. Mr. Conner is currently the Vice Chairman of The Boeing Company and President and Chief Executive Officer of Boeing Commercial Airplanes and has served in those roles since 2013 and 2012, respectively. From 2012 to 2013, Mr. Conner was Executive Vice President of The Boeing Company, and from 2011 to 2012, he led Sales, Marketing and Commercial Aviation Services for Boeing Commercial Airplanes. From 2008 to 2011, Mr. Conner was vice president and general manager of Supply Chain Management and Operations for Boeing Commercial Airplanes. Mr. Conner served as vice president of Sales for Commercial Airplanes for Boeing Commercial Airplanes from 2007 to 2008 and as vice president of Sales for the Americas for Boeing from 2003 to 2007. Mr. Conner held other positions of increasing responsibility since joining The Boeing Company in 1977. Mr. Conner will bring



to the board his extensive manufacturing and technical expertise, global leadership experience, and insight into government affairs from his executive roles at Boeing.

**Richard Goodman.** Mr. Goodman has served as a director of Johnson Controls since 2008. He also serves as a director and as the chair of the Audit Committee and member of the Nominating and Governance Committee of Kindred Healthcare, chair of the Audit Committee and member of the Compensation and Benefits Committee of The Western Union Company and chair of the Audit Committee of Toys “R” Us. Mr. Goodman served as Executive Vice President of Global Operations, PepsiCo from 2010 through 2011 and as Chief Financial Officer of PepsiCo from 2006 to 2010. Prior to 2006, he served in a variety of senior financial positions at that company, including CFO of PepsiCo International, CFO of PepsiCo Beverages International, and General Auditor. Mr. Goodman joined PepsiCo in 1992, having previously worked with W.R. Grace in a variety of global senior financial roles. Mr. Goodman will bring to the board years of financial management, risk management, and auditing expertise from his various positions at PepsiCo and W.R. Grace as well as valuable experience in mergers and acquisitions, investment, and corporate finance he possesses from his many years of service at large, international corporations. Mr. Goodman will also bring to the board his experience of serving as a director of other global public companies.

**Frederick A. Henderson.** Mr. Henderson is currently the Chairman and Chief Executive Officer of SunCoke Energy and of SunCoke Energy Partners GP, and has served in those roles since 2011 and 2013, respectively. He also served as a Senior Vice President of Sunoco, Inc. from 2010 until SunCoke’s initial public offering in July 2011. During 2010, Mr. Henderson was also a consultant for General Motors and AlixPartners. He was President and Chief Executive Officer of General Motors during 2009 and President and Chief Operating Officer of General Motors from 2008 to 2009. He was previously Vice Chairman and Chief Financial Officer of General Motors from 2006 to 2008. Mr. Henderson is a director of Marriott International, where he serves as chair of the Audit Committee and a trustee of the Alfred P. Sloan Foundation and member of its Audit Committee. Mr. Henderson previously served as a director of Compuware Corp. (a technology performance company), where he served as chair of its Audit Committee, and was a member of its Nominating/Governance and Advisory Committees. Mr. Henderson will bring to the board his extensive global senior management experience in the automotive and other manufacturing industries. In addition, he is an experienced senior-level executive, with general operations, manufacturing and marketing experience, as well as senior-level strategic planning, business development, financial expertise, managerial, management development and compensation and health, environment and safety experience.

### **Committees of the Board of Directors**

Effective upon the completion of the distribution, Adient’s board of directors, which we also refer to as the Board, is expected to have the following standing committees: an Executive Committee, an Audit Committee, a Compensation Committee and a Corporate Governance Committee.

**Executive Committee.** The primary function of the Executive Committee will be to exercise all of the powers of the Board when the Board is not in session, as the law permits and subject to certain limitations specified in the Executive Committee Charter.

**Audit Committee.** The Board will have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The Audit Committee is expected to consist of Julie L. Bushman and Richard Goodman, each of whom is expected to be independent in accordance with the rules and regulations of the New York Stock Exchange and the SEC. Richard Goodman is expected to be the Audit Committee Chairman. It is expected that Richard Goodman will be determined to be an “audit committee



financial expert” as defined by the SEC. The primary responsibilities of the Audit Committee will be to:

- Review and discuss the audited consolidated financial statements with management and Adient’s independent registered public accounting firm for inclusion of the financial statements and related disclosures in Adient’s Annual Report on Form 10-K;
- Review and discuss with management and Adient’s independent registered public accounting firm Adient’s quarterly consolidated financial statements and disclosures and earnings press releases;
- Review and advise the Board with respect to the effectiveness of Adient’s system for monitoring compliance with laws and regulations;
- Review with Adient’s general counsel legal matters that may have a material impact on the consolidated financial statements and any material reports or inquiries received from regulators or governmental agencies regarding compliance;
- Review the activities of Adient’s Internal Audit department, the significant findings from completed audits and the actions Adient’s management is taking in response to those audits;
- Review major financial risk exposures and management’s plans to monitor and control such exposures; and
- Review Adient’s significant capital appropriations matters.

*Compensation Committee.* John M. Barth and Raymond L. Conner are expected to be the members of the Board’s Compensation Committee. John M. Barth is expected to be the Compensation Committee Chairman. The primary responsibilities of the Compensation Committee will be to:

- Evaluate and recommend the CEO to the Board;
- Recommend to the Board the selection and retention of officers and key employees;
- Review and recommend to the Board the overall compensation program for directors, including committee member and chair retainers;
- Review and approve compensation and compensation-related objectives for senior executives;
- Administer and approve amendments to the executive compensation plans except for such amendments that require Board approval.

Additionally, the Compensation Committee will assess on an annual basis the independence of its compensation consultants, outside legal counsel, and other compensation advisers. The Compensation Committee Charter to be adopted by the Board will permit the committee to, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the committee.

*Corporate Governance Committee.* Julie L. Bushman, Raymond L. Conner and Frederick A. Henderson are expected to be the members of the Board’s Corporate Governance Committee. Frederick A. Henderson is expected to be the Corporate Governance Committee Chairman.

The primary responsibilities of the Corporate Governance Committee will be to:

- Develop guidelines and criteria for the qualifications of directors and make related recommendations to the Board for approval;
- Select, and recommend to the Board, qualified director candidates, including consideration of any candidates submitted by shareholders in accordance with Adient’s organizational documents;
- Consider, and recommend to the Board, the size and composition of the Board;

- Develop, and recommend to the Board, standards for director independence and financial expertise.

The committee will consider nominee recommendations from a variety of sources, including nominees recommended by shareholders. The committee might, from time to time, retain an executive search firm to help facilitate the screening and interview process of director nominees. The committee expects that qualified candidates will have high-level managerial experience in a relatively complex organization or be accustomed to dealing with complex problems, and will be able to represent the interests of the shareholders as a whole rather than special interest groups or constituencies.

The committee will also consider the interplay of a candidate's background and expertise with that of other board members, and the extent to which a candidate may be a desirable addition to any committee of the board. The committee will value diversity as a factor in selecting nominees to serve on the board. Although the committee will not have a specific policy on diversity, the committee will consider the criteria noted above in selecting nominees for directors, including members from diverse backgrounds and perspectives who combine a broad spectrum of experience and expertise.

In addition to recommending director candidates, the Corporate Governance Committee will establish procedures for the oversight and evaluation of the board, will review correspondence received from shareholders, and will review on an annual basis Adient's Corporate Governance Guidelines to be adopted by the board.

#### **Compensation Committee Interlocks and Insider Participation**

During Adient's year ended September 30, 2015, Adient was not an independent company, and did not have a compensation committee or any other committee serving a similar function. Decisions as to the compensation of those who are expected to serve as Adient's executive officers were made by Johnson Controls, as described in the section of this information statement entitled "Compensation Discussion and Analysis."

#### **Corporate Governance Guidelines**

The Board is expected to adopt Corporate Governance Guidelines that will provide a framework for the effective governance of Adient. These guidelines will address matters such as the Board's duties, director independence, director responsibilities, Board structure and operation, director criteria and qualifications, Board succession planning, Board compensation, management evaluation and development, Board orientation and training, Lead Director responsibilities and Adient's Ethics Policy. The Corporate Governance Committee will regularly review developments in corporate governance and update the Corporate Governance Guidelines and other governance materials as it deems necessary and appropriate.

#### **Board Leadership Structure**

The Board's leadership structure is expected to include a combined Chairman and Chief Executive Officer role with a strong, independent nonexecutive lead director.

It is expected that the Board will benefit from combining the roles of Chairman and CEO because of the importance of in-depth, industry-specific knowledge and a thorough understanding of Adient's business environment and risk management practices in setting agendas and leading the Board's discussions. Combining the roles also will provide a clear leadership structure for the management team and will serve as a vital link between management and the Board. This is expected to allow the Board to perform its oversight role with the benefit of management's perspective on Adient's business strategy and all other aspects of the business.

The Board periodically reviews its determination to have a single individual act both as Chairman and CEO.

### **Lead Independent Director**

Adient's Corporate Governance Guidelines are expected to provide for an independent nonexecutive director to act as Lead Director. The Lead Director will be elected by the independent, non-management members of the Board, upon the recommendation of the Corporate Governance Committee. The Lead Director Charter is expected to provide that the Lead Director's responsibilities will include, among other things:

- Approving the Board meeting schedules to ensure there is sufficient time for discussion of all Board agenda items;
- Approving the Board meeting agendas to ensure that topics deemed important by Adient's independent directors are included in Board discussions and sufficient executive sessions are scheduled as needed;
- Calling meetings of the Board's independent directors;
- Developing the agenda for and serving as chairman of the Board's executive sessions;
- Serving as principal liaison between the Board's independent directors and the Board Chairman and CEO;
- Serving as chair of Board meetings when the Board Chairman is not present;
- Approving information sent to the Board; and
- If requested by Adient's major shareholders, ensuring that he or she is available for consultation and direct communication.

The Lead Director will also perform other duties as the Board may determine. The Lead Director will provide feedback after each Board meeting to the Chairman on the substance of the items presented and may make suggestions for enhancing management's and the Board's effectiveness.

The Board is expected to require executive sessions of the independent directors at least twice annually. During these executive sessions, the Lead Director will have the responsibility, among other things, to lead and facilitate the meeting and discussion of matters on the agenda.

### **Board Oversight of Risk**

Adient's Board, as a whole or through its committees, will oversee an enterprise-wide approach to risk management that is intended to achieve Adient's long-term strategic and organizational objectives and enhance shareholder value. Management will be responsible for the day-to-day management of the risks that Adient will face, while the Board, as a whole and through its committees, will have the responsibility for the oversight of risk management. In this risk oversight role, the Board will be responsible for ensuring that the risk management framework, and any supporting processes implemented by management, are adequate and functioning as designed.

Although the Board will have the ultimate oversight responsibility for the risk management process, various committees of the Board also will have responsibility for risk management. The Board and its committees are expected to exercise their risk oversight function by carefully evaluating the reports they receive from management and by engaging in discussions with management regarding areas of particular interest or significance. Each of the Board committees will be responsible for oversight of risk management practices for categories of top risks relevant to committee functions,

which are set forth below. The Board will also consider the significant risks to Adient in the course of its reviews of corporate strategy and business plans.

The following table summarizes the primary areas of risk oversight of the Board and its committees:

<u>Board/Committee</u>	<u>Primary Areas of Risk Oversight</u>
Full Board . . . . .	The Board will oversee matters that may present a material risk to Adient's operations, plans, prospects or reputation, including the risks and exposures associated with significant capital expenditures, acquisitions and divestitures, management succession planning, major litigation and regulatory exposures, as well as the strategic, financial and execution risks and exposures associated with the annual operating plan and strategic plan.
Audit Committee . . . . .	The Audit Committee will be primarily responsible for overseeing the risks and exposures associated with Adient's businesses. The Audit Committee Charter is expected to provide that the Audit Committee will discuss major risk exposures, including financial, operational, privacy, security, competition, and legal and regulatory risks, and the steps Adient will take and will have taken to detect, monitor and actively manage such exposures. The Audit Committee will also conduct a review with Adient's General Counsel of any material legal, compliance, and regulatory matters that could have a material impact on Adient's financial statements or Adient's business, including material notices to or inquiries received from governmental agencies.
Corporate Governance Committee . . .	The Corporate Governance Committee will review the risks and exposures relating to Adient's corporate governance, director independence, conflicts of interest, ethics and compliance, and director candidate and succession planning programs and policies.
Compensation Committee . . . . .	The Compensation Committee will oversee the risks and exposures associated with leadership assessment, management succession planning, recruiting, retention and director and executive compensation programs and arrangements, including Adient's incentive plans.

*Management's Role in Risk Oversight.* Adient's management will support the Board and its committees in Adient's enterprise-wide approach to risk management. Adient expects to have embedded an enterprise risk management, or ERM, program across its core business, which will be aligned with initiatives that involve the Audit Committee, executive management and other personnel. The ERM framework will be designed to identify, assess, prioritize, and manage major risk exposures that could affect Adient's ability to execute on its corporate strategy and fulfill its business objectives. The ERM program will be designed to enable the Audit Committee and management to collectively review the effectiveness of Adient's risk management practices and capabilities and Adient's risk exposure and risk tolerance and also to elevate key risks to the Board.

Adient's Vice President of Internal Audit will be responsible for Adient's internal audit function and will support Adient's enterprise-wide risk management framework through risk assessment,

monitoring, and reporting. The Vice President of Internal Audit will report directly to the Audit Committee, and the Audit Committee will review and evaluate the Vice President of Internal Audit's appointment, compensation, and performance. The Vice President of Internal Audit will facilitate the Audit Committee's review and approval of the internal audit plan and will provide regular reporting on audit activities. In addition, through consultation with management, the Vice President of Internal Audit will periodically assess the major risks facing Adient and coordinate with the members of management responsible for such risks.

The executive responsible for managing a particular risk may also be required to report to the Audit Committee on how the risk is being managed and the progress towards any agreed-upon risk mitigation goals.

### **Board Independence**

The Board will annually determine the independence of each director and nominee for election as a director based on a review of the information provided by the directors and the executive officers as well as a survey by Adient's legal and finance departments. The Board will make these determinations under the NYSE Listed Company Manual's independence standards and Adient's Corporate Governance Guidelines. In addition, the Board is expected to establish categorical standards of independence to assist it in making determinations of director independence, which will be set forth in Adient's Corporate Governance Guidelines and will be posted on Adient's website.

Following such evaluation, the Board is expected to affirmatively determine by resolution that the following directors are independent: John M. Barth, Julie L. Bushman, Raymond L. Conner, Richard Goodman and Frederick A. Henderson.

### **Board Succession Plan**

The Board succession plan is expected to be generally outlined in the Corporate Governance Committee Charter and Corporate Governance Guidelines to maintain effective shareholder representation. As part of the Board's succession planning, the Board regularly reviews the composition of the Board and assesses the balance of knowledge, experience, skills, expertise, tenure and diversity that is appropriate for the Board as a whole.

### **Board, Committee and Director Evaluations**

Each year, the Board will conduct an evaluation of itself, the Board committees, and, as discussed below, each director to determine their respective effectiveness. The Corporate Governance Committee will determine annually the manner of these evaluations to ensure that the Board receives accurate and insightful information.

### **Attendance at Annual Meetings**

The Board will expect all directors to attend the annual meetings of shareholders. Directors may attend the meeting by any means permitted under applicable law.

### **Shareholder / Other Interested Party Communication with the Board**

Adient expects to adopt a policy enabling shareholders and other interested parties to communicate with directors. The policy will provide for general communications to the Board or any individual Board member to be sent to c/o Adient, Attn: Corporate Secretary, 833 East Michigan Street, Milwaukee, Wisconsin 53202. The Adient Secretary's office will open and screen these communications for security purposes and for relevance in the directors' capacities as directors.

Adient also expects to adopt a policy enabling communications to be sent directly to the Lead Director, who is expected to be John M. Barth. Shareholders will be able to send communications to his attention at c/o Adient, Attn: Lead Director, 833 East Michigan Street, Milwaukee, Wisconsin 53202. In addition, Adient expects that the Corporate Governance Guidelines will provide that at the request of a major shareholder, Adient's Lead Director will make himself reasonably available for consultation and direct communication.

#### **Director Nominee Selection and Evaluation**

The Corporate Governance Committee will develop criteria and qualifications for directors and director candidates that the Board reviews and approves annually. The Corporate Governance Committee is expected to have a process under which it will identify and evaluate all director candidates properly nominated as required by Adient's Corporate Governance Guidelines. To identify director candidates, the Corporate Governance Committee will maintain a file of potential director nominees (including those recommended by shareholders), will solicit candidates from current directors, will evaluate recommendations and nominations by shareholders, and will have retained for a fee recruiting professionals to identify and evaluate director candidates. The Corporate Governance Committee uses the following criteria, among others, to evaluate any director candidate's capabilities to serve as a member of the Board: board attendance and engagement, independence, other time demands (including service on other boards), and potential or apparent conflicts (such as relationships with one of Adient's competitors, key suppliers or key customers). In addition, the Corporate Governance Committee will examine the following qualifications, among others, to identify and evaluate director candidates: industry experience and expertise (such as automotive, industrial manufacturing, technology or engineering); functional experience and expertise (such as whether the director candidate is a current chief executive officer or chief financial officer or possesses financial acumen, has operational experience, has international exposure, has experience or expertise in mergers and acquisitions, information technology strategy or engineering/product development); and the diversity of the director candidate. The Corporate Governance Committee will also review the qualifications of any candidate with those of current directors to determine coverage and gaps in experience in related industries and functional areas.

The Board Chairman and the Chair of the Corporate Governance Committee also will lead an evaluation of each director whose term is expiring at the upcoming annual meeting of shareholders based upon the preceding criteria and input from the other directors before nominating and recommending such director for reelection.

#### **Clawback Provision**

Adient is expected to adopt an Executive Compensation Incentive Recoupment (Clawback) Policy. Under the policy, the Committee will require all executive officers elected by the Board to reimburse any incentive awards if:

- The awards were based on that performance period's financial results and became the subject of a material restatement, other than a restatement due to changes in accounting policy;
- The Committee believes the elected executive officer engaged in conduct that caused, or even partially caused, the need for the restatement; and
- A lower payment could have been made to the elected executive officer based upon the restated financial results.

If there is a material restatement of financial statements, the Committee will also have to seek to recover any compensation from the Chief Executive Officer and Chief Financial Officer, to the extent required under Section 304 of the Sarbanes-Oxley Act of 2002.

**Stock Ownership Policy**

Adient is expected to adopt an Executive Stock Ownership Policy that will require executive officers to hold significant amounts of Adient stock. These guidelines will tie the compensation of Adient's named executive officers to Adient's share performance, since the increase or decrease in Adient's share price will impact their personal holdings. The policy is expected to provide that if an executive officer does not meet the minimum ownership guidelines, the executive officer will not be permitted to sell Adient ordinary shares until his or her equity holdings meet the requirements.

**Ethics Policy**

Adient is expected to adopt an Ethics Policy that will require all its business activities to be conducted in compliance with laws, regulations, and ethical principles and values. All directors, officers, and employees of Adient will be required to read, understand, and abide by the requirements of the Ethics Policy. The Ethics Policy will be accessible on Adient's website. Any waiver of the Ethics Policy for directors or executive officers may be made only by Adient's board of directors. Adient will disclose any amendment to, or waiver from, a provision of the Ethics Policy for the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on Adient's website.



## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

As discussed above, the automotive seating and interiors businesses are currently part of Johnson Controls, and Adient's compensation committee has not yet been formed. This Compensation Discussion and Analysis describes the historical compensation practices of Johnson Controls and attempts to outline certain aspects of Adient's anticipated compensation structure for its senior executive officers following the separation. While Adient has discussed its anticipated programs and policies with the Compensation Committee of Johnson Controls' board of directors (which we refer to as the "Johnson Controls Compensation Committee"), they remain subject to the review and approval of Adient's own compensation committee (which we refer to as the "Adient Compensation Committee").

The employees who are expected to be appointed to serve as Adient's Chief Executive Officer, Executive Vice President and Chief Human Resources Officer, and Executive Vice President and Chief Financial Officer are identified below. For purposes of the following Compensation Discussion and Analysis and executive compensation disclosures, the individuals listed below are collectively referred to as Adient's "named executive officers."

- R. Bruce McDonald, Chief Executive Officer. Prior to the separation, Mr. McDonald served as Executive Vice President and Vice Chairman of Johnson Controls.
- Jeffrey M. Stafeil, Executive Vice President and Chief Financial Officer. Mr. Stafeil commenced employment with Johnson Controls on April 1, 2016.
- Neil E. Marchuk, Executive Vice President and Chief Human Resources Officer. Mr. Marchuk commenced employment with Johnson Controls on January 1, 2016.
- Byron S. Foster, Executive Vice President.
- Cathleen A. Ebacher, Vice President, General Counsel and Secretary.

The historical decisions relating to the compensation of Mr. McDonald, who served as an executive officer of Johnson Controls in fiscal year 2015 and prior years, were made by the Johnson Controls Compensation Committee. The historical decisions for Mr. Foster and Ms. Ebacher were established by Johnson Controls through its processes for non-executive employee compensation. As noted above, Messrs. Stafeil and Marchuk were not employed by Johnson Controls during fiscal year 2015 and thus did not receive any compensation during that year. Following the separation, the compensation of Adient's executive officers will be determined by the Adient Compensation Committee consistent with the compensation and benefit plans, programs, and policies adopted by Adient. Additional information about Adient's expected senior executive team following the separation is set forth in the section of this information statement entitled "Management—Executive Officers Following the Distribution."

While the primary focus of the following disclosure is on the compensation for Messrs. McDonald and Foster and Ms. Ebacher, the types of compensation and benefits provided to them are generally similar to those that will likely be provided to any other individuals who are identified to serve as executive officers of Adient upon the separation.

It is anticipated that Adient's compensation policies will initially be similar to those employed by Johnson Controls. The Adient Compensation Committee will review these policies and practices, and, it is expected, will make adjustments to support Adient's strategies and to remain market competitive. The following sections of this Compensation Discussion and Analysis describe Johnson Controls' compensation philosophy, policies, and practices as they applied to the one Adient named executive officer identified above who served as an executive officer of Johnson Controls during fiscal year 2015.

## Executive Compensation Objectives

### *Historically*

Three long-term objectives drive the Johnson Controls Compensation Committee's decisions regarding the executive compensation elements, incentive plan design, and award levels. The Johnson Controls Compensation Committee uses multiple compensation elements to reach these objectives and drive Johnson Controls executives to deliver sustained results for Johnson Controls shareholders.

1. *Building Shareholder Value Over the Long Term.* Long-term incentive compensation and stock-based opportunities comprise the largest component of Johnson Controls executive officers' total direct compensation (consisting of base salary, annual incentives, and long-term incentives), as the Johnson Controls Compensation Committee emphasizes compensation that it believes is directly linked with the creation of shareholder value over the long term.
2. *Delivering Sustained, Strong Business and Financial Results.* When determining total direct compensation for each named executive officer, the Johnson Controls Compensation Committee considers Johnson Controls' financial performance and the progress Johnson Controls has made towards successfully executing the long-term strategic plan of the business.
3. *Attracting, Motivating and Retaining a Highly Qualified and Effective Executive Team.* The attraction, motivation, and retention of top executive talent are critical to Johnson Controls' continued success. Therefore, the Johnson Controls Compensation Committee considers executive compensation levels for similar positions at companies within Johnson Controls' Compensation Peer Group.

### *Going Forward*

As noted above, because the Adient Compensation Committee has not yet been formed, the executive compensation objectives at Adient will be developed and established by the Adient Compensation Committee after the separation. It is, however, currently expected that after the separation, the framework of Adient's executive compensation program will initially be similar to the framework used by Johnson Controls.

## Executive Compensation Philosophy

### *Historically*

In the Johnson Controls Compensation Committee's pursuit of Johnson Controls' long-term objectives, a philosophy built on five principles guides the Johnson Controls Compensation Committee. These principles underlie all decisions that the Johnson Controls Compensation Committee makes regarding the executive compensation elements, incentive plan design, and award levels.

1. *Shareholder Alignment and Risk Mitigation.* To avoid hindering delivery of strong, sustainable financial results and the delivery of long-term value to Johnson Controls shareholders, compensation should be structured to align the interests of executive officers with the interests of shareholders and in a manner that does not encourage excessive risk-taking. To discourage excessive risk-taking, the Johnson Controls Compensation Committee conducts an annual risk assessment of Johnson Controls' compensation plans and places great emphasis on equity-based incentive compensation and stock ownership by executive officers.
2. *Pay for Performance.* A substantial portion of compensation should be variable to reward named executive officers for the achievement of strategic, financial, and leadership objectives.
3. *Long-Term Focus.* Long-term incentive compensation and stock-based awards should be designed to drive the achievement of strategic business objectives and increase shareholder value in the long run.

4. *Aligned to Market.* Total direct compensation should be competitive to attract, motivate, and retain a highly qualified and effective global executive team that will continue to drive Johnson Controls' success.
5. *Incentive Pay Alignment and Responsibility.* As an executive officer's level of responsibility increases, the target percentage of total direct compensation that is at risk and oriented toward long-term performance should increase accordingly.

### ***Going Forward***

As noted above, because the Adient Compensation Committee has not yet been formed, the executive compensation philosophy of Adient will be developed and established by the Adient Compensation Committee after the separation. It is, however, currently expected that after the separation, the framework of Adient's executive compensation program will initially be similar to Johnson Controls' framework, and will be principally comprised of base salaries, annual performance-based bonuses, and long-term incentive awards in respect of Adient ordinary shares.

## **Determining Compensation Levels**

### ***Historically***

The objectives of Johnson Controls' executive compensation program to build long-term shareholder value, deliver sustained, strong business and financial results, and attract, motivate, and retain a highly qualified and effective executive team guide its executive compensation decisions, including the determination of compensation levels.

In addition to the executive compensation program's objectives, the Johnson Controls Compensation Committee also considers, in a subjective manner, the following factors:

- Each executive officer's experience, knowledge, skills, level of responsibility, and potential to influence Johnson Controls' performance and future success;
- Each executive officer's prior salary levels, annual incentive awards, and long-term incentive awards;
- The business environment and Johnson Controls' business objectives and strategy;
- The need to retain and motivate executive officers;
- Corporate governance and regulatory factors related to executive compensation;
- Marketplace compensation levels and practices; and
- Shareholder perspectives.

To gauge marketplace compensation levels and practices, the Johnson Controls Compensation Committee works with Willis Towers Watson, an independent executive compensation consultant, to conduct a marketplace analysis of executive compensation practices and pay levels against a group of publicly traded companies that we refer to as the "Compensation Peer Group." The Compensation Peer Group, which the Johnson Controls Compensation Committee annually reviews and updates, consists of a group of companies that:

- Johnson Controls competes against for talent;
- Are in Johnson Controls' industry or a similar industry;
- Have broadly similar revenues and market capitalization; or
- Participate in Willis Towers Watson's executive compensation surveys.

Johnson Controls relies upon the compensation data gathered from the Compensation Peer Group to represent the competitive market for executive talent for executive positions. For a few positions

where data from the peer group is not available, the Johnson Controls Compensation Committee reviews Willis Towers Watson data for general industry companies of similar revenue size. When determining fiscal year 2015 compensation, the Committee did not, however, require the use of general industry data to make any specific compensation decisions for the Johnson Controls named executive officers. Given that Johnson Controls' revenue is at nearly the 80th percentile relative to the Compensation Peer Group companies, data are regressed to provide compensation data that represents the revenue responsibility of each of the executive officer positions that Johnson Controls benchmarks. The median revenue (as of the latest fiscal year end) of the Compensation Peer Group is \$24.5 billion, and the median net income is \$2.5 billion. No changes were made to the peer group for fiscal year 2015.

The Compensation Peer Group for fiscal year 2015 consisted of the following companies:

- 3M Company
- Alcoa Inc.
- Caterpillar Inc.
- Deere & Company
- The Dow Chemical Company
- Eaton Corporation
- E. I. du Pont de Nemours and Company
- Emerson Electric Co.
- General Dynamics Corporation
- The Goodyear Tire & Rubber Company
- Honeywell International Inc.
- Illinois Tool Works Inc.
- International Paper Company
- Lear Corporation
- Lockheed Martin Corporation
- Northrop Grumman Corporation
- Raytheon Company
- United Technologies Corporation
- Whirlpool Corporation

#### ***Going Forward***

After the separation, the Adient Compensation Committee will establish and develop practices and procedures with respect to establishing compensation levels and may determine an Adient peer group for compensation purposes.

#### **Role of the Compensation Committee**

##### ***Historically***

The Johnson Controls Compensation Committee is comprised of non-employee independent directors who develop, amend, and approve Johnson Controls' executive compensation program.

Each year, the Johnson Controls Compensation Committee determines the appropriate level of compensation for all executive officers, including the named executive officers. As an initial guideline, the Johnson Controls Compensation Committee sets the total direct compensation opportunity (base salary, annual incentive target, and long-term incentive target) for each of the executive officers within a range (+/- 15%) around the 50th percentile of the Compensation Peer Group or, where data from the peer group are not available, general industry survey data. The variation of actual pay relative to the market data is dependent on the executive officer's performance, experience, knowledge, skills, level of responsibility, potential to impact performance and future success, and the need to retain and motivate strategic talent. The total target direct compensation opportunity for the named executive officers in fiscal year 2015 ranged from the 50th to the 60th percentile of the Compensation Peer Group data.

The Johnson Controls Compensation Committee generally determines an executive officer's compensation based upon a desire to link compensation to the objectives of the executive compensation programs that are described above under “—Executive Compensation Philosophy—Historically.” In addition, when determining the overall compensation of named executive officers, including base salaries and annual and long-term incentive amounts, the Johnson Controls Compensation Committee considers, in a subjective manner, a number of factors it deems important, as outlined above under “—Determining Compensation Levels—Historically.”

The Johnson Controls Compensation Committee makes the compensation decisions for the named executive officers after careful review and analysis of appropriate performance information and market compensation data. While the Johnson Controls Chairman and Chief Executive Officer makes recommendations to the Johnson Controls Compensation Committee regarding the compensation of the other named executive officers, the Johnson Controls Compensation Committee alone determines the compensation for the Johnson Controls Chairman and Chief Executive Officer.

Beyond determining specific compensation for the named executive officers, the Johnson Controls Compensation Committee works with executive management to review and adjust compensation policies and practices to remain consistent with the company's values and philosophy, support the recruitment and retention of executive talent, and help the company achieve its business objectives.

### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to base salary, annual incentives, and long-term incentives within the framework of the compensation plans adopted by Adient. It is currently expected that, at least initially, these compensation plans will be substantially similar to Johnson Controls' compensation plans. In addition, the Adient Compensation Committee will need to evaluate the relevance of peer data and, as noted, determine the appropriate peer group, if any, for Adient following the separation.

### **Role of the Chief Executive Officer**

#### ***Historically***

The Johnson Controls Chief Executive Officer provides recommendations to the Johnson Controls Compensation Committee on the total direct compensation for each executive officer other than himself. The Chief Executive Officer does not make recommendations with respect to his own compensation.

The Johnson Controls Chief Executive Officer's recommendations for the other executive officers are based on his personal review of their performance, job responsibilities, importance to the overall business strategy, and Johnson Controls' compensation philosophy. Although the Chief Executive Officer's recommendations are given significant weight, the Johnson Controls Compensation Committee

retains full discretion when determining compensation. The Johnson Controls Compensation Committee has delegated to the Chief Executive Officer its discretion to decrease the size of bonus payouts to executive officers other than the Chief Executive Officer based in part on an assessment of the executive officer's individual performance, as described below under "—Annual Incentive Performance Program (AIPP)—Historically."

#### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to the role of executive officers in making compensation decisions.

### **Role of the Compensation Consultant**

#### ***Historically***

The Johnson Controls Compensation Committee retains the authority to approve and monitor all compensation and benefit programs (other than broad-based welfare benefit programs). However, to add rigor in the review process and to inform the Johnson Controls Compensation Committee of market trends, the Johnson Controls Compensation Committee engages the services of Willis Towers Watson, an independent executive compensation consultant, to analyze Johnson Controls' executive compensation structure and plan designs, and to assess whether the compensation program is competitive and supports the Johnson Controls Compensation Committee's goal to align shareholders' interests with those of the executive officers. Willis Towers Watson also directly provides the Johnson Controls Compensation Committee with the Compensation Peer Group and other market data discussed above, which the Johnson Controls Compensation Committee references when determining compensation for executive officers.

The Johnson Controls Compensation Committee has the sole authority to approve the independent compensation consultant's fees and terms of the engagement. Thus, the Johnson Controls Compensation Committee annually reviews its relationship with Willis Towers Watson to ensure executive compensation consulting independence. The process includes a review of the services Willis Towers Watson provides, the quality of those services, and fees associated with the services during the fiscal year as well as consideration of the factors impacting independence that New York Stock Exchange rules require. In addition to providing executive compensation consulting, other one-time professional services provided by Towers Watson (now Willis Towers Watson) totaling \$434,000 included actuarial work that was conducted relative to the acquisition of ADT of which it was the existing vendor (these services have not continued after fiscal year 2015).

#### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to the role of a compensation consultant, if any, in making compensation decisions.

### **Key Elements of Executive Officer Compensation Program**

#### ***Historically***

There are eight principal elements of the Johnson Controls' executive compensation program. Collectively, these elements deliver an executive compensation package that achieves the program's three objectives: build long-term shareholder value; drive sustained, strong business and financial

results; and attract, motivate and retain a highly-qualified and effective management team to drive financial and operational performance.

Element	Link to Program Objectives	Type of Compensation	Key Features
<b>Base Salary . . . . .</b>	The Johnson Controls Compensation Committee considers base salaries paid by companies in the Compensation Peer Group and survey data and uses the 50th percentile as a guideline.	Cash	Provides a stable source of income and is a standard compensation element in executive compensation packages.
<b>Annual Incentive Performance Program . . . . .</b>	A cash-based award that encourages named executive officers to focus on the business and financial objectives for each fiscal year. Target incentive opportunity is set as a percentage of base salary.	Cash	Payout is based on profitability, growth, and operational performance during the fiscal year and occurs only if minimum performance levels are met. For the financial portion of the AIPP, SINC is weighted at 70%, ROS is weighted at 20%, and ROA is weighted at 10%. The Johnson Controls Compensation Committee also has limited discretion available (described below).
<b>Long-Term Incentive Performance Program . . . . .</b>	Ensures that a named executive officer's pay is directly linked to the achievement of long-term objectives.	Performance-based Share Units or long-term cash as a percentage of base salary (for non-executive officer employees)	Payouts are based on long-term pre-tax earnings growth (weighted 60% for fiscal year 2015) and pre-tax return on invested capital (weighted 40% for fiscal year 2015) over a 3-year performance cycle. The value of long-term incentives that Johnson Controls delivers through performance-based share units is approximately 50% of total long-term incentive value.



Element	Link to Program Objectives	Type of Compensation	Key Features
<b>Stock Options . . .</b>	Links compensation of named executive officers to the building of long-term shareholder value. Keeps the program competitive and helps retain talent.	Long-Term Equity	Aligns executive officers' compensation with the creation of shareholder value. The value of long-term incentives delivered through stock options is approximately 25% of total long-term incentive value. Johnson Controls considers both stock options and performance-based share units to be performance-based equity.
<b>Restricted Stock . .</b>	Helps the long-term retention of talent through an extended vesting period. Links compensation of named executive officers to the building of long-term shareholder value.	Long-Term Equity	Vesting of 100% after three years promotes retention, and named executive officers holding restricted stock will receive greater value if the stock price rises. The long-term incentive value that Johnson Controls delivers through restricted stock is approximately 25% of total long-term incentive value.
<b>Retirement . . . . .</b>	Critical element of a total rewards program and thus, helps attract, maintain, and retain executive talent.	Benefit	Named executive officers receive retirement benefits through four plans: <ul style="list-style-type: none"> <li>• 401(k) Plan</li> <li>• Frozen Defined Benefit Pension Plan (frozen on December 31, 2014)</li> <li>• Retirement Restoration Plan</li> <li>• Executive Deferred Compensation Plan</li> </ul>

Element	Link to Program Objectives	Type of Compensation	Key Features
<b>Other Benefits . . .</b>	Delivers modest benefits to supplement total direct compensation and provides protection for named executive officers, where warranted.	Benefit	Benefits help named executive officers be more productive and efficient, and they provide protection from business risks and threats. Perquisites are limited in amount and the Johnson Controls Compensation Committee maintains a strict policy regarding eligibility and use.
<b>Employment and Change of Control Agreements . . . .</b>	Ensures named executive officers remain focused on creating sustainable performance.	Benefit	<p>Agreements protect the company and the named executive officers from risks by providing:</p> <ul style="list-style-type: none"> <li>• Economic stability</li> <li>• Death or disability payments</li> <li>• Payments and benefits in the event of a change of control</li> <li>• Agreements do not contain excise tax gross-ups in the event of a change of control</li> <li>• Equity awards under the Johnson Controls' 2012 Omnibus Incentive Plan ("Omnibus Incentive Plan") are subject to double-trigger vesting upon a change of control</li> </ul>

### *Going Forward*

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to base salary, annual incentives, long-term incentives, and other compensation and benefits within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans, except that Adient does not currently expect to use stock options to compensate Adient executives following the separation.

In connection with the separation, Adient expects to adopt compensation and benefit plans, including the Adient 2016 Omnibus Incentive Plan (subject to the approval of Adient's shareholders prior to the distribution), which plans will initially be substantially similar to those in effect at Johnson Controls before the separation. Following the separation, the Adient Compensation Committee will administer and make determinations under the Adient compensation plans consistent with Adient's business needs and goals. Additional information about the Adient 2016 Omnibus Incentive Plan is set forth in the section of this information statement entitled "Executive Compensation—Adient 2016 Omnibus Incentive Plan."

## Base Salaries

### *Historically*

Base salary provides named executive officers with fixed compensation and a stable source of income. The Johnson Controls Compensation Committee considers base salary levels during each annual compensation review process or upon a promotion. When establishing base salaries for named executive officers, the Johnson Controls Compensation Committee considers the compensation for similar positions in the Compensation Peer Group and refers to the 50th percentile as a guideline. If peer group data is not available, the Johnson Controls Compensation Committee considers salaries that similarly sized companies (defined as similar in revenue size) in general industry pay for similar positions.

Salary changes for named executive officers are generally effective October 1st of each year. Salary changes may occur at other times if there is a promotion or job change.

The Johnson Controls Compensation Committee increased the base salary for Mr. McDonald in fiscal year 2015 based on the Johnson Controls Compensation Committee's review of each individual's performance, the targeted pay positioning applicable to each individual, and changes in competitive market data among the Compensation Peer Group companies. Mr. McDonald received a base salary increase in connection with his new position, in recognition of his performance and contributions, and to better align to the market median for his position. Mr. Foster received a base salary increase in recognition of his performance and contributions and to better align to the market median for his position. Ms. Ebacher received a base salary increase in connection with her new position, in recognition of her performance and contributions, and to better align to the market median for her position.

Named Executive Officer	Fiscal Year 2014 Base Salary (effective October 1, 2013)	Fiscal Year 2015 Base Salary (effective October 1, 2014)	% Increase
R. Bruce McDonald . . . . .	\$881,000	\$1,000,000	13.5%
Byron S. Foster . . . . .	\$466,000	\$ 507,000	8.8%
Cathleen A. Ebacher . . . . .	\$287,000	\$ 325,000	13.2%

### *Going Forward*

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to base salary within the framework of the compensation plans adopted by Adient, which initially will be substantially similar to Johnson Controls' compensation plans.

## Annual Incentive Performance Program (AIPP)

### *Historically*

Johnson Controls' AIPP is a one-year cash award that encourages Johnson Controls named executive officers to focus on financial objectives that translate into stock price performance and value

creation for shareholders. At the beginning of each fiscal year, the Johnson Controls Compensation Committee approves performance objectives and sets the annual performance incentive target opportunity for each executive officer, which is expressed as a percentage of base salary for each individual.

For fiscal 2015, 80% of the targeted AIPP award for Mr. McDonald, Mr. Foster, and Ms. Ebacher was based on financial metrics, as described below. The remaining 20% of the targeted award for Mr. McDonald was based on a discretionary assessment of individual performance, as assessed by the Johnson Controls Compensation Committee. The remaining 20% of the targeted award for Mr. Foster and Ms. Ebacher was based on specified non-financial strategic objectives established by the Johnson Controls Chief Executive Officer. The Johnson Controls Compensation Committee has the discretion to decrease the size of the overall bonus payout for each named executive officer based in part on an assessment of the named executive officer's individual performance, and has delegated this discretion to the Johnson Controls Chief Executive Officer with respect to named executive officers other than the Chief Executive Officer. The Johnson Controls Compensation Committee makes this assessment for the Johnson Controls Chief Executive Officer based on its subjective evaluation of performance relative to strategic, financial and leadership objectives that the Johnson Controls Compensation Committee or the Johnson Controls board of directors has approved and has discretion to decrease the amount of the incentive award that the Chief Executive Officer would otherwise receive. The Johnson Controls Chief Executive Officer makes this assessment for the other named executive officers based on his subjective evaluation of performance relative to strategic, financial, and leadership objectives he has approved and has discretion to decrease the amount of the incentive award that the executive officers would otherwise receive.

For the 80% of the AIPP award that is based on financial metrics, Johnson Controls uses SINC, ROS, and ROA as the measures, based upon the Johnson Controls Compensation Committee's belief that providing incentives to focus on those measures links to Johnson Controls' strategic plan and will create long-term shareholder value. Additionally, the Johnson Controls Compensation Committee believes SINC growth continues to be the most critical measure of Johnson Controls' business when supported by an increase in ROS and reasonable rates of ROA.

Johnson Controls uses simple weightings for the performance measures by placing specific weighting on each metric for purposes of determining the amounts of the awards earned. In fiscal year 2015, the financial portion of the annual incentive measures had the following weights: 70% SINC, 20% ROS, and 10% ROA. Each weighting reflects the Committee's view of the importance of the respective measures to Johnson Controls' overall strategic plan and shareholder value creation. Additionally, the Johnson Controls Compensation Committee sets the percentage for threshold (minimum), target, and maximum performance levels that will determine the amounts of the award earned. An executive officer would not have received a payout under an award if Johnson Controls did not meet threshold performance levels.

The performance measures for the Johnson Controls AIPP are defined as follows:

- *Year-over-Year SINC Growth.* SINC is defined as net income attributable to each business unit (corporate is the aggregate of the three business units and Corporate) adjusted for income tax expense, financing costs, non-controlling interests, and certain significant non-recurring items, such as acquisitions and divestitures, impairment charges, restructuring costs, mark-to-market pension gains/losses, and the adoption of new accounting pronouncements, all as reflected in the audited financial statements that appear in Johnson Controls' Annual Report on Form 10-K.

- *ROS*. ROS is defined as an internal financial measure that relates SINC to the sales of the business unit. Corporate is the aggregate of the three business units and Corporate.
- *ROA*. ROA is defined as an internal financial measure that relates SINC on a pre-tax basis to the average net operating assets of the business unit. Corporate is the aggregate of the three business units and corporate. Net Operating Assets are defined as (+) Total Assets; (–) Cash; (–) Income Tax Assets; (–) Post-Employment Assets; (–) Derivative Assets; (–) Total Liabilities; (+) Debt; (+) Income Tax Liabilities; (+) Post-Employment Liabilities; (+) Restructuring Liabilities; (+) Derivative Liabilities; (+) Dividends Payable.

For Mr. McDonald and Ms. Ebacher, 100% of the financial portion of the annual incentive was based on performance relative to Corporate results. For Mr. Foster, 50% of the financial portion of the annual incentive was based on performance relative to Automotive Experience results, and 50% of the financial portion of the annual incentive was based on performance relative to Corporate results.

The table below summarizes the fiscal year 2015 AIPP target and actual award for Mr. McDonald, Mr. Foster, and Ms. Ebacher. During the process for establishing targets for fiscal year 2015, the Johnson Controls Compensation Committee with the assistance of its independent compensation consultant, Towers Watson (now Willis Towers Watson), reviewed the following data:

- Johnson Controls’ strategic and financial plans;
- The global macroeconomic environment for fiscal year 2015 compared to fiscal year 2014, including global Gross Domestic Product growth as well as growth estimates in those countries where Johnson Controls has significant business operations;
- Growth estimates for automotive production and construction spending on a regional basis;
- Company specific factors including capital expenditure levels, restructuring, and other investment initiatives;
- Analyst consensus growth expectations for Johnson Controls versus those of the Compensation Peer Group;
- Movement of analyst consensus earnings estimates over time; and
- Projected earnings growth estimates from the Compensation Peer Group and the broader S&P 500 Stock Index.

Based on its review of the above information and the advice of Towers Watson (now Willis Towers Watson), the Johnson Controls Compensation Committee chose to set the SINC growth thresholds, targets, and maximums for fiscal year 2015 using analyst consensus earnings estimates for the S&P 500 and the S&P 500 Industrials. The Committee chose to set the thresholds, targets, and maximums for ROS and ROA relative to Johnson Controls’ financial strategic plans. This approach ensures that

Johnson Controls provides competitive incentive compensation based on market competitive performance while continuing to focus on its strategic deliverables.

Performance Measures	2015 Goals			2015 Actual Performance	2015 Actual Awards (Non-Discretionary Portion)
	Threshold	Target	Maximum	Actual	
<b>Corporate</b>					
Year-Over-Year SINC Growth . . . . .	3.0%	8.0%	14.0%	13.0%	188.5%
Return on Sales (ROS) . . . . .	7.4%	7.8%	8.2%	8.5%	
Pre-Tax ROA . . . . .	17.2%	18.2%	19.1%	20.1%	
<b>Automotive Experience</b>					
Year-Over-Year SINC Growth . . . . .	–2.0%	4.0%	10.0%	14.2%	200.0%
Return on Sales (ROS) . . . . .	5.2%	5.6%	5.8%	6.2%	
Pre-Tax ROA . . . . .	16.3%	17.2%	18.1%	20.6%	
<b>Building Efficiency</b>					
Year-Over-Year SINC Growth . . . . .	10.0%	17.0%	27.0%	13.7%	101.0%
Return on Sales (ROS) . . . . .	9.4%	9.9%	10.4%	10.3%	
Pre-Tax ROA . . . . .	15.9%	16.8%	17.6%	16.9%	

For fiscal year 2015, the target incentive opportunity percentages for the named executive officers ranged from 40% to 125% of base salaries. When establishing target annual incentives for named executive officers, the Johnson Controls Compensation Committee considers the annual incentive targets for similar positions in the Compensation Peer Group and refers to the 50th percentile as a guideline.

For each named executive officer, the actual payout potentially could range from zero to two times the target payout percentage for the financial portion of the AIPP, depending on the achievement of goals, with the potential payments increasing as performance improved (though not above two times the target payout percentage). For the discretionary portion of the award based on individual performance, a payout for Mr. McDonald was authorized only if the minimum threshold performance levels under the financial portion were achieved, and Johnson Controls used negative discretion to deliver the intended award amount. In no event could payments under the discretionary portion of the award exceed the target.

The table below summarizes the threshold, target, and maximum award potential, actual payout as a percent of target, and actual payout amounts for each named executive officer for fiscal year 2015 after reflecting the exercise of discretion that we discuss above.

Named Executive Officer	Award Targets			2015 Actual Payout As a % of Target	2015 Actual Payout Amount (\$)
	Threshold (\$)(1)	Target (\$)(2)	Maximum (\$)(3)		
R. Bruce McDonald . . . . .	600,000	1,500,000	3,000,000	181.0%	2,714,400
Byron S. Foster . . . . .	152,752	305,505	611,006	200.0%	611,006
Cathleen A. Ebacher . . . . .	65,520	131,040	262,082	200.0%	262,082

- (1) Assumes threshold payout from financial portion of AIPP, and zero payout from discretionary portion.
- (2) Assumes target payout from financial portion of AIPP, and target payout from discretionary portion.
- (3) Assumes 200% payout from financial portion of AIPP, and full payout from discretionary portion.

### *Going Forward*

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to annual incentives within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans.

### **Performance Share Units—Long-Term Incentive Performance Program (LTIPP)**

#### *Historically*

With regards to Mr. McDonald, for fiscal year 2015, the LTIPP was a performance-based share unit award tied to Johnson Controls' long-term overall performance to ensure that an executive's pay was directly linked to the achievement of strong, sustained long-term operating performance. The Johnson Controls Compensation Committee approved the award values and terms of the awards for Johnson Controls' executive officers, including named executive officers, in November 2014. Mr. Foster and Ms. Ebacher did not participate in the Performance Share Units LTIPP program during fiscal year 2015.

Grants were based upon a three-year performance cycle from fiscal year 2015 through fiscal year 2017. The number of performance-based share units granted is equal to the performance-based share units award value divided by the closing price of Johnson Controls' common stock on November 18, 2014.

During fiscal year 2015, the Johnson Controls Compensation Committee reviewed the performance measures that the plan uses and determined that pre-tax earnings growth and pre-tax ROIC are the measures that most directly align with the creation of long-term shareholder value. Specifically, the Johnson Controls Compensation Committee considered the use of TSR and relative TSR as a long-term incentive performance measure. Given Johnson Controls' focus on earnings growth and unavailability of a peer group of companies engaged in businesses similar to Johnson Controls for purposes of a comparator group for relative TSR, however, the Johnson Controls Compensation Committee instead chose to maintain the longstanding focus on operating metrics—pre-tax earnings growth and pre-tax ROIC—which are fundamental to long-term value creation for Johnson Controls. These financial performance measures tie to the results reflected in Johnson Controls' audited annual financial statements that appear in Johnson Controls' Annual Report on Form 10-K.

For fiscal year 2015, the Johnson Controls Compensation Committee increased the focus on pre-tax ROIC for the long-term incentive performance program based on market data and input from shareholders. The fiscal year 2015 awards for LTIPP weight pre-tax earnings growth and pre-tax ROIC 60% and 40% respectively (compared to 80% and 20%, respectively, for the fiscal year 2014 awards), reflecting the Johnson Controls Compensation Committee's emphasis on long-term earnings growth as a key driver of performance.

Furthermore, to emphasize the long-term nature of the program, the Johnson Controls Compensation Committee set fixed annual goals for each year of the three-year performance cycles of the LTIPP at the start of the cycle. The performance of each year within the three-year performance cycle is equally weighted in determining overall performance.

The performance measures for the LTIPP are defined as follows:

- *Return on Invested Capital (ROIC)*. ROIC is defined as income before income taxes adjusted by total financing costs, non-controlling interests, and certain significant non-recurring items such as acquisitions and divestitures, impairment charges, restructuring costs, mark-to-market pension gains/losses, and the adoption of new accounting pronouncements, divided by pre-tax invested capital. Pre-tax invested capital is defined as the monthly weighted average sum of shareholders



equity plus total debt, less cash and income tax accounts, adjusted for acquisitions and divestitures.

- *Year-over-Year Pre-Tax Earnings.* Pre-tax earnings is defined as income before income taxes, adjusted for certain significant non-recurring items, such as acquisitions and divestitures, impairment charges, restructuring costs, mark-to-market pension gains/losses, and the adoption of new accounting pronouncements, all as reflected in the audited financial statements that appear in Johnson Controls' Annual Report on Form 10-K.

The table below summarizes the fiscal years 2015-2017 LTIPP targets for executives. Following Johnson Controls' performance incentive target setting philosophy, during the process for establishing targets for fiscal years 2015-2017, the Johnson Controls Compensation Committee reviewed the following data:

- Johnson Controls' financial strategic plan;
- Analyst growth expectations for the company versus those of the Compensation Peer Group; and
- Projected earnings data from the Compensation Peer Group and the broader S&P's 500 Stock Index.

Based on its review of the above information, the Johnson Controls Compensation Committee chose to set the earnings growth thresholds, targets, and maximums for the LTIPP performance period from fiscal years 2015 through 2017 using guidance from the projected earnings data.

The Johnson Controls Compensation Committee chose to set the ROIC thresholds, targets, and maximum relative to Johnson Controls' strategic plan. This approach ensures that Johnson Controls provides competitive incentive compensation based on market competitive performance while continuing to focus on strategic long-term deliverables.

#### **FISCAL YEAR 2015 LTIPP GRANT (Fiscal Years 2015-2017)**

<u>Measure</u>		<u>Weighting</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
Year-over-Year Pre-Tax Earnings Growth . . . . .	FY2015		3.0%	8.0%	14.0%
	FY2016	60%	2.5%	6.5%	13.5%
	FY2017		2.5%	6.5%	13.5%
Pre-Tax ROIC . . . . .	FY2015		17.7%	18.6%	19.5%
	FY2016	40%	19.1%	20.1%	21.1%
	FY2017		19.3%	20.3%	21.3%

For fiscal year 2015, named executive officers were eligible for a payout under LTIPP cash awards that were made in fiscal year 2013 that reflected performance over the three-year performance cycle of fiscal years 2013 to 2015. Based on performance relative to the goals that were established for fiscal year 2015, the payout specific to fiscal year 2015 performance was 196.1% of target based on pre-tax earnings growth and pre-tax ROIC that fell above target for the year. For fiscal year 2015, the objectives and actual results based on pre-tax earnings growth and pre-tax ROIC are shown in the chart below.

## Long-Term Incentive Performance Program—Fiscal Year 2015 Goals and Payout Factor

<u>Award</u>	<u>Pre-Tax Earnings Growth</u>	<u>Pre-Tax ROIC</u>
Threshold .....	3.0%	17.9%
Target .....	7.0%	18.8%
Maximum .....	15.0%	19.7%
Fiscal Year 2015 Results .....	14.6%	24.2%

As shown in the table below, the payouts relating to fiscal years 2013 to 2015 were 182.5%, 200.0%, and 196.1% of target, respectively. Applying the annual weighting for each year produced an aggregate payout for the LTIPP for the fiscal years 2013 to 2015 performance cycle of 192.9% of target.

<u>Fiscal Year</u>	<u>Pre-Tax Earnings Growth Target</u>	<u>Pre-Tax Earnings Growth Actual</u>	<u>ROIC Target</u>	<u>ROIC Actual</u>	<u>Performance Factor (percentage of target)</u>	<u>Annual Weighting</u>	<u>Annual Weighted Performance</u>
2015 .....	7.0%	14.6%	18.8%	24.2%	196.1%	1/3	65.4%
2014 .....	7.0%	15.2%	18.2%	20.7%	200.0%	1/3	66.7%
2013 .....	7.0%	13.3%	17.4%	18.6%	182.5%	1/3	60.8%
<b>Actual LTIPP Payout for 2013 - 2015 Performance Cycle (paid upon completion of 2015 fiscal year) .....</b>							<b>192.9%</b>

### *Going Forward*

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to long-term incentives within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans.

## Stock Options and Restricted Stock

### *Historically*

Awarding stock options and restricted stock reflects Johnson Controls' executive compensation philosophy and the principle of pay for performance. By awarding stock options and restricted stock, Johnson Controls links long-term incentives directly to stock price. If Johnson Controls' stock price decreases, so does the value of the executive officer's compensation. Stock options and restricted stock also help Johnson Controls maintain competitive compensation levels in the market and retain high-performing employees through multi-year vesting requirements.

Johnson Controls granted stock options under its Omnibus Incentive Plan and valued them using a Black-Scholes valuation. The exercise price of fiscal year 2015 stock options is equal to the closing price of Johnson Controls' common stock on the date of the grant. Fifty percent of each stock option award vests two years after the date of grant, and the other 50% vests three years after the date of grant. Stock option vesting is subject to continued employment, with earlier vesting upon retirement, and stock options have a ten-year exercise term. The Johnson Controls Compensation Committee does not engage in, or permit, "backdating," repricing, or cash buyouts of stock options, all of which are strictly prohibited.

Johnson Controls values restricted stock based on the price of Johnson Controls' common stock at the date of grant. Beginning in fiscal year 2014, vesting of restricted stock occurs 100% after three

years. For grants prior to fiscal year 2014, 50% of each restricted stock award vested two years after the date of grant, and the other 50% four years after the date of grant. If an executive officer holds unvested restricted stock at retirement, that stock continues to vest following retirement.

Johnson Controls also infrequently uses other types of equity-based awards such as restricted stock units for purposes of recruitment, retention, or recognition. Vesting for these awards typically occurs after five years and in all cases the awards are forfeited if the participant voluntarily terminates employment prior to vesting. The Johnson Controls Compensation Committee did not grant any special equity-based awards in fiscal year 2015.

### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to long-term incentives within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans, except that Adient does not currently expect to use stock options to compensate Adient executives following the separation. As discussed in the section titled "The Separation and Distribution—Treatment of Equity Based Compensation," equity compensation awards granted prior to the separation to Adient allocated employees will be equitably adjusted into two separate awards, one at Johnson Controls and one at Adient.

## **Retirement**

### ***Historically***

Grounded in the market practices of the Compensation Peer Group and general industry data, retirement benefits are also a critical element to the competitiveness of an executive compensation program. Johnson Controls provides three retirement benefit plans to eligible U.S. salaried employees; named executive officers are eligible for an additional plan.

*Retirement Plans.* All U.S. employees are eligible for the 401(k) plan, including named executive officers. Participants can contribute up to 25% of their compensation on a pre-tax basis; however, executive officers can contribute only up to 6% of their compensation. Based on company performance, Johnson Controls matches 75-100% of each dollar an employee contributes, up to 6% of the employee's eligible compensation.

In addition, the company makes a varied annual retirement contribution for eligible employees. This group of employees includes all named executive officers. The contribution for this group of employees is between 1% and 7% of the participant's eligible compensation and is based on the participant's age and service. Both the matching contribution and the annual retirement contribution are subject to vesting requirements.

The company also maintains a pension plan, which covered all U.S. salaried employees hired before January 1, 2006. This plan was frozen on December 31, 2014, and employees, including Mr. McDonald, no longer accrue future pension benefits under this plan.

*Retirement Restoration Plan.* The Code limits the benefits Johnson Controls can provide to employees under the pension plan and the 401(k) plan, including the annual retirement contribution. Thus, Johnson Controls sponsors the Retirement Restoration Plan, which allows all employees who are affected by these limits to obtain the full intended benefit from the pension and 401(k) plans without regard to such limits. Because benefits under the pension plan were frozen on December 31, 2014, the pension portion of the Retirement Restoration Plan likewise was frozen on December 31, 2014, such that no additional pension restoration benefits will accrue after that date.

All employees whose benefits under the pension plan and 401(k) plan, as applicable, are affected by the limits, including named executive officers, are eligible for the Retirement Restoration Plan.

*Executive Deferred Compensation Plan.* The Executive Deferred Compensation Plan assists all senior leaders, including named executive officers, with personal financial planning by allowing participants to defer compensation and associated taxes until retirement or termination of employment. It also assists senior leaders in the management of their executive stock ownership requirements. Investment options in the Executive Deferred Compensation Plan mirror investment options available in the 401(k) plan.

### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to retirement plans within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be similar to Johnson Controls' compensation plans.

### **Other Benefits**

#### ***Historically***

Johnson Controls provides perquisites to help executive officers be more productive and efficient, and to provide protection from potential business risks. Perquisites are limited in amount, and Johnson Controls maintains a strict policy regarding eligibility and use of these benefits. There are no exceptions outside of this policy. For fiscal year 2015, named executive officers received personal financial planning, club dues, and personal use of a company airplane. Executive officers are also eligible for three additional perquisites: (1) the company vehicle policy, which is offered to all senior leadership and provides for personal use of a vehicle (the type of vehicle varies by leadership level and is limited to vehicles that use Johnson Controls' automotive seating and interiors products), (2) the executive physical examination program that offers executive officers an annual comprehensive physical examination within a compressed time period, and (3) the executive security policy, which is offered to all senior leadership and provides a risk-based mitigation strategy and security program that recognizes exposure to potential personal security threats due to local/geographic conditions and the nature of their positions as executives of the company.

The Johnson Controls Compensation Committee periodically reviews competitive market data to ensure that perquisites in the executive compensation program are standard and within market practice. Additionally, the Johnson Controls Compensation Committee annually reviews the use of perquisites to ensure adherence to the applicable policy.

*Executive Survivor Benefits Plan.* Named executive officers hired before September 15, 2009 are eligible for the Executive Survivor Benefits Plan. Under this plan, if a participating executive officer dies while he or she is an employee, Johnson Controls will make certain payments to his or her beneficiary. This benefit is offered to executive officers in place of regular group life insurance coverage and any other executive life insurance policy. All benefits under the Executive Survivor Benefits Plan cease upon retirement or other termination. Named executive officers hired after September 15, 2009 participate in regular group life insurance coverage.

*Employment and Change of Control Agreements.* The employment agreements with senior executive officers do not include excise tax gross-up payments and include a double-trigger in the event of a change of control of the company, which means that an executive will not receive termination payments under the employment agreement following a change of control unless the executive's employment is terminated without cause or the executive terminates with good reason. Under the Omnibus Incentive Plan, equity awards are subject to double-trigger equity vesting in the event of a

change of control. Double-trigger equity vesting requires both a change of control and executive's termination to vest the equity awards. The employment agreements with named executive officers help retain key individuals after a change of control and encourage the named executive officers to maximize the value of the transaction for shareholders in the long term.

### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to other compensation and benefits within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans.

## **Risk Assessment**

### ***Historically***

To discourage excessive risk-taking, the Johnson Controls Compensation Committee conducts an annual risk assessment of Johnson Controls' compensation plans.

After reviewing the compensation program, the Johnson Controls Compensation Committee has determined that the program (including each individual element) is unlikely to place the company at material risk. The review indicated several of Johnson Controls' current practices effectively mitigate risk and promote performance, including:

- A balanced mix of pay elements that ties pay to performance;
- Appropriate caps on incentives;
- Use of multiple performance measures in the annual and long-term incentive plans;
- Use of performance measures that are based on the Annual Report and Form 10-K filing;
- Compensation Committee discretion and oversight;
- Significant stock ownership guidelines;
- Appropriate use and provisions of severance and change of control agreements;
- Limited and appropriate perquisites;
- Provisions of the clawback policy; and
- No excise tax gross-up payments.

### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to risk assessment of compensation practices within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans.

## **Clawback Provisions**

### ***Historically***

Johnson Controls maintains an Executive Compensation Incentive Recoupment (Clawback) Policy. Under the policy, the Johnson Controls Compensation Committee requires all executive officers elected by the Johnson Controls board of directors to reimburse any incentive awards if:

- The awards were based on that performance period's financial results and became the subject of a material restatement, other than a restatement due to changes in accounting policy (including performance share units);
- The Johnson Controls Compensation Committee believes the elected officer engaged in conduct that caused, or even partially caused, the need for the restatement; and
- A lower payment could have been made to the elected executive officer based upon the restated financial results.

If there is a material restatement of financial statements, the Johnson Controls Compensation Committee must also seek to recover any compensation from the Chief Executive Officer and Chief Financial Officer, to the extent required under Section 304 of the Sarbanes-Oxley Act of 2002.

Johnson Controls will continue to monitor developments under the Dodd-Frank Act, including with respect to mandatory recoupment of incentive compensation.

### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to clawbacks within the framework of the compensation plans adopted by us and applicable law. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans.

## **Tax and Accounting Rules and Regulations**

### ***Historically***

When determining total direct compensation packages, the Johnson Controls Compensation Committee considers all factors that may have an impact on financial performance, including tax and accounting rules and regulations under Section 162(m) of the Code. The Code limits us from deducting compensation in excess of \$1 million awarded to the principal executive officer or to the other three highest-paid executive officers. One exception to the Code is if compensation meets the requirements to qualify as performance-based compensation.

Johnson Controls' compensation philosophy strongly emphasizes performance-based compensation for executive officers, thus minimizing the consequences of the Section 162(m) limitation. However, the Johnson Controls Compensation Committee retains full discretion to award compensation packages that will best attract, retain, and reward successful executive officers. Therefore, the Johnson Controls Compensation Committee may award compensation that is not fully deductible under Section 162(m) if the Johnson Controls Compensation Committee believes it will contribute to the achievement of Johnson Controls' business objectives.

### ***Going Forward***

After the separation, the Adient Compensation Committee will adopt and develop practices and procedures with respect to compensation decisions relating to deductibility of compensation within the framework of the compensation plans adopted by us. It is currently expected that these compensation plans will initially be substantially similar to Johnson Controls' compensation plans.

## EXECUTIVE COMPENSATION

### Historical Compensation of Executive Officers Prior to the Separation

Messrs. McDonald and Foster and Ms. Ebacher were employed by Johnson Controls during fiscal year 2015; therefore, the information provided below reflects compensation earned by them at Johnson Controls and the design and objectives of the Johnson Controls compensation programs in place prior to the separation. Mr. McDonald is currently, and was as of September 30, 2015, an executive officer of Johnson Controls. Accordingly, the compensation decisions regarding this named executive officer were made by the Johnson Controls Compensation Committee. Mr. Foster and Ms. Ebacher were not executive officers of Johnson Controls during fiscal year 2015, and thus the historical decisions for these individuals were established by Johnson Controls through its processes for non-executive employee compensation. Messrs. Marchuk and Stafeil were not employed by Johnson Controls during fiscal year 2015. Executive compensation decisions following the separation will be made by the Adient Compensation Committee. All references in the following tables to stock options, restricted stock, and performance units relate to awards granted by Johnson Controls in respect of shares of Johnson Controls common stock.

The amounts and forms of compensation reported below are not necessarily indicative of the compensation that Adient executive officers will receive following the separation, which could be higher or lower, because historical compensation was determined by the Johnson Controls Compensation Committee based on Johnson Controls' performance and because future compensation levels at Adient will be determined based on the compensation policies, programs, and procedures to be established by the Adient Compensation Committee for those individuals who will be employed by Adient following the separation.

### Summary Compensation Table for Fiscal Years 2015, 2014 and 2013

The following table summarizes the compensation earned from Johnson Controls in the fiscal years noted by our named executive officers.

Name and Principal Position	Year	Salary (\$)	Stock Awards(1)(2) (\$)	Option Awards(2) (\$)	Non-Equity Incentive Plan Compensation(1)(3) (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(4) (\$)	All Other Compensation(5) (\$)	Total (\$)
<b>R. Bruce McDonald</b> . . . . .	2015	1,000,000	3,749,971	1,247,578	2,714,400	1,179,536	300,185	10,191,670
Chief Executive	2014	881,000	2,173,942	724,989	2,972,000	750,796	190,701	7,693,428
Officer, Adient	2013	855,000	4,739,119	641,784	2,592,000	—	113,783	8,941,686
<b>Byron S. Foster</b> . . . . .	2015	520,008	199,966	199,614	911,938	286,867	27,127	2,145,520
Executive Vice President, Adient								
<b>Cathleen A. Ebacher</b> . . . . .	2015	327,600	149,987	—	445,063	—	44,473	967,123
Vice President, General Counsel and Secretary, Adient								

- (1) We have not reduced amounts that we show to reflect a named executive officer's election, if any, to defer the receipt of compensation into qualified and nonqualified deferral plans.
- (2) Amounts reflect the aggregate grant date fair value of restricted stock awards and performance-based share unit awards (in the "Stock Awards" column) and option awards (in the "Option Awards" column), in each case computed in accordance with FASB ASC Topic 718. In the case of performance-based share units, the amounts shown in the Stock Awards column are based on the probable outcome of performance conditions, consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures, as follows: Mr. McDonald—\$2,499,997. The values of the performance-based share unit awards at the grant date if the highest level of performance conditions were to be achieved would be as follows: Mr. McDonald—\$4,999,994. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Note 12 to Adient's audited combined financial



statements for the fiscal year ended September 30, 2015, which appear in the “Index to Financial Statements” section of this information statement, includes assumptions similar to those used in the calculation of these amounts.

- (3) With regards to Mr. McDonald, amounts reflect the cash awards that we discuss in further detail under the heading “Compensation Discussion and Analysis—Annual Incentive Performance Program.” With regards to Mr. Foster and Ms. Ebacher, amounts reflect the cash awards that we discuss in further detail under the headings “Compensation Discussion and Analysis—Annual Incentive Performance Program” and “Compensation Discussion and Analysis—Long-Term Incentive Performance Program—Fiscal Year 2015 Goals and Payout Factor.”
- (4) Amounts reflect the actuarial increase in the present value of the named executive officer’s benefits under all defined benefit pension plans, determined as of the measurement dates used for financial statement reporting purposes for fiscal year 2015 and using interest rate and mortality rate assumptions consistent with those used in Johnson Controls’ financial statements. The amounts include benefits that the named executive officer may not currently be entitled to receive because the executive is not vested in such benefits. The value that an executive will actually receive under these benefits will differ to the extent facts and circumstances vary from what these calculations assume. Changes in the present value of the named executive officer’s benefits are the result of the assumptions applied (and discussed in footnote 1 to the pension table) and the value of executive compensation received over the previous five-year period. No named executive officer received preferential or above market earnings on nonqualified deferred compensation.
- (5) Amounts reflect reimbursements with respect to financial planning, personal use of a vehicle, relocation expenses, executive physicals, executive security, personal use of aircraft and club dues. (We discuss these benefits further under the heading “Compensation Discussion and Analysis—Other Benefits—Historically” above.) Amounts for fiscal year 2015 also reflect matching contributions under qualified and nonqualified retirement plans, as follows: Mr. McDonald—\$148,647. The amount shown for Mr. McDonald includes \$20,000 for financial planning and \$97,468 for club memberships.

## Grants of Plan Based Awards During Fiscal Year 2015

The following table contains information concerning the plan-based equity and non-equity awards that were granted to named executive officers in fiscal year 2015.

Name	Grant Date	Estimated Future Payouts under Non-Equity Incentive Plan Awards			Estimated Future Payouts under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock(3) (#)	All Other Option Awards: Number of Securities Underlying Options(4)	Exercise or Base Price of Option Awards(5) (\$/Sh.)	Grant Date Fair Value of Stock and Option Awards(6) (\$)
		Threshold(1) (\$)	Target(1) (\$)	Maximum(1) (\$)	Threshold(2) (\$)	Target(2) (\$)	Maximum(2) (\$)				
R. Bruce McDonald . . .	11/18/2014										
	11/18/2014							24,885	80,437	50.23	1,247,578
	(7)	600,000	1,500,000	3,000,000							1,249,974
	11/18/2014				24,885	49,771	99,542				2,499,997
Byron S. Foster . .	11/18/2014								12,870	50.23	199,614
	11/18/2014							3,981			199,966
	(7)	152,752	305,505	611,006							
	(8)	117,002	234,004	468,004							
Cathleen A. Ebacher . . .	11/18/2014							2,986			149,987
	(7)	65,520	131,040	262,080							
	(8)	40,950	81,900	162,082							

- (1) These columns show the range of potential payouts for annual incentive performance awards that we describe in the section titled “Compensation Discussion and Analysis—Annual Incentive Performance Program (AIPP)—Historically.” The annual incentive awards for fiscal year 2015 were granted at the beginning of fiscal year 2015 as described in the Compensation Discussion and Analysis. The threshold amount assumes zero payout from the discretionary portion of the award, while both target and maximum amounts assume full payout from the discretionary portion of the award.
- (2) These columns show the range of potential payouts for the performance-based share units that we describe in the section titled “Compensation Discussion and Analysis—Performance Share Units—Long-Term Incentive Performance Program (LTIPP)—Historically.” The number of performance-based share units that are earned, if any, will be based on performance for fiscal years 2015 to 2017 and will be determined after the close of fiscal year 2017.
- (3) The amounts shown in this column reflect the number of shares of restricted stock granted to each named executive officer pursuant to the Johnson Controls 2012 Omnibus Incentive Plan. The grant vests 100% on the third anniversary of the grant, contingent on the executive’s continued employment.
- (4) The amounts shown in this column reflect the number of stock options granted to each named executive officer pursuant to the Johnson Controls 2012 Omnibus Incentive Plan. The stock options vest 50% on the second anniversary of the grant date and 50% on the third anniversary of the grant date, contingent on the executive’s continued employment, and expire, at the latest, on the tenth anniversary of the grant date.
- (5) Fiscal year 2015 stock option grants were awarded to the named executive officers with an exercise price per share equal to the closing stock price of Johnson Controls common stock on the date of grant.

- (6) Amounts reflect the grant date fair value determined in accordance with FASB ASC Topic 718. Note 12 to Adient's audited combined financial statements for the fiscal year ended September 30, 2015, which appear in the "Index to Financial Statements" section of this information statement, includes assumptions similar to those used in the calculation of these amounts.
- (7) The award reflected in this row is an annual incentive performance award that Johnson Controls granted for the performance period of fiscal year 2015, the material terms of which are described in the section titled "Compensation Discussion and Analysis—Annual Incentive Performance Program (AIPP)—Historically."
- (8) With regards to Mr. Foster and Ms. Ebacher, the award reflected in this row is a long-term incentive cash-based performance award that we granted for the performance period of fiscal years 2013-2015, the material terms of which we describe in the section titled "Compensation Discussion and Analysis—Long-Term Incentive Performance Program—Fiscal Year 2015 Goals and Payout Factor."

## Outstanding Equity Awards at Fiscal Year 2015 Year-End

The following table contains information concerning equity awards held by named executive officers that were outstanding as of September 30, 2015.

Name	Number of Securities Underlying Unexercised Options (#) exercisable	Number of Securities Underlying Unexercised Options(1) (#) unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested(2) (#)	Market Value of Shares of Stock That Have Not Vested(3) (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(4) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(3) (\$)
R. Bruce McDonald .	47,248	—	40.21	10/1/2017	123,623	5,113,047	250,054	10,342,232
	160,000	—	28.79	10/1/2018				
	170,000	—	24.87	10/1/2019				
	150,000	—	30.54	10/1/2020				
	140,000	—	28.54	10/7/2021				
	37,400	37,400	27.85	10/5/2022				
	—	49,319	48.37	11/19/2023				
	—	80,437	50.23	11/18/2024				
Byron S. Foster . . . .					31,100	1,286,296		
	13,500	—	40.21	10/1/2017				
	6,150	—	30.54	10/1/2020				
	6,875	—	28.54	10/7/2021				
	—	10,750	27.85	10/5/2022				
	—	10,204	48.37	11/19/2023				
	—	12,870	50.23	11/18/2024				
Cathleen A. Ebacher .					5,466	226,074		
	3,600	—	30.54	10/1/2020				
	10,000	—	28.54	10/7/2021				
	6,450	6,450	27.85	10/5/2022				

- (1) Johnson Controls granted options listed in this column ten years prior to their respective expiration dates. The options vest 50% on the second anniversary date of the grant date and 50% on the third anniversary of the grant date, contingent on continuous employment.
- (2) Restricted stock and restricted stock unit vesting dates are as follows: Mr. McDonald—11,250 shares vested on October 7, 2015; 12,500 shares will vest on October 5, 2016; 14,988 shares will vest on November 19, 2016; 24,885 shares will vest on November 18, 2017; and 60,000 shares will vest on September 24, 2018; Mr. Foster—1,300 shares vested on October 7, 2015; 1,450 shares will vest on October 5, 2016; 3,101 shares will vest on November 19, 2016; 21,268 shares will vest on July 24, 2017; and 3,981 shares will vest on November 18, 2017; and Ms. Ebacher—2,480 shares will vest on November 19, 2016; and 2,986 shares will vest on November 18, 2017.
- (3) We calculated the market value of shares of stock that have not vested and performance-based share units that have not been earned based on the September 30, 2015 closing market price for a share of Johnson Controls common stock, which was \$41.36. Performance for fiscal years 2014 and 2015 was above target; therefore, the maximum amounts are shown.

- (4) The performance-based share units will be earned or forfeited based on performance for fiscal years 2014 through 2017. Performance for fiscal years 2014 and 2015 was above target; therefore, the maximum amounts are shown.

### Option Exercises and Stock Vested During Fiscal Year 2015

The following table provides information about stock options that named executive officers exercised and restricted stock that vested in fiscal year 2015.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting(1) (\$)
R. Bruce McDonald . . . . .	489,752	13,335,074	24,500	1,197,945
Byron S. Foster . . . . .	10,750	250,527	2,950	144,496
Cathleen A. Ebacher . . . . .	—	—	—	—

- (1) Amounts represent the product of the number of shares an officer acquired on vesting and the closing market price of the shares on the vesting date, plus the value of dividend equivalents released.

### Pension Benefits as of September 30, 2015

The following table sets forth certain information with respect to the potential benefits to named executive officers under Johnson Controls' qualified pension plan and the pension component of Johnson Controls' retirement restoration plan as of September 30, 2015.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit(1) (\$)	Payments During Last Fiscal Year (\$)
R. Bruce McDonald .	Johnson Controls Pension Plan	13.17	465,937	—
	Retirement Restoration Plan	13.17	4,301,112	—
Byron S. Foster . . . .	Johnson Controls Pension Plan	17.42	421,634	—
	Retirement Restoration Plan	17.42	738,344	—

- (1) We calculated the amounts reflected in this column for Mr. McDonald using the following assumptions: A calculation date of September 30, 2015, a 4.42% discount rate for the qualified plan, and a 4.50% discount rate for the nonqualified plan, retirement occurring at normal retirement age based on Social Security Normal Retirement Age minus three years, and applicability of the 2009 Static Mortality Table for Annuitants per Treasury Regulation 1.430(h)(3)-1(e), that was used for financial reporting purposes as of September 30, 2015. The value that an executive will actually receive under these benefits will differ to the extent facts and circumstances vary from what these calculations assume.

*Johnson Controls Pension Plan.* The Johnson Controls Pension Plan is a frozen defined benefit pension plan that provides benefits for most of non-union U.S. employees, including Mr. McDonald and Mr. Foster, who were hired prior to January 1, 2006.

Subject to certain limitations that the Code imposes, the monthly retirement benefit payable under the Pension Plan to participants, at normal retirement age in a single life annuity, is determined as follows:

- 1.15% of final average monthly compensation times years of benefit service, plus

- 0.55% of final average monthly compensation in excess of Social Security covered compensation times years of benefit service (up to 30 years).

Service after December 31, 2014 does not count as benefit service in this formula. For purposes of this formula, “final average monthly compensation” means a participant’s gross compensation, excluding certain unusual or non-recurring items of compensation, such as severance or moving expenses, for the highest five consecutive years of the last ten consecutive years of employment occurring prior to January 1, 2015. “Social Security covered compensation” means the average of the Social Security wage base for the 35 years preceding a participant’s normal retirement age. Normal retirement age for Johnson Controls participants is age 65.

Participants in the Pension Plan generally become vested in their pension benefits upon completion of five years of service. The Pension Plan does not pay full pension benefits until after a participant terminates employment and reaches normal retirement age. However, a participant who terminates employment may elect to receive benefits at a reduced level at any time after age 55, as follows: If a participant terminates employment prior to age 55 then the reduction is 5% of each year that benefits begin before the participant’s Social Security retirement age, if a participant terminates employment on or after age 55 and after completing ten years of service, then the reduction is 5% for each year that benefits begin before the three years preceding the participant’s Social Security retirement age. Mr. McDonald is currently eligible for early retirement under the Pension Plan.

*Retirement Restoration Plan.* The Retirement Restoration Plan is an unfunded, nonqualified plan that provides retirement benefits above the payments that an employee will receive from the Pension Plan in those cases in which the Code’s qualified plan limits restrict the employee’s benefits. The Retirement Restoration Plan provides a benefit equal to the difference between the actual pension benefit payable under the Pension Plan and what such pension benefit would have been without regard to any Code limitation on either the amount of benefits or the amount of compensation that the benefit formula can take into account.

A participant is vested in his or her Retirement Restoration Plan benefits only if vested in his or her benefits under the Pension Plan. Benefits under the Retirement Restoration Plan are payable as an annuity at the later of the participant’s termination of employment or attainment of age 55.

#### **Nonqualified Deferred Compensation During Fiscal Year 2015**

The following table sets forth certain information with respect to participation in the Johnson Controls’ nonqualified Executive Deferred Compensation Plan by named executive officers during the fiscal year ended September 30, 2015.

<u>Name</u>	<u>Executive Contributions in Last FY(1) (\$)</u>	<u>Registrant Contributions in Last FY(2) (\$)</u>	<u>Aggregate Earnings in Last FY(3) (\$)</u>	<u>Aggregate Withdrawals/ Distributions (\$)</u>	<u>Aggregate Balance at Last FYE(4) (\$)</u>
R. Bruce McDonald . . . . .	1,301,702	148,647	32,412	—	20,217,526
Byron S. Foster . . . . .	—	—	—	—	—
Cathleen A. Ebacher . . . . .	—	10,522	(982)	—	21,944

- (1) Certain amounts that appear in the Nonqualified Deferred Compensation table also appear in the Summary Compensation Table as compensation that a named executive officer earned in fiscal year 2015. Mr. McDonald’s Executive Contributions include \$44,262 that is also reported in the Salary column in the Summary Compensation Table for fiscal year 2015. Additionally, Mr. McDonald’s Executive Contributions include \$109,440 that is reported in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for fiscal year 2015.

Mr. McDonald's Registrant Contributions include \$148,647 that is also reported in the All Other Compensation column of the Summary Compensation Table.

- (2) Amounts shown include the company matching contributions that Johnson Controls makes under its Retirement Restoration Plan because the Code limits such contributions under the Johnson Controls' 401(k) plan.
- (3) The Aggregate Earnings are not "above-market or preferential earnings" and therefore we do not need to report them in the Summary Compensation Table. The Aggregate Earnings represent all investment earnings, net of fees, on amounts that a named executive officer has deferred. Investment earnings include amounts relating to appreciation in the price of Johnson Controls common stock, and negative amounts relating to depreciation in the price of Johnson Controls common stock, because the deferred amounts include deferred stock units, the value of which is tied to the value of Johnson Controls common stock. Aggregate Earnings also include dividends paid on restricted stock that has not yet vested, which were credited to a named executive officer's deferred compensation account subject to vesting.
- (4) Amounts included in this column that have been reported in the Salary and Non-Equity Incentive Plan Compensation columns in Summary Compensation Table since fiscal year 2007 for each named executive officer are: Mr. McDonald—\$3,881,996.

Johnson Controls maintains the following two nonqualified deferred compensation plans under which executives, including named executive officers, may elect to defer their compensation.

- The Executive Deferred Compensation Plan allows participants to defer up to 100% of their annual and long-term performance share units and restricted stock awards.
- The Retirement Restoration Plan allows executive officers to defer up to 6% of their compensation that is not eligible to be deferred into the Johnson Controls 401(k) plan because of qualified plan limits that the Code imposes. The Retirement Restoration Plan also credits participants with a matching contribution equal to the difference between the amount of matching contribution made under the 401(k) plan and what such matching contribution would have been without regard to any limitation that the Code imposes on either the amount of matching contribution or the amount of compensation that can be considered, and determined as if the amount the participant deferred under the Retirement Restoration Plan had been deferred into the 401(k) plan. The Retirement Restoration Plan also credits participants with an amount equal to the difference between the amount of retirement contribution made under the 401(k) plan and what such retirement contribution would have been without regard to the Code limits.

Under both plans, a participant may elect to have his or her cash deferrals credited to a common stock unit account or one or more investment accounts that are the same as those available under the Johnson Controls 401(k) plan, which serve to measure the earnings that are credited on the participant's deferrals. Restricted stock deferrals under the Executive Deferred Compensation Plan are automatically credited to the common stock unit account until vested, after which the participant may reallocate deferrals to another investment account. Amounts allocated to the common stock unit account are credited with dividend equivalents, which are treated as if reinvested in additional common stock units.

Under both plans, deferred amounts are paid upon a participant's termination of employment in a lump sum or up to ten-year annual installments, as the participant elects.

Dividends paid on restricted stock awards prior to fiscal year 2014 that a participant has elected not to defer are also accumulated within the Executive Deferred Compensation Plan, deemed reinvested in common stock units, and paid to a participant in a lump sum when the related shares of restricted stock vest.

## **Potential Payments and Benefits upon Termination or a Change of Control**

The following is a discussion of the nature and estimated value of payments and benefits that each of the named executive officers would receive in the event of termination of the executive's employment or upon a change of control. The estimated value of the payments and benefits is based on an assumption that the termination of employment or the change of control, or both, as applicable, occurred on September 30, 2015, the last business day of fiscal year 2015. We can only determine the actual amounts of payments and benefits that an executive officer would receive upon his termination or upon a change of control at the actual time of such event.

### ***Employment Agreements***

Johnson Controls has entered into an employment agreement with Mr. McDonald. Mr. Foster and Ms. Ebacher do not have employment agreements.

The employment agreement contains substantially similar terms except for individual salary amounts and benefits. In addition to setting forth the terms and conditions of Mr. McDonald's employment and the amounts payable upon the executive's termination of employment, the employment agreement contains terms that protect the company from certain business risks, including:

- an agreement by the executive officer to perform his/her assigned duties by devoting full time, due care, loyalty and best efforts to the duties and complying with all applicable laws and the requirements of Johnson Controls' policies and procedures on employee conduct;
- a prohibition on the executive officer's competition with Johnson Controls, both during employment and for a period of one year after employment;
- a prohibition on the executive officer's ownership of a 5% or greater interest in any competitors;
- a prohibition on the executive officer's ability to share confidential information and trade secrets, both during employment and for two years after employment; and
- a requirement that disputes related to the employment agreement be settled through arbitration instead of potentially costly litigation.

### ***Summary of the Payments and Benefits upon Each Termination Scenario***

The following summarizes the types of payments and benefits to which Mr. McDonald would have been entitled if he had terminated employment on September 30, 2015, under various scenarios. These payments and benefits are generally based on the terms of the employment agreements and the relevant compensation and benefit plans, such as the Omnibus Incentive Plan, Retirement Restoration Plan, Executive Deferred Compensation Plan, Executive Survivor Benefits Plan, and the severance plan for U.S. salaried employees.

For each termination scenario, we have not separately quantified any amounts that Mr. McDonald would receive under plans generally available to all management employees that do not discriminate in favor of the named executive officers. These include distributions under the pension plan and 401(k) plan, disability benefits, vesting of stock option and restricted stock awards under equity plans, any salary or bonus awards due to the employee through the date of termination, prorated bonus awards relating to outstanding bonus awards, and accrued vacation.

***Voluntary Termination.*** Mr. McDonald may terminate his employment with Johnson Controls at any time. In general, upon the executive's voluntary termination:

- Johnson Controls is not obligated to provide any severance pay;



- all of the executive's annual and long-term bonus awards outstanding under the Johnson Controls Omnibus Incentive Plan for which the performance period has not ended will terminate (although the executive will receive a payment of the amounts he earned under his annual and long-term bonus awards for which the performance period has ended on or prior to his date of termination);
- the executive will forfeit all unvested stock options;
- the executive will forfeit all unvested restricted stock and restricted stock units and all unearned performance-based share units; and
- all benefits and perquisites will cease.

The executive will be entitled to a distribution of his vested benefits under the Retirement Restoration Plan and the Executive Deferred Compensation Plan.

*Retirement and Early Retirement.* None of the named executive officers were eligible for full retirement as of September 30, 2015, although Mr. McDonald was eligible for early retirement (defined as reaching age 55 and having 10 or more years of service). For an estimate of the value of the pension benefit for a named executive officer upon retirement, please see “—Pension Benefits as of September 30, 2015.” In addition to such pension benefit, upon the executive's full or early retirement:

- Johnson Controls is not obligated to pay any severance;
- the executive will receive, at the end of the applicable performance period for each of his annual and long-term bonus awards outstanding under the Omnibus Incentive Plan, a pro rata portion of the award amount he would have earned had he remained employed through the end of each such performance period, based on the company's actual performance;
- with respect to stock options, the vesting of any unvested stock options that were granted to the executive under the Johnson Controls Omnibus Incentive Plan that have been outstanding for at least one full calendar year after the year of grant will accelerate so that all of the options are exercisable in full (and the executive will forfeit all other options that have not been outstanding for at least one full calendar year after the date of grant);
- the executive will retain his shares of restricted stock and restricted stock units that had not vested at the time of retirement, and they will continue to vest on the normal vesting schedule (however, the award agreement provides that the executive will not earn the award if he engages in conduct harmful to the best interests of the company after his retirement);
- the executive will earn performance-based share units that he held at retirement based on actual performance at the end of the performance period, but the amount will be prorated based on the number of days of employment during the performance period (in the case of known retirements, the proration of shares occurs at grant based on the number of days of employment during the performance period);
- if the executive is age 65 or older, his accounts under the Retirement Restoration Plan will vest in full; and
- all benefits and perquisites Johnson Controls provides will cease.

The executive also will be entitled to a distribution of any vested benefits under the Retirement Restoration Plan and the Executive Deferred Compensation Plan.

*Termination for “Cause.”* Johnson Controls may terminate Mr. McDonald's employment for “cause” under the terms of the employment agreements. A termination for “cause” generally means a termination for theft, dishonesty, fraudulent misconduct, violation of certain provisions of the employment agreement, gross dereliction of duty, grave misconduct injurious to Johnson Controls, and



serious violation of the law or company policies on employee conduct. Mr. McDonald will not receive any special payments or benefits if his employment is terminated for “cause.” On the executive’s termination date, all of his outstanding stock options will immediately terminate, and Johnson Controls will cancel any pending option exercises. In addition, the executive will forfeit all unvested shares of restricted stock and restricted stock units and all unearned performance-based share units. The executive will be entitled to a distribution of his vested benefits under the Retirement Restoration Plan and the Executive Deferred Compensation Plan.

*Termination without “Cause.”* If Johnson Controls terminates Mr. McDonald’s employment and the termination is not for “cause,” then:

- the executive officer will receive a cash severance benefit in an amount equal to the greater of one year of the executive’s base salary as of the termination date or twice the amount payable under the severance plan for U.S. salaried employees (the severance benefit under the salaried severance plan depends upon the employee’s years of service with Johnson Controls, with severance starting at two weeks of base salary for an employee who has only one year of service and increasing to a maximum of 52 weeks of base salary for an employee who has 30 or more years of service);
- all of the executive’s annual and long-term bonus awards outstanding under the Johnson Controls Omnibus Incentive Plan for which the performance period has not ended will terminate (although the executive will receive a payment of the amounts he earned under his annual and long-term bonus awards for which the performance period has ended on or prior to his date of termination);
- the executive will forfeit all unvested stock options;
- the executive will forfeit all unvested restricted stock or restricted stock units and all unearned performance-based share units; and
- all benefits and perquisites Johnson Controls provides will cease.

The executive also will be entitled to a distribution of any vested benefits under the Retirement Restoration Plan and the Executive Deferred Compensation Plan.

The following is an estimate of the severance that each named executive officer would receive assuming the termination without “cause” occurred on September 30, 2015:

	<u>R. Bruce McDonald</u>
Severance . . . . .	\$1,000,000

*Termination Due to Disability.* If a total and permanent disability causes a named executive officer’s termination, then:

- Johnson Controls is not obligated to pay severance. Rather, the executive may be entitled to disability pay under the short- and long-term disability plans for U.S. salaried employees;
- the executive will receive, at the end of the applicable performance period for each of his annual and long-term bonus awards outstanding under the Omnibus Incentive Plan, a pro rata portion of the award amount he would have earned had he remained employed through the end of each such performance period, based on the company’s actual performance;
- the vesting of the executive’s stock options will accelerate so that all of the options are exercisable in full;
- all of the executive’s unvested shares of restricted stock and restricted stock units will vest;

- the executive will earn performance-based share units he held at the time of termination due to disability based on actual performance at the end of the performance period, but the amount will be prorated based on the number of days of employment during the performance period;
- the executive will immediately vest in his accounts under the Retirement Restoration Plan;
- if the executive is younger than age 65, then the executive will continue to be covered under the Executive Survivor Benefits Plan, the benefits of which we describe below; and
- all benefits and perquisites Johnson Controls provides will cease.

In the case of termination as a result of total and permanent disability, the executive also will be entitled to distribution of any vested benefits under the Retirement Restoration Plan and the Executive Deferred Compensation Plan.

The following is an estimate of the Retirement Restoration Plan benefit that arises from vesting that accelerates due to disability that each named executive officer would receive assuming the disability termination occurred on September 30, 2015:

	<u>R. Bruce McDonald</u>
Retirement Restoration Plan . . . . .	\$—

*Termination Due to Death.* If a named executive officer dies while he or she is an employee, then:

- The executive is eligible for benefits under Johnson Controls Executive Survivor Benefits Plan if the Johnson Controls board of directors elected him or her as an officer prior to September 15, 2009. Under the terms of the plan that were in effect at September 30, 2015, the beneficiaries of a named executive officer would receive a lump sum death benefit in an amount equal to three times the executive's final base salary if the executive dies prior to age 55, or two times the executive's base salary if the executive dies on or after age 55, plus an additional "gross-up" amount. As of September 30, 2015, the applicable multiples for Mr. McDonald (the only named executive officer who was eligible for benefits under the Johnson Controls Executive Survivor Benefits Plan) was two times. In addition, the beneficiaries of the executive officer would receive a continuation of the executive's base salary for a period of six months after the executive officer's death. During fiscal year 2009, the Executive Survivor Benefits Plan was frozen to limit participation to current elected officers. Officers elected after September 15, 2009, participate in regular group life insurance coverage.
- The executive's beneficiaries will receive, at the end of the applicable performance period for each of the executive's annual and long-term bonus awards outstanding under the Omnibus Incentive Plan, a pro rata portion of the award amount the executive would have earned had he remained employed through the end of each such performance period, based on the company's actual performance.
- The vesting of the executive's stock options will accelerate such that the options become immediately exercisable to the extent they would have vested during the one-year period after the date of death.
- All of the executive's unvested shares of restricted stock and restricted stock units will vest.
- The executive will earn performance-based share units that he held at prior to death based on actual performance at the end of the performance period, but will be prorated based on the number of days of employment during the performance period.
- All benefits and perquisites Johnson Controls provides will cease.

In the case of termination as a result of death, the executive or the executive's beneficiaries also will be entitled to a distribution of the executive's vested benefits under the Retirement Restoration Plan and the Executive Deferred Compensation Plan.

The following is an estimate of the Executive Survivor Benefits Plan value that each applicable named executive officer would receive assuming the death occurred on September 30, 2015:

	<u>R. Bruce McDonald</u>
Executive Survivor Benefits Plan(1) . . . . .	\$4,291,000

- (1) In determining the amount of the gross-up to include in the table above, we made the following material assumptions: a tax rate of 47.25% for Wisconsin residents. During fiscal year 2009, the Committee froze this plan to limit participation to current elected officers. No new participants are allowed.

### *Change of Control Agreements*

Johnson Controls has entered into a change of control agreement with Mr. McDonald. Upon a change of control, the change of control agreement supersedes the employment agreement. The change of control agreement generally entitles Mr. McDonald to continued employment with the company or its successor for two years following the change of control, with a base salary, bonus, and other benefits at least equal to the base salary, bonus, and benefits paid or provided prior to the change of control. The change of control agreement requires the executive officer to comply with confidential information covenant provisions during employment and for two years following termination of employment. The change of control agreements also provide for a severance payment and continued welfare and medical benefits upon termination of the executive's employment under certain circumstances during the two-year employment period that begins on the date of the change of control, as explained in more detail under "—Termination Upon or Following a Change of Control" below. The agreement defines a change of control as:

- the acquisition by a person or group of 35% or more of Johnson Controls' outstanding common stock;
- a change in a majority of the Johnson Controls board of directors without the endorsement of the new board members by the existing board members;
- a reorganization, merger, share exchange, or other corporate reorganization or a sale of all or substantially all of Johnson Controls' assets, except if it would result in continuity of Johnson Controls' shareholders of at least 50%, if no person owns 35% or more of the outstanding shares of the entity resulting from the transaction, and if at least a majority of the Johnson Controls board of directors remains; or
- approval by Johnson Controls' shareholders of a liquidation or dissolution.

Mr. Foster and Ms. Ebacher are not parties to a change of control employment agreement with Johnson Controls.

### *Summary of the Payments and Benefits Upon a Change of Control*

The following summarizes the types of payments and benefits to which Mr. McDonald would have been entitled if a change of control of Johnson Controls had occurred or if both a change of control and a termination of employment had occurred, on September 30, 2015. These payments and benefits are generally based on the terms of Johnson Controls' change of control agreement and relevant compensation and benefit plans, such as the Omnibus Incentive Plan, Retirement Restoration Plan, and

nonqualified Executive Deferred Compensation Plan that were in place on September 30, 2015. The separation and distribution will not constitute a change of control.

For each change of control scenario, we have not separately quantified any amounts that Mr. McDonald would receive under plans generally available to all management employees that do not discriminate in favor of the named executive officers (such as vesting of stock option and restricted stock awards under equity plans and payments of prorated bonus awards relating to outstanding bonus awards).

*Change of Control.* In the event of a change of control, which each relevant compensation and bonus plan generally defines in the same manner as under the change of control employment agreement we discuss above, on September 30, 2015, the following would have occurred as of the time of the change of control whether or not Mr. McDonald's employment terminated: all amounts that the executive officer accrued under the Executive Deferred Compensation Plan and Retirement Restoration Plan would have vested immediately and Johnson Controls would have paid these amounts in full in a lump sum.

Under the Omnibus Incentive Plan, a "double trigger" is required for accelerated vesting of equity awards in a change of control in which the awards are assumed or replaced, meaning that, in addition to the change of control occurring, the employee's employment must be terminated by the company without cause or by the employee with good reason (if the employee has an agreement providing for good reason termination) for his or her unvested equity to become vested on an accelerated basis.

*Termination Upon or Following a Change of Control.* As discussed above, Johnson Controls has a change of control agreement with Mr. McDonald. This agreement provides for a two-year employment period that begins on the date of the change of control. Under the agreement,

- if Johnson Controls terminates the executive officer's employment (or its successor terminates the executive officer's employment) other than for cause;
- if the executive officer terminates his employment for good reason; or
- if the executive officer's employment ceases as a result of the executive officer's death or disability;

in each case, within the two-year period, then the executive officer or the executive officer's beneficiary will receive:

- a lump sum severance payment equal to three times the executive officer's annual cash compensation, which includes the executive officer's annual base salary and the greater of:
  - the average of the executive officer's annualized annual and long-term cash bonuses for the three fiscal years preceding the change of control, or
  - the sum of the annual and long-term cash bonuses for the most recently completed fiscal year;
- payment of a pro rata portion of the greater of the following:
  - the average of the executive officer's annualized annual and long-term cash bonuses for the three fiscal years preceding the change of control, or
  - the sum of the annual and long-term cash bonuses for the most recently completed fiscal year;

however, if (and only if) the executive officer's termination occurs on the change of control date, then Johnson Controls will reduce this amount by the amount paid under the Omnibus Incentive Plan as a result of the change of control;

- a cash payment equal to the lump sum value of the additional benefits the executive officer would have accrued for the remainder of the employment period under the pension plan and the Retirement Restoration Plan, assuming the executive officer is fully vested in such benefits at the time of termination; and
- continued medical and welfare benefits for the remainder of the employment period.

For Mr. McDonald, the merger will not constitute a change of control under the change of control agreement.

The following is an estimate of the severance and continued medical and welfare benefit value that Mr. McDonald would receive assuming the change of control and termination occurred on September 30, 2015:

	<u>R. Bruce McDonald</u>
Severance(1) . . . . .	\$21,178,000
Continued Medical & Welfare Benefits(2) . . . . .	\$ 22,000

- (1) The amount reported reflects the amounts actually earned under the short- and long-term bonus awards for the performance period ending in fiscal year 2015.
- (2) The amount reflects an estimate of the cost to the company of providing medical and welfare benefits for the employment period, including medical, prescription, dental, disability and life, accidental death and travel and accident insurance. The amount also includes the lump sum value of the additional benefits the named executive officer would have accrued during the employment period under the pension plan and the Retirement Restoration Plan.

If the executive officer terminates his employment during the employment period for other than good reason, the executive officer will receive only a payment of a pro rata portion of the greater of the average of the executive officer's annualized annual and long-term cash bonuses for the three fiscal years preceding the change of control, or the sum of the annual and long-term cash bonuses for the most recently completed fiscal year.

If Johnson Controls terminates Mr. McDonald's employment for cause, no additional pay or benefits are due.

Johnson Controls would have "cause" to terminate Mr. McDonald's employment under the change of control agreement if the executive repeatedly and deliberately fails to perform the duties of his position and does not correct such failure after notice, or if the executive officer is convicted of a felony involving moral misconduct.

The executive officer would have "good reason" to terminate employment under the change of control agreement if:

- the company assigns the executive officer duties inconsistent with his position or takes other actions to reduce the executive officer's authority or responsibilities;
- the company breaches any provision of the change of control agreement relating to salary, bonus, and benefits payable following the change of control;
- the company requires the executive officer to relocate;
- the company terminates the executive officer's employment other than as the agreement permits;
- the company fails to require the successor in the change of control transaction to expressly assume the agreement; or

- the company requests that the executive perform an illegal or wrongful act in violation of Johnson Controls' code of conduct.

**Director Compensation**

Following the separation, the compensation of Adient non-employee directors will be determined by Adient's board of directors with the assistance of its Compensation Committee. It is anticipated that such compensation will consist of the following:

- a cash retainer in an amount equal to \$120,000 per year; and
- an initial equity award of Adient ordinary shares with a grant date fair value of approximately \$145,000.

In addition, Adient anticipates that its Lead Director will receive an annual cash retainer of \$30,000. Adient expects that each of the chairs of the Audit Committee, Compensation Committee and Corporate Governance Committee will receive an additional cash retainer in the amount of \$10,000. Adient will not provide directors who are also Adient employees any additional compensation for serving as a director.

Adient also expects to reimburse non-employee directors for any expenses relating to their service as directors.

**Adient 2016 Omnibus Incentive Plan**

Prior to the effectiveness of the registration statement of which this information statement is a part, Adient expects to adopt the Adient 2016 Omnibus Incentive Plan. The Adient 2016 Omnibus Incentive Plan will be described in a subsequent amendment to this information statement.

## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

### Agreements with Johnson Controls

Following the separation and distribution, Adient and Johnson Controls will operate separately, each as an independent public company. Adient will enter into a separation and distribution agreement with Johnson Controls, which is referred to in this information statement as the separation agreement or the separation and distribution agreement. In connection with the separation, Adient will also enter into various other agreements to effect the separation and provide a framework for its relationship with Johnson Controls after the separation, such as a transition services agreement, a tax matters agreement, an employee matters agreement and a transitional trademark license agreement. These agreements will provide for the allocation between Adient and Johnson Controls of Johnson Controls' assets, employees, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the distribution of Adient shares and will govern certain relationships between Adient and Johnson Controls after the separation and distribution. The agreements listed above will be filed as exhibits to the registration statement on Form 10 of which this information statement is a part.

The summaries of each of the agreements listed above are qualified in their entireties by reference to the full text of the applicable agreements, which are incorporated by reference into this information statement. When used in this section, "distribution date" refers to the date of the distribution of Adient ordinary shares to the holders of Johnson Controls shares.

### Separation Agreement

The following discussion summarizes the material provisions of the separation agreement that will be entered into between Adient and Johnson Controls. The separation agreement sets forth, among other things, Adient's agreements with Johnson Controls regarding the principal transactions necessary to separate Adient from Johnson Controls. It also sets forth other agreements that govern certain aspects of Adient's relationship with Johnson Controls after the distribution date.

#### *Transfer of Assets and Assumption of Liabilities*

The separation agreement will identify the assets to be transferred, the liabilities to be assumed and the contracts to be assigned to each of Adient and Johnson Controls as part of the separation of Johnson Controls into two companies, and it will provide for when and how these transfers, assumptions and assignments will occur. In particular, the separation agreement will provide, among other things, that, subject to the terms and conditions contained therein:

- certain assets related to the Adient business, referred to as the Adient Assets, will be transferred to Adient or one of Adient's subsidiaries, including:
  - equity interests of certain Johnson Controls subsidiaries and partially-owned affiliates that hold assets and liabilities related to the Adient business;
  - contracts (or portions thereof) that relate to the Adient business;
  - information technology that is located at certain locations or is used exclusively in the Adient business;
  - the intellectual property used exclusively in the Adient business, and a non-exclusive right to the intellectual property that is used (but not exclusively used) in the Adient business;
  - permits that are used primarily in the Adient business;
  - certain facilities, as described elsewhere in this information statement;



- other real property, including distribution and warehouse facilities and office space;
  - information to the extent related to the Adient Assets, the Adient Liabilities or the Adient business;
  - rights and assets expressly allocated to Adient or one of Adient's subsidiaries pursuant to the terms of the separation agreement or certain other agreements entered into in connection with the separation; and
  - other assets that are included in the Adient pro forma balance sheet, which appears in the section entitled "Unaudited Pro Forma Combined Financial Statements."
- certain liabilities related to the Adient business or the Adient Assets, referred to as the Adient Liabilities, will be retained by or transferred to Adient or one of Adient's subsidiaries, including:
    - liabilities to the extent arising out of actions, inactions, events, omissions, conditions, facts, or circumstances occurring or existing prior to the completion of the separation to the extent related to the Adient business or the Adient Assets, except for certain employee retirement liabilities that will be retained by Johnson Controls;
    - liabilities to the extent relating to, arising out of or resulting from the Adient Assets;
    - liabilities for claims made by third parties, or directors, officers, employees, agents of Johnson Controls or Adient or their subsidiaries or affiliates against either Johnson Controls or Adient or any of their respective subsidiaries to the extent relating to, arising out of, or resulting from the Adient business or the Adient Assets;
    - liabilities, including environmental liabilities, for certain manufacturing plants in Germany that relate to the historical Adient business but will be retained by Johnson Controls and have either been closed or are in the process of being closed;
    - liabilities and obligations expressly allocated to Adient or one of Adient's subsidiaries pursuant to the terms of the separation agreement or certain other agreements entered into in connection with the separation;
    - liabilities relating to the financing arrangements that Adient will enter into in connection with the separation, other than interest on such financing arrangements accruing prior to the distribution date; and
    - other liabilities that are included in the Adient pro forma balance sheet, which appears in the section entitled "Unaudited Pro Forma Combined Financial Statements."

Except as expressly set forth in the separation agreement or any ancillary agreement, neither Adient nor Johnson Controls will make any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the separation, as to any approvals or notifications required in connection with the transfers, as to the value of or the freedom from any security interests of any of the assets transferred, as to the absence or presence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset of either Adient or Johnson Controls, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset or thing of value to be transferred in connection with the separation. All assets will be transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of all security interests. The respective transferees will also generally bear the risk that any necessary consents or governmental approvals are not obtained or that any requirements of laws, agreements, security interests, or judgments are not complied with, except that the party transferring an asset or assuming a liability will be required to make one commercially reasonable payment, if required

by a third party, to obtain the consent or approval to assign the asset, novate the liability or release a guaranty.

Information in this information statement with respect to the assets and liabilities of the parties following the distribution is presented based on the allocation of such assets and liabilities pursuant to the separation agreement, unless the context otherwise requires. The separation agreement will provide that, in the event that the transfer or assignment of certain assets and liabilities to Johnson Controls or Adient, as applicable, does not occur prior to the separation, then until such assets or liabilities are able to be transferred or assigned, Johnson Controls or Adient, as applicable, will hold such assets on behalf of and for the benefit of the other party and will pay, perform, and discharge such liabilities, for which the other party will reimburse Johnson Controls or Adient, as applicable, for costs and expenses in connection with the performance and discharge of such liabilities.

### ***The Distribution***

The separation agreement will govern the rights and obligations of the parties regarding the distribution. On the distribution date, Adient will issue its ordinary shares to Johnson Controls shareholders, pro rata to their respective holdings, on the basis of one Adient ordinary share for every ten shares of Johnson Controls held as of the close of business on the record date of \_\_\_\_\_, 2016. Shareholders will receive cash in lieu of any fractional shares.

### ***Conditions to the Distribution***

The separation agreement will provide that the distribution is subject to satisfaction (or waiver by Johnson Controls) of certain conditions described under “The Separation and Distribution—Conditions to the Distribution.” Johnson Controls has the sole and absolute discretion to determine (and change) the terms of, and to determine whether to proceed with, the distribution and, to the extent it determines to so proceed, to determine the record date for the distribution, the distribution date and the distribution ratio.

### ***Post-Distribution True-Up***

The separation agreement will also provide for an adjustment payment to potentially be made following the distribution from Johnson Controls to Adient, or from Adient to Johnson Controls, as applicable, to the extent that Adient’s net cash position deviates from a target. The target is intended to provide Adient with approximately \$500 million of available cash as of the distribution date, adjusted for certain separation expenses, and incorporates additional adjustments for cash that is restricted or held by consolidated but non-wholly owned subsidiaries. The actual amount of available cash that Adient has after giving effect to any adjustment payment may be more or less than \$500 million. The separation agreement will also provide for an adjustment payment to potentially be made following the distribution if Adient’s trade working capital deviates significantly from past practices.

### ***Settlement of Accounts between Adient and Johnson Controls***

The separation agreement provides that all agreements as to which there are no third parties and that are between Johnson Controls and Adient as of the distribution, will be terminated as of the distribution, except for the separation agreement and the ancillary agreements, certain contracts to which a third party or joint venture is party and other arrangements specified in the separation agreement. The separation agreement provides that all intercompany receivables owed and intercompany payables due solely between Johnson Controls and Adient that are outstanding as of the effective time of the distribution will be settled (and net amounts paid) within 90 days of the distribution.

### ***Financing***

Adient intends to enter into certain financing arrangements prior to or concurrently with the separation and distribution. A description of such financing arrangements will be included in an amendment to the registration statement of which this information statement is a part.

### ***Claims***

In general, each party to the separation agreement will assume liability for all pending, threatened and unasserted legal matters related to its own business or its assumed or retained liabilities and will indemnify the other party for any liability to the extent arising out of or resulting from such assumed or retained legal matters.

### ***Releases***

The separation agreement will provide that Adient and its affiliates will release and discharge Johnson Controls and its affiliates from all liabilities assumed by Adient as part of the separation, from all acts and events occurring or failing to occur, and all conditions existing, on or before the distribution date relating to Adient's business, and from all liabilities existing or arising in connection with the implementation of the separation, except as expressly set forth in the separation agreement. Johnson Controls and its affiliates will release and discharge Adient and its affiliates from all liabilities retained by Johnson Controls and its affiliates as part of the separation and from all liabilities existing or arising in connection with the implementation of the separation, except as expressly set forth in the separation agreement.

These releases will not extend to obligations or liabilities under any agreements between the parties that remain in effect following the separation, which agreements include, but are not limited to, the separation agreement, the transition services agreement, the tax matters agreement, the employee matters agreement, the transitional trademark license agreement and certain other agreements, including the transfer documents in connection with the separation.

### ***Indemnification***

In the separation agreement, Adient will agree to indemnify, defend and hold harmless Johnson Controls, each of its affiliates and each of their respective directors, officers and employees, from and against all liabilities relating to, arising out of or resulting from:

- the Adient Liabilities;
- the failure of Adient, any of its subsidiaries or any other person to pay, perform or otherwise promptly discharge any of the Adient Liabilities, in accordance with their respective terms, whether prior to, at or after the distribution;
- any breach by Adient or any of its subsidiaries of the separation agreement or any of the ancillary agreements, other than the transition services agreement;
- except to the extent relating to a Johnson Controls Liability, any guarantee, indemnification or contribution obligation or other credit support agreement or arrangement for the benefit of Adient by Johnson Controls that survives the distribution; and
- [any untrue statement or alleged untrue statement of a material fact in the registration statement, this information statement or any similar disclosure document.]

Johnson Controls will agree to indemnify, defend and hold harmless Adient, each of its affiliates and each of its respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from:

- the Johnson Controls Liabilities;
- the failure of Johnson Controls, any of its subsidiaries or any other person, other than Adient, to pay, perform or otherwise promptly discharge any of the Johnson Controls Liabilities, in accordance with their respective terms whether prior to, at or after the distribution;
- any breach by Johnson Controls or any of its subsidiaries, other than Adient, of the separation agreement or any of the ancillary agreements, other than the transition services agreement;
- except to the extent relating to an Adient Liability, any guarantee, indemnification or contribution obligation or other credit support agreement or arrangement for the benefit of Johnson Controls by Adient that survives the distribution; and
- [any untrue statement or alleged untrue statement of a material fact made explicitly in Johnson Controls' name in the registration statement, this information statement or any similar disclosure document.]

All such rights to indemnification will be in excess of available insurance. The separation agreement also will establish procedures with respect to claims subject to indemnification and related matters.

#### ***Insurance***

The separation agreement will describe the parties' rights and obligations under existing insurance policies with respect to occurrences prior to the distribution and sets forth procedures for the administration of insured claims.

#### ***Intellectual Property; Data Privacy***

The separation agreement will include limited covenants not to sue by each of Johnson Controls and Adient to the other for patents owned by it before the separation, which will generally continue until the expiration of the last valid claim of any such patents. The separation agreement will also provide for the parties to cooperate in connection with Adient's entry into data transfer agreements for purposes of complying with applicable data privacy regulations of the European Union.

#### ***Further Assurances***

In addition to the actions specifically provided for in the separation and distribution agreement, except as otherwise set forth therein or in any ancillary agreement, both Johnson Controls and Adient will agree in the separation and distribution agreement to use reasonable best efforts, prior to, on and after the distribution date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the separation agreement and the ancillary agreements.

#### ***Dispute Resolution***

The separation agreement will contain provisions that govern, except as otherwise provided in any ancillary agreement, the resolution of disputes, controversies or claims that may arise between Adient and Johnson Controls related to the separation or distribution and that are unable to be resolved by the transition committee. These provisions will contemplate that efforts will be made to resolve disputes, controversies and claims by escalation of the matter to senior management or other mutually

agreed representatives of Adient and Johnson Controls and then to non-binding mediation. If such efforts are not successful, either Adient or Johnson Controls will be able to submit the dispute, controversy or claim to binding alternative dispute resolution, subject to the provisions of the separation agreement.

#### ***Termination***

The separation agreement will provide that it may be terminated and the separation and distribution may be modified or abandoned at any time prior to the distribution date in the sole discretion of Johnson Controls without the approval of any person, including Adient's or Johnson Controls' shareholders. In the event of a termination of the separation agreement, no party, nor any of its directors, officers, or employees, will have any liability of any kind to the other party or any other person. After the distribution date, the separation agreement may not be terminated except by an agreement in writing signed by both Johnson Controls and Adient.

#### ***Expenses***

Except as expressly set forth in the separation agreement or in any ancillary agreement, all costs and expenses incurred in connection with the separation and distribution incurred on or prior to the effective time of the distribution, including costs and expenses relating to legal and tax counsel, financial advisors and accounting advisory work related to the separation and distribution, will be paid by Johnson Controls, and all costs and expenses incurred following the distribution will be paid by the party incurring such cost or expense.

#### ***Other Provisions of the Agreement***

Other matters governed by the separation agreement will include access to financial and other information, confidentiality, access to and provision of records and treatment of outstanding guarantees and similar credit support.

#### **Transition Services Agreement**

Adient and Johnson Controls will enter into a transition services agreement prior to the separation pursuant to which Adient and Johnson Controls will provide to the other, on an interim, transitional basis, various services, including information technologies, accounting administration, and human resource management services. The agreed-upon charges for such services are generally intended to allow the servicing party to recover all out-of-pocket costs and expenses. The services generally will commence on the distribution date, and they will terminate no later than 24 months following the distribution date. The receiving party may terminate the provision of such services upon prior written notice, subject to a minimum notice period of 30 days. Due to interdependencies between services, certain services may be terminated early only if the parties agree to modify the other services that will be adversely affected by the early termination. Either party may terminate the provision of a service if the other party has failed to perform any of its material obligations with respect to that service and has not cured the failure within thirty days, unless there is a good faith dispute between the parties as to whether the non-terminating party breached the agreement or cured its breach.

Adient has been preparing for the transition of the services to be provided by Johnson Controls under the transition services agreement from Johnson Controls, or third-party providers on behalf of Johnson Controls, to Adient. Adient anticipates that it will be in a position to complete the transition of those services on or before two years following the distribution date.

Subject to certain exceptions, any damages payable by either party under the transition services agreement will generally be limited to six months of charges paid or payable to such party by the other party pursuant to the transition services agreement. The transition services agreement also provides

that neither party shall generally be liable to the other for any special, indirect, incidental, punitive or consequential damages.

#### **Tax Matters Agreement**

Adient and Johnson Controls will enter into a tax matters agreement prior to the distribution which will generally govern Johnson Controls' and Adient's respective rights, responsibilities and obligations after the distribution with respect to taxes for any tax period ending on or before the distribution date, as well as tax periods beginning before and ending after the distribution date. Generally, Johnson Controls will be liable for all pre-distribution U.S. federal income taxes, foreign income taxes and certain non-income taxes attributable to Adient's business required to be reported on combined, consolidated, unitary or similar returns that include one or more members of the Johnson Controls group and one or more members of the Adient group. Adient generally will be liable for all other taxes attributable to its business. In addition, the tax matters agreement will address the allocation of liability for taxes that are incurred as a result of restructuring activities undertaken to effectuate the distribution. The tax matters agreement may also contain certain restrictions on certain Adient actions that may result in certain of the restructuring transactions undertaken in connection with the separation failing to qualify as transactions that are generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) of the Code.

#### **Employee Matters Agreement**

Adient and Johnson Controls will enter into an employee matters agreement prior to the distribution to allocate liabilities and responsibilities relating to employment matters, employee compensation and benefits plans and programs, and other related matters. The employee matters agreement will govern Johnson Controls' and Adient's compensation and employee benefit obligations with respect to the current and former employees and non-employee directors of each company.

The employee matters agreement will provide that, unless otherwise specified, Johnson Controls will be responsible for liabilities associated with Johnson Controls allocated employees and liabilities associated with former employees whose last employment was not with the Adient businesses, and Adient will be responsible for liabilities associated with Adient allocated employees and liabilities associated with former employees whose last employment was with the Adient businesses. However, Johnson Controls will retain and continue to be responsible for certain post-retirement liabilities relating to plans sponsored by Johnson Controls and in which other wholly owned subsidiaries of Johnson Controls participate (excluding entities that will become subsidiaries of Adient).

##### ***Employee Benefits***

Adient allocated employees will be eligible to participate in Adient benefit plans as of the separation in accordance with the terms and conditions of the Adient plans as in effect from time to time. Generally and subject to certain exceptions, Adient will create compensation and benefit plans that mirror the terms of corresponding Johnson Controls compensation and benefit plans, and Adient will credit each Adient allocated employee with his or her service with Johnson Controls prior to the separation for all purposes under the Adient benefit plans to the same extent such service was recognized by Johnson Controls for similar purposes and so long as such crediting does not result in a duplication of benefits.

##### ***Treatment of Equity Compensation***

The employee matters agreement will generally provide for the conversion of the outstanding awards granted under the Johnson Controls equity compensation programs into adjusted awards relating to shares of Johnson Controls, or both shares of Johnson Controls and Adient ordinary shares.



The adjusted awards generally will be subject to the same or equivalent vesting conditions and other terms that applied to the applicable original Johnson Controls award immediately before the separation.

Each Johnson Controls stock option and each Johnson Controls stock appreciation right that is held by a Johnson Controls allocated employee or a former employee will be converted into an adjusted Johnson Controls stock option or stock appreciation right, as applicable, with the exercise price and the number of shares subject to the stock option or stock appreciation right adjusted to preserve the aggregate intrinsic value of the original Johnson Controls stock option or stock appreciation right as measured immediately before and immediately after the separation, subject to rounding. Each Johnson Controls stock option and each Johnson Controls stock appreciation right that is held by an Adient allocated employee will be converted into an adjusted Johnson Controls stock option or stock appreciation right, as applicable, and an Adient stock option or stock appreciation right, as applicable. The exercise price and the number of shares subject to each such stock option and stock appreciation right will be adjusted in order to preserve the aggregate intrinsic value of the original Johnson Controls stock option or stock appreciation right, as measured immediately before and immediately after the separation, subject to rounding.

Holders of outstanding Johnson Controls restricted stock unit awards who are Johnson Controls allocated employees or former employees will receive corresponding adjusted Johnson Controls restricted stock unit awards, with the number of shares adjusted in each case to preserve the aggregate value of the original Johnson Controls award as measured immediately before and immediately after the separation, subject to rounding. Holders of outstanding Johnson Controls restricted stock unit awards who are Adient allocated employees will retain those awards and also receive a corresponding Adient restricted stock unit award covering a number of Adient ordinary shares that reflects the distribution to Johnson Controls shareholders, determined by applying the distribution ratio to the shares underlying the applicable Johnson Controls award as though they were actual shares of Johnson Controls, subject to rounding.

For purposes of vesting for all awards, continued employment with or service to Johnson Controls or Adient, as applicable, will be treated as continued employment with or service to either Johnson Controls or both Johnson Controls and Adient, as applicable.

#### ***Miscellaneous***

The employee matters agreement will also address other employee-related issues and certain special circumstances and special rules for benefit arrangements in various non-U.S. jurisdictions.

#### **Transitional Trademark License Agreement**

Adient expects to enter into a trademark license agreement pursuant to which Johnson Controls will grant Adient and its affiliates a worldwide, non-exclusive, non-sublicenseable, fully paid-up license to use certain of Johnson Controls' trademarks, trade names and service marks used in Adient's business as of the separation to allow Adient a reasonable amount of time to rebrand or phase out of use of the licensed marks. Adient will not be able to assign its rights to the licensed marks, except in limited circumstances. Adient will be permitted to use the licensed marks on certain items existing at the time of the distribution, including engineering documents, packaging, heavy machinery, tooling, equipment and pallets, until such items are replaced in the ordinary course of business, but must cease other uses of the licensed marks within a specified period of time after the distribution that ranges from thirty days to 2 years depending on the type of materials and whether the licensed mark is visible to third parties. Adient's subsidiaries and affiliates must cease use of the licensed marks in their corporate or entity names within 180 days of the distribution, except that they may continue their use for up to 2 years if a longer period is required to obtain any regulatory or third party approvals



required for the name change. Johnson Controls may terminate the agreement if Adient commits a material breach of the agreement that materially harms the goodwill of the Johnson Controls trademarks and fails to cure such breach within thirty days, unless there is a good faith dispute between the parties as to whether Adient materially breached the agreement or cured its breach.

#### **Procedures for Approval of Related Person Transactions**

It is expected that Adient's board will adopt a written policy for the review of related person transactions. For purposes of the policy, a related person transaction will include transactions in which (1) the amount involved is more than \$120,000, (2) Adient is a participant, and (3) any related person has a direct or indirect material interest. The policy will define a "related person" to include directors, nominees for director, executive officers, and their respective immediate family members. Pursuant to the policy, all related person transactions must be approved by the Audit Committee or, in the event of an inadvertent failure to bring the transaction to the Audit Committee for pre-approval, ratified by the Audit Committee. In the event that a member of the Audit Committee has an interest in a related person transaction, the transaction must be approved or ratified by the disinterested members of the Audit Committee. In deciding whether to approve or ratify a related person transaction, the Audit Committee will consider the following factors:

- whether the terms of the transaction are (1) fair to Adient and (2) at least as favorable to Adient as would apply if the transaction did not involve a related person;
- whether there are demonstrable business reasons for Adient to enter into the transaction;
- whether the transaction would impair the independence of an outside director under Adient's director independence standards; and
- whether the transaction would present an improper conflict of interest for any director or executive officer, taking into account the size of the transaction, the overall financial position of the related person, the direct or indirect nature of the related person's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the committee deems relevant.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a discussion of material U.S. federal income tax consequences of the separation and distribution of Adient ordinary shares to Adient and to “U.S. holders” and “non-U.S. holders” (each as defined below) of Johnson Controls shares. This summary is based on the Code, the Treasury Regulations promulgated thereunder, rulings and other administrative pronouncements issued by the IRS, judicial decisions, the United Kingdom-United States Tax Treaty, which we refer to as the UK Tax Treaty, the Ireland-United States Tax Treaty, which we refer to as the Ireland Tax Treaty, all as in effect on the date of this information statement, and all of which are subject to differing interpretations and change at any time, possibly with retroactive effect. Johnson Controls has not sought and does not intend to seek a ruling from the IRS with respect to the treatment of the distribution and certain related transactions for U.S. federal income tax purposes, nor with respect to the application of Section 7874 to Adient and the separation and no assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

This discussion applies only to U.S. holders and non-U.S. holders of shares of Johnson Controls who hold such shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion is based upon the assumption that the distribution, together with certain related transactions, will be consummated in accordance with the separation agreement and the other separation-related agreements and as described in this information statement. This summary is for general information only and is not tax advice. It does not discuss all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their particular circumstances or to holders subject to special rules under the Code (including, but not limited to, insurance companies, tax-exempt organizations, financial institutions, broker-dealers, regulated investment companies or real estate investment trusts, partners in partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes) that hold Johnson Controls shares, pass-through entities (or investors therein), traders in securities who elect to apply a mark-to-market method of accounting, shareholders who hold Johnson Controls shares as part of a “hedge,” “straddle,” “conversion,” “synthetic security,” “integrated investment” or “constructive sale transaction,” individuals who receive Johnson Controls or Adient shares upon the exercise of employee stock options or otherwise as compensation, holders who are liable for the alternative minimum tax or any holders that actually or constructively own 5% or more of Johnson Controls shares). This discussion also does not address any tax consequences arising under the unearned Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, nor does it address any tax considerations under state, local or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax. In addition, this discussion assumes that Johnson Controls is treated as a foreign corporation for U.S. federal tax purposes.

If a partnership, including for this purpose any entity or arrangement that is treated as a partnership for U.S. federal income tax purposes, holds Johnson Controls shares, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. An investor that is a partnership and the partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of the distribution.

For purposes of this discussion, a “U.S. holder” is any beneficial owner of Johnson Controls shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or entity treated as a corporation) created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia;

- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; and
- a trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

For purposes of this discussion a “non-U.S. holder” is any beneficial owner of Johnson Controls shares that is neither a U.S. holder nor a partnership for U.S. federal income tax purposes.

**THE FOLLOWING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE SEPARATION AND DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE SEPARATION AND DISTRIBUTION TO THEM, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS.**

## **U.S. Federal Income Tax Consequences of the Separation to Adient**

### *Tax Residence of Adient for U.S. Federal Tax Purposes*

For U.S. federal tax purposes, a corporation is generally considered to be a tax resident of the jurisdiction of its organization or incorporation. Because Adient is a company incorporated under the laws of England and Wales, it would be classified as a foreign corporation under these rules. Section 7874 of the Code provides an exception to this general rule under which a foreign incorporated entity may, in certain circumstances, be classified as a U.S. corporation for U.S. federal tax purposes. The rules under Section 7874 are relatively new and complex and there is limited guidance regarding their application.

Under Section 7874, a corporation created or organized outside the United States (*i.e.*, a foreign corporation) will nevertheless be treated as a U.S. corporation for U.S. federal tax purposes if (i) the foreign corporation directly or indirectly acquires substantially all of the properties held directly or indirectly by a U.S. corporation (including through an acquisition of the outstanding shares of the U.S. corporation), (ii) the former shareholders of the acquired U.S. corporation hold at least 80% (by either vote or value) of the shares of the foreign acquiring corporation after the acquisition by reason of holding shares in the acquired U.S. corporation (including the receipt of the foreign corporation's shares in exchange for the U.S. corporation's shares), which we refer to as the 80% Ownership Test, and (iii) the foreign corporation's “expanded affiliated group” does not have substantial business activities in the foreign corporation's country of organization or incorporation relative to such expanded affiliated group's worldwide activities. For purposes of Section 7874, acquisitions of multiple U.S. corporations (and/or substantially all of the assets of multiple U.S. corporations) by a foreign corporation, if treated as part of a plan or series of related transactions, may be treated as a single acquisition. If multiple acquisitions of U.S. corporations (and/or substantially all of the assets of U.S. corporations) are treated as a single acquisition, all shares of the foreign acquiring corporation received by the shareholders of the acquired U.S. corporations (and/or the U.S. corporations substantially all of the assets of which were acquired) would be aggregated for purposes of the 80% Ownership Test set forth above concerning such shareholders holding at least 80% (by either vote or value) of the shares of the foreign acquiring corporation after the acquisitions by reason of holding shares in such U.S. corporations. Where, pursuant to the same transaction, stock of the foreign acquiring corporation is received in exchange for stock of a U.S. corporation (or substantially all of the assets of a U.S. corporation) as well as other property, the portion of the stock of the foreign acquiring corporation received in exchange for the stock of the U.S. corporation is determined based on the relative value of

the stock of the U.S. corporation compared with the aggregate value of such stock and such other property.

As part of the separation, Adient will indirectly acquire assets, including stock of U.S. subsidiaries, from Johnson Controls Inc., which is a U.S. corporation, and accordingly the rules of Section 7874 are potentially implicated. Under current law, it is presently anticipated that Section 7874 will not cause Adient or any of its foreign affiliates to be treated as a U.S. corporation for U.S. federal tax purposes because, among other things, based on the rules for determining ownership under Section 7874 and the Treasury Regulations promulgated thereunder and certain factual assumptions, (i) the assets acquired from Johnson Controls, Inc. pursuant to the separation are not expected to constitute “substantially all” of the properties held directly or indirectly by Johnson Controls, Inc. and (ii) the shares received by reason of holding shares in U.S. subsidiaries of Johnson Controls, Inc. transferred in the separation are expected to represent less than 80% (by both vote and value) of the relevant shares outstanding after the separation (and prior to the distribution). Accordingly, under current law and certain factual assumptions, it is expected that Adient will be respected as a foreign corporation for U.S. federal tax purposes.

However, as described above under “Risk Factors—Risks Related to Adient Ordinary Shares,” there can be no assurance that Adient or any of its foreign affiliates will be respected as a foreign corporation for U.S. federal tax purposes under Section 7874 following the distribution. Whether or not certain of the tests under Section 7874 are met must be finally determined at the completion of the separation, by which time there could be adverse changes in relevant facts and circumstances. Moreover, the law and the Treasury Regulations promulgated under Section 7874 are relatively new, complex and somewhat unclear, and there is limited guidance regarding the application of Section 7874 in circumstances similar to the separation. For example, there is currently no guidance that expressly defines what constitutes “substantially all” of the properties of a U.S. corporation for purposes of Section 7874 and it is possible that the IRS may assert that “substantially all” of the properties of Johnson Controls, Inc. (or of a U.S. subsidiary of Johnson Controls, Inc.) were acquired in the separation. In addition, there is limited guidance on the application of the 80% Ownership Test in circumstances similar to the separation and the IRS may not agree that the shares held by reason of holding shares in U.S. subsidiaries that (or substantially all of the assets of which) were transferred in the separation represent less than 80% (by either vote or value) of the relevant shares for purposes of Section 7874. Moreover, the application of Section 7874 to the separation will depend on the relative valuation of the various assets (including stock of subsidiaries) that are transferred in connection with the separation. Valuation matters can be subjective, and the IRS may seek to challenge the valuation of such assets. Accordingly, there can be no assurance that the IRS will not challenge the status of Adient or any of its foreign affiliates as a foreign corporation for U.S. federal tax purposes under current Section 7874 or that such challenge would not be sustained by a court.

In addition, temporary Regulations under Section 7874 issued by the U.S. Treasury and the IRS on April 4, 2016 (the “Temporary 7874 Regulations”) generally increase the likelihood that the relevant ownership percentages under Section 7874 will be exceeded. However, it is presently not expected that the Temporary 7874 Regulations will adversely affect the U.S. federal tax status of Adient or any of its foreign affiliates as a foreign corporation.

In fact, the Temporary 7874 Regulations may further bolster the determination that Adient should be treated as a foreign corporation for U.S. federal tax purposes. Among other provisions, the Temporary 7874 Regulations provide additional guidance relating to certain exceptions to the application of Section 7874 with respect to restructuring transactions involving “foreign-parented groups.” Based on such additional guidance and the fact that Johnson Controls is a corporation organized under the laws of Ireland, it is possible that under the Temporary 7874 Regulations, the 80% Ownership Test would not be met with respect to the separation even if “substantially all” of the properties of Johnson Controls, Inc. were found to have been acquired in the separation, or if the

shares held by reason of holding shares in U.S. subsidiaries that (or substantially all of the assets of which) were transferred as part of the separation were found to represent 80% or more (by vote or value) of the relevant shares for purposes of Section 7874. However, the Temporary 7874 Regulations are new, complex and somewhat unclear, and there is limited guidance regarding their application. Accordingly, there can be no assurance that these regulations would apply to cause the 80% Ownership Test not to be met with respect to the separation in these circumstances, or that the IRS would agree with such position.

Moreover, as discussed under “Risk Factors—Risks Related to Adient Ordinary Shares,” changes to the rules in Section 7874 of the Code or the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect Adient’s or any of its affiliates’ status as a foreign corporation for U.S. federal tax purposes. Recent legislative and other proposals have aimed to expand the scope of U.S. corporate tax residence, including in such a way as could cause Adient and/or its affiliates to be treated as U.S. corporations if the management and control of Adient or such affiliates were determined to be located primarily in the United States. In addition, recent legislative and other proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called inversion transactions. Some of these recent proposals, if enacted in their present form and if made retroactively effective to the period in which the separation occurs, could potentially cause Adient and/or its affiliates to be treated as U.S. corporations for U.S. federal tax purposes. It is presently uncertain whether any such legislative or other proposals or any other legislation relating to U.S. corporate residence, Section 7874 or so-called inversion transactions, which could be enacted on a retroactive basis, will be enacted into law and, if so, what impact such legislation would have on the U.S. federal tax status of Adient and its foreign affiliates as foreign corporations.

If Adient or any of its affiliates were to be treated as a U.S. corporation for U.S. federal tax purposes, Adient or any such affiliate could be subject to substantial additional U.S. tax liability. The remainder of this discussion assumes that neither Adient nor any of its affiliates will be treated as a U.S. corporation for U.S. federal tax purposes under Section 7874 of the Code.

***Potential Limitation on the Utilization of Adient’s (and its U.S. Affiliates’) Tax Attributes or Other Increase in U.S. Taxable Income***

Following the acquisition of a U.S. corporation by a foreign corporation, Section 7874 of the Code can limit the ability of the acquired U.S. corporation and its U.S. affiliates to use U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. taxable income resulting from certain transactions. Specifically, Section 7874 can apply in this manner if (i) the foreign corporation acquires, directly or indirectly, substantially all of the properties held directly or indirectly by a U.S. corporation (including through an acquisition of the outstanding shares of the U.S. corporation), (ii) after the acquisition, the former shareholders of the acquired U.S. corporation hold at least 60% (by either vote or value) but less than 80% (by vote and value) of the shares of the foreign acquiring corporation by reason of holding shares in the acquired U.S. corporation (including the receipt of the foreign corporation’s shares in exchange for the U.S. corporation’s shares), which we refer to as the 60% Ownership Test, and (iii) the foreign corporation’s “expanded affiliated group” does not have substantial business activities in the foreign corporation’s country of organization or incorporation relative to such expanded affiliated group’s worldwide activities. For purposes of Section 7874, acquisitions of multiple U.S. corporations (and/or substantially all of the assets of multiple U.S. corporations) by a foreign corporation, if treated as part of a plan or series of related transactions, may be treated as a single acquisition, in which case, all shares of the foreign acquiring corporation received by the shareholders of such U.S. corporations would be aggregated for purposes of the 60% Ownership Test. Where, pursuant to the same transaction, stock of the foreign acquiring corporation is received in exchange for stock of a U.S. corporation as well as other property, the stock of the foreign acquiring



corporation that was received in exchange for the stock of the U.S. corporation is determined based on the relative value of the stock of the U.S. corporation compared with the aggregate value of such stock and such other property.

As discussed above under “Risk Factors—Risks Related to Adient Ordinary Shares,” and “—U.S. Federal Income Tax Consequences of the Separation to Adient—Tax Residence of Adient for U.S. Federal Tax Purposes,” as part of the separation, Adient will indirectly acquire assets, including stock of U.S. subsidiaries from Johnson Controls, Inc. It is currently not expected that the shares received by reason of holding stock in the U.S. subsidiaries transferred in the separation will represent at least 60% (by either vote or value) of the relevant shares. However, as discussed above, the percentage of shares so received for purposes of Section 7874 is generally determined at the closing of the transactions and there could be adverse changes to the relevant facts and circumstances between now and the time of determination. In addition, the Treasury Regulations promulgated under Section 7874 are relatively new, complex and somewhat unclear and there is limited guidance regarding the application of Section 7874 in circumstances similar to the separation. Moreover, the percentage of shares held by reason of holding stock of relevant U.S. subsidiaries of Johnson Controls, Inc. will depend on the relative valuation of the assets transferred pursuant to the separation and valuation matters can be subjective. Accordingly, there can be no assurance that the IRS would not assert that Section 7874 applies to limit the ability of the U.S. subsidiaries and affiliates of Adient to use certain U.S. tax attributes or cause Adient and/or its affiliates to be subject to certain other adverse U.S. federal income tax rules, or that such challenge would not be sustained by a court.

In addition, the Temporary 7874 Regulations generally increase the likelihood that the relevant ownership percentages under Section 7874 will be exceeded and limit or eliminate certain tax benefits to so-called inverted corporations and groups, including with respect to access to certain foreign earnings, post-inversion restructuring transactions and the ability to use certain attributes and deductions. However, it is presently not expected that the Temporary 7874 Regulations will materially adversely affect the benefits of the separation or the ability of Adient’s U.S. affiliates to use certain U.S. tax attributes or deductions. As discussed above under “—U.S. Federal Income Tax Consequences of the Separation to Adient—Tax Residence of Adient for U.S. Federal Tax Purposes,” among other provisions, the Temporary 7874 Regulations include additional guidance relating to certain exceptions to the application of Section 7874 with respect to restructuring transactions involving “foreign-parented groups.” Based on the Temporary 7874 Regulations and the fact that Johnson Controls is a corporation organized under the laws of Ireland, it is possible that under these regulations the 60% Ownership Test would not be met with respect to the separation even if “substantially all” of the properties of Johnson Controls, Inc. were found to have been acquired in the separation, or if the shares held by reason of holding shares in U.S. subsidiaries that (or substantially all of the assets of which) were transferred as part of the separation were found to represent 60% or more (by vote or value) of the relevant shares for purposes of Section 7874. However, the Temporary 7874 Regulations are new, complex and somewhat unclear, and there is limited guidance regarding their application. Accordingly, there can be no assurance that the Temporary 7874 Regulations would apply to cause the 60% Ownership Test not to be met with respect to the separation in these circumstances, or that the IRS would agree with such position.

Moreover, and as discussed above under “Risk Factors—Risks Related to Adient Ordinary Shares,” and “—U.S. Federal Income Tax Consequences of the Separation to Adient—Tax Residence of Adient for U.S. Federal Income Tax Purposes,” changes to the rules in Section 7874 of the Code or the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect Adient’s or any of its foreign affiliates’ status as a foreign corporation for U.S. federal tax purposes, the ability of Adient’s U.S. affiliates to use certain attributes or deductions, Adient’s effective tax rate and/or future tax planning for the Adient group. Recent legislative proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called

inversion transactions. For example, recent legislative and regulatory proposals (including, most recently, proposed legislation introduced by Democratic members of the House of Representatives on February 23, 2016, which, if enacted in its present form, would be effective retroactively to any transactions completed on or after May 8, 2014; proposed legislation introduced by Democratic members of the Senate on March 10, 2016, which, if enacted in its present form, would be effective with respect to taxable years beginning after the date of enactment; and proposed Treasury Regulations under Section 385 of the Code issued by the U.S. Treasury and the IRS on April 4, 2016), if enacted or finalized, could potentially cause Adient's U.S. affiliates to be subject to certain intercompany financing limitations, including with respect to their ability to deduct interest expense. It is presently uncertain whether any such legislative proposals or any other legislation relating to Section 7874 or so-called inversion transactions will be enacted into law or whether such proposed Treasury Regulations will be issued in final form and, if so, what impact such legislation or final Treasury Regulations would have on Adient and its affiliates.

If the relevant tests under Section 7874 are satisfied at the closing of the transactions for any reason, or, if changes in applicable law adversely affect the application of the above rules to Adient or any of its affiliates, Adient's U.S. affiliates could be limited in their ability to use their U.S. tax attributes, if any, to offset taxable income resulting from certain transactions, or could otherwise have their U.S. taxable income increased.

#### **U.S. Federal Income Tax Consequences of the Distribution to U.S. Holders**

For U.S. federal income tax purposes, the distribution will not be eligible for treatment as a tax-free distribution by Johnson Controls with respect to its stock. Accordingly, the distribution will be treated as a taxable distribution by Johnson Controls to each Johnson Controls shareholder in an amount equal to the fair market value of the Adient ordinary shares received by such shareholder (including any fractional shares deemed received and any Adient ordinary shares withheld on account of any Irish withholding taxes), determined as of the distribution date (such amount, the "Distribution Amount").

The Distribution Amount received by a U.S. holder will be treated as a taxable dividend to the extent of such U.S. holder's ratable share of current or accumulated earnings and profits of Johnson Controls for the taxable year of the distribution (as determined under U.S. federal income tax principles). Any portion of the Distribution Amount that is treated as a dividend will not be eligible for the dividends-received deduction allowed to corporations under the Code.

With respect to non-corporate U.S. holders, subject to the discussion below regarding special rules applicable to "passive foreign investment companies," or PFICs, dividends received from a "qualified foreign corporation" may be subject to reduced rates of U.S. federal income taxation, provided that certain holding period requirements and other conditions are satisfied. For these purposes, a foreign corporation will be treated as a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States which is determined by the U.S. Treasury to be satisfactory for purposes of these rules and which includes an exchange of information provision. The U.S. Treasury has determined that the Ireland Tax Treaty meets these requirements. A foreign corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. We believe that Johnson Controls shares, which are listed on the NYSE, are considered to be readily tradable on an established securities market in the United States. Non-corporate U.S. holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss, or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code, will not be eligible for the reduced rates of taxation regardless of the status of Johnson Controls as a qualified foreign corporation. Because the merger of Johnson Controls Inc. and an indirect wholly owned subsidiary of Tyco will be a taxable transaction to the former shareholders of



Johnson Controls Inc. for U.S. federal income tax purposes, the holding period of such a former shareholder in the ordinary shares of Johnson Controls received in the merger will begin on the day following the day on which the merger occurs. Accordingly, a non-corporate U.S. holder of ordinary shares of Johnson Controls that received such shares in the merger of Johnson Controls Inc. and an indirect wholly owned subsidiary of Tyco will not meet the relevant minimum holding period requirement if the distribution occurs within 60 days of the merger (*i.e.*, if the distribution occurs on or before the 60<sup>th</sup> day after the merger). In addition, even if the minimum holding period requirement has been met, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. U.S. holders should consult their own tax advisors regarding the application of these rules in light of their particular circumstances.

To the extent that the Distribution Amount received by a U.S. holder exceeds such U.S. holder's ratable share of Johnson Controls' current and accumulated earnings and profits for the taxable year of the distribution (as determined under U.S. federal income tax principles), any such excess will generally be treated as a return of capital and will not be taxable to a U.S. holder to the extent of such U.S. holder's adjusted tax basis in its Johnson Controls shares. Any portion of the Distribution Amount that is treated as a nontaxable return of capital will reduce the adjusted tax basis of the U.S. holder's Johnson Controls shares. To the extent that any such excess portion of the Distribution Amount received by a U.S. holder exceeds such U.S. holder's adjusted tax basis in its Johnson Controls shares, such excess will be treated as capital gain recognized on a sale or exchange of such Johnson Controls shares. Any such gain will be long-term capital gain if the U.S. holder's holding period for the Johnson Controls shares exceeds one year. Preferential tax rates may apply to long-term capital gains of non-corporate U.S. holders (including individuals). Because, as discussed above, the holding period of a U.S. holder that is a former shareholder of Johnson Controls Inc. in the ordinary shares of Johnson Controls received in the merger will begin on the day following the day on which the merger occurs, any such capital gain recognized by such U.S. holder with respect to such ordinary shares will not be long-term capital gain if the distribution occurs within one year of the merger (*i.e.*, if the distribution occurs on or before the day that is one year after the merger).

A U.S. holder's tax basis in Adient ordinary shares received in the distribution (including any fractional shares deemed to be received) generally will equal the fair market value of such shares on the distribution date, and the holding period for such shares will begin the day after the distribution date.

In the event that a U.S. holder is subject to Irish withholding taxes on the distribution, such U.S. holder may be eligible, subject to certain conditions and limitations, to claim a foreign tax credit for such Irish withholding taxes against the U.S. holder's U.S. federal income tax liability or alternatively deduct such Irish withholding taxes in computing such U.S. holder's U.S. federal income tax liability. For purposes of the foreign tax credit, the distribution is expected to generally constitute "foreign source income" and to generally be treated as "passive category income," except that a portion of the distribution may be treated as income from U.S. sources if (i) U.S. persons own, directly or indirectly, 50% or more of the Johnson Controls shares and (ii) Johnson Controls receives more than a *de minimis* amount of income from U.S. sources. The rules governing the foreign tax credit and ability to deduct foreign taxes are complex and involve the application of rules that depend upon a U.S. holder's particular circumstances. U.S. holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit or deduction in light of their particular circumstances.

#### ***Cash in Lieu of Fractional Adient Ordinary Shares***

Any cash received by a U.S. holder in lieu of a fractional Adient ordinary share should be treated as if such fractional ordinary share had been (i) received by the U.S. holder as part of the distribution and then (ii) sold by such U.S. holder for the amount of cash received. Because the basis of the

fractional ordinary share deemed received by a U.S. holder in the distribution will equal the fair market value of such fractional ordinary share on the distribution date, a shareholder of Johnson Controls generally should not recognize additional gain or loss on the transaction described in (ii) of the preceding sentence unless the fractional share is sold at a price different from its fair market value on the distribution date.

#### ***Passive Foreign Investment Company***

Notwithstanding the foregoing, the U.S. federal income tax consequences of the distribution to U.S. holders could be materially different from those described above and certain adverse U.S. federal income tax consequences could apply if, at any relevant time, Johnson Controls is treated as a PFIC. A foreign corporation will be classified as a PFIC for U.S. federal income tax purposes for any taxable year in which, after the application of certain look-through rules, either (i) 75% or more of its gross income for such year is “passive income” (as defined in the relevant provisions of the Code) or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income includes, among other things, dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains.

Johnson Controls believes that it has not been a PFIC for any prior taxable year and that it will not be treated as a PFIC for the taxable year of the distribution. However, this conclusion is a factual determination made annually and cannot be completed until the close of a taxable year. It is difficult to accurately predict future income and assets relevant to this determination. Moreover, the determination of PFIC status depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. As a result, there can be no assurance that Johnson Controls will not be treated as a PFIC for the taxable year of the distribution or any preceding taxable year.

If Johnson Controls were to be treated as a PFIC for any taxable year, U.S. holders generally would be subject to special tax rules that could result in materially adverse U.S. federal income tax consequences, including in connection with the distribution. More specifically, unless a U.S. holder elects to be taxed annually on a mark-to-market basis with respect to its Johnson Controls ordinary shares, a U.S. holder could be subject to U.S. federal income tax at the highest applicable ordinary income tax rates on (i) any “excess distribution” made by Johnson Controls to such U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder’s holding period for the ordinary shares) or (ii) any gain realized on any sale or exchange of Johnson Controls ordinary shares. In addition, a U.S. holder could be subject to an interest charge on certain taxes treated as having been deferred under the PFIC rules. In addition, any portion of the Distribution Amount that is treated as a dividend would not constitute qualified dividend income eligible for preferential tax rates if Johnson Controls is treated as a PFIC for the taxable year of the distribution or for its preceding taxable year. U.S. holders should consult their own tax advisors regarding the application of the PFIC rules to Johnson Controls and the distribution.

#### ***Backup Withholding and Information Reporting***

The distribution of Adient ordinary shares and any payment of cash to a U.S. holder of Johnson Controls shares in lieu of fractional Adient ordinary shares may be subject to information reporting and backup withholding (currently at a rate of 28%), unless such U.S. holder delivers a properly completed IRS Form W-9 certifying such U.S. holder’s correct taxpayer identification number and certain other information, or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder’s U.S. federal income tax liability, if any, provided that the required information is timely supplied to the IRS.

## **U.S. Federal Income Tax Consequences to U.S. Holders of the Ownership and Disposition of Adient Ordinary Shares**

The following discussion is a summary of certain material U.S. federal income tax consequences of the ownership and disposition of Adient ordinary shares to U.S. holders of Johnson Controls shares that receive Adient ordinary shares pursuant to the distribution.

### ***Distributions on Adient Ordinary Shares***

The gross amount of any distribution on Adient ordinary shares that is made out of Adient's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be taxable to a U.S. holder as ordinary dividend income on the date such distribution is actually or constructively received by such U.S. holder. Any such dividends paid to corporate U.S. holders generally will not qualify for the dividends-received deduction that may otherwise be allowed under the Code.

Dividends received by non-corporate U.S. holders (including individuals), subject to the discussion below under “—Passive Foreign Investment Company Status,” from a “qualified foreign corporation” may be eligible for reduced rates of taxation, provided that certain holding period requirements and other conditions are satisfied. For these purposes, a foreign corporation will be treated as a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States which is determined by the U.S. Treasury to be satisfactory for purposes of these rules and which includes an exchange of information provision. The U.S. Treasury has determined that the UK Tax Treaty meets these requirements. A foreign corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. U.S. Treasury guidance indicates that shares listed on the NYSE (which the Adient ordinary shares are expected to be listed) will be considered readily tradable on an established securities market in the United States. There can be no assurance that the Adient ordinary shares will be considered readily tradable on an established securities market in the United States in future years. Non-corporate U.S. holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code (dealing with the deduction for investment interest expense) will not be eligible for the reduced rates of taxation regardless of Adient's status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Finally, Adient will not constitute a qualified foreign corporation for purposes of these rules if it is a passive foreign investment company, or “PFIC,” for the taxable year in which it pays a dividend or for the preceding taxable year. See the discussion below under “—Passive Foreign Investment Company Status.”

Dividends received from a foreign corporation are generally foreign-source income. However, if more than 25% of the gross income of the foreign corporation during the three-year period preceding the declaration of the dividend is U.S. source income that was effectively connected with the conduct of a trade or business in the United States, a portion of that dividend will be treated as U.S. source income. In addition, for purposes of the foreign tax credit, a portion of dividends received from a foreign corporation may be treated as income from U.S. sources if (i) United States persons own, directly or indirectly, 50% or more of the foreign corporation's shares and (ii) the foreign corporation receives more than a *de minimis* amount of income from U.S. sources.

The amount of any dividend paid by Adient in foreign currency will be the U.S. dollar value of the foreign currency distributed by Adient, calculated by reference to the exchange rate in effect on the date the dividend is includible in the U.S. holder's income, regardless of whether the payment is in fact

converted into U.S. dollars on the date of receipt. Generally, a U.S. holder should not recognize any foreign currency gain or loss if the foreign currency is converted into U.S. dollars on the date the payment is received. However, any gain or loss resulting from currency exchange fluctuations during the period from the date the U.S. holder includes the dividend payment in income to the date such U.S. holder actually converts the payment into U.S. dollars will be treated as ordinary income or loss. That currency exchange income or loss (if any) generally will be income or loss from U.S. sources for foreign tax credit limitation purposes.

To the extent that the amount of any distribution made by Adient on the Adient ordinary shares exceeds Adient's current and accumulated earnings and profits for a taxable year (as determined under U.S. federal income tax principles), the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the U.S. holder's Adient ordinary shares, and to the extent the amount of the distribution exceeds the U.S. Holder's tax basis, the excess will be taxed as capital gain recognized on a sale or exchange as described below under "—Sale, Exchange, Redemption or Other Taxable Disposition of Adient Ordinary Shares."

#### ***Sale, Exchange, Redemption or Other Taxable Disposition of Adient Ordinary Shares***

Subject to the discussion below under "—Passive Foreign Investment Company Status," a U.S. holder will generally recognize gain or loss on any sale, exchange, redemption, or other taxable disposition of Adient ordinary shares in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's adjusted tax basis in such shares. Any gain or loss recognized by a U.S. holder on a taxable disposition of Adient ordinary shares will generally be capital gain or loss and will be long-term capital gain or loss if the holder's holding period in such shares exceeds one year at the time of the disposition. Preferential tax rates may apply to long-term capital gains of non-corporate U.S. holders (including individuals). The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a U.S. holder on the sale or exchange of Adient ordinary shares will generally be treated as U.S. source gain or loss.

#### ***Passive Foreign Investment Company Status***

Notwithstanding the foregoing, certain adverse U.S. federal income tax consequences could apply to a U.S. holder if Adient is treated as a PFIC for any taxable year during which such U.S. holder holds Adient ordinary shares. A foreign corporation, such as Adient, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year in which, after the application of certain look-through rules, either (i) 75% or more of its gross income for such year is "passive income" (as defined in the relevant provisions of the Code) or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income includes, among other things, dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains.

Adient is not currently expected to be treated as a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination made annually and, thus, is subject to change. With certain exceptions, the Adient ordinary shares would be treated as stock in a PFIC if Adient were a PFIC at any time during a U.S. holder's holding period in such U.S. holder's Adient ordinary shares. There can be no assurance that Adient will not be treated as a PFIC for any taxable year or at any time during a U.S. holder's holding period.

If Adient were to be treated as a PFIC, unless a U.S. holder elects to be taxed annually on a mark-to-market basis with respect to its Adient ordinary shares, gain realized on any sale or exchange of such Adient ordinary shares and certain distributions received with respect to such shares could be subject to additional U.S. federal income taxes, plus an interest charge on certain taxes treated as

having been deferred under the PFIC rules. In addition, dividends received with respect to Adient ordinary shares would not constitute qualified dividend income eligible for preferential tax rates if Adient is treated as a PFIC for the taxable year of the distribution or for its preceding taxable year. Adient does not expect to provide U.S. holders with the information that is necessary to make a qualified electing fund election, which can mitigate some of the adverse U.S. federal income tax consequences to U.S. holders in the event Adient were to be classified as a PFIC. U.S. holders should consult their own tax advisors regarding the application of the PFIC rules to their investment in the Adient ordinary shares.

#### ***Specified Foreign Financial Assets***

Certain U.S. holders holding specified foreign financial assets with an aggregate value in excess of the applicable dollar threshold are required to report information to the IRS relating to Adient ordinary shares, subject to certain exceptions (including an exception for Adient ordinary shares held in accounts maintained by U.S. financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return, for each year in which they hold Adient ordinary shares. Such U.S. holders should consult their own tax advisors regarding information reporting requirements relating to their ownership of Adient ordinary shares.

#### ***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to dividends received by U.S. holders of Adient ordinary shares, and the proceeds received on the disposition of Adient ordinary shares effected within the United States (and, in certain cases, outside the United States), in each case, other than U.S. holders that are exempt recipients (such as corporations). Backup withholding (currently at a rate of 28%) may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number and comply with certain certification requirements on a properly completed IRS Form W-9 or is otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against a U.S. holder's U.S. federal income tax liability, if any, provided that the required information is timely supplied to the IRS.

#### **U.S. Federal Income Tax Consequences of the Distribution and of the Ownership and Disposition of Adient Ordinary Shares to Non-U.S. Holders**

Subject to the discussion below under “—Information Reporting and Backup Withholding,” a non-U.S. holder that receives Adient ordinary shares and/or cash in lieu of fractional Adient ordinary shares in the distribution, generally will not be subject to U.S. federal income or withholding tax, on (i) any dividend or any gain recognized in connection with the distribution (as determined for U.S. federal income tax purposes based on the Distribution Amount and based on such non-U.S. holder's ratable share of current and accumulated earnings and profits of Johnson Controls for the taxable year of the distribution, as discussed above under “—U.S. Federal Income Tax Consequences of the Distribution to U.S. Holders”) or (ii) any dividend or gain recognized in connection with any distributions made with respect to Adient ordinary shares received in the distribution by such non-U.S. holder (as determined for U.S. federal income tax purposes based on such non-U.S. holder's ratable share of current and accumulated profits of Adient for the taxable year of such distributions, as discussed above under “—U.S. Federal Tax Consequences to U.S. Holders of the Ownership and Disposition of Adient Ordinary Shares—Distributions on Adient Ordinary Shares”), or (iii) any gain



recognized upon any sale, exchange or other taxable disposition of Adient ordinary shares received in the distribution by such non-U.S. holder, unless:

- such dividend or gain is effectively connected with such non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States); or
- in the case of gain only, such non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year in which such gain is recognized, and certain other requirements are met.

Unless an applicable treaty provides otherwise, any dividend or gain described in the first bullet point above generally will be subject to U.S. federal income tax in the same manner as if such holder were a U.S. person, as described above under “—U.S. Federal Income Tax Consequences of the Distribution to U.S. Holders,” “—U.S. Federal Income Tax Consequences to U.S. Holders of the Ownership and Disposition of Adient Ordinary Shares—Distributions on Adient Ordinary Shares,” or “—U.S. Federal Income Tax Consequences to U.S. Holders of the Ownership and Disposition of Adient Ordinary Shares—Sale, Exchange, Redemption or Other Taxable Disposition of Adient Ordinary Shares,” as applicable. A non-U.S. holder that is a corporation also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Any gain described in the second bullet point above generally will be subject to U.S. federal income tax on any gain from the distribution at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), but may be offset by U.S.-source capital losses of the non-U.S. holder, if any, provided that the holder has timely filed U.S. federal income tax returns with respect to such losses.

#### ***Information Reporting and Backup Withholding***

In general, Adient ordinary shares received in the distribution, cash received in lieu of Adient ordinary shares received in the distribution, dividends paid with respect to Adient ordinary shares and proceeds from the sale or other disposition of Adient ordinary shares received in the United States by a non-U.S. holder or through certain financial intermediaries with certain U.S. connections may be subject to information reporting and backup withholding unless such non-U.S. holder provides proof of an applicable exemption or complies with certain certification procedures (such as providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI or otherwise establishing an exemption), and otherwise complies with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against a holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

**The foregoing is a summary of material U.S. federal income tax consequences of the separation and the distribution and of the ownership and disposition of Adient ordinary shares under current law and particular circumstances. The foregoing does not purport to address all U.S. federal income tax consequences or tax consequences that may arise under the tax laws of other jurisdictions or that may apply to particular categories of shareholders.**

## MATERIAL U.K. INCOME TAX CONSEQUENCES

The following is a summary of the material U.K. tax consequences of holding or disposing of the Adient ordinary shares to be received in the distribution. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to each of the shareholders who received Adient ordinary shares in the distribution. They are based on current or announced U.K. tax law and what is understood to be the current practice of HMRC as at the date of this Form 10, both of which may change, possibly with retroactive effect. They relate only to certain limited aspects of the U.K. tax treatment of Adient shareholders who are resident and, in the case of individuals, domiciled, for tax purposes in (and only in) the United Kingdom (except insofar as express reference is made to the treatment of non-U.K. residents), who hold their Adient ordinary shares as an investment (other than in an individual savings account or a self-invested personal pension) and who are the absolute beneficial owner of both the Adient ordinary shares and any dividends paid on them. Such shareholders are referred to below as “U.K. Holders.” References below to “Non-U.K. Holders” are to persons who are not resident for tax purposes in the United Kingdom, have not within the past five years been resident, or ordinarily resident, for tax purposes in the United Kingdom and are not carrying on a trade, profession or vocation in the United Kingdom. The tax position of certain categories of shareholders who are subject to special rules (such as persons acquiring their Adient ordinary shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

**The statements are intended as a general guide only. Johnson Controls shareholders that receive Adient ordinary shares in the distribution who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.**

### Taxation of Dividends

Adient will not be required to withhold tax at source from dividend payments it makes, irrespective of the residence or particular circumstances of the Adient shareholder receiving such dividend payment.

An Adient shareholder’s liability to taxation on dividends will depend upon the circumstances of the Adient shareholder. Changes have been announced concerning the position of U.K. resident individual shareholders with effect from April 2016. The current position for U.K. resident individuals, as well as the announced position from April 2016, is described below.

#### *U.K. Resident Individual Adient Shareholders*

##### *Current Position*

An individual U.K. Holder who receives a dividend from Adient will be entitled to a tax credit which may be set off against their total income tax liability on the dividend. Such an individual’s liability to income tax is calculated on the aggregate of the dividend and the tax credit (referred to herein as “the gross dividend”) which will be regarded as the top slice of the individual’s income. The tax credit will be equal to 10% of the gross dividend (*i.e.*, the tax credit will be one-ninth of the amount of the dividend).

An individual U.K. Holder who is not liable to income tax in respect of the gross dividend will not be entitled to claim repayment of any part of the tax credit.

An individual U.K. Holder who is liable to income tax at a rate or rates not exceeding the basic rate will be subject to income tax on the dividend at the rate of 10% of the gross dividend so that the tax credit will satisfy in full such individual’s liability to income tax on the dividend.



An individual U.K. Holder who is liable to income tax at the higher rate (but not the additional rate) will be subject to income tax on the gross dividend at 32.5% to the extent that the gross dividend, when treated as the top slice of that individual's income, exceeds the threshold for higher rate income tax, but will be able to set the tax credit off against part of this liability. Such an individual will therefore have to account for additional tax equal to 22.5% of the gross dividend (or 25% of the cash dividend received) to the extent that their income (including the gross dividend) exceeds the higher rate threshold.

An individual U.K. Holder who is liable to income tax at the additional rate will be subject to income tax on the gross dividend at 37.5% to the extent that the gross dividend, when treated as the top slice of that individual's income, exceeds the threshold for additional rate income tax, but will be able to set the tax credit off against part of this liability. Such an individual will therefore have to account for additional tax equal to 27.5% of the gross dividend (or approximately 30.56% of the cash dividend received) to the extent that the income (including the gross dividend) exceeds the additional rate threshold.

#### *Announced Position from April 2016*

On July 8, 2015, the UK government announced that it proposes to abolish the tax credit system described above with effect from April 2016 and introduce a new dividend tax-free allowance of £5,000 per year instead. It is proposed that the new rates of tax on dividend income above the tax-free allowance will be 7.5% on dividend income within the basic rate band, 32.5% on dividend income within the higher rate band and 38.1% on dividend income within the additional rate band. Draft legislation effecting this change was published in December 2015 and is proposed to be included in the UK Finance Bill 2016.

#### ***U.K. Resident Corporate Adient Shareholders***

A corporate U.K. Holder which is a "small company" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from Adient provided certain conditions are met (including an anti-avoidance condition).

Other corporate U.K. Holders will not be subject to UK corporation tax on any dividend received from Adient so long as the dividend falls within an exempt class and certain conditions are met. For example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to Adient's assets on its winding up, and (ii) dividends paid to a person holding less than a 10% interest in Adient, should generally fall within an exempt class. However, the exemptions mentioned above are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied for such a U.K. Holder, or if such a U.K. Holder elects for an otherwise exempt dividend to be taxable, that U.K. Holder will be subject to UK corporation tax on dividends received from Adient at the rate of corporation tax applicable to that U.K. Holder (currently 20%).

#### ***U.K. Resident Exempt Adient Shareholders***

A U.K. Holder which is not liable to U.K. taxation on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to any dividend paid by Adient.

### ***Non-U.K. Resident Adient Shareholders***

A Non-U.K. Holder will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to a dividend received from Adient, although this will depend on the existence and terms of any double taxation convention between the United Kingdom and the country in which such Non-U.K. Holder is resident.

Non-U.K. Holders may be subject to taxation on dividend income under their local law. Non-U.K. Holders should consult their own tax advisers concerning their tax liabilities (in the United Kingdom and any other country) on dividends received from Adient, whether they are entitled to claim repayment of any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

### **Taxation of Disposals**

A disposal or deemed disposal of Adient ordinary shares by a U.K. Holder may, depending on their circumstances and subject to any available exemptions and reliefs (such as the annual exempt amount for individuals, as discussed below, and indexation allowance for corporate U.K. Holders), give rise to a chargeable gain or an allowable loss for the purposes of U.K. taxation of chargeable gains.

Non-U.K. Holders are generally not subject to U.K. taxation on chargeable gains. They may, however, be subject to taxation under their local law. However, if such a Non-U.K. Holder were to carry on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-U.K. resident corporate Adient shareholder, a permanent establishment) to which the Adient ordinary shares are attributable, they will be subject to the same rules that apply to U.K. Holders.

Generally, an individual Adient shareholder who has ceased to be resident in the United Kingdom for tax purposes for a period of five full tax years or fewer and who disposes, or is deemed to dispose, of their Adient ordinary shares during that period may, on their return to the United Kingdom, be liable to U.K. taxation on any capital gain realized on that disposal (subject to any available exemption or relief). Special rules apply to Adient shareholders who are subject to tax on a “split-year” basis. Such Adient shareholders should seek specific professional advice if they are in any doubt about their position.

The applicable rate for a U.K. Holder who is subject to income tax at a rate or rates not exceeding the basic rate and becomes liable to UK capital gains tax on the disposal or deemed disposal of Adient ordinary shares is 18%. Where an individual U.K. Holder is subject to income tax at either the higher or the additional rate, or to the extent that any gain on the disposal or deemed disposal takes such an individual's aggregate income and gains over the higher rate threshold, the applicable rate will be 28%. Individual U.K. Holders are, for each tax year, entitled to an annual exemption from capital gains tax for a specified amount of gains realized in that tax year. The annual exempt amount for the tax year to April 5, 2016 is £11,100.

### **Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

*The following statements are intended as a general guide to the current position relating to UK stamp duty and SDRT on the issuance and transfer of Adient ordinary shares, and apply to any holders of Adient ordinary shares irrespective of their place of tax residence. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt arrangements and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for such tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.*

### ***Ordinary Shares to Be Issued in Connection with the Spin-off***

It is intended that the Adient ordinary shares to be issued in connection with the spin-off will be issued to Cede & Co (“Cede”) (as nominee for DTC). Under current U.K. legislation, where U.K. shares are issued to, or to a nominee for, a person whose business is or includes the provision of clearance services for the purchase and sale of such shares, SDRT will generally be payable at the higher rate of 1.5% of the price of such shares when issued. Following litigation, HMRC has confirmed in its published guidance that it will no longer seek to impose the 1.5% SDRT charge on issues of U.K. shares to clearance services anywhere in the world on the basis that the charge is not compatible with EU law. The parties are seeking a formal clearance from HMRC that it will not seek to impose the 1.5% SDRT charge when the Adient ordinary shares to be issued in connection with the spin-off are issued to Cede (as nominee for DTC).

While the Adient ordinary shares are held by Cede (as nominee for DTC), and provided that Cede and DTC satisfy various conditions specified in U.K. legislation, transfers of, or agreements to transfer, such Adient ordinary shares (whether by way of sale or other form of disposition) should not be subject to U.K. stamp duty or SDRT.

In the event that Adient ordinary shares have left the DTC clearance service otherwise than by way of a transfer to another clearance service or depositary receipt system, a transfer of, or an agreement to transfer, such Adient ordinary shares (including in relation to the repurchase of such Adient ordinary shares by Adient) may, subject to any available exemption or relief, be subject to U.K. stamp duty or SDRT at a rate of 0.5 percent of the consideration for such transfer or agreement to transfer. An exemption from stamp duty is available on an instrument transferring Adient ordinary shares where the amount or value of the consideration for such transfer is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. Any such U.K. stamp duty or SDRT will generally be payable by the transferee.

In the event that Adient ordinary shares which have left the DTC clearance service otherwise than by way of a transfer to another clearance service or depositary receipt system are transferred back into the DTC clearance service or are transferred into any other clearance service or depositary receipt system, such transfer may give rise, subject to any available exemption or relief, to U.K. stamp duty or SDRT at a rate of 1.5 percent of the amount or value of the consideration for such transfer or, where there is no consideration for such transfer, the value of the Adient ordinary shares at the time of transfer.

### **Inheritance Tax**

Adient ordinary shares in the hands of an individual shareholder may be subject to inheritance tax in the United Kingdom upon the death of that shareholder. However, individual Non-U.K. Holders who are domiciled in the United States and/or are U.S. citizens (and not U.K. citizens) should be exempt from inheritance tax under the terms of the relevant double taxation convention between the United States and the United Kingdom.

## **MATERIAL IRISH INCOME TAX CONSEQUENCES**

The following is a summary of the material Irish tax consequences for certain beneficial owners of Johnson Controls ordinary shares who receive Adient ordinary shares pursuant to the distribution and who are the beneficial owners of such Adient ordinary shares. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each of the shareholders. The summary is based upon Irish tax laws and the practice of Irish Revenue in effect on the date of this information statement and, in particular, assumes the receipt of a positive opinion from Irish Revenue relating to the distribution not being subject to Irish dividend withholding. Changes in law and/or administrative practice may result in alteration of the tax considerations described below.

The summary does not constitute tax advice and is intended only as a general guide. The summary is not exhaustive and shareholders should consult their own tax advisers about the Irish tax consequences (and tax consequences under the laws of other relevant jurisdictions) of the spin-off and of the acquisition, ownership and disposal of our ordinary shares. The summary applies only to shareholders who will own our ordinary shares as capital assets and does not apply to other categories of shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes and shareholders who have, or who are deemed to have, acquired our ordinary shares by virtue of an Irish office or employment (performed or carried on in Ireland).

### **Taxation of Income**

Certain distributions made by Irish tax resident companies (such as Johnson Controls) are subject to Irish dividend withholding tax at the current rate of 20%. Johnson Controls intends to apply to the Irish Revenue for a confirmation that the indirect distribution of Adient shares in the manner contemplated by the Separation and Distribution Agreement does not trigger an obligation on Johnson Controls to apply Irish dividend withholding tax. There is no certainty that such a confirmation will be obtained from the Irish Revenue or, if such confirmation was obtained, that the Irish Revenue would not determine at a subsequent audit that the relevant conditions were not satisfied. If the indirect distribution is determined to be subject to Irish dividend withholding tax and the relevant Johnson Controls shareholder did not qualify for an exemption from Irish dividend withholding tax (for example on the basis that the relevant shareholder was not resident for tax purposes in either a Member State of the European Union or a country with which Ireland has a double tax treaty), Johnson Controls could be subject to a material Irish tax liability and the relevant Johnson Controls shareholder could receive a reduced number of Adient shares.

### **Irish Tax on Chargeable Gains**

*Non-resident Shareholders.* Johnson Controls shareholders that are not resident or ordinarily resident in Ireland for Irish tax purposes and do not hold their shares in connection with a trade or business carried on by such shareholders through an Irish branch or agency will not be subject to Irish tax on chargeable gains on the receipt of Adient ordinary shares pursuant to the spin-off.

Adient shareholders that are not resident or ordinarily resident in Ireland for Irish tax purposes and do not hold their shares in connection with a trade or business carried on by such shareholders through an Irish branch or agency will not be liable for Irish tax on chargeable gains realized on a subsequent disposal of Adient ordinary shares.

### **Irish Stamp Duty**

The distribution should not give rise to a charge to Irish stamp duty for Johnson Controls shareholders. As Adient is not Irish incorporated, Irish stamp duty should not generally be payable in respect of transfers of Adient ordinary shares after the spin-off.

**Withholding Tax on Dividends**

As Adient is not intended to be resident for tax purposes in Ireland, distributions made by Adient should not be subject to Irish dividend withholding tax.

#### **DESCRIPTION OF MATERIAL INDEBTEDNESS**

Adient intends to enter into certain financing arrangements prior to or concurrently with the separation and distribution. A description of such financing arrangements will be included in an amendment to the registration statement of which this information statement is a part.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Before the separation, all of the outstanding Adient ordinary shares will be owned beneficially and of record by a U.K. corporate services provider. Following the distribution, Adient expects to have outstanding an aggregate of approximately                      million ordinary shares based upon approximately                      million shares of Johnson Controls outstanding on                      , 2016, excluding treasury shares and assuming no exercise of Johnson Controls stock options, and applying the distribution ratio of one ordinary share of Adient for every ten shares of Johnson Controls.

### Security Ownership of Certain Beneficial Owners

The following table reports the number of Adient ordinary shares that Adient expects will be beneficially owned, immediately following the completion of the distribution, by each person who will beneficially own more than five percent of Adient ordinary shares. The table is based upon information available as of                      , 2016 as to those persons who beneficially own more than five percent of Johnson Controls shares and an assumption that, for every ten shares of Johnson Controls held by such persons, they will receive one Adient ordinary share.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
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### Share Ownership of Executive Officers and Directors

The following table sets forth information, immediately following the completion of the separation calculated as of                      , 2016, based upon the distribution of one Adient ordinary share for every ten shares of Johnson Controls, regarding (1) each expected director, director nominee and named executive officer of Adient and (2) all of Adient's expected directors and executive officers as a group. The address of each director, director nominee and executive officer shown in the table below is c/o Adient, Attn: Corporate Secretary, 833 East Michigan Street, Milwaukee, Wisconsin 53202.

<u>Name of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	<u>Exercisable Stock Options</u>	<u>Percent of Class</u>
John M. Barth . . . . .			
Julie L. Bushman . . . . .			
Raymond L. Conner . . . . .			
Richard Goodman . . . . .			
Frederick A. Henderson . . . . .			
Neil E. Marchuk . . . . .			
R. Bruce McDonald . . . . .			
Jeffrey M. Stafeil . . . . .			
All directors and officers as a group (                      persons) . . . . .			

\* Indicates that the percentage of beneficial ownership of the director or executive officer does not exceed 1 percent of the class.



## DESCRIPTION OF ADIENT'S CAPITAL STOCK

*Adient's articles of association will be amended and restated prior to the separation. The following is a summary of the material terms of Adient's capital stock that will be contained in the amended and restated articles of association. The summaries and descriptions below do not purport to be complete statements of the relevant provisions of the articles of association to be in effect at the time of the distribution, which you must read for complete information on Adient's capital stock as of the time of the distribution. The articles of association, in a form expected to be in effect at the time of the distribution, will be included as an exhibit to Adient's registration statement on Form 10, of which this information statement forms a part. The summaries and descriptions below do not purport to be complete statements of the U.K. Companies Act 2006, as amended, which is referred to as the Companies Act.*

### **Legal Name; Formation; Fiscal Year; Registered Office**

The current legal and commercial name of Adient is Adient Ltd. Adient was organized under the laws of England and Wales on December 17, 2015 as a private limited company, but will be re-registered as a public limited company before the distribution. Adient's fiscal year ends on September 30 each year. Adient's registered office address is 1 Fetter Lane, London, United Kingdom, EC4A 1BR.

### **Capital Structure**

The rights of and restrictions applicable to the Adient ordinary shares will be prescribed in Adient's articles of association, subject to the Companies Act.

Immediately following the distribution, Adient expects that approximately                      million ordinary shares, par value £0.01 per share, will be issued and outstanding.

As of                      , 2016, Adient employees held, in the aggregate, (i) options with respect to shares of Johnson Controls common stock, (ii) stock appreciation rights with respect to                      shares of Johnson Controls common stock, (iii) restricted stock awards with respect to                      shares of Johnson Controls common stock, (iv) restricted stock unit awards with respect to                      shares of Johnson Controls common stock and (v) performance share unit awards with respect to                      shares of Johnson Controls common stock.

Adient estimates that its directors and executive officers, who may be considered "affiliates" for purposes of Rule 144, will beneficially own approximately                      ordinary shares of Adient immediately following the distribution.

Under Adient's articles of association, subject to the Companies Act, the Adient board of directors (or an authorized committee thereof) is authorized to approve the allotment, issue, grant and disposal of, or otherwise deal with, shares, options, equity awards, rights over shares, warrants, other securities and derivatives (including unissued shares) or fractions thereof in or of Adient to such persons, at such times and on such terms as it thinks fit (including specifying the conditions of allotment of shares for the purposes of the Companies Act).

As a matter of English law, the directors of a company may issue new ordinary or preferred shares without shareholder approval once authorized to do so by the articles of association or by an ordinary resolution adopted by the shareholders at a general meeting. An ordinary resolution requires over 50% of the votes of a company's shareholders cast at a general meeting (in person or by proxy). The authorization may be granted for a maximum period of five years, at which point it must be renewed by the shareholders by an ordinary resolution. Adient's articles of association will authorize Adient's board of directors to allot shares in Adient with aggregate par amount of up to £                      (subject to the limits provided for in the NYSE Listed Company Manual) without shareholder approval for a period of five years from the date of adoption of Adient's articles of association.

## **Preemption Rights, Share Warrants and Share Options**

The Companies Act automatically grants certain preemptive rights on the issue of shares of Adient. However, Adient's articles of association will disapply the statutory preemption rights for issues of shares up to the number of shares authorized for allotment in Adient's articles of association. English law requires this disapplication to be renewed at least every five years by special resolution, and it is the intention of Adient to seek such renewal at least every five years. If the disapplication is not renewed, shares issued for cash must be offered to existing shareholders of Adient on a pro rata basis to their existing shareholding before the shares may be issued to any new shareholders.

Statutory preemption rights do not apply (i) where shares are issued for non-cash consideration (such as in a stock-for-stock acquisition), (ii) to the issue of non-equity shares (that is, shares that have the right to participate only up to a specified amount in any income or capital distribution) or (iii) where shares are issued pursuant to an employee stock option or similar equity plan.

## **Dividends**

Under English law, dividends and distributions may be made only from distributable reserves of Adient. Distributable reserves are the accumulated realized profits of Adient that have not previously been utilized in a distribution or capitalization less accumulated realized losses that have not previously been written off in a reduction or reorganization of capital, and include reserves created by way of a reduction of capital, including the share premium account. In addition, no distribution or dividend may be paid or made by Adient unless the net assets of Adient are equal to, or exceed, the aggregate of Adient's called up share capital plus non-distributable reserves and the distribution does not reduce Adient's net assets below such aggregate. Non-distributable reserves include the share premium account, the capital redemption reserve fund and the amount by which Adient's accumulated unrealized profits that have not previously been utilized by any capitalization exceed Adient's accumulated unrealized losses that have not previously been written off in a reduction or reorganization of capital.

Immediately following the spin-off, Adient will not have any distributable reserves. Adient therefore will not have the ability to pay dividends (or make other forms of distributions) immediately following the distribution until it obtains the court approval described below or creates distributable reserves as a result of the profitable operation of its business. See "Risk Factors."

The mechanism as to who declares a dividend and when a dividend becomes payable will be governed by Adient's articles of association. Adient's articles of association will authorize the Adient board of directors to declare such dividends as appear justified from the financial position of Adient (which are commonly referred to as interim dividends) without the approval of the shareholders at a general meeting. The board of directors may also recommend a dividend to be approved and declared by the shareholders at a general meeting. Although the shareholders may direct that the payment be made by distribution of assets, shares or cash, no dividend issued may exceed the amount recommended by the directors. The dividends can be declared and paid in the form of assets, shares or cash.

Following the distribution, Adient expects to capitalize the reserve created pursuant to the internal restructuring transactions related to the distribution and implement a parallel court-approved reduction of that capital in order to create a reserve of an equivalent amount of distributable reserves to support the payment of possible future dividends or future share repurchases. Johnson Controls, as sole shareholder of Adient, will approve the reduction in share capital by a special resolution. To complete this process, Adient will need to obtain the approval of the Companies Court, which is a specialist court within the Chancery Division of the High Court of Justice of the United Kingdom and is referred to as the High Court. Adient will seek to obtain these approvals as soon as practicable following the distribution, but whether and when Adient receives such approvals depends on a number of factors, such as the case load of the High Court at the time of Adient's initial application, and court vacations. Accordingly, there is no guarantee that Adient will obtain such approvals.

## **Share Repurchases, Redemptions and Conversions**

### *Repurchase and Redemption*

Under the Companies Act, Adient may purchase its own fully paid shares, including any redeemable shares, from any source to the extent it is authorized to do so by an ordinary resolution (passed by a simple majority of those voting in person or by proxy) of the Adient shareholders. However, the repurchase of shares cannot result in only redeemable or treasury shares being in issue. A purchase of such shares must be financed out of Adient's distributable reserves or the proceeds of a fresh issue of shares.

### *Treasury Shares*

Under the Companies Act, following the redemption or repurchase of shares, Adient may hold the shares in treasury (and subsequently cancel them, sell them, or transfer them for the purpose of or under an employees' share scheme) to the extent it is authorized to do so by an ordinary resolution (passed by a simple majority of those voting in person or by proxy) of the Adient shareholders. There must at all times be sufficient shares in Adient outstanding that are not held in treasury to satisfy the minimum share capital requirements under the Companies Act.

### *Purchases by Subsidiaries of Adient*

Under the Companies Act, generally a subsidiary of Adient cannot hold shares in Adient. However, this does not prevent a subsidiary which, at the time it becomes a subsidiary, is an Adient shareholder from continuing to hold Adient ordinary shares, provided that it has no right to vote on any matter presented to Adient shareholders and provided it does not acquire additional shares in Adient except by way of the allotment to it of fully paid shares via a capitalization of reserves.

### *Consolidation and Division; Subdivision*

Under the Companies Act, Adient ordinary shares may be consolidated or divided into shares of a larger or smaller amount by an ordinary resolution passed by a simple majority of the voting rights represented in person or by proxy at a meeting of Adient shareholders at which the resolution is proposed.

### *Reduction of Share Capital*

Under the Companies Act, Adient may reduce its capital only by way of a court-approved procedure, preceded by the approval of a majority of three-quarters of its shareholders present and voting in person or by proxy at a general meeting.

## **Annual General Meetings of Shareholders**

Adient must hold its annual general meeting within the six month period beginning with the day following its accounting reference date (which is its accounting year end of September 30). Adient's articles of association will provide that the Adient board of directors may convene general meetings of the shareholders at any place they so designate.

The notice of the general meeting must state the time, date and place of the meeting and the general nature of the business to be dealt with. Under English law, an annual general meeting must be called by at least 21 clear days' notice. This notice period can be shortened if all shareholders who are permitted to attend and vote agree to the shorter notice. A meeting other than the annual general meeting must be called by not less than 14 clear days' notice, but this too can be longer or shorter by agreement.

"Clear days" means calendar days and excludes (1) the date on which a notice is given or a request received; and (2) the date of the meeting itself.

## **General Meetings of Shareholders**

Adient's articles of association will provide that general meetings of shareholders may be called on the order of the Adient board of directors. In addition, the Companies Act requires the Adient board of directors, if it receives a written requisition from registered shareholders representing at least 5% of the total voting rights of Adient shareholders who have the right to vote at the meeting requisitioned, who we refer to as the requisitioners, within 21 days of receipt of the requisition to proceed to call a general meeting of Adient shareholders or a meeting of the holders of that class of shares, as applicable, to be held as soon as practicable and in any event not later than 28 days after the date of the notice convening the meeting. The requisition must state the business to be considered at the meeting, must be signed by or on behalf of the requisitioners, and must be submitted to Adient's registered office.

Under the Companies Act, if the Adient board of directors does not, within 21 days of the date of the deposit of a valid requisition from requisitioners, call a meeting of Adient shareholders to be held within 28 days of a valid notice convening the meeting, the requisitioners (or those representing more than a majority of the total voting rights of the requisitioners) may call a meeting of Adient shareholders to be held within three months of the date of deposit of the requisition. A meeting called by the requisitioners in this manner must be called in the same manner, as nearly as possible, as meetings are called by the Adient board of directors. Adient must pay the requisitioners their reasonable expenses incurred in calling the meeting if the Adient board of directors has failed to properly call a requisitioned meeting.

## **Proxy Access**

Adient provides proxy access rights in its articles of association. Adient's articles of association provide that, in certain circumstances, a shareholder or group of up to 20 shareholders may include director candidates that they have nominated in Adient's annual general meeting proxy materials. Such shareholder or group of shareholders will need to own 3% or more of Adient's outstanding ordinary shares continuously for at least three years. The number of shareholder-nominated candidates appearing in any of Adient's annual general meeting proxy materials will not exceed the greater of 2 and 20% of the number of directors then serving on Adient's board, rounded down to the nearest whole number, subject to reduction in certain circumstances, including where shareholders have nominated candidates for election at the same meeting outside the proxy access process. The nominating shareholder or group of shareholders will also be required to deliver certain information and undertakings, and each nominee will be required to meet certain qualifications, as described in more detail in the articles of association.

## **Voting**

All resolutions at an annual general meeting or other general meeting will be decided on a poll. The requirement for poll voting on resolutions at a general meeting may be removed or amended only by a unanimous shareholder resolution passed at a general meeting. Where a vote is to be taken at a general meeting, every shareholder will have one vote for each ordinary share that he or she holds as of the record date for the meeting. Voting rights may be exercised by shareholders registered in Adient's share register as of the record date for the meeting or by a duly appointed proxy of such a registered shareholder, which proxy need not be a shareholder. Where interests in shares are held by a nominee trust company, this company may exercise the rights of the beneficial holders on their behalf as their proxy. All proxies must be appointed in the manner prescribed by Adient's articles of association. Adient's articles of association permit the appointment of proxies by the shareholders to be notified to Adient electronically.

Under the Companies Act, an ordinary resolution approved by a simple majority of the voting rights represented in person or by proxy at a meeting of the shareholders at which the resolution is proposed is required for the following matters:

- approval of directors' long-term service contracts, substantial property transactions with or loans to directors;
- ratification of acts by directors;
- the approval of the directors' remuneration report and remuneration policy;
- a sub-division or consolidation of share capital; and
- authorization of off-market share purchases.

Under the Companies Act, a special resolution proposed at an annual general meeting or other general meeting of the shareholders requires approval by not less than 75% of the voting rights represented in person or by proxy at the meeting. Matters requiring a special resolution under the Companies Act include the following:

- altering a company's articles of association;
- changing the status of a company from public to private or from private to public;
- changing the name of a company (unless otherwise provided for in the company's articles of association);
- varying the class rights of shares, unless otherwise provided for in the articles of association;
- reducing share capital; and
- commencing or terminating a member's voluntary winding up under the Companies Act.

Under Adient's articles of association, however, certain amendments to Adient's articles of association will require the affirmative vote of at least 80 percent of Adient ordinary shares outstanding, which represents a higher standard than that required under the Companies Act for altering a company's articles of association. In particular, amendments to the provisions of Adient's articles of association relating to the following matters will require the affirmative vote of at least 80 percent of Adient ordinary shares outstanding:

- notice of annual general meetings;
- authority to change the size of the board or fill board vacancies;
- director and officer indemnification;
- combinations with interested shareholders;
- advance notice of shareholder business and nominations; and
- amending the articles of association.

To shorten the notice requirements for a meeting (other than an annual general meeting) of the shareholders or a class of shareholders of the company, a resolution of shareholders entitled to attend and vote at the meeting and holding not less than 95% of the total voting rights of shareholders who have that right is required.

### **Variation of Rights Attaching to a Class of Shares**

Under the Companies Act, any variation of class rights attaching to the issued shares of Adient requires the approval of a special resolution passed by a majority of not less than 75% of the voting rights of that class represented in person or by proxy at a separate meeting of the shareholders of the relevant class.

A variation of the rights of Adient shareholders could also be effected by an amendment to the Adient articles of association. Any such amendment to the Adient articles of association varying the rights of Adient shareholders would require the approval of a special resolution passed by a majority of not less than 75% of the voting rights of that class represented in person or by proxy at a separate meeting of the shareholders of the relevant class, in addition to the approval usually required for an amendment to the Adient articles of association.

### **Quorum for General Meetings**

Adient's articles of association will provide that the presence, in person or by proxy, of the holders of at least a simple majority of the shares issued and entitled to vote at a general meeting constitutes a quorum for the conduct of business. No business may take place at a general meeting of Adient if a quorum is not present in person or by proxy. The board of directors has no authority to waive quorum requirements stipulated in Adient's articles of association. Abstentions and broker non-votes will be counted as present for purposes of determining whether there is a quorum in respect of the proposals.

### **Requirements for Advance Notification of Director Nominations and Proposals of Shareholders**

Adient's articles of association will provide that with respect to a meeting of shareholders, nominations of persons for election to our board of directors and the proposal of business to be considered by shareholders may be made only pursuant to Adient's notice of meeting; by the board of directors; by any shareholders pursuant to the valid exercise of power granted to them under the Companies Act; or by a shareholder who is entitled to vote at the meeting and who has complied with the advance notice procedures provided for in Adient's articles of association.

The Companies Act provides that one or more registered shareholders holding at least 5% of the total voting rights of all shareholders who have the right to vote on the resolution, or at least 100 registered shareholders who have a right to vote and hold (on average) at least £100 per shareholder of paid-up share capital, can require resolutions to be put before the annual general meeting (including a resolution to appoint a director).

In order to comply with the advance notice procedures that will be included in Adient's articles of association, a shareholder will be required to give written notice to Adient's Secretary on a timely basis. To be timely for an annual general meeting, notice must be delivered not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual general meeting, or, if the date of the annual general meeting is more than 30 days before or more than 60 days after such anniversary date, notice must be delivered not earlier than the close of business on the 120th day prior to the date of such annual general meeting and not later than the close of business on the later of (i) the 90th day prior to the date of such annual general meeting and (ii) the 10th day following the day on which public announcement of the date of such meeting is first made by Adient. With respect to the first annual general meeting following the distribution, notice must be so delivered not later than the 10th day following the day on which public announcement of the date of such meeting is first made by Adient.

In addition, to be timely, a shareholder's notice must be updated and supplemented, if necessary, so the information provided or required to be provided is true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement thereof. For nominations to the Adient board of directors, the notice must include all information about the director nominee that is required to be disclosed by SEC rules regarding the solicitation of proxies for the election of directors pursuant to Regulation 14A under the Exchange Act, a description of all direct and indirect compensation and other material monetary agreements during the past three years, any other material relationships with the proposed nominee and his or her affiliates and associates and such other information as Adient may reasonably require to determine the eligibility of the proposed nominee, as well as a completed questionnaire, representation and agreement



signed by the proposed nominee regarding the background, qualification and certain existing relationships of the proposed nominee. For other business that a shareholder proposes to bring before the meeting, the notice must include a brief description of the business, the reasons for proposing the business at the meeting, a discussion of any material interest of the shareholder in the business and a description of all arrangements with any other person or persons in connection with the proposal. Whether the notice relates to a nomination to the board of directors or to other business to be proposed at the meeting, the notice also must include information about the shareholder, the shareholder's holdings of Adient ordinary shares (as well as "derivative instruments," "short interests" with respect to Adient ordinary shares, as defined in Adient articles of association), any arrangements giving the shareholder the right to vote shares of Adient, any rights to dividends on the Adient ordinary shares that are separated or separable from the underlying Adient ordinary shares, any performance-related fees (other than an asset-based fee) that the shareholder is entitled to based on any increase or decrease in the value of the Adient ordinary shares or "derivative instruments," any significant equity interests or any derivative instruments in any of Adient's principal competitors held by the shareholder and any interest of the shareholder in any contract with Adient or any of its affiliates or principal competitors.

In addition, the Companies Act provides that registered shareholders holding not less than 5% of the total voting rights of Adient shareholders who have the right to vote at the meeting requisitioned may call a general meeting for the purpose of considering director nominations or other proposals, as described above under "—General Meetings of Shareholders."

#### **Unanimous Shareholder Consent to Action Without Meeting**

Under English law, a public limited company's shareholders cannot pass a resolution by written consent; they can only pass resolutions taken at shareholder meetings or by unanimous consent of all shareholders.

#### **Inspection of Books and Records**

Under the Companies Act, a company's register of shareholders is open to inspection during business hours. Inspection is free for shareholders of the company but the company may charge a nominal fee to any other person who intends to inspect the register. In addition, anyone may request a copy of an English company's register of shareholders on payment of a fee, so long as the request contains certain prescribed information.

The Companies Act also provides that certain corporate records of a public company, including a register of its directors, secretary, debentures and directors' service contracts, must be open for inspection for at least two hours in each business day.

The accounting records of a public English company must be open at all times to inspection by its directors, secretary and liquidator (if any).

Adient's statutory books and records shall, to the extent required by the Companies Act, be kept in England.

#### **Acquisitions**

An English public limited company may be acquired in a number of ways, including by means of a "scheme of arrangement" between the company and its shareholders or by means of a takeover offer.

##### *Scheme of Arrangement*

A "scheme of arrangement" is a statutory procedure under the Companies Act pursuant to which the English courts may approve an arrangement between an English company and some or all of its shareholders. In a "scheme of arrangement," the company would make an initial application to the



court to convene a meeting or meetings of its shareholders at which a majority in number of shareholders representing 75% of the voting rights of such shareholders present and voting either in person or by proxy at the meeting must agree to the arrangement by which they will sell their shares in exchange for the consideration being offered by the bidder. If the shareholders so agree, the company will return to court to request the court to sanction the arrangement. Upon such a scheme of arrangement becoming effective in accordance with its terms and the Companies Act, it will bind the company and all of its shareholders, including those who do not vote on the scheme of arrangement.

#### *Takeover offer*

A takeover offer is an offer to acquire all of the outstanding shares of a company (other than shares which at the date of the offer are already held by the offeror). Under the Takeover Code and in order to squeeze out dissenting shareholders, the offer must be made on identical terms to all holders of shares to which the offer relates. If the offeror, by virtue of acceptances of the offer, acquires or contracts to acquire not less than 90% in par value of the shares to which the offer relates, the Companies Act allows the offeror to give notice to any non-accepting shareholder that the offeror intends to acquire his or her shares through a compulsory acquisition (also referred to as a “squeeze out”), and the shares of such non-accepting shareholders will be acquired by the offeror six weeks later on the same terms as the offer, unless the shareholder objects to the English court and the court enters an order that the offeror is not entitled to acquire the shares or specifying terms of the acquisition different from those of the offer.

It is also possible for Adient to be acquired by way of a merger with an E.U.-incorporated public company under the E.U. Cross Border Merger Directive 2005/56. Such a merger must be approved by a special resolution. If Adient is being merged with another E.U. public company under the E.U. Cross Border Merger Directive 2005/56 and the consideration payable to Adient shareholders is not all in the form of cash, Adient shareholders may be entitled to require their shares to be acquired at fair value.

The Companies Act permits a scheme of arrangement or takeover offer to be made relating only to a particular class or classes of a company's shares.

Adient's articles of association will provide that an affirmative vote of Adient shareholders representing at least two-thirds of the par value of Adient's issued share capital is required for certain transactions relating to the sale of all or substantially all of Adient's property or assets.

#### **Disclosure of Interests in Shares**

Adient shareholders will be subject to section 793 of the Companies Act. Section 793 provides that a company may give notice to any person who it knows, or has reasonable cause to believe, to be interested in the company's shares (or to have been interested in the previous three years) requiring that person to provide to the company details of the person's interest.

If an Adient shareholder fails to respond to such a request within 14 calendar days, Adient's articles of association will provide that Adient can impose sanctions on that holder which include the suspension of voting rights in the relevant shares and, where the relevant shares represent at least 0.25% of the class (excluding treasury shares), the suspension of dividend and share transfer rights. The Adient board of directors may suspend or terminate any and all of the sanctions at its discretion at any time. These sanctions automatically cease seven days after the Adient shareholder complies with the request.

#### **Anti-Takeover Provisions**

##### *Applicability of the U.K. Takeover Code*

Takeover offers and certain other transactions in respect of certain public companies are regulated by the Takeover Code, which is administered by the Takeover Panel, a body consisting of representatives of the City of London financial and professional institutions which oversees the conduct of takeovers.

An English public limited company is potentially subject to the Takeover Code if, among other factors, its place of central management and control is within the United Kingdom, the Channel Islands or the Isle of Man. The Takeover Panel will generally look to the residency of a company's directors to determine where it is centrally managed and controlled. Based upon Adient's current and intended plans for its directors and management, for the purposes of the Takeover Code, Adient will be considered to have its place of central management and control outside the United Kingdom, the Channel Islands or the Isle of Man. Therefore, the Takeover Code would not apply to Adient. It is possible that in the future circumstances could change that may cause the Takeover Code to apply to Adient.

#### *Shareholders Rights Plan*

The Adient articles of association will provide the Adient board of directors with the power to establish a shareholders rights plan in a form determined by the Adient board of directors in its absolute discretion. The shareholders rights plan may include rights to either: (i) subscribe for shares in Adient; or (ii) acquire shares of Adient. The Adient board of directors will be entitled to establish a shareholders rights plan if, in the opinion of the Adient board of directors, in the context of an acquisition or potential acquisition of 20% or more of the issued voting shares of Adient, to do so would improve the likelihood that:

- a process which may result in a change of control of Adient is conducted in an orderly manner;
- a change of control of Adient will treat all shareholders of Adient holding the same class of shares equally and fairly;
- an optimum price for shares would be received by all shareholders of Adient;
- the Adient board of directors would have additional time to gather relevant information or pursue appropriate strategies;
- the success of Adient would be promoted for the benefit of its shareholders;
- the long term interests of Adient, its employees, its shareholders and its business would be safeguarded; and/or
- Adient would not suffer serious economic harm.

The Adient articles of association will also provide that the Adient board of directors may, in accordance with the terms of a rights plan, determine to (i) allot shares pursuant to the exercise of rights or (ii) exchange rights for shares in Adient, where in the opinion of the Adient board of directors acting in good faith, in the context of an acquisition or potential acquisition of 20% or more of the issued voting shares of Adient, to do so is necessary in order to prevent:

- the use of abusive tactics by any person in connection with such acquisition;
- unequal treatment of shareholders;
- an acquisition which would undervalue Adient;
- harm to the prospects of the success of Adient for the benefit of its shareholders as a whole; and/or
- serious economic harm to the prospects of Adient,
- or where to do so is otherwise necessary to safeguard the long term interests of Adient, its shareholders and business.

Companies subject to the Takeover Code are constrained from implementing such defensive measures. But as discussed above, these measures are included in the Adient articles of association as

the Takeover Code is not expected to apply to Adient and these measures are included commonly in the constitution of U.S. companies. These provisions will apply for so long as Adient is not subject to the Takeover Code.

#### *Interested Shareholder Provision*

Adient's articles of association will contain a provision that generally mirrors Section 203 of the Delaware General Corporation Law, an anti-takeover statute that prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested" shareholder for a period of three years following the time the person became an interested shareholder, unless the business combination or the acquisition of shares that resulted in a shareholder becoming an interested shareholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested shareholder. An "interested" shareholder under this provision of Adient's articles of association will be defined to be a person or entity who, together with its affiliates and associates, owns (or within three years prior to the determination of interested shareholder status did own) fifteen percent (15%) or more of Adient's voting shares, which is the same threshold contained in Section 203 of the Delaware General Corporation Law. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by Adient's board of directors, including discouraging attempts that might result in a premium over the market price for the ordinary shares held by Adient shareholders.

These provisions will apply for so long as Adient is not subject to the Takeover Code.

#### **Corporate Governance**

Under English law, the authority for the overall management of Adient is vested in the Adient board of directors. The Adient board of directors may delegate any of its powers on such terms as it thinks fit in accordance with Adient's articles of association and English law. Despite this delegation, the Adient board of directors remains responsible, as a matter of English law, for the proper management of the affairs of Adient and the directors are not allowed to leave the performance of their duties to others. The directors must ensure that any delegation is and remains appropriate and that an adequate system of control and supervision is in place.

#### **Election of Directors**

Adient's articles of association will provide for two to twelve directors, and that the number of directors shall be as determined by the Adient board of directors from time to time. The shareholders of Adient may from time to time increase or reduce the maximum number, or increase the minimum number, of directors by the affirmative vote of at least 80 percent of Adient ordinary shares outstanding voting to amend the articles of association.

Directors will be elected by the affirmative vote of a majority of the votes cast by shareholders at an annual general meeting (present in person or by proxy). Commencing with the first annual meeting of shareholders following the separation, directors will stand for election or re-election at each annual general meeting.

#### **Vacancies on the Board of Directors**

Adient's articles of association will provide that the directors have the authority to appoint one or more directors to Adient's board, subject to the maximum number of directors allowed for in the articles of association. A vacancy on the Adient board of directors may be filled only by the remaining directors. Any director so appointed will hold office until the next annual general meeting of Adient. During any vacancy on the board, the remaining directors will have full power to act as the board.

## **Removal of Directors**

Under English law and subject to the procedural requirements of the Adient articles of association, the Adient shareholders will be able to remove a director without cause by ordinary resolution, provided that at least 28 clear days' notice of the resolution is given to the company.

Under Adient's articles of association, a director's office will be vacated if that director:

- resigns;
- held office as a director for a fixed term and such term expires;
- ceases to be a director by virtue of any provision of the Companies Act or becomes prohibited by law from being a director;
- becomes bankrupt, has an interim receiving order made against such director, makes any arrangement or compounds with his or her creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency;
- is or has been suffering from mental or physical ill health and the Adient board of directors resolves that such director's office be vacated;
- is absent, without permission of the Adient board of directors, from board meetings for six consecutive months and the board resolves that such director's office be vacated;
- is removed from office by notice in writing addressed to such director at his or her address as shown in the company's register of directors and signed by three-quarters or more of all the directors; or
- holds an executive office and such director's appointment to such office is terminated or expires and the Adient board of directors resolves that his or her office be vacated.

## **Amendment of Governing Documents**

English companies, including Adient, may alter their articles of association only with the approval of the holders of at least 75% of the company's shares present and voting in person or by proxy at a general meeting of the company. Under Adient's articles of association, however, certain amendments to Adient's articles of association will require the affirmative vote of at least 80 percent of Adient ordinary shares outstanding, which represents a higher standard than that required under the Companies Act for altering a company's articles of association. The Adient board of directors does not have the power to amend Adient's articles of association without shareholder approval. See "Description of Adient's Capital Stock—Voting."

## **Duration; Dissolution; Rights upon Liquidation**

Adient's duration will be unlimited, but Adient may be dissolved and wound up at any time. There are three types of winding up procedure under the Companies Act:

- a member's voluntary winding up;
- a creditors' voluntary winding up; and
- a compulsory winding-up.

Generally, a member's voluntary winding up occurs when the company is solvent and a creditors' voluntary winding up occurs when it is insolvent. Both processes are initiated by the company passing a special resolution. A liquidator (a qualified insolvency practitioner) needs to be appointed for a creditors' voluntary winding up.

Upon dissolution, after satisfaction of the claims of creditors, the assets of the company would be distributed to shareholders in accordance with their respective interests.

#### **Uncertificated Shares**

Shares of Adient to be issued in the distribution will be held in uncertificated form. Uncertificated shares are capable of being transferred by means of CREST, DTC or similar systems in accordance with the Uncertificated Securities Regulations 2001.

#### **No Sinking Fund**

Shares of Adient have no sinking fund provisions.

#### **No Liability for Further Calls or Assessments**

The Adient ordinary shares to be issued in the distribution will be duly and validly issued and fully paid.

#### **Transfer and Registration of Shares**

Adient's official share register will be maintained by its transfer agent and the transfer agent's affiliates. The registration in that register will be used to determine which Adient shareholders are entitled to vote at meetings of Adient shareholders and are entitled to exercise other rights granted under the Companies Act and Adient's articles of association to shareholders. A shareholder of Adient who holds shares beneficially will not be the holder of record of such shares. Instead, the depository (e.g., Cede & Co., as nominee for DTC) or other nominee will be the holder of record of such shares. Accordingly, a transfer of shares from a person who holds such shares beneficially to a person who also holds such shares beneficially through the same depository or other nominee will not be registered in Adient's official share register, as the depository or other nominee will remain the record holder of such shares.

A written instrument of transfer is required under English law in order to register on Adient's official share register any transfer of shares (i) from a person who holds such shares directly to any other person, (ii) from a person who holds such shares beneficially to a person who holds such shares directly, or (iii) from a person who holds such shares beneficially to another person who holds such shares beneficially where the transfer involves a change in the depository or other nominee that is the record owner of the transferred shares. An instrument of transfer also is required for a shareholder who directly holds shares to transfer those shares into his or her own broker account (or vice versa). Such instruments of transfer may give rise to U.K. stamp duty. A person wishing to acquire shares directly may need to purchase the shares through a broker account and then transfer such shares into his or her own name.

Adient's board of directors may decline to recognize any instrument of transfer unless (i) it is accompanied by such evidence as the directors may reasonably require to show the right of the transferor to make the transfer, (ii) it is in respect of one class of share only, (iii) it is in favor of not more than four transferees, and (iv) it is lodged at the registered office of Adient or at such other place as the directors may appoint. In the case of a transfer of shares by means other than a sale through a stock exchange on which the shares are listed, the directors have absolute discretion to decline to register such transfer of a share that is not fully paid or if Adient has a lien on the shares. If the Adient board of directors refuses to register a transfer of a share, it shall, within two months after the date when the transfer was lodged with Adient, send to the transferee a notice of the refusal together with the board's reasons.

The registration of transfers may be suspended by the directors at such times and for such period, not exceeding in the whole 30 days in each year, as the directors may from time to time determine.

### **Indemnification of Officers and Directors and Insurance**

Subject to exceptions, English law does not permit a company to exempt a director or certain officers from, or indemnify a director against, liability in connection with any negligence, default, breach of duty or breach of trust by a director in relation to the company.

The exceptions allow a company to:

- purchase and maintain director and officer liability insurance, or D&O insurance, against any liability attaching in connection with any negligence, default, breach of duty or breach of trust owed to the company. D&O insurance generally covers costs incurred in defending allegations and compensatory damages that are awarded. However, D&O insurance will not cover losses incurred in relation to criminal acts, intentional malfeasance or other forms of dishonesty, certain regulatory offences or excluded matters such as environmental fines and clean-up costs. In relation to these matters, D&O insurance generally only covers defense costs, subject to the obligation of the director or officer to repay the costs if an allegation of criminality, dishonesty or intentional malfeasance is subsequently admitted or found to be true;
- provide a qualifying third party indemnity provision, or QTPIP. This permits a company to indemnify its directors and certain officers (and directors and certain officers of an associated company) in respect of proceedings brought by third parties (covering both legal costs and the amount of any adverse judgment, except for: the legal costs of an unsuccessful defense of criminal proceedings or civil proceedings brought by the company itself; fines imposed in criminal proceedings; and penalties imposed by regulatory bodies). Adient may therefore be able to indemnify directors and certain officers against third party actions such as class actions or certain actions following mergers and acquisitions or share issuances; and
- indemnify a director or certain officers in respect of defense costs in relation to civil and criminal proceedings against him or her. This is subject to the requirement for the director or officer to reimburse the company if the defense is unsuccessful. However, if the company has a QTPIP in place whereby the director or officer is indemnified in respect of legal costs in civil proceedings brought by third parties, then the director or officer will not be required to reimburse the company.

Adient will be required to disclose in its annual directors' report any QTPIP in force at any point during the relevant financial year or in force when the directors' report is approved. A copy of the indemnity or, if it is not in writing, a memorandum setting out its terms must be open to inspection during the life of the indemnity and for a period of one year from the date of its termination or expiration. Any shareholder may inspect the indemnity, or memorandum, without charge or may request a copy on payment of a fee.

In connection with the spin-off, Adient expects that Adient and one of its subsidiaries will enter into indemnification agreements with each of its directors and its officers that will provide for indemnification and expense advancement (except in cases where Adient or any of its subsidiaries is proceeding against the indemnitee) and will include related provisions meant to facilitate the indemnitee's receipt of such benefits.

The limitation of liability and indemnification provisions described above may discourage shareholders from bringing a lawsuit against directors for breaches of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against Adient's directors and officers, even though such an action, if successful, might otherwise benefit Adient and its shareholders. However, these provisions will not limit or eliminate Adient's rights, or those of any



shareholder, to seek non-monetary relief such as injunction or rescission in the event of a breach of a director's duty of care. The provisions will not alter the liability of directors under the federal securities laws. In addition, your investment may be materially adversely affected to the extent that, in a class action or direct suit, Adient pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. There is currently no pending material litigation or proceeding against any Adient director, officer or employee for which indemnification is being sought.

### **Board Remuneration**

Under English law, and in addition to any requirements imposed by U.S. law, Adient will be required to prepare and submit to shareholders a directors' remuneration report every year at the annual general meeting for a non-binding advisory vote. Every three years, or in the year following an annual general meeting where shareholders did not approve a remuneration report, Adient must submit a remuneration policy to its shareholders for approval by a simple majority in a binding vote.

### **Enforcement of Civil Liabilities Against Foreign Persons; Exclusive Jurisdiction**

As a company listed on the New York Stock Exchange, Adient and its directors and officers will be subject to U.S. securities laws, and investors will be able to initiate civil lawsuits in the United States against Adient for breaches of the U.S. securities laws.

Because Adient will be a public limited company incorporated under English law, Adient shareholders could experience more difficulty enforcing judgments obtained against Adient in U.S. courts than would currently be the case for U.S. judgments obtained against a U.S. corporation. In addition, it may be more difficult (or impossible) to bring some types of claims against Adient in courts sitting in England than it would be to bring similar claims against a U.S. company in a U.S. court.

Furthermore, the Adient articles of association will provide that the courts of England and Wales shall have exclusive jurisdiction to determine any and all (i) derivative actions in which a holder of Adient ordinary shares asserts a claim in the name of Adient, (ii) actions asserting a claim of breach of a fiduciary duty of any of the directors of Adient and (iii) actions asserting a claim arising pursuant to any provision of English law or Adient's articles of association.

A judgment obtained against Adient will be enforced by English courts if the following general requirements are met: (i) the U.S. court must have been one of competent jurisdiction in relation to the particular defendant according to English conflict of laws rules (the submission to jurisdiction by the defendant in the U.S. court would satisfy this rule), (ii) the judgment must be for a sum of money, but not for taxes, a fine or other penalty and (iii) the judgment must be final and conclusive and unalterable in the court which pronounced it. A judgment may be final and conclusive even though an appeal is pending in the U.S. court where it was given, although in such a case a stay of execution would likely be ordered by the U.S. court pending a possible appeal. A judgment given in default of appearance may be considered by the English courts as final and conclusive. However, the English courts may refuse to enforce a judgment of the U.S. courts that meets the above requirements for one of the following reasons: (a) if the judgment was obtained by fraud, (b) the enforcement or recognition of the judgment would be contrary to public policy or the European Convention on Human Rights, (c) the proceedings in which the judgment was obtained were opposed to natural justice, (d) the judgment is inconsistent with a prior judgment on the same subject matter and between the same parties, (e) the judgment is for multiple damages and is therefore unenforceable under the Protection of Trading Interests Act 1980 or (f) the proceedings in which the judgment was obtained were brought contrary to a jurisdiction or arbitration agreement.

Adient and its directors and officers may be subject to criminal penalties in the United States arising from breaches of the U.S. federal securities laws, but may not be subject to criminal penalties in



the United Kingdom unless the criminal laws of the United Kingdom were violated. A criminal judgment in a U.S. court under U.S. federal securities laws may not be enforceable in the English courts on public policy grounds and a prosecution brought before the English courts under U.S. federal securities laws might not be permitted on public policy grounds.

**Listing**

Adient intends to apply to have its ordinary shares authorized for listing on the New York Stock Exchange under the symbol “ADNT.”

**Sale of Unregistered Securities**

On December 17, 2015, Adient issued 100 ordinary shares to Johnson Controls pursuant to Section 4(2) of the Securities Act. Adient did not register the issuance of the issued shares under the Securities Act because such issuances did not constitute public offerings. These shares will be transferred by Johnson Controls to the U.K. corporate services provider prior to the distribution date.

**Transfer Agent and Registrar**

After the distribution, the transfer agent and registrar for Adient ordinary shares will be .

## **WHERE YOU CAN FIND MORE INFORMATION**

Adient has filed a registration statement on Form 10 with the SEC with respect to the Adient ordinary shares being distributed as contemplated by this information statement. This information statement is a part of, and does not contain all of the information set forth in, the registration statement and the exhibits and schedules to the registration statement. For further information with respect to Adient and its ordinary shares, please refer to the registration statement, including its exhibits and schedules. Statements made in this information statement relating to any contract or other document filed as an exhibit to the registration statement include the material terms of such contract or other document. However, such statements are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may review a copy of the registration statement, including its exhibits and schedules, at the SEC's public reference room, located at 100 F Street, NE, Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 as well as on the Internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Information contained on any website referenced in this information statement is not incorporated by reference in this information statement.

As a result of the distribution, Adient will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, will file periodic reports, proxy statements and other information with the SEC.

Adient intends to furnish holders of its ordinary shares with annual reports containing consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles and audited and reported on, with an opinion expressed, by an independent registered public accounting firm.

You should rely only on the information contained in this information statement or to which this information statement has referred you. Adient has not authorized any person to provide you with different information or to make any representation not contained in this information statement.

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Johnson Controls, Inc.

In our opinion, the accompanying combined balance sheets and the related combined statements of income, comprehensive income (loss), invested equity and cash flows present fairly, in all material respects, the financial position of the combination of the automotive seating and interiors businesses of Johnson Controls, Inc. at September 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed as Schedule II presents fairly, in all material respects, the information set forth therein when read in conjunction with the related combined financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the combined financial statements have been derived from the accounting records of Johnson Controls, Inc. The combined financial statements include expense allocations for the functions provided by Johnson Controls, Inc. These allocations may not be indicative of the actual expense that would have been incurred had the automotive seating and interiors businesses operated as a separate entity apart from Johnson Controls, Inc. See Note 21 to the combined financial statements for a summary of transactions with Johnson Controls, Inc.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
Detroit, Michigan  
April 25, 2016

**Adient**  
**Combined Statements of Income**

(in millions)	Year Ended September 30,		
	2015	2014	2013
Net sales . . . . .	\$20,071	\$22,041	\$20,470
Cost of sales . . . . .	18,219	20,088	18,895
Gross profit . . . . .	1,852	1,953	1,575
Selling, general and administrative expenses . . . . .	(1,131)	(1,308)	(1,203)
Gain (loss) on business divestitures—net . . . . .	137	(86)	29
Restructuring and impairment costs . . . . .	(182)	(158)	(280)
Net financing charges . . . . .	(12)	(15)	(10)
Equity income . . . . .	295	284	302
Income before income taxes . . . . .	959	670	413
Income tax provision . . . . .	418	296	168
Net income . . . . .	541	374	245
Income attributable to noncontrolling interests . . . . .	66	67	58
Net income attributable to Adient . . . . .	<u>\$ 475</u>	<u>\$ 307</u>	<u>\$ 187</u>

The accompanying notes are an integral part of the combined financial statements.

**Adient**  
**Combined Statements of Comprehensive Income (Loss)**

(in millions)	Year Ended September 30,		
	2015	2014	2013
Net income . . . . .	\$ 541	\$ 374	\$245
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments . . . . .	(520)	(253)	9
Realized and unrealized gains (losses) on derivatives . . . . .	(11)	1	(2)
Realized and unrealized gains (losses) on marketable common stock . . . . .	—	(7)	2
Pension and postretirement plans . . . . .	—	1	—
Other comprehensive income (loss) . . . . .	(531)	(258)	9
Total comprehensive income (loss) . . . . .	10	116	254
Comprehensive income attributable to noncontrolling interests . . . . .	58	67	58
Comprehensive income (loss) attributable to Adient . . . . .	<u>\$ (48)</u>	<u>\$ 49</u>	<u>\$196</u>

The accompanying notes are an integral part of the combined financial statements.

**Adient**  
**Combined Statements of Financial Position**

(in millions)	September 30,	
	2015	2014
<b>Assets</b>		
Cash and cash equivalents . . . . .	\$ 44	\$ 45
Accounts receivable, less allowance for doubtful accounts of \$12 and \$11, respectively . . . . .	2,134	2,027
Inventories . . . . .	701	745
Assets held for sale . . . . .	55	979
Other current assets . . . . .	872	704
Current assets . . . . .	3,806	4,500
Property, plant and equipment—net . . . . .	2,139	2,406
Goodwill . . . . .	2,160	2,334
Other intangible assets—net . . . . .	129	165
Investments in partially-owned affiliates . . . . .	1,646	564
Noncurrent assets held for sale . . . . .	—	652
Other noncurrent assets . . . . .	557	585
Total assets . . . . .	<u>\$10,437</u>	<u>\$11,206</u>
<b>Liabilities and Invested Equity</b>		
Short-term debt . . . . .	\$ 17	\$ 100
Current portion of long-term debt . . . . .	7	10
Accounts payable . . . . .	2,653	2,856
Accrued compensation and benefits . . . . .	392	454
Liabilities held for sale . . . . .	42	836
Restructuring reserve . . . . .	280	249
Other current liabilities . . . . .	620	431
Current liabilities . . . . .	4,011	4,936
Long-term debt . . . . .	35	46
Pension and postretirement benefits . . . . .	118	150
Noncurrent liabilities held for sale . . . . .	—	7
Other noncurrent liabilities . . . . .	475	428
Long-term liabilities . . . . .	628	631
Commitments and contingencies (Note 20)		
Redeemable noncontrolling interests . . . . .	31	27
Parent's net investment . . . . .	5,873	5,177
Accumulated other comprehensive income (loss) . . . . .	(247)	276
Invested equity attributable to Adient . . . . .	5,626	5,453
Noncontrolling interests . . . . .	141	159
Total invested equity . . . . .	5,767	5,612
Total liabilities and invested equity . . . . .	<u>\$10,437</u>	<u>\$11,206</u>

The accompanying notes are an integral part of the combined financial statements.



**Adient**  
**Combined Statements of Cash Flows**

(in millions)	Year Ended September 30,		
	2015	2014	2013
<b>Operating Activities</b>			
Net income attributable to Adient . . . . .	\$ 475	\$ 307	\$ 187
Income attributable to noncontrolling interests . . . . .	66	67	58
Net income . . . . .	541	374	245
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation . . . . .	329	415	429
Amortization of intangibles . . . . .	18	22	21
Pension and postretirement benefit expense . . . . .	15	63	26
Pension and postretirement contributions . . . . .	(25)	(77)	(22)
Equity in earnings of partially-owned affiliates, net of dividends received . . . . .	(102)	(108)	(48)
Deferred income taxes . . . . .	(51)	8	(82)
Non-cash restructuring and impairment charges . . . . .	27	52	79
Loss (gain) on divestitures—net . . . . .	(137)	86	(29)
Fair value adjustment of equity investment . . . . .	—	—	(106)
Equity-based compensation . . . . .	16	19	28
Other . . . . .	(2)	(5)	(5)
Changes in assets and liabilities:			
Receivables . . . . .	(249)	24	(140)
Inventories . . . . .	(63)	(96)	5
Other assets . . . . .	(111)	(55)	(92)
Restructuring reserves . . . . .	56	7	117
Accounts payable and accrued liabilities . . . . .	8	29	424
Accrued income taxes . . . . .	127	39	14
Cash provided by operating activities . . . . .	397	797	864
<b>Investing Activities</b>			
Capital expenditures . . . . .	(478)	(624)	(659)
Sale of property, plant and equipment . . . . .	24	56	32
Acquisition of businesses, net of cash acquired . . . . .	(18)	(9)	(95)
Business divestitures . . . . .	—	(41)	70
Changes in long-term investments . . . . .	(44)	16	(22)
Other . . . . .	27	16	53
Cash used by investing activities . . . . .	(489)	(586)	(621)
<b>Financing Activities</b>			
Net transfers from (to) Parent . . . . .	239	(183)	(144)
Increase (decrease) in short-term debt . . . . .	(22)	36	17
Increase in long-term debt . . . . .	—	2	7
Repayment of long-term debt . . . . .	(10)	(17)	(19)
Earnout payment from previous acquisition . . . . .	—	(12)	(12)
Cash paid to acquire a noncontrolling interest . . . . .	(38)	(5)	(15)
Other . . . . .	(76)	(46)	(34)
Cash provided (used) by financing activities . . . . .	93	(225)	(200)
Effect of exchange rate changes on cash and cash equivalents . . . . .	(2)	(11)	(7)
<b>Increase (decrease) in cash and cash equivalents . . . . .</b>	<b>(1)</b>	<b>(25)</b>	<b>36</b>
Cash and cash equivalents at beginning of period . . . . .	45	70	34
Cash and cash equivalents at end of period . . . . .	<u>\$ 44</u>	<u>\$ 45</u>	<u>\$ 70</u>

The accompanying notes are an integral part of the combined financial statements.

**Adient**  
**Combined Statements of Invested Equity Attributable to Adient**

(in millions)	Equity Attributable to Adient	Parent's Net Investment	Accumulated Other Comprehensive Income (Loss)
<b>At September 30, 2012</b> . . . . .	\$5,558	\$5,033	\$ 525
Comprehensive income (loss):			
Net income . . . . .	187	187	—
Foreign currency translation adjustments . . . . .	9	—	9
Realized and unrealized gains (losses) on derivatives . . .	(2)	—	(2)
Realized and unrealized gains (losses) on marketable common stock . . . . .	2	—	2
Other comprehensive income (loss) . . . . .	9	—	9
Comprehensive income (loss) . . . . .	196	187	9
Change in Parent's net investment . . . . .	(172)	(172)	—
<b>At September 30, 2013</b> . . . . .	\$5,582	\$5,048	\$ 534
Comprehensive income (loss):			
Net income . . . . .	307	307	—
Foreign currency translation adjustments . . . . .	(253)	—	(253)
Realized and unrealized gains (losses) on derivatives . . .	1	—	1
Realized and unrealized gains (losses) on marketable common stock . . . . .	(7)	—	(7)
Pension and postretirement plans . . . . .	1	—	1
Other comprehensive income (loss) . . . . .	(258)	—	(258)
Comprehensive income (loss) . . . . .	49	307	(258)
Change in Parent's net investment . . . . .	(178)	(178)	—
<b>At September 30, 2014</b> . . . . .	\$5,453	\$5,177	\$ 276
Comprehensive income (loss):			
Net income . . . . .	475	475	—
Foreign currency translation adjustments . . . . .	(512)	—	(512)
Realized and unrealized gains (losses) on derivatives . . .	(11)	—	(11)
Other comprehensive income (loss) . . . . .	(523)	—	(523)
Comprehensive income (loss) . . . . .	(48)	475	(523)
Change in Parent's net investment . . . . .	221	221	—
<b>At September 30, 2015</b> . . . . .	<u><u>\$5,626</u></u>	<u><u>\$5,873</u></u>	<u><u>\$(247)</u></u>

The accompanying notes are an integral part of the combined financial statements.

**Adient**  
**Notes to Combined Financial Statements**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Separation**

On July 24, 2015, Johnson Controls, Inc. (“JCI” or the “Parent”) announced its intent to pursue a separation of the automotive seating and interiors businesses (the “Company” or “Adient”) through a spin-off to shareholders. These combined financial statements reflect the combined historical results of the operations, financial position and cash flows of Adient. Adient is the world’s largest automotive seating supplier.\* Adient has a leading market position in the Americas, Europe and China, and has relationships with the largest global auto manufacturers. Adient’s technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests, trim covers and fabrics.

**Basis of Presentation**

These combined financial statements were prepared on a stand-alone basis derived from the consolidated financial statements and accounting records of JCI as if Adient had been operating as a stand-alone company for all years presented. These combined financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The assets and liabilities in the combined financial statements have been reflected on a historical cost basis, as included in the consolidated statements of financial position of JCI. The combined statements of operations include allocations for certain support functions that are provided on a centralized basis by the Parent and subsequently recorded at the business unit level, such as expenses related to employee benefits, finance, human resources, risk management, information technology, facilities, and legal, among others. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a proportional basis of combined sales, headcount or other measures of the Company or the Parent. Management believes the assumptions underlying the combined financial statements, including the assumptions regarding allocating general corporate expenses from the Parent, are reasonable. Nevertheless, the combined financial statements may not include all actual expenses that would have been incurred by Adient and may not reflect the combined results of operations, financial position and cash flows had it been a stand-alone company during the years presented. Actual costs that would have been incurred if Adient had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

**Principles of Combination**

The combined financial statements include certain assets and liabilities that have historically been held at the Parent level but are specifically identifiable or otherwise attributable to Adient. All significant intercompany transactions and accounts within the Company’s combined businesses have been eliminated. All intercompany transactions between the Company and the Parent have been included in these combined financial statements as Parent’s net investment. Expenses related to corporate allocations from the Parent to the Company are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded. In addition, transactions between the Company and the Parent’s other businesses have been classified as related party, rather than intercompany, in the combined financial statements. See Note 21, “Related Party Transactions and Parent’s Net Investment,” of the notes to combined financial statements for further details.

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\* Based on production volumes. Source: IHS Automotive

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

In addition to wholly-owned subsidiaries, the Company has investments which, in certain cases, may or may not require combination, as a result of only a partial-ownership interest and/or lack of significant influence over the investee. The Company's investments in partially-owned affiliates are accounted for by the equity method when the Company's interest exceeds 20% and the Company does not have a controlling interest.

*Combined VIEs*

Based upon the criteria set forth in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, "Consolidation," the Company has determined that it was the primary beneficiary in two VIEs for the reporting periods ended September 30, 2015 and 2014, as the Company absorbs significant economics of the entities and has the power to direct the activities that are considered most significant to the entities.

The two VIEs manufacture seating products in North America for the automotive industry. The Company funds the entities' short-term liquidity needs through revolving credit facilities and has the power to direct the activities that are considered most significant to the entities through its key customer supply relationships.

The carrying amounts and classification of assets (none of which are restricted) and liabilities included in the Company's combined statements of financial position for the combined VIEs are as follows (in millions):

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Current assets . . . . .	\$279	\$214
Noncurrent assets . . . . .	41	46
Total assets . . . . .	<u>\$320</u>	<u>\$260</u>
Current liabilities . . . . .	<u>\$229</u>	<u>\$186</u>
Total liabilities . . . . .	<u>\$229</u>	<u>\$186</u>

The Company did not have a significant variable interest in any other combined VIEs for the presented reporting periods.

**Use of Estimates**

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. The combined financial statements reflect management's estimates as of the reporting date. Actual results could differ from those estimates.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Fair Value of Financial Instruments**

The fair values of cash and cash equivalents, accounts receivable, short-term debt, accounts payable and long-term debt approximate their carrying values. See Note 10, “Derivative Instruments and Hedging Activities,” and Note 11, “Fair Value Measurements,” of the notes to combined financial statements for fair value of financial instruments, including derivative instruments and hedging activities.

**Assets and Liabilities Held for Sale**

The Company classifies assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company’s control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. The Company assesses the fair value of a disposal group less any costs to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets held for sale, noncurrent assets held for sale, liabilities held for sale and noncurrent liabilities held for sale in the combined statements of financial position. Refer to Note 3, “Assets and Liabilities Held For Sale,” of the notes to combined financial statements for further information.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents in the combined statements of financial position represent cash legally owned by the Company and negative cash balances are reclassified to short term debt. Cash is managed by legal entity with cash pooling agreements in place for participating businesses within each cash pool master. Transfers of cash to and from the Parent’s cash management system are reflected as a component of Parent’s net investment in the combined statements of financial position. Accordingly, the cash and cash equivalents held by the Parent were not attributed to the Company for any of the years presented, as legal ownership remained with the Parent.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Receivables**

Receivables consist of amounts billed and currently due from customers and revenues that have been recognized for accounting purposes but not yet billed to customers. The Company extends credit to customers in the normal course of business and maintains an allowance for doubtful accounts resulting from the inability or unwillingness of customers to make required payments. The allowance for doubtful accounts is based on historical experience, existing economic conditions and any specific customer collection issues the Company has identified. The Company enters into supply chain financing programs in certain foreign jurisdictions to sell accounts receivable without recourse to third-party financial institutions. Sales of accounts receivable are reflected as a reduction of accounts receivable on the combined statements of financial position and the proceeds are included in cash flows from operating activities in the combined statements of cash flows.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (“FIFO”) method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs.

**Pre-Production Costs Related to Long-Term Supply Arrangements**

The Company’s policy for engineering, research and development, and other design and development costs related to products that will be sold under long-term supply arrangements requires such costs to be expensed as incurred or capitalized if reimbursement from the customer is contractually assured. Income related to recovery of these costs is recorded within selling, general and administrative expense in the combined statements of income. At September 30, 2015 and 2014, the Company recorded within the combined statements of financial position \$299 million and \$244 million, respectively, of engineering and research and development costs for which customer reimbursement is contractually assured. The reimbursable costs are recorded in other current assets if reimbursement will occur in less than one year and in other noncurrent assets if reimbursement will occur beyond one year. At September 30, 2015, the Company had \$127 million and \$172 million of reimbursable costs recorded in current and noncurrent assets, respectively. At September 30, 2014, the Company had \$92 million and \$152 million of reimbursable costs recorded in current and noncurrent assets, respectively.

Costs for molds, dies and other tools used to make products that will be sold under long-term supply arrangements are capitalized within property, plant and equipment if the Company has title to the assets or has the non-cancelable right to use the assets during the term of the supply arrangement. Capitalized items, if specifically designed for a supply arrangement, are amortized over the term of the arrangement; otherwise, amounts are amortized over the estimated useful lives of the assets. The carrying values of assets capitalized in accordance with the foregoing policy are periodically reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. At September 30, 2015 and 2014, approximately \$60 million and \$96 million, respectively, of costs for molds, dies and other tools were capitalized within property, plant and equipment which represented assets to which the Company had title. In addition, at September 30, 2015 and 2014, the Company recorded within the combined statements of financial position in other

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

current assets \$134 million and \$151 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is contractually assured.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives range from 3 to 40 years for buildings and improvements and from 3 to 15 years for machinery and equipment.

**Goodwill and Other Intangible Assets**

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The Company reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's reportable segments using a fair value method based on management's judgments and assumptions or third party valuations. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. In certain instances, the Company uses discounted cash flow analyses or estimated sales price to further support the fair value estimates. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value.

Intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired. A considerable amount of management judgment and assumptions are required in performing the impairment tests.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals. Refer to Note 16, "Impairment of Long-Lived Assets,"



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

of the notes to combined financial statements for information regarding the impairment testing performed in fiscal years 2015, 2014 and 2013.

**Impairment of Investments in Partially-Owned Affiliates**

The Company monitors its investments in partially-owned affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If the Company determines that an other-than-temporary decline in value has occurred, it recognizes an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values.

**Short-Term and Long-Term Debt**

From a historical perspective, the majority of short-term and long-term third-party debt has been held by the Parent, and has not been recorded for each respective business in the Parent's operating structure. For purposes of the combined financial statements, no short-term or long-term debt recorded by the Parent has been pushed-down to the Company in the combined financial statements, because the Company will not assume the debt of the Parent (either presently or in a planned transaction in the future).

The Parent provided intercompany loans to its legal entities to fund working capital or, in limited cases, acquisitions. These loans have been reflected within Parent's net investment in the combined financial statements. Net interest expense related to these loans pertains to certain foreign operations and has been reflected within Parent's net investment in the combined financial statements. Net interest expense on these loans was not significant for the years ended September 30, 2015, 2014 and 2013.

The short-term and long-term debt recorded in the combined financial statements is related directly to an arrangement between the Company and a third-party, and was not related to an intercompany arrangement between the Company and the Parent.

**Revenue Recognition**

The Company records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured. The Company delivers products and records revenue pursuant to commercial agreements with its customers generally in the form of an approved purchase order, including the effects of contractual customer price productivity. The Company does negotiate discrete price changes with its customers, which are generally the result of unique commercial issues between the Company and its customers. The Company records amounts associated with discrete price changes as a reduction to revenue when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable. The Company records amounts associated with discrete price changes as an increase to revenue upon execution of a legally enforceable contractual agreement and when collectability is reasonably assured.

Essentially all of the Company's sales are to the automotive industry. In fiscal year 2015, Fiat Chrysler Automobiles N.V. and Ford Motor Company had combined net sales of 13% and 11%,

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

respectively. In fiscal year 2014, Fiat Chrysler Automobiles N.V. and Ford Motor Company had combined net sales of 14% each. In fiscal year 2013, Daimler AG and Ford Motor Company had combined net sales of 16% each.

**Research and Development Costs**

Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within selling, general and administrative expenses in the combined statements of income. Such expenditures for the years ended September 30, 2015, 2014 and 2013 were \$599 million, \$667 million and \$688 million, respectively. A portion of these costs associated with these activities is reimbursed by customers and, for the fiscal years ended September 30, 2015, 2014 and 2013 were \$364 million, \$348 million and \$343 million, respectively.

**Foreign Currency Translation**

Substantially all of the Company's international operations use the respective local currency as the functional currency. Assets and liabilities of international entities have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in non-functional currencies are adjusted to reflect period-end exchange rates. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income. The aggregate transaction losses included in net income for the years ended September 30, 2015, 2014 and 2013 were \$26 million, \$19 million and \$9 million, respectively.

**Derivative Financial Instruments**

The Company's Parent has written policies and procedures that place all financial instruments under the direction of the Parent and restrict all derivative transactions to those intended for hedging purposes. The use of financial instruments for speculative purposes is strictly prohibited. The Parent has historically used financial instruments to manage the Company's market risk from changes in foreign exchange rates.

The fair values of all derivatives are recorded in the combined statements of financial position. The change in a derivative's fair value is recorded each period in current earnings or accumulated other comprehensive income (AOCI), depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction. Refer to Note 10, "Derivative Instruments and Hedging Activities," and Note 11, "Fair Value Measurements," of the notes to combined financial statements for disclosure of the Company's derivative instruments and hedging activities.

**Stock-Based Compensation**

Adient employees have historically participated in JCI's stock-based compensation plans. Stock-based compensation expense has been allocated to Adient based on the awards and terms previously granted to Adient employees. The stock-based compensation was initially measured at the fair value of the awards on the grant date and is recognized in the financial statements over the period the employees are required to provide services in exchange for the awards. The fair value of option awards is measured on the grant date using the Black-Scholes option-pricing model. The fair value of each

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

stock appreciation right (SAR) is estimated using a similar method described for stock options. The fair value of each SAR is recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value. The fair value of performance-based share unit (PSU) awards is based on the JCI stock price at the grant date and the assessed probability of meeting future performance targets. The fair value of restricted stock awards is based on the number of units granted and JCI's stock price on the grant date. Refer to Note 12, "Stock-Based Compensation," for additional information.

**Pension and Postretirement Benefits**

The defined benefit plans in which the Company participates relate primarily to U.S. plans sponsored by the Parent and for which other wholly-owned subsidiaries (other than Adient) of the Parent participate (the "Shared Plans"). Under the guidance in ASC 715, "Compensation—Retirement Benefits," the Company accounts for the Shared Plans as multiemployer plans, recording contributions to the pension plans as an allocation of net periodic benefit costs associated with the Company's employees. Expenses related to the employees' participation in the Shared Plans were calculated using a proportional allocation based on headcount and payroll expense for the Company's employees. The pension expense allocation related to the Shared Plans under the multiemployer approach contains all components of the periodic benefit cost, including interest and service costs and was recorded as a component of selling, general and administrative expenses or cost of sales in the combined financial statements.

Various defined benefit plans that relate solely to the Company are included in these combined financial statements. The Company utilizes a mark-to-market approach for recognizing pension and postretirement benefit expenses, including measuring the market related value of plan assets at fair value and recognizing actuarial gains and losses in the fourth quarter of each fiscal year or at the date of a remeasurement event. Refer to Note 14, "Retirement Plans," of the notes to combined financial statements for disclosure of the Company's pension and postretirement benefit plans.

**Income Taxes**

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance that primarily represents non-U.S. operating and other loss carryforwards for which realization is uncertain. Management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against the Company's net deferred tax assets.

The Company reviews the realizability of its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowances may be necessary.

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities.

The unrecognized tax benefits reflected in Adient's combined financial statements have been determined using a separate-return by legal entity basis. As a result of the final separation from Johnson Controls, Adient's unrecognized tax benefits could be different from those reflected in the combined financial statements. Adient is subject to income taxes in the U.S. and numerous foreign jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain.

Adient's federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2015, Adient had recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the combined statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

The Company does not generally provide additional U.S. income taxes on undistributed earnings of non-U.S. consolidated subsidiaries included in invested equity attributable to Adient. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits.

Refer to Note 17, "Income Taxes," of the notes to combined financial statements for the Company's income tax disclosures.

**Parent's Net Investment**

Parent's net investment includes the Parent's investment in the Company and the net amounts due to or due from the Parent. Recorded amounts reflect capital contributions and/or dividends as well as the results of operations and other comprehensive income (loss). The Parent's net investment in the Company is discussed in further detail in Note 21, "Related Party Transactions and Parent's Net Investment," of the notes to the combined financial statements.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**New Accounting Pronouncements**

In March 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-09, “Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” ASU No. 2016-09 changes the accounting for certain aspects of share-based payments to employees, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. ASU No. 2016-09 will be effective for the Company for the quarter ending December 31, 2017, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In March 2016, the FASB issued -ASU No. 2016-07, “Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting.” ASU No. 2016-07 eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retrospectively. ASU No. 2016-07 will be effective prospectively for the Company for increases in the level of ownership interest or degree of influence that result in the adoption of the equity method that occur during or after the quarter ending December 31, 2017, with early adoption permitted. The impact of this guidance for the Company is dependent on any future increases in the level of ownership interest or degree of influence that result in the adoption of the equity method.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” ASU No. 2016-02 requires recognition of operating leases as lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. ASU No. 2016-02 will be effective retrospectively for the Company for the quarter ending December 31, 2019, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities.” ASU No. 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU No. 2016-01 will be effective prospectively for the Company for the quarter ending December 31, 2018, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” ASU No. 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in the combined statements of financial position. ASU No. 2015-17 was early adopted by the Company for the quarter ended December 31, 2015 and was applied retrospectively to all periods presented.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.” ASU No. 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. ASU No. 2015-16 was early adopted by the Company in the quarter ended September 30, 2015. The adoption of this guidance did not have an impact on the Company’s combined financial condition or results from operations.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory.” ASU No. 2015-11 requires inventory that is recorded using the first-in, first-out method to be measured at the lower of cost or net realizable value. ASU No. 2015-11 will be effective retrospectively for the Company for the quarter ending December 31, 2017, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company’s combined financial statements.

In May 2015, the FASB issued ASU No. 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).” ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Such investments should be disclosed separate from the fair value hierarchy. ASU No. 2015-07 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have an impact on the Company’s combined financial statements but will impact pension asset disclosures.

In April 2015, the FASB issued ASU No. 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU No. 2015-03 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company’s combined financial statements.

In February 2015, the FASB issued ASU No. 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis.” ASU No. 2015-02 amends the analysis performed to determine whether a reporting entity should consolidate certain types of legal entities. ASU No. 2015-02 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU No. 2014-09 clarifies the principles for recognizing revenue when an entity either enters into a contract with customers to transfer goods or services or enters into a contract for the transfer of non-financial assets. The original standard was effective retrospectively for the Company for the quarter ending December 31, 2017; however in August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,” which defers the effective date of ASU 2014-09 by one-year for all entities. The new standard will become effective retrospectively for the Company for the quarter ending December 31, 2018, with early adoption permitted, but not before the original effective date. Additionally, in March 2016 the FASB issued



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” and in April 2016 the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” which provide additional clarification on certain topics addressed in ASU 2014-09. ASU 2016-08 follows the same implementation guidelines as ASU 2014-09. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In April 2014, the FASB issued ASU No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU No. 2014-08 limits discontinued operations reporting to situations where the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results, and requires expanded disclosures for discontinued operations. ASU No. 2014-08 will be effective prospectively for the Company for disposals that occur during or after the quarter ending December 31, 2015, with early adoption permitted in certain instances. The impact of this guidance for the Company is dependent on any future significant dispositions or disposals.

**2. ACQUISITIONS AND DIVESTITURES**

During fiscal 2015, the Company completed three acquisitions for a combined purchase price, net of cash acquired, of \$47 million, \$18 million of which was paid as of September 30, 2015. The acquisitions in the aggregate were not material to the Company’s combined financial statements. In connection with the acquisitions, the Company recorded goodwill of \$9 million in the Interiors segment.

In the fourth quarter of fiscal 2015, the Company completed its global automotive interiors joint venture with Yanfeng Automotive Trim Systems. In connection with the divestiture of the Interiors business, the Company recorded a \$127 million gain, \$20 million net of tax, and reduced goodwill in assets held for sale by \$43 million.

Also during fiscal 2015, the Company completed a divestiture for a sales price of \$20 million, none of which was received as of September 30, 2015. The divestiture was not material to the Company’s combined financial statements. In connection with the divestiture, the Company recorded a gain of \$10 million and reduced goodwill by \$4 million in the Seating segment.

During fiscal 2014, the Company completed an acquisition within the Seating segment for a purchase price, net of cash acquired, of \$9 million, all of which was paid as of September 30, 2014. The acquisition was not material to the Company’s combined financial statements. There was no change in goodwill as a result of this transaction.

In fiscal 2014, the Company completed the divestiture of the Interiors headliner and sun visor product lines. As part of this divestiture, the Company made a cash payment of \$54 million to the buyer to fund future operational improvement initiatives. The Company recorded a pre-tax loss on divestiture, including transaction costs, of \$95 million. The tax impact of the divestiture was income tax expense of \$38 million due to the jurisdictional mix of gains and losses on the sale, which resulted in non-benefited losses in certain countries and taxable gains in other countries. There was no change in goodwill as a result of this transaction.



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**2. ACQUISITIONS AND DIVESTITURES (Continued)**

Also during fiscal 2014, the Company completed one additional divestiture for a sales price of \$13 million, all of which was received as of September 30, 2014. The divestiture was not material to the Company's combined financial statements. In connection with the divestiture, the Company recorded a gain, net of transaction costs, of \$9 million in the Interiors segment. There was no change in goodwill as a result of this transaction.

During fiscal 2014, the Company adjusted the purchase price allocation of certain fiscal 2013 acquisitions for the Seating segment and recorded additional goodwill of \$2 million.

During fiscal 2013, the Company completed two acquisitions within the Seating segment for a combined purchase price, net of cash acquired, of \$95 million, all of which was paid as of September 30, 2013. The acquisitions in the aggregate were not material to the Company's combined financial statements. In connection with the acquisitions, the Company recorded goodwill of \$187 million. The acquisitions increased the Company's ownership from a noncontrolling to controlling interest. As a result, the Company recorded a combined non-cash gain of \$106 million in Seating equity income to adjust the Company's existing equity investments in the partially-owned affiliates to fair value.

Also during fiscal 2013, the Company completed one divestiture for a sales price of \$70 million, all of which was received as of September 30, 2013. The divestiture was not material to the Company's combined financial statements. In connection with the divestiture, the Company recorded a gain of \$29 million and reduced goodwill by \$15 million in the Seating segment.

**3. ASSETS AND LIABILITIES HELD FOR SALE**

The Company has determined that certain of its businesses met the criteria to be classified as held for sale. In April 2015, the Company signed an agreement formally establishing the automotive interiors joint venture with Yanfeng Automotive Trim Systems. The formation of the joint venture closed on July 2, 2015. The assets and liabilities of the Interiors business to be contributed to the joint venture were classified as held for sale at September 30, 2014.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**3. ASSETS AND LIABILITIES HELD FOR SALE (Continued)**

The following table summarizes the carrying value of the Interiors assets and liabilities held for sale (in millions):

	<u>September 30, 2014</u>
Accounts receivable—net . . . . .	\$ 596
Inventories . . . . .	209
Other current assets . . . . .	174
Property, plant and equipment—net . . . . .	496
Goodwill . . . . .	34
Other intangible assets—net . . . . .	4
Investments in partially-owned affiliates . . . . .	83
Other noncurrent assets . . . . .	35
Assets held for sale . . . . .	<u>\$1,631</u>
Accounts payable . . . . .	\$ 655
Accrued compensation and benefits . . . . .	24
Other current liabilities . . . . .	157
Pension and postretirement benefits . . . . .	6
Other noncurrent liabilities . . . . .	1
Liabilities held for sale . . . . .	<u>\$ 843</u>

At September 30, 2015, \$55 million of assets and \$42 million of liabilities related to certain other product lines were classified as held for sale. The divestiture could result in a gain or loss on sale to the extent the ultimate selling price differs from the carrying value of the net assets recorded.

The businesses classified as held for sale did not meet the criteria to be classified as discontinued operations primarily due to the Company's continuing involvement in these operations following the divestiture.

**4. INVENTORIES**

Inventories consisted of the following (in millions):

	<u>September 30,</u>	<u>2015</u>	<u>2014</u>
Raw materials and supplies . . . . .	\$539	\$581	
Work-in-process . . . . .	40	42	
Finished goods . . . . .	122	122	
Inventories . . . . .	<u>\$701</u>	<u>\$745</u>	

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**5. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following (in millions):

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Buildings and improvements . . . . .	\$ 1,307	\$ 1,486
Machinery and equipment . . . . .	4,342	4,188
Construction in progress . . . . .	335	351
Land . . . . .	155	172
Total property, plant and equipment . . . . .	6,139	6,197
Less: accumulated depreciation . . . . .	(4,000)	(3,791)
Property, plant and equipment—net . . . . .	<u>\$ 2,139</u>	<u>\$ 2,406</u>

Accumulated depreciation related to capital leases at September 30, 2015 and 2014 was \$40 million and \$23 million, respectively.

As of September 30, 2015, the Company is the lessor of properties included in land for \$13 million, gross building and improvements for \$177 million and accumulated depreciation of \$131 million.

**6. GOODWILL AND OTHER INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill in each of the Company's reporting segments for the fiscal years ended September 30, 2015 and 2014 are as follows (in millions):

	<b>September 30, 2013</b>	<b>Business Acquisitions</b>	<b>Business Divestitures</b>	<b>Currency Translation and Other</b>	<b>September 30, 2014</b>
Goodwill					
Seating . . . . .	\$2,426	\$ 2	\$ —	\$(94)	\$2,334
Interiors . . . . .	22	—	(34)	12	—
Total . . . . .	<u>\$2,448</u>	<u>\$ 2</u>	<u>\$(34)</u>	<u>\$(82)</u>	<u>\$2,334</u>

	<b>September 30, 2014</b>	<b>Business Acquisitions</b>	<b>Business Divestitures</b>	<b>Currency Translation and Other</b>	<b>September 30, 2015</b>
Goodwill					
Seating . . . . .	\$2,334	\$—	\$ (4)	\$(170)	\$2,160
Interiors . . . . .	—	9	(9)	—	—
Total . . . . .	<u>\$2,334</u>	<u>\$ 9</u>	<u>\$(13)</u>	<u>\$(170)</u>	<u>\$2,160</u>

At September 30, 2013, accumulated goodwill impairment charges include \$366 million related to the Interiors segment. The fiscal 2014 Interiors business divestitures amount includes \$34 million of goodwill transferred to noncurrent assets held for sale on the combined statements of financial position.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**6. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)**

The Company's other intangible assets, primarily from business acquisitions valued based in part on independent appraisals, consisted of (in millions):

	September 30, 2015			September 30, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets						
Patented technology . . . . .	\$ 27	\$(11)	\$ 16	\$ 31	\$(10)	\$ 21
Customer relationships . . . . .	100	(38)	62	111	(31)	80
Trademarks . . . . .	56	(15)	41	64	(12)	52
Miscellaneous . . . . .	15	(5)	10	22	(10)	12
Total intangible assets . . . . .	<u>\$198</u>	<u>\$(69)</u>	<u>\$129</u>	<u>\$228</u>	<u>\$(63)</u>	<u>\$165</u>

Amortization of other intangible assets for the fiscal years ended September 30, 2015, 2014 and 2013 was \$18 million, \$22 million and \$21 million, respectively. Excluding the impact of any future acquisitions, the Company anticipates amortization for fiscal 2016, 2017, 2018, 2019 and 2020 will be approximately \$17 million, \$17 million, \$17 million, \$17 million and \$16 million, respectively.

**7. PRODUCT WARRANTIES**

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical return rates and other known factors. Based on analysis of return rates and other factors, the Company's warranty provisions are adjusted as necessary. The Company monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different than those estimates.

The Company's product warranty liability is recorded in the combined statements of financial position in other current liabilities.

The changes in the carrying amount of the Company's total product warranty liability are as follows (in millions):

	Year Ended September 30,	
	2015	2014
Balance at beginning of period . . . . .	\$19	\$16
Accruals for warranties issued during the period . . . . .	6	9
Accruals related to pre-existing warranties (including changes in estimates) . . . . .	(5)	(1)
Settlements made (in cash or in kind) during the period . . . . .	(7)	(4)
Currency translation . . . . .	(1)	(1)
Balance at end of period . . . . .	<u>\$12</u>	<u>\$19</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**8. LEASES**

Certain administrative and production facilities and equipment are leased under long-term agreements. Most leases contain renewal options for varying periods, and certain leases include options to purchase the leased property during or at the end of the lease term. Leases generally require the Company to pay for insurance, taxes and maintenance of the property. Leased capital assets included in net property, plant and equipment, primarily buildings and improvements, were \$22 million and \$28 million at September 30, 2015 and 2014, respectively.

Other facilities and equipment are leased under arrangements that are accounted for as operating leases. Total rental expense for the fiscal years ended September 30, 2015, 2014 and 2013 was \$171 million, \$205 million and \$202 million, respectively.

Future minimum capital and operating lease payments and the related present value of capital lease payments at September 30, 2015 are as follows (in millions):

	<u>Capital Leases</u>	<u>Operating Leases</u>
2016 .....	\$ 5	\$ 75
2017 .....	4	57
2018 .....	12	35
2019 .....	3	26
2020 .....	3	21
After 2020 .....	<u>1</u>	<u>24</u>
Total minimum lease payments .....	28	<u>\$238</u>
Interest .....	<u>(3)</u>	
Present value of net minimum lease payments .....	<u>\$25</u>	

**9. DEBT AND FINANCING ARRANGEMENTS**

Short-term debt consisted of the following (in millions):

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Bank borrowings and commercial paper .....	\$ 17	\$100
Weighted average interest rate on short-term debt outstanding* .....	13.7%	5.2%

\* The weighted average interest rates on short-term debt varies based on levels of debt maintained in various jurisdictions.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**9. DEBT AND FINANCING ARRANGEMENTS (Continued)**

Long-term debt consisted of the following (in millions):

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Capital lease obligations . . . . .	\$25	\$30
German note due 2018 . . . . .	4	6
German note due 2020 . . . . .	11	15
Spanish note due 2026 . . . . .	—	3
Euro foreign-denominated debt . . . . .	—	1
Other . . . . .	2	1
Gross long-term debt . . . . .	<u>42</u>	<u>56</u>
Less: current portion . . . . .	<u>7</u>	<u>10</u>
Net long-term debt . . . . .	<u>\$35</u>	<u>\$46</u>

Total interest paid on both short and long-term debt for the fiscal years ended September 30, 2015, 2014 and 2013 was \$10 million, \$13 million and \$12 million, respectively.

**Net Financing Charges**

The Company's net financing charges line item in the combined statements of income for the years ended September 30, 2015, 2014 and 2013 contained the following components (in millions):

	<u>Year Ended</u> <u>September 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest expense . . . . .	\$11	\$14	\$12
Banking fees . . . . .	2	3	3
Interest income . . . . .	(1)	(2)	(5)
Net financing charges . . . . .	<u>\$12</u>	<u>\$15</u>	<u>\$10</u>

**10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Parent selectively uses derivative instruments to reduce Adient's market risk associated with changes in foreign currency. Under the Parent's policy, the use of derivatives is restricted to those intended for hedging purposes; the use of any derivative instrument for speculative purposes is strictly prohibited. A description of each type of derivative utilized by the Parent to manage Adient's risk is included in the following paragraphs. In addition, refer to Note 11, "Fair Value Measurements," of the notes to combined financial statements for information related to the fair value measurements and valuation methods utilized by the Company for each derivative type.

The Company has global operations and participates in the foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. The Parent primarily uses foreign currency exchange contracts to hedge certain of Adient's foreign exchange rate exposures. The Parent hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

exposures. Gains and losses on derivative contracts offset gains and losses on underlying foreign currency exposures.

The Parent has entered into cross-currency interest rate swaps to selectively hedge portions of Adient's net investment in Japan. The currency effects of the cross-currency interest rate swaps are reflected in the AOCI account within invested equity attributable to Adient where they offset gains and losses recorded on the Company's net investment in Japan. At September 30, 2015 and 2014, the Parent had four cross-currency interest rate swaps outstanding for Adient totaling 20 billion yen.

The following table presents the location and fair values of derivative instruments and hedging activities included in the Company's combined statements of financial position (in millions):

	Derivatives and Hedging Activities Designated as Hedging Instruments under ASC 815		Derivatives and Hedging Activities Not Designated as Hedging Instruments under ASC 815	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Other current assets				
Foreign currency exchange derivatives . . . . .	\$ 5	\$ 9	\$41	\$21
Cross-currency interest rate swaps . . . . .	5	15	—	—
Total assets . . . . .	<u>\$10</u>	<u>\$24</u>	<u>\$41</u>	<u>\$21</u>
Other current liabilities				
Foreign currency exchange derivatives . . . . .	\$27	\$17	\$17	\$16
Cross-currency interest rate swaps . . . . .	1	—	—	—
Total liabilities . . . . .	<u>\$28</u>	<u>\$17</u>	<u>\$17</u>	<u>\$16</u>

The Parent enters into International Swaps and Derivatives Associations (ISDA) master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company has not elected to offset the fair value positions of the derivative contracts recorded in the combined statements of financial position. Collateral is generally not required of the Company or the counterparties under the master netting agreements. As of September 30, 2015 and September 30, 2014, no cash collateral was received or pledged under the master netting agreements.

The gross and net amounts of derivative assets and liabilities are as follows (in millions):

	Fair Value of Assets		Fair Value of Liabilities	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Gross amount recognized . . . . .	\$51	\$45	\$45	\$33
Gross amount eligible for offsetting . . . . .	(2)	(2)	(2)	(2)
Net amount . . . . .	<u>\$49</u>	<u>\$43</u>	<u>\$43</u>	<u>\$31</u>

The following tables present the location and amount of the effective portion of gains and losses gross of tax on derivative instruments and related hedge items reclassified from AOCI into the



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

Company's combined statements of income and amounts recorded in AOCI net of tax in the combined statements of financial position (in millions):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Location of Gain Reclassified from AOCI into Income	Amount of Gain Reclassified from AOCI into Income		
		Year Ended September 30,		
		2015	2014	
Foreign currency exchange derivatives . . . . .	Cost of sales	\$22	\$9	

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Loss Recognized in AOCI on Derivative	
	September 30, 2015	September 30, 2014
Foreign currency exchange derivatives . . . . .	\$(17)	\$(6)

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative		
		Year Ended September 30,		
		2015	2014	2013
Foreign currency exchange derivatives . . . . .	Cost of sales	\$ 1	\$3	\$(6)
Foreign currency exchange derivatives . . . . .	Net financing charges	14	5	18
Total . . . . .		<u>\$15</u>	<u>\$8</u>	<u>\$12</u>

The amount of gains recognized in cumulative translation adjustment (CTA) within AOCI on the effective portion of outstanding net investment hedges was \$2 million and \$9 million at September 30, 2015 and 2014, respectively. For the years ended September 30, 2015 and 2014, no gains or losses were reclassified from CTA into income for the Company's outstanding net investment hedges, and no gains or losses were recognized in income for the ineffective portion of cash flow hedges.

**11. FAIR VALUE MEASUREMENTS**

ASC 820, "Fair Value Measurement," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

*Level 1:* Observable inputs such as quoted prices in active markets;

*Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

*Level 3:* Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**11. FAIR VALUE MEASUREMENTS (Continued)**

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

**Recurring Fair Value Measurements**

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value (in millions):

Fair Value Measurements Using:				
	Total as of September 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives . . . . .	\$46	\$—	\$46	\$—
Cross-currency interest rate swaps . . . . .	5	—	5	—
Total assets . . . . .	<u>\$51</u>	<u>\$—</u>	<u>\$51</u>	<u>\$—</u>
Other current liabilities				
Foreign currency exchange derivatives . . . . .	\$44	\$—	\$44	\$—
Cross-currency interest rate swaps . . . . .	1	—	1	—
Total liabilities . . . . .	<u>\$45</u>	<u>\$—</u>	<u>\$45</u>	<u>\$—</u>

Fair Value Measurements Using:				
	Total as of September 30, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives . . . . .	\$30	\$—	\$30	\$—
Cross-currency interest rate swaps . . . . .	15	—	15	—
Total assets . . . . .	<u>\$45</u>	<u>\$—</u>	<u>\$45</u>	<u>\$—</u>
Other current liabilities				
Foreign currency exchange derivatives . . . . .	\$33	\$—	\$33	\$—
Total liabilities . . . . .	<u>\$33</u>	<u>\$—</u>	<u>\$33</u>	<u>\$—</u>

**Valuation Methods**

Foreign currency exchange derivatives—The Parent selectively hedges anticipated transactions that are subject to foreign exchange rate risk primarily using foreign currency exchange hedge contracts. The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices. As cash flow hedges under ASC 815, "Derivatives and Hedging," the effective

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**11. FAIR VALUE MEASUREMENTS (Continued)**

portion of the hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. Any ineffective portion of the hedge is reflected in the combined statements of income. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2015 and 2014. The fair value of foreign currency exchange derivatives not designated as hedging instruments under ASC 815 are recorded in the combined statements of income.

Cross-currency interest rate swaps—The Parent selectively uses cross-currency interest rate swaps to hedge the foreign currency rate risk associated with certain of Adient's investments in Japan. The cross-currency interest rate swaps are valued using observable market data. Changes in the market value of the swaps are reflected in the CTA component of AOCI where they offset gains and losses recorded on the Company's net investment in Japan. At September 30, 2015 and 2014, the Parent had four cross-currency interest rate swaps outstanding totaling 20 billion yen.

Investments in marketable common stock—The Company invests in certain marketable common stock, which is valued under a market approach using publicized share prices. There were no unrealized gains or losses recorded in AOCI on these investments as of September 30, 2015 and 2014. During fiscal 2014, the Company sold certain marketable common stock for approximately \$25 million. As a result, the Company recorded \$8 million of realized gains within selling, general and administrative expenses in the Seating segment.

**12. STOCK-BASED COMPENSATION**

On January 23, 2013, the shareholders of JCI approved the Johnson Controls, Inc. 2012 Omnibus Incentive Plan (the "2012 Plan"). The types of awards authorized by the 2012 Plan are comprised of stock options, stock appreciation rights, performance shares, performance units and other stock-based awards. The Compensation Committee of JCI's Board of Directors determines the types of awards to be granted to individual participants and the terms and conditions of the awards. The 2012 Plan provides that 37 million shares of JCI's common stock are reserved for issuance under the 2012 Plan, and 32 million shares remained available for issuance at September 30, 2015.

Prior to shareholder approval of the 2012 Plan, JCI maintained the Johnson Controls, Inc. 2007 Stock Option Plan and the Johnson Controls, Inc. 2001 Restricted Stock Plan (the "Existing Plans"). The Existing Plans terminated on January 23, 2013 as a result of shareholder approval of the 2012 Plan, ending the authority to grant new awards under the Existing Plans. All awards under the Existing Plans that were outstanding as of January 23, 2013 continue to be governed by the Existing Plans. Pursuant to the Existing Plans, all forfeitures under such plans will be deposited into the reserve for the 2012 Plan.

JCI has four share-based compensation plans, which are described below. All awards granted under the plans are based on JCI's common shares and, as such, are reflected in JCI's consolidated statement of shareholders' equity and not in the combined statement of invested equity.

The stock-based compensation cost for Adient employees who participate in the JCI plans, excluding the offsetting impact of outstanding JCI equity swaps, was \$16 million, \$19 million and \$28 million for the fiscal years ended September 30, 2015, 2014 and 2013, respectively. The total income tax benefit recognized in the combined statements of income for share-based compensation

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**12. STOCK-BASED COMPENSATION (Continued)**

arrangements was \$6 million, \$7 million and \$11 million for the fiscal years ended September 30, 2015, 2014 and 2013, respectively. JCI applies a non-substantive vesting period approach whereby expense is accelerated for those employees that receive awards and are eligible to retire prior to the award vesting. These amounts were based on the awards and terms previously granted to Adient employees, but may not reflect the equity awards or results that the Company would have experienced or expect to experience as an independent, publicly traded company.

**Stock Options**

Stock options are granted to eligible employees with an exercise price equal to the market price of JCI's stock at the date of grant. Stock option awards typically vest between two and three years after the grant date and expire ten years from the grant date.

The fair value of each option is estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on the historical volatility of JCI's stock and other factors. JCI uses historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods during the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Year Ended September 30,		
	2015	2014	2013
Expected life of option (years) . . . . .	6.6	6.7	5.0 - 6.7
Risk-free interest rate . . . . .	1.61% - 1.93%	1.92%	0.62% - 1.33%
Expected volatility of JCI's stock . . . . .	36.00%	36.00%	41.00%
Expected dividend yield on JCI's stock . . .	2.02%	2.17%	2.03%

A summary of stock option activity at September 30, 2015, and changes for the year then ended, is presented below:

	Weighted Average Option Price	Shares Subject to Option	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2014 . . . . .	\$29.37	4,013,457		
Granted . . . . .	50.22	93,784		
Exercised . . . . .	29.28	(1,905,189)		
Forfeited or expired . . . . .	29.53	(5,585)		
Outstanding, September 30, 2015 . . . . .	<u>\$30.34</u>	<u>2,196,467</u>	<u>5.2</u>	<u>\$26</u>
Exercisable, September 30, 2015 . . . . .	<u>\$28.71</u>	<u>1,736,818</u>	<u>4.6</u>	<u>\$22</u>

The weighted-average grant-date fair value of options granted to Adient employees during the fiscal years ended September 30, 2015, 2014 and 2013 was \$15.53, \$14.70 and \$8.52, respectively.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**12. STOCK-BASED COMPENSATION (Continued)**

The total intrinsic value of options exercised by Adient employees during the fiscal years ended September 30, 2015, 2014 and 2013 was approximately \$30 million, \$30 million and \$18 million, respectively.

In conjunction with the exercise of stock options granted, the Parent received cash payments for the fiscal years ended September 30, 2015, 2014 and 2013 of approximately \$42 million, \$38 million and \$36 million, respectively.

At September 30, 2015, the Company had approximately \$1 million of total unrecognized compensation cost related to nonvested stock options granted. That cost is expected to be recognized over a weighted-average period of 1.4 years.

**Stock Appreciation Rights**

SARs vest under the same terms and conditions as stock option awards; however, they are settled in cash for the difference between the market price on the date of exercise and the exercise price. As a result, SARs are recorded in the Company's combined statements of financial position as a liability until the date of exercise.

The fair value of each SAR award is estimated using a similar method described for stock options. The fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value.

The assumptions used by JCI to determine the fair value of the SAR awards at September 30, 2015 are as follows:

Expected life of SAR (years) . . . . .	0.05 - 5.55
Risk-free interest rate . . . . .	0.00% - 1.47%
Expected volatility of JCI's stock . . . . .	36.00%
Expected dividend yield on JCI's stock . . . . .	2.02%

A summary of SAR activity at September 30, 2015, and changes for the year then ended, is presented below:

	Weighted Average SAR Price	Shares Subject to SAR	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2014 . . . . .	\$28.84	1,411,597		
Granted . . . . .	50.23	29,600		
Exercised . . . . .	27.76	(339,607)		
Forfeited or expired . . . . .	29.87	(13,070)		
Outstanding, September 30, 2015 . . . . .	<u>\$29.74</u>	<u>1,088,520</u>	<u>4.9</u>	<u>\$13</u>
Exercisable, September 30, 2015 . . . . .	<u>\$28.74</u>	<u>853,488</u>	<u>4.2</u>	<u>\$11</u>

In conjunction with the exercise of SARs granted to Adient employees, the Parent made payments of \$7 million, \$7 million and \$5 million during the fiscal years ended September 30, 2015, 2014 and 2013, respectively.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**12. STOCK-BASED COMPENSATION (Continued)**

**Restricted (Nonvested) Stock**

The 2012 Plan provides for the award of restricted stock or restricted stock units to certain employees. These awards are typically share settled unless the employee is a non-U.S. employee or elects to defer settlement until retirement at which point the award would be settled in cash. Restricted awards typically vest after three years from the grant date. The 2012 Plan allows for different vesting terms on specific grants with approval by JCI's Board of Directors.

A summary of the status of nonvested restricted stock awards at September 30, 2015, and changes for the fiscal year then ended, for Adient employees is presented below:

	<u>Weighted Average Price</u>	<u>Shares/Units Subject to Restriction</u>
Nonvested, September 30, 2014 . . . . .	\$42.11	383,229
Granted . . . . .	50.19	260,319
Vested . . . . .	41.42	(117,851)
Forfeited . . . . .	49.22	(24,582)
Nonvested, September 30, 2015 . . . . .	<u>\$46.12</u>	<u>501,115</u>

At September 30, 2015, the Company had approximately \$10 million of total unrecognized compensation cost related to nonvested restricted stock arrangements granted. That cost is expected to be recognized over a weighted-average period of 1.7 years.

**Performance Share Awards**

The 2012 Plan permits the grant of PSU awards. The number of PSUs granted is equal to the PSU award value divided by the closing price of JCI's common stock at the grant date. The PSUs are generally contingent on the achievement of pre-determined performance goals over a three-year performance period as well as on the award holder's continuous employment until the vesting date. Each PSU that is earned will be settled with a share of JCI's common stock following the completion of the performance period, unless the award holder elected to defer a portion or all of the award until retirement which would then be settled in cash.

A summary of the status of the Company's nonvested PSUs at September 30, 2015, and changes for the fiscal year then ended, for Adient employees is presented below:

	<u>Weighted Average Price</u>	<u>Shares/Units Subject to PSU</u>
Nonvested, September 30, 2014 . . . . .	\$37.71	74,987
Granted . . . . .	50.23	29,444
Forfeited . . . . .	—	—
Nonvested, September 30, 2015 . . . . .	<u>\$41.24</u>	<u>104,431</u>

At September 30, 2015, the Company had approximately \$3 million of total unrecognized compensation cost related to nonvested PSUs granted. That cost is expected to be recognized over a weighted-average period of 1.7 years.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**13. EQUITY AND NONCONTROLLING INTERESTS**

The following schedules present changes in combined equity attributable to Adient and noncontrolling interests (in millions, net of tax):

	Equity Attributable to Adient	Equity Attributable to Noncontrolling Interests	Total Invested Equity
<b>At September 30, 2012</b> . . . . .	\$5,558	\$115	\$5,673
Total comprehensive income (loss):			
Net income . . . . .	187	46	233
Foreign currency translation adjustments . . . . .	9	—	9
Realized and unrealized gains (losses) on derivatives . . . . .	(2)	—	(2)
Realized and unrealized gains (losses) on marketable common stock . . . . .	2	—	2
Other comprehensive income (loss) . . . . .	9	—	9
Comprehensive income (loss) . . . . .	196	46	242
Other change in equity:			
Dividends attributable to noncontrolling interests . . . . .	—	(20)	(20)
Change in Parent's net investment . . . . .	(172)	—	(172)
Change in noncontrolling interest share . . . . .	—	15	15
<b>At September 30, 2013</b> . . . . .	5,582	156	5,738
Total comprehensive income (loss):			
Net income . . . . .	307	53	360
Foreign currency translation adjustments . . . . .	(253)	—	(253)
Realized and unrealized gains (losses) on derivatives . . . . .	1	—	1
Realized and unrealized gains (losses) on marketable common stock . . . . .	(7)	—	(7)
Pension and postretirement plans . . . . .	1	—	1
Other comprehensive income (loss) . . . . .	(258)	—	(258)
Comprehensive income (loss) . . . . .	49	53	102
Other change in equity:			
Dividends attributable to noncontrolling interests . . . . .	—	(41)	(41)
Change in Parent's net investment . . . . .	(178)	—	(178)
Change in noncontrolling interest share . . . . .	—	(3)	(3)
Other . . . . .	—	(6)	(6)
<b>At September 30, 2014</b> . . . . .	5,453	159	5,612
Total comprehensive income (loss):			
Net income . . . . .	475	50	525
Foreign currency translation adjustments . . . . .	(512)	(5)	(517)
Realized and unrealized gains (losses) on derivatives . . . . .	(11)	—	(11)
Other comprehensive income (loss) . . . . .	(523)	(5)	(528)
Comprehensive income (loss) . . . . .	(48)	45	(3)
Other change in equity:			
Dividends attributable to noncontrolling interests . . . . .	—	(34)	(34)
Change in Parent's net investment . . . . .	221	—	221
Other . . . . .	—	(29)	(29)
<b>At September 30, 2015</b> . . . . .	\$5,626	\$141	\$5,767

The Company consolidates certain subsidiaries in which the noncontrolling interest party has within their control the right to require the Company to redeem all or a portion of its interest in the



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**13. EQUITY AND NONCONTROLLING INTERESTS (Continued)**

subsidiary. These redeemable noncontrolling interests are reported at their estimated redemption value. Any adjustment to the redemption value impacts retained earnings but does not impact net income. Redeemable noncontrolling interests which are redeemable only upon future events, the occurrence of which is not currently probable, are recorded at carrying value.

The following schedules present changes in the redeemable noncontrolling interests (in millions):

	Year Ended September 30,		
	2015	2014	2013
Beginning balance . . . . .	\$27	\$11	\$ 28
Net income . . . . .	16	14	12
Foreign currency translation adjustments . . . . .	(3)	—	—
Change in noncontrolling interest share . . . . .	—	—	(15)
Dividends . . . . .	(9)	(4)	(14)
Other . . . . .	—	6	—
Ending balance . . . . .	<u>\$31</u>	<u>\$27</u>	<u>\$ 11</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**13. EQUITY AND NONCONTROLLING INTERESTS (Continued)**

The following schedules present changes in AOCI attributable to Adient (in millions, net of tax):

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Foreign currency translation adjustments</b>			
Balance at beginning of period . . . . .	\$ 283	\$ 536	\$527
Aggregate adjustment for the period (net of tax effect of \$6, \$8 and \$22) . . .	(512)	(253)	9
Balance at end of period . . . . .	(229)	283	536
<b>Realized and unrealized gains (losses) on derivatives</b>			
Balance at beginning of period . . . . .	(6)	(7)	(5)
Current period changes in fair value (net of tax effect of \$1, \$2 and \$0) . . . .	5	7	1
Reclassification to income (net of tax effect of \$(6), \$(3) and \$(1))* . . . . .	(16)	(6)	(3)
Balance at end of period . . . . .	(17)	(6)	(7)
<b>Realize and unrealized gains (losses) on marketable common stock</b>			
Balance at beginning of period . . . . .	—	7	5
Current period changes in fair value (net of tax effect of \$0) . . . . .	—	(1)	2
Reclassifications to income (net of tax effect of \$0, \$(2) and \$0)** . . . . .	—	(6)	—
Balance at end of period . . . . .	—	—	7
<b>Pension and postretirement plans</b>			
Balance at beginning of period . . . . .	(1)	(2)	(2)
Reclassifications to income (net of tax effect of \$0) . . . . .	—	1	—
Balance at end of period . . . . .	(1)	(1)	(2)
Accumulated other comprehensive income (loss), end of period . . . . .	<u><u>\$ (247)</u></u>	<u><u>\$ 276</u></u>	<u><u>\$534</u></u>

\* Refer to Note 10, “Derivative Instruments and Hedging Activities,” of the notes to combined financial statements for disclosure of the line items on the combined statements of income affected by reclassifications from AOCI into income related to derivatives.

\*\* Refer to Note 11, “Fair Value Measurements,” of the notes to combined financial statements for disclosure of the line item on the combined statements of income affected by reclassifications from AOCI into income related to marketable common stock.

**14. RETIREMENT PLANS**

**Participation in Parent Pension and Other Postemployment Benefit Plans**

JCI provides defined benefit pension, postretirement health care and defined contribution benefits to its eligible employees and retirees, including eligible employees and retirees of Adient. These liabilities are not reflected in the combined statements of financial position.

The combined statements of income include expense allocations for these benefits which were determined using a proportional allocation based on headcount and payroll expense for the Company’s employees. Management considers the expense allocation methodology and results to be reasonable for

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

all periods presented. Total Parent benefit plan net expense allocated to Adient amounted to \$32 million, \$45 million and \$21 million for the fiscal years ended 2015, 2014 and 2013, respectively. These costs are reflected in cost of sales and selling, general and administrative expenses. These costs were funded through intercompany transactions with Parent which are now reflected within the net parent investment equity balance.

*Parent Defined Benefit Pension Plans*

Certain retired U.S. and Japanese employees of Adient receive defined benefit pension benefits through various Parent pension plans. Eligible active employees will also receive defined benefit pension benefits through various Parent pension plans in both the United States and Japan upon retirement. Allocated expense (income) in connection with these plans amounted to \$(19) million, \$6 million and \$(12) million for the fiscal years ended 2015, 2014 and 2013, respectively.

*Parent Other Postemployment Benefit Plans*

Certain retired U.S. and Canadian employees of Adient receive health care and other benefits through various Parent postretirement health care benefit plans. Eligible active employees will also receive postretirement health care benefits through various Parent postretirement plans in both the United States and Canada upon retirement. Allocated expense in connection with these plans was not significant for the fiscal years ended 2015, 2014 and 2013, respectively.

*Parent Savings and Investment Plans*

JCI sponsors various defined contribution savings plans that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, JCI will contribute to certain savings plans based on the employees' eligible pay and/or will match a percentage of the employee contributions up to certain limits. Allocated expense in connection with these plans amounted to \$51 million, \$39 million and \$33 million for the fiscal years ended 2015, 2014 and 2013, respectively.

**Pension Benefits**

The Company has non-contributory defined benefit pension plans covering primarily non-U.S. employees and a limited number of U.S. employees. The benefits provided are primarily based on years of service and average compensation or a monthly retirement benefit amount. Funding for non-U.S. plans observes the local legal and regulatory limits. Funding for U.S. pension plans equals or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974.

For pension plans with accumulated benefit obligations (ABO) that exceed plan assets, the projected benefit obligation (PBO), ABO and fair value of plan assets of those plans were \$403 million, \$383 million and \$287 million, respectively, as of September 30, 2015 and \$459 million, \$434 million and \$305 million, respectively, as of September 30, 2014.

In fiscal 2015, total Adient contributions to the defined benefit pension plans were \$25 million, of which \$3 million were voluntary contributions made by the Company. Contributions of approximately

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

\$30 million in cash to its defined benefit pension plans are expected in fiscal 2016. Projected benefit payments from the plans as of September 30, 2015 are estimated as follows (in millions):

2016 .....	\$ 18
2017 .....	18
2018 .....	18
2019 .....	21
2020 .....	21
2021 - 2025 .....	132

**Postretirement Benefits**

The Company provides certain health care and life insurance benefits for eligible retirees and their dependents primarily in the U.S. and Canada. Most non-U.S. employees are covered by government sponsored programs, and the cost to the Company is not significant.

Eligibility for coverage is based on meeting certain years of service and retirement age qualifications. These benefits may be subject to deductibles, co-payment provisions and other limitations, and the Company has reserved the right to modify these benefits.

The health care cost trend assumption does not have a significant effect on the amounts reported.

In fiscal 2015, total employer and employee contributions to the postretirement plans were \$1 million. The Company does not expect to make any significant contributions to its postretirement plans in fiscal year 2016. Projected benefit payments from the plans as of September 30, 2015 are estimated as follows (in millions):

2016 .....	\$1
2017 .....	1
2018 .....	1
2019 .....	1
2020 .....	1
2021 - 2025 .....	6

In December 2003, the U.S. Congress enacted the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) for employers sponsoring postretirement care plans that provide prescription drug benefits. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans providing a benefit that is at least actuarially equivalent to Medicare Part D.1. Under the Act, the Medicare subsidy amount is received directly by the plan sponsor and not the related plan. Further, the plan sponsor is not required to use the subsidy amount to fund postretirement benefits and may use the subsidy for any valid business purpose. Projected subsidy receipts for each of the next ten years are not expected to be significant.

**Plan Assets**

The Company's investment policies employ an approach whereby a mix of equities, fixed income and alternative investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a diversified blend of equity and fixed income

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

investments. Equity investments are diversified across domestic and non-domestic stocks, as well as growth, value and small to large capitalizations. Fixed income investments include corporate and government issues, with short-, mid- and long-term maturities, with a focus on investment grade when purchased and a target duration close to that of the plan liability. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews, annual liability measurements and periodic asset/liability studies. The majority of the real estate component of the portfolio is invested in a diversified portfolio of high-quality, operating properties with cash yields greater than the targeted appreciation. Investments in other alternative asset classes, including hedge funds and commodities, diversify the expected investment returns relative to the equity and fixed income investments. As a result of the Company's diversification strategies, there are no significant concentrations of risk within the portfolio of investments.

The Company's actual asset allocations are in line with target allocations. The Company rebalances asset allocations as appropriate, in order to stay within a range of allocation for each asset category.

The expected return on plan assets is based on the Company's expectation of the long-term average rate of return of the capital markets in which the plans invest. The average market returns are adjusted, where appropriate, for active asset management returns. The expected return reflects the investment policy target asset mix and considers the historical returns earned for each asset category.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

The Company's plan assets, by asset category, are as follows (in millions):

<u>Asset Category</u>	<b>Fair Value Measurements Using:</b>			
	<b>Total as of September 30, 2015</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<i><b>Pension</b></i>				
<b>Cash</b> . . . . .	\$ 27	\$ 27	\$ —	\$—
<b>Equity Securities</b>				
Large-Cap . . . . .	32	32	—	—
Small-Cap . . . . .	1	1	—	—
International—Developed . . . . .	42	42	—	—
International—Emerging . . . . .	7	7	—	—
<b>Fixed Income Securities</b>				
Government . . . . .	147	102	45	—
Corporate/Other . . . . .	77	61	16	—
<b>Hedge Fund</b> . . . . .	64	—	64	—
<b>Real Estate</b> . . . . .	24	—	—	24
<b>Total</b> . . . . .	<u>\$421</u>	<u>\$272</u>	<u>\$125</u>	<u>\$24</u>
<i><b>Postretirement</b></i>				
<b>Cash</b> . . . . .	\$ 1	\$ 1	\$ —	\$—
<b>Equity Securities</b>				
Large-Cap . . . . .	2	2	—	—
Small-Cap . . . . .	1	1	—	—
International—Developed . . . . .	1	1	—	—
International—Emerging . . . . .	1	1	—	—
<b>Fixed Income Securities</b>				
Government . . . . .	1	1	—	—
Corporate/Other . . . . .	4	4	—	—
<b>Commodities</b> . . . . .	1	1	—	—
<b>Real Estate</b> . . . . .	1	1	—	—
<b>Total</b> . . . . .	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ —</u>	<u>\$—</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

Asset Category	Fair Value Measurements Using:			
	Total as of September 30, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Pension</b>				
<b>Cash</b> . . . . .	\$ 56	\$ 56	\$—	\$—
<b>Equity Securities</b>				
Large-Cap . . . . .	31	31	—	—
Small-Cap . . . . .	1	1	—	—
International—Developed . . . . .	45	45	—	—
International—Emerging . . . . .	6	6	—	—
<b>Fixed Income Securities</b>				
Government . . . . .	71	71	—	—
Corporate/Other . . . . .	186	185	1	—
<b>Hedge Fund</b> . . . . .	45	—	45	—
<b>Real Estate</b> . . . . .	12	—	—	12
<b>Total</b> . . . . .	<u>\$453</u>	<u>\$395</u>	<u>\$46</u>	<u>\$12</u>
<b>Postretirement</b>				
<b>Equity Securities</b>				
Large-Cap . . . . .	\$ 2	\$ 2	\$—	\$—
Small-Cap . . . . .	1	1	—	—
International—Developed . . . . .	1	1	—	—
International—Emerging . . . . .	1	1	—	—
<b>Fixed Income Securities</b>				
Government . . . . .	2	2	—	—
Corporate/Other . . . . .	5	5	—	—
<b>Commodities</b> . . . . .	1	1	—	—
<b>Real Estate</b> . . . . .	1	1	—	—
<b>Total</b> . . . . .	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$—</u>	<u>\$—</u>

The following is a description of the valuation methodologies used for assets measured at fair value.

*Cash:* The fair value of cash is valued at cost.

*Equity Securities:* The fair value of equity securities is determined by direct quoted market prices. The underlying holdings are direct quoted market prices on regulated financial exchanges.

*Fixed Income Securities:* The fair value of fixed income securities is determined by direct or indirect quoted market prices. If indirect quoted market prices are utilized, the value of assets held in separate accounts is not published, but the investment managers report daily the underlying holdings. The underlying holdings are direct quoted market prices on regulated financial exchanges.

*Commodities:* The fair value of the commodities is determined by quoted market prices of the underlying holdings on regulated financial exchanges.



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

*Hedge Funds:* The fair value of hedge funds is accounted for by the custodian. The custodian obtains valuations from underlying managers based on market quotes for the most liquid assets and alternative methods for assets that do not have sufficient trading activity to derive prices. The Company and custodian review the methods used by the underlying managers to value the assets. The Company believes this is an appropriate methodology to obtain the fair value of these assets. During fiscal 2014, the underlying fund structure and pricing frequency of certain non-U.S. hedge fund investments was modified, and, as a result, those investments are now classified as Level 2 investments compared to the previous classification of Level 3.

*Real Estate:* The fair value of Real Estate Investment Trusts (REITs) is recorded as Level 1 as these securities are traded on an open exchange. The fair value of other investments in real estate is deemed Level 3 since these investments do not have a readily determinable fair value and requires the fund managers independently to arrive at fair value by calculating net asset value (NAV) per share. In order to calculate NAV per share, the fund managers value the real estate investments using any one, or a combination of, the following methods: independent third party appraisals, discounted cash flow analysis of net cash flows projected to be generated by the investment and recent sales of comparable investments. Assumptions used to revalue the properties are updated every quarter. Due to the fact that the fund managers calculate NAV per share, the Company utilizes a practical expedient for measuring the fair value of its Level 3 real-estate investments, as provided for under ASC 820, “Fair Value Measurement.” In applying the practical expedient, the Company is not required to further adjust the NAV provided by the fund manager in order to determine the fair value of its investment as the NAV per share is calculated in a manner consistent with the measurement principles of ASC 946, “Financial Services—Investment Companies,” and as of the Company’s measurement date. The Company believes this is an appropriate methodology to obtain the fair value of these assets. For the component of the real estate portfolio under development, the investments are carried at cost until they are completed and valued by a third party appraiser.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth a summary of changes in the fair value of pension assets measured using significant unobservable inputs (Level 3) (in millions):

<u>Pension</u>	<u>Total</u>	<u>Hedge Funds</u>	<u>Real Estate</u>
Asset value as of September 30, 2013 . . . . .	\$ 32	\$ 26	\$ 6
Additions net of redemptions . . . . .	5	—	5
Unrealized gain . . . . .	1	—	1
Transfers out—to Level 2 . . . . .	(26)	(26)	—
Asset value as of September 30, 2014 . . . . .	\$ 12	\$ —	\$12
Additions net of redemptions . . . . .	14	—	14
Unrealized loss . . . . .	(2)	—	(2)
Asset value as of September 30, 2015 . . . . .	<u>\$ 24</u>	<u>\$ —</u>	<u>\$24</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

**Funded Status**

The table that follows contains the ABO and reconciliations of the changes in the PBO, the changes in plan assets and the funded status (in millions):

September 30,	Pension Benefits		Postretirement Benefits	
	2015	2014	2015	2014
<b>Accumulated Benefit Obligation</b> . . . . .	<u>\$ 506</u>	<u>\$ 570</u>	<u>\$—</u>	<u>\$—</u>
<b>Change in Projected Benefit Obligation</b>				
Projected benefit obligation at beginning of year . . . . .	594	523	18	25
Service cost . . . . .	10	11	1	1
Interest cost . . . . .	19	22	1	1
Plan participant contributions . . . . .	—	—	1	1
Divestitures . . . . .	(16)	—	—	—
Actuarial (gain) loss . . . . .	—	78	(1)	(8)
Amendments made during the year . . . . .	1	—	—	—
Benefits and settlements paid . . . . .	(20)	(21)	(2)	(2)
Other . . . . .	—	(1)	(3)	—
Currency translation adjustment . . . . .	(61)	(18)	—	—
Projected benefit obligation at end of year . . . . .	<u>\$ 527</u>	<u>\$ 594</u>	<u>\$15</u>	<u>\$18</u>
<b>Change in Plan Assets</b>				
Fair value of plan assets at beginning of year . . . . .	\$ 453	\$ 371	\$14	\$14
Actual return on plan assets . . . . .	15	41	—	1
Divestitures . . . . .	(8)	—	—	—
Employer and employee contributions . . . . .	25	77	1	1
Benefits paid . . . . .	(19)	(18)	(2)	(2)
Settlement payments . . . . .	(1)	(3)	—	—
Other . . . . .	—	(1)	—	—
Currency translation adjustment . . . . .	(44)	(14)	—	—
Fair value of plan assets at end of year . . . . .	<u>\$ 421</u>	<u>\$ 453</u>	<u>\$13</u>	<u>\$14</u>
Funded status . . . . .	<u>\$(106)</u>	<u>\$(141)</u>	<u>\$(2)</u>	<u>\$(4)</u>
Amounts recognized in the statement of financial position consist of:				
Prepaid benefit cost . . . . .	\$ 11	\$ 12	\$—	\$—
Accrued benefit liability . . . . .	(117)	(153)	(2)	(4)
Net amount recognized . . . . .	<u>\$(106)</u>	<u>\$(141)</u>	<u>\$(2)</u>	<u>\$(4)</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

September 30,	Pension Benefits				Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2015	2014	2015	2014	2015	2014
<b>Weighted Average Assumptions(1)</b>						
Discount rate(2) . . . . .	4.40%	4.35%	3.40%	3.50%	3.80%	4.35%
Rate of compensation increase . . . . .	3.25%	3.25%	3.00%	3.00%	NA	NA

- (1) Plan assets and obligations are determined based on a September 30 measurement date at September 30, 2015 and 2014.
- (2) The Company considers the expected benefit payments on a plan-by-plan basis when setting assumed discount rates. As a result, the Company uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the U.S. pension and postretirement plans, the Company uses a discount rate provided by an independent third party calculated based on an appropriate mix of high quality bonds. For the non-U.S. pension and postretirement plans, the Company consistently uses the relevant country specific benchmark indices for determining the various discount rates.

At September 30, 2015, the Company changed the method used to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits for plans that utilize a yield curve approach. This change compared to the previous method will result in different service and interest components of net periodic benefit cost (credit) in future periods. Historically, the Company estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. The Company elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The Company made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of the total benefit obligations or annual net periodic benefit cost (credit) as the change in the service and interest costs is completely offset in the net actuarial (gain) loss reported. The change in the service and interest costs going forward is not expected to be significant. The Company has accounted for this change as a change in accounting estimate.

**Accumulated Other Comprehensive Income**

The amounts in AOCI on the combined statements of financial position, exclusive of tax impacts, that have not yet been recognized as components of net periodic benefit cost at September 30, 2015 are \$3 million related to pension benefits and are not significant related to postretirement benefits.

The amounts in AOCI expected to be recognized as components of net periodic benefit cost over the next fiscal year for pension and postretirement benefits are not significant.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**14. RETIREMENT PLANS (Continued)**

**Net Periodic Benefit Cost**

The table that follows contains the components of net periodic benefit cost (in millions):

Year Ended September 30,	Pension Benefits			Postretirement Benefits		
	2015	2014	2013	2015	2014	2013
<b>Components of Net Periodic Benefit Cost (Credit):</b>						
Service cost .....	\$ 10	\$ 11	\$ 13	\$ 1	\$ 1	\$ 1
Interest cost .....	19	22	19	1	1	1
Expected return on plan assets .....	(21)	(21)	(20)	(1)	(1)	—
Net actuarial (gain) loss .....	6	58	15	—	(8)	(2)
Settlement gain .....	—	—	(1)	—	—	—
Net periodic benefit cost (credit) .....	<u>\$ 14</u>	<u>\$ 70</u>	<u>\$ 26</u>	<u>\$ 1</u>	<u>\$ (7)</u>	<u>\$ —</u>

Year Ended September 30,	Pension Benefits						Postretirement Benefits		
	U.S. Plans			Non-U.S. Plans			2015	2014	2013
	2015	2014	2013	2015	2014	2013			
<b>Expense Assumptions:</b>									
Discount rate . . . . .	4.35%	4.90%	4.15%	3.50%	4.20%	4.15%	4.35%	4.90%	4.15%
Expected return on plan assets . . . . .	7.50%	8.00%	8.00%	5.40%	5.85%	6.00%	4.00%	4.00%	4.00%
Rate of compensation increase . . . . .	3.25%	3.30%	3.25%	3.00%	2.80%	2.70%	NA	NA	NA

**15. SIGNIFICANT RESTRUCTURING AND IMPAIRMENT COSTS**

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, the Company commits to restructuring plans as necessary.

In fiscal 2015, the Company committed to a restructuring plan (2015 Plan) and recorded \$182 million of restructuring and impairment costs in the combined statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions relate to cost reduction initiatives. The costs consist primarily of workforce reductions, plant closures and asset impairments. The restructuring and impairment costs related to the Seating segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

The following table summarizes the changes in the Company's 2015 Plan reserve (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Total
Original Reserve .....	\$155	\$ 27	\$182
Utilized—cash .....	(1)	—	(1)
Utilized—noncash .....	—	(27)	(27)
Balance at September 30, 2015 .....	<u>\$154</u>	<u>\$ —</u>	<u>\$154</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**15. SIGNIFICANT RESTRUCTURING AND IMPAIRMENT COSTS (Continued)**

In fiscal 2014, the Company committed to a restructuring plan (2014 Plan) and recorded \$158 million of restructuring and impairment costs in the combined statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions related primarily to cost reduction initiatives and included workforce reductions, plant closures, and asset impairments. Of the restructuring and impairment costs recorded, \$129 million related to the Interiors segment and \$29 million related to the Seating segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

The following table summarizes the changes in the Company's 2014 Plan reserve (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Currency Translation	Total
Original Reserve . . . . .	\$106	\$ 52	\$ —	\$158
Utilized—noncash . . . . .	—	(52)	(5)	(57)
Balance at September 30, 2014 . . . . .	\$106	\$ —	\$ (5)	\$101
Utilized—cash . . . . .	(24)	—	—	(24)
Utilized—noncash . . . . .	—	—	(9)	(9)
Balance at September 30, 2015 . . . . .	<u>\$ 82</u>	<u>\$ —</u>	<u>\$(14)</u>	<u>\$ 68</u>

In fiscal 2013, the Company committed to a restructuring plan (2013 Plan) and recorded \$280 million of restructuring and impairment costs in the combined statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions related to cost reduction initiatives and included workforce reductions, plant closures, and asset impairments. Of the restructuring and impairment costs recorded, \$152 million related to the Seating segment and \$128 million related to the Interiors segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

The following table summarizes the changes in the Company's 2013 Plan reserve (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Other	Currency Translation	Total
Original Reserve . . . . .	\$199	\$ 79	\$ 2	\$ —	\$280
Utilized—cash . . . . .	(15)	—	—	—	(15)
Utilized—noncash . . . . .	—	(79)	(2)	3	(78)
Balance at September 30, 2013 . . . . .	\$184	\$ —	\$—	\$ 3	\$187
Utilized—cash . . . . .	(54)	—	—	—	(54)
Utilized—noncash . . . . .	—	—	—	(9)	(9)
Balance at September 30, 2014 . . . . .	\$130	\$ —	\$—	\$ (6)	\$124
Utilized—cash . . . . .	(66)	—	—	—	(66)
Utilized—noncash . . . . .	—	—	—	(10)	(10)
Balance at September 30, 2015 . . . . .	<u>\$ 64</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$(16)</u>	<u>\$ 48</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**15. SIGNIFICANT RESTRUCTURING AND IMPAIRMENT COSTS (Continued)**

The Parent's fiscal 2015, 2014, and 2013 restructuring plans included workforce reductions of approximately 8,200 for Adient. Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee or on a lump sum basis in accordance with individual severance agreements. As of September 30, 2015, approximately 4,400 of the employees have been separated from the Company pursuant to the restructuring plans. In addition, the restructuring plans included eighteen plant closures for Adient. As of September 30, 2015, five of the eighteen plants have been closed.

Refer to Note 16, "Impairment of Long-Lived Assets," of the notes to combined financial statements for further information regarding the long-lived asset impairment charges recorded as part of the restructuring actions.

Company management closely monitors its overall cost structure and continually analyzes each of its businesses for opportunities to consolidate current operations, improve operating efficiencies and locate facilities in low cost countries in close proximity to customers. This ongoing analysis includes a review of its manufacturing, engineering and purchasing operations, as well as the overall global footprint for all its businesses. Because of the importance of new vehicle sales by major automotive manufacturers to operations, the Company is affected by the general business conditions in this industry. Future adverse developments in the automotive industry could impact the Company's liquidity position, lead to impairment charges and/or require additional restructuring of its operations.

**16. IMPAIRMENT OF LONG-LIVED ASSETS**

The Company reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

In fiscal 2015, the Company concluded it had triggering events requiring assessment of impairment for certain of its long-lived assets in conjunction with its announced restructuring actions. As a result, the Company reviewed the long-lived assets for impairment and recorded a \$27 million impairment charge within restructuring and impairment costs on the combined statements of income. The total impairment charge related to the Seating segment. Refer to Note 15, "Significant Restructuring and Impairment Costs," of the notes to combined financial statements for additional information. The impairment was measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods the Company employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**16. IMPAIRMENT OF LONG-LIVED ASSETS (Continued)**

In fiscal 2014, the Company concluded it had triggering events requiring assessment of impairment for certain of its long-lived assets in conjunction with its restructuring actions announced in fiscal 2014. As a result, the Company reviewed the long-lived assets for impairment and recorded a \$52 million impairment charge within restructuring and impairment costs on the combined statements of income. Of the total impairment charge, \$45 million related to the Interiors segment and \$7 million related to the Seating segment. Refer to Note 15, "Significant Restructuring and Impairment Costs," of the notes to combined financial statements for additional information. The impairment was measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods the Company employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

In fiscal 2013, the Company concluded it had a triggering event requiring assessment of impairment for certain of its long-lived assets in conjunction with its restructuring actions announced in fiscal 2013. As a result, the Company reviewed the long-lived assets for impairment and recorded a \$79 million impairment charge within restructuring and impairment costs on the combined statements of income. Of the total impairment charge, \$57 million related to the Interiors segment and \$22 million related to the Seating segment. Refer to Note 15, "Significant Restructuring and Impairment Costs," of the notes to combined financial statements for additional information. The impairment was measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods the Company employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

At September 30, 2015, 2014 and 2013, the Company concluded it did not have any other triggering events requiring assessment of impairment of its long-lived assets.

**17. INCOME TAXES**

The income tax (benefit) provision in the combined statements of income has been calculated as if Adient filed separate income tax returns and was operating as a stand-alone business. Therefore, cash tax payments and items of current and deferred taxes may not be reflective of the actual tax balances of Adient prior to or subsequent to the separation. The Company's operations have historically been included in the Parent's U.S. federal and state tax returns or non-U.S. jurisdiction tax returns.

The Parent's global tax model has been developed based upon its entire portfolio of business. Accordingly, the Company's tax results as presented are not necessarily indicative of future performance and do not necessarily reflect the results that would have generated as an independent company for the periods presented.

Because portions of the Company's operations are included in the Parent's tax returns, payments to certain tax authorities are made by the Parent, and not by the Company. With the exception of certain dedicated foreign entities, the Company does not maintain taxes payable to/from JCI and the balances are deemed to settle the annual current tax balances immediately with the legal tax-paying



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**17. INCOME TAXES (Continued)**

entities in the respective jurisdictions. These settlements are reflected as changes in the Parent's net investment.

The more significant components of the Company's income tax provision are in the following table. These amounts do not include the impact of income tax expense related to our nonconsolidated partially-owned affiliates, which is netted against equity income on the combined statements of income.

(in millions)	Year Ended September 30,		
	2015	2014	2013
Tax expense at federal statutory rate . . . . .	\$ 336	\$235	\$144
State income taxes, net of federal benefit . . . . .	15	8	(1)
Foreign income tax expense at different rates and foreign losses without tax benefits . . . . .	(13)	(14)	34
U.S. tax on foreign income . . . . .	(252)	9	(21)
U.S. credits and incentives . . . . .	(6)	(8)	(11)
Business divestitures . . . . .	356	71	—
Reserve and valuation allowance adjustments . . . . .	(13)	—	10
Other . . . . .	(5)	(5)	13
Income tax provision . . . . .	<u>\$ 418</u>	<u>\$296</u>	<u>\$168</u>

The effective rate is above the U.S. statutory rate for fiscal 2015 primarily due to the tax consequences of business divestitures partially offset by the benefits of U.S. tax on foreign income, income in certain non-U.S. jurisdictions with a tax rate lower than the U.S. statutory tax rate and continuing global tax planning initiatives. The effective rate is above the U.S. statutory rate for fiscal 2014 primarily due to the tax consequences of business divestitures partially offset by the benefits of continuing global tax planning initiatives and income in certain non-U.S. jurisdictions with a tax rate lower than the U.S. statutory tax rate. The effective rate is above the U.S. statutory rate for fiscal 2013 primarily due to losses not benefited.

***Valuation Allowances***

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes." ASC 740 requires an asset and liability approach for financial accounting and reporting for income taxes. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are established where management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company reviews the realizability of its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowances may be necessary.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**17. INCOME TAXES (Continued)**

As a result of the Company's fiscal 2015 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that deferred tax assets within South Africa would be realized. Therefore, the Company released \$13 million of net valuation allowances as income tax benefit in the fiscal year ended September 30, 2015.

As a result of the Company's fiscal 2013 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, the Company determined that it was more likely than not that deferred tax assets within Romania would not be realized. Therefore, the Company recorded \$10 million of net valuation allowances as income tax expense in the fiscal year ended September 30, 2013.

***Uncertain Tax Positions***

The unrecognized tax benefits reflected in the Company's combined financial statements have been determined using a separate-return by legal entity basis. As a result of the final separation from the Parent, the Company's unrecognized tax benefits could be different than those reflected in the combined financial statements. The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities.

At September 30, 2015, the Company had gross tax effected unrecognized tax benefits of \$393 million of which \$389 million, if recognized, would impact the effective tax rate. Total net accrued interest at September 30, 2015 was approximately \$10 million (net of tax benefit).

At September 30, 2014, the Company had gross tax effected unrecognized tax benefits of \$287 million of which \$283 million, if recognized, would impact the effective tax rate. Total net accrued interest at September 30, 2014 was approximately \$7 million (net of tax benefit).

At September 30, 2013, the Company had gross tax effected unrecognized tax benefits of \$239 million of which \$235 million, if recognized, would impact the effective tax rate. Total net accrued interest at September 30, 2013 was approximately \$5 million (net of tax benefit).

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Beginning balance . . . . .	\$287	\$239	\$145
Additions for tax positions related to the current year . . . . .	138	62	76
Additions for tax positions of prior years . . . . .	—	—	18
Reductions for tax positions of prior years . . . . .	(32)	(14)	—
Ending balance . . . . .	<u>\$393</u>	<u>\$287</u>	<u>\$239</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**17. INCOME TAXES (Continued)**

***Other Tax Matters***

In the fourth quarter of fiscal 2015, the Company completed its global automotive interiors joint venture with Yanfeng Automotive Trim Systems. Refer to Note 2, “Acquisitions and Divestitures,” of the notes to combined financial statements for additional information. In connection with the divestiture of the business, the Company recorded a pre-tax gain on divestiture of \$127 million, \$20 million net of tax. The tax impact of the gain is due to the jurisdictional mix of gains and losses on the divestiture, which resulted in non-benefited expenses in certain countries and taxable gains in other countries. In addition, in the third and fourth quarters of fiscal 2015, the Company provided income tax expense for repatriation of cash and other tax reserves associated with the Interiors joint venture transaction, which resulted in a tax charge of \$75 million and \$218 million, respectively.

In the third quarter of fiscal 2014, the Company disposed of its Interiors headliner and sun visor product lines. Refer to Note 2, “Acquisitions and Divestitures,” of the notes to combined financial statements for additional information. As a result, the Company recorded a pre-tax loss on divestiture of \$95 million and income tax expense of \$38 million. The income tax expense is due to the jurisdictional mix of gains and losses on the sale, which resulted in non-benefited losses in certain countries and taxable gains in other countries.

***Income Tax Provision***

Components of the provision for income taxes are as follows (in millions):

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current			
Federal . . . . .	\$264	\$106	\$140
State . . . . .	4	4	15
Foreign . . . . .	201	178	95
	<u>469</u>	<u>288</u>	<u>250</u>
Deferred			
Federal . . . . .	(63)	74	(36)
State . . . . .	(26)	6	(11)
Foreign . . . . .	38	(72)	(35)
	<u>(51)</u>	<u>8</u>	<u>(82)</u>
Income tax provision . . . . .	<u>\$418</u>	<u>\$296</u>	<u>\$168</u>

Combined domestic income before income taxes and noncontrolling interests for the fiscal years ended September 30, 2015, 2014 and 2013 was income of \$788 million, \$742 million and \$638 million, respectively. Combined foreign income before income taxes and noncontrolling interests for the fiscal years ended September 30, 2015, 2014 and 2013 was income of \$171 million, \$(72) million and \$(225) million, respectively.

The Company has not provided additional U.S. income taxes on approximately \$3.7 billion of undistributed earnings of combined foreign subsidiaries included in Parent’s net investment. Such

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**17. INCOME TAXES (Continued)**

earnings could become taxable upon the sale or liquidation of these foreign subsidiaries or upon dividend repatriation. The Company's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated when it would be tax effective through the utilization of foreign tax credits. It is not practicable to estimate the amount of unrecognized withholding taxes and deferred tax liability on such earnings.

Deferred taxes are classified in the combined statements of financial position as follows (in millions):

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Other noncurrent assets . . . . .	\$285	\$ 304
Other noncurrent liabilities . . . . .	(93)	(138)
Net deferred tax asset . . . . .	<u>\$192</u>	<u>\$ 166</u>

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities included (in millions):

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Deferred tax assets		
Accrued expenses and reserves . . . . .	\$ 150	\$ 212
Employee and retiree benefits . . . . .	15	21
Net operating loss and other credit carryforwards . . . . .	369	442
Research and development . . . . .	11	22
Property, plant and equipment . . . . .	—	2
Intangible assets . . . . .	—	29
Joint ventures and partnerships . . . . .	213	—
	<u>758</u>	<u>728</u>
Valuation allowances . . . . .	(392)	(459)
	<u>366</u>	<u>269</u>
Deferred tax liabilities		
Property, plant and equipment . . . . .	16	—
Intangible assets . . . . .	88	—
Joint ventures and partnerships . . . . .	—	37
Other . . . . .	70	66
	<u>174</u>	<u>103</u>
Net deferred tax asset . . . . .	<u>\$ 192</u>	<u>\$ 166</u>

At September 30, 2015, the Company had available net operating loss carryforwards of approximately \$1.4 billion, of which \$0.7 billion will expire at various dates between 2016 and 2035, and the remainder has an indefinite carryforward period. The valuation allowance, generally, is for loss

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**17. INCOME TAXES (Continued)**

carryforwards for which realization is uncertain because it is unlikely that the losses will be realized given the lack of sustained profitability and/or limited carryforward periods in certain countries.

**18. SEGMENT INFORMATION**

ASC 280, "Segment Reporting," establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it has two reportable segments for financial reporting purposes.

Adient designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport utility/crossover vehicles.

- The Seating reportable segment produces automotive seat metal structures and mechanisms, foam, trim, fabric and complete seat systems.
- The Interiors reportable segment, primarily derived from its global automotive interiors joint venture completed on July 2, 2015, produces instrument panels, floor consoles, door panels, overhead consoles, cockpit systems, decorative trim and other products. Prior to the completion of the joint venture, the Interiors reportable segment produced instrument panels, floor consoles and door panels.

Management evaluates the performance of the segments based primarily on segment income, which represents income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans. General corporate and other overhead expenses are allocated to business segments in determining segment income. Financial information relating to the Company's reportable segments is as follows (in millions):

	Year Ended September 30,		
	2015	2014	2013
<i>Net Sales</i>			
Seating . . . . .	\$16,859	\$17,871	\$16,621
Interiors . . . . .	3,212	4,170	3,849
Total net sales . . . . .	<u>\$20,071</u>	<u>\$22,041</u>	<u>\$20,470</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**18. SEGMENT INFORMATION (Continued)**

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Segment Income (Loss)</i>			
Seating(1) . . . . .	\$ 935	\$ 898	\$ 737
Interiors(2) . . . . .	224	(5)	(21)
Total segment income . . . . .	<u>\$1,159</u>	<u>\$ 893</u>	<u>\$ 716</u>
Net financing charges . . . . .	(12)	(15)	(10)
Restructuring and impairment costs . . . . .	(182)	(158)	(280)
Net mark-to-market adjustments on pension and postretirement plans . . . . .	(6)	(50)	(13)
Income before income taxes . . . . .	<u>\$ 959</u>	<u>\$ 670</u>	<u>\$ 413</u>

	<b>September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Assets</i>			
Seating . . . . .	\$ 9,080	\$ 9,270	\$ 9,592
Interiors(3) . . . . .	1,302	305	1,733
	10,382	9,575	11,325
Assets held for sale . . . . .	55	1,631	62
Total . . . . .	<u>\$10,437</u>	<u>\$11,206</u>	<u>\$11,387</u>

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Depreciation/Amortization</i>			
Seating . . . . .	\$333	\$315	\$339
Interiors . . . . .	14	122	111
Total . . . . .	<u>\$347</u>	<u>\$437</u>	<u>\$450</u>

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Capital Expenditures</i>			
Seating . . . . .	\$366	\$462	\$450
Interiors . . . . .	112	162	209
Total . . . . .	<u>\$478</u>	<u>\$624</u>	<u>\$659</u>

- (1) Seating segment income for the years ended September 30, 2015, 2014 and 2013 excludes \$182 million, \$29 million and \$152 million, respectively, of restructuring and impairment costs. For the years ended September 30, 2015, 2014 and 2013, Seating segment income includes \$264 million, \$249 million and \$286 million, respectively, of equity income.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**18. SEGMENT INFORMATION (Continued)**

- (2) Interiors segment income for the years ended September 30, 2014 and 2013 excludes \$129 million and \$128 million, respectively, of restructuring and impairment costs. For the years ended September 30, 2015, 2014 and 2013, Interiors segment income includes \$31 million, \$35 million and \$16 million, respectively, of equity income.
- (3) The majority of Interiors assets were held for sale at September 30, 2014. At September 30, 2015, the Interiors assets primarily consist of investments in partially-owned affiliates.

***Geographic Information***

Financial information relating to the Company's operations by geographic area is as follows (in millions):

	<b>Year Ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Net Sales</i>			
United States . . . . .	\$ 7,850	\$ 8,401	\$ 7,519
Germany . . . . .	2,464	2,888	2,823
Mexico . . . . .	1,299	1,339	1,331
Other European countries . . . . .	5,050	6,321	5,287
Other foreign . . . . .	3,408	3,092	3,510
Total . . . . .	<u>\$20,071</u>	<u>\$22,041</u>	<u>\$20,470</u>
<i>Long-Lived Assets</i>			
United States . . . . .	\$ 583	\$ 613	\$ 610
Germany . . . . .	375	440	621
Mexico . . . . .	225	220	245
Other European countries . . . . .	722	820	1,058
Other foreign . . . . .	234	313	364
Total . . . . .	<u>\$ 2,139</u>	<u>\$ 2,406</u>	<u>\$ 2,898</u>

Net sales attributed to geographic locations are based on the location of the assets producing the sales. Long-lived assets by geographic location consist of net property, plant and equipment.

**19. NONCONSOLIDATED PARTIALLY-OWNED AFFILIATES**

Investments in the net assets of nonconsolidated partially-owned affiliates are stated in the "Investments in partially-owned affiliates" line in the combined statements of financial position as of September 30, 2015 and 2014. Equity in the net income of nonconsolidated partially-owned affiliates is stated in the "Equity income" line in the combined statements of income for the years ended September 30, 2015, 2014 and 2013.



**Adient**  
**Notes to Combined Financial Statements (Continued)**

**19. NONCONSOLIDATED PARTIALLY-OWNED AFFILIATES (Continued)**

The Company maintains total investments in partially-owned affiliates of \$1.6 billion and \$0.6 billion at September 30, 2015 and 2014, respectively. The Company's investments in partially-owned affiliates primarily consist of the following entities:

<u>Name of partially-owned affiliate</u>	<u>% ownership</u>	
	<u>2015</u>	<u>2014</u>
<i>Seating</i>		
Changchun FAWAY—Johnson Controls Automotive Systems Co., Ltd. .	50.0%	50.0%
Shanghai Johnson Controls Yanfeng Seating Mechanism Co., Ltd . . . . .	50.0%	50.0%
Shanghai Yanfeng Johnson Controls Seating Co., Ltd. (YFJC) . . . . .	49.9%	49.9%
<i>Interiors</i>		
Yanfeng Global Automotive Interiors Systems Co., Ltd. . . . .	29.7%	—%

Financial information for nonconsolidated partially-owned affiliates that were significant to Adient's results is as follows:

*Summarized balance sheet data (in millions):*

	<u>September 30, 2015</u>		
	<u>YFJC</u>	<u>All Other</u>	<u>Total</u>
Current assets . . . . .	\$1,595	\$3,923	\$5,518
Noncurrent assets . . . . .	541	2,121	2,662
Total assets . . . . .	<u>\$2,136</u>	<u>\$6,044</u>	<u>\$8,180</u>
Current liabilities . . . . .	\$1,352	\$4,140	\$5,492
Noncurrent liabilities . . . . .	41	108	149
Noncontrolling interests . . . . .	67	11	78
Shareholders' equity . . . . .	676	1,785	2,461
Total liabilities and shareholders' equity . . . . .	<u>\$2,136</u>	<u>\$6,044</u>	<u>\$8,180</u>
	<u>September 30, 2014</u>		
	<u>YFJC</u>	<u>All Other</u>	<u>Total</u>
Current assets . . . . .	\$1,469	\$1,396	\$2,865
Noncurrent assets . . . . .	517	647	1,164
Total assets . . . . .	<u>\$1,986</u>	<u>\$2,043</u>	<u>\$4,029</u>
Current liabilities . . . . .	\$1,285	\$1,280	\$2,565
Noncurrent liabilities . . . . .	33	41	74
Noncontrolling interests . . . . .	64	—	64
Shareholders' equity . . . . .	604	722	1,326
Total liabilities and shareholders' equity . . . . .	<u>\$1,986</u>	<u>\$2,043</u>	<u>\$4,029</u>

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**19. NONCONSOLIDATED PARTIALLY-OWNED AFFILIATES (Continued)**

*Summarized income statement data with reconciliation to Adient's equity in net income from nonconsolidated partially-owned affiliates for the years ended September 30 (in millions):*

	2015		
	YFJC	All Other	Total
Net sales . . . . .	\$3,855	\$5,594	\$9,449
Gross profit . . . . .	538	662	1,200
Operating income . . . . .	433	397	830
Net income . . . . .	360	376	736
Income attributable to noncontrolling interests . . . . .	46	6	52
Net income attributable to the entity . . . . .	314	370	684
Equity in net income, before basis adjustments . . . . .	\$ 157	\$ 149	\$ 306
Basis adjustments . . . . .	(3)	(8)	(11)
Equity in net income . . . . .	154	141	295
	2014		
	YFJC	All Other	Total
Net sales . . . . .	\$3,646	\$3,898	\$7,544
Gross profit . . . . .	497	416	913
Operating income . . . . .	388	328	716
Net income . . . . .	320	310	630
Income attributable to noncontrolling interests . . . . .	28	—	28
Net income attributable to the entity . . . . .	292	310	602
Equity in net income, before basis adjustments . . . . .	\$ 146	\$ 141	\$ 287
Basis adjustments . . . . .	(3)	0	(3)
Equity in net income . . . . .	143	141	284
	2013		
	YFJC	All Other	Total
Net sales . . . . .	\$3,053	\$3,238	\$6,291
Gross profit . . . . .	427	297	724
Operating income . . . . .	321	191	512
Net income . . . . .	264	169	433
Income attributable to noncontrolling interests . . . . .	19	—	19
Net income attributable to the entity . . . . .	245	169	414
Equity in net income, before basis adjustments . . . . .	\$ 123	\$ 74	\$ 197
Basis adjustments . . . . .	(2)	1	(1)
Fair value adjustment to previously held interest . . . . .	—	106	106
Equity in net income . . . . .	121	181	302

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**20. COMMITMENTS AND CONTINGENCIES**

The Company accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. Reserves for environmental liabilities totaled \$7 million and \$8 million at September 30, 2015 and 2014, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company does not currently believe that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other casualty matters. Although the outcome of any such lawsuit, claim or proceeding cannot be predicted with certainty and some may be disposed of unfavorably to Adient, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

**21. RELATED PARTY TRANSACTIONS AND PARENT'S NET INVESTMENT**

**Related Party Transactions**

In the ordinary course of business, the Company enters into transactions with related parties, such as equity affiliates and other businesses of the Parent. Such transactions consist of facility management services, the sale or purchase of goods and other arrangements.

**Revision of Previously Reported Related Party Transactions**

In connection with the preparation of the financial statements for the three and six months ended March 31, 2016, the Company identified misstatements in amounts classified as related party transactions in previously reported periods. The misstatements impacted the amounts previously disclosed in this footnote. The misstatements are not considered material, individually or in the aggregate, to previously issued financial statements. The misstatements had no impact on the combined financial statements.

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**21. RELATED PARTY TRANSACTIONS AND PARENT'S NET INVESTMENT (Continued)**

The following table sets forth the net sales to and purchases from related parties included in the combined statements of operations, including the impact of all revisions thereto:

<u>(in millions)</u>	<u>Year Ended September 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net sales to related parties . . . . .	\$196(1)	\$215(1)	\$272(1)
Purchases from related parties . . . . .	166(2)	199(2)	118(2)

- (1) These amounts have been revised to correct for previously reported misstatements. The revisions decreased net sales to related parties by \$26 million and \$266 million for 2015 and 2014, respectively, and increased net sales to related parties by \$206 million for 2013.
- (2) These amounts have been revised to correct for previously reported misstatements. The revisions increased purchases from related parties by \$62 million, \$5 million and \$38 million for 2015, 2014 and 2013, respectively.

The following table sets forth the amount of accounts receivable due from and payable to related parties in the combined statements of financial position, including the impact of all revisions thereto:

<u>(in millions)</u>	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Receivable from related parties . . . . .	\$254(1)	\$124(1)
Payable to related parties . . . . .	122	101

- (1) These amounts have been revised to correct for previously reported misstatements. The revisions decreased receivables from related parties by \$2 million for 2015 and increased receivables from related parties by \$18 million for 2014.

Excluding the settlement of intercompany balances in advance of the separation of the Company from the Parent, average receivable and payable balances with related parties remained relatively consistent with the period end balances shown above.

**Corporate Allocations and Parent's Net Investment**

The combined statements of operations include allocations for certain support functions that are provided on a centralized basis by the Parent and subsequently recorded at the business unit level, such as expenses related to employee benefits, finance, human resources, risk management, information technology, facilities, and legal, among others. Included in cost of sales and selling, general and administrative expense during the years ended September 30, 2015, 2014 and 2013 were \$361 million, \$304 million and \$254 million, respectively, of corporate expenses incurred by JCI. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a proportional basis of combined sales, headcount or other measures of the Company or the Parent. Management believes the assumptions underlying the combined financial statements, including the assumptions regarding allocating general corporate expenses from the Parent, are reasonable. Nevertheless, the combined financial statements may not include all actual expenses that would have been incurred by the Company and may not reflect the combined results of operations, financial position and cash flows had it been a stand-alone company during the years presented. Actual

**Adient**  
**Notes to Combined Financial Statements (Continued)**

**21. RELATED PARTY TRANSACTIONS AND PARENT'S NET INVESTMENT (Continued)**

costs that would have been incurred if the Company had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

Approximately \$16 million of costs related to the separation of Adient have been incurred by the Parent for the year ended September 30, 2015. These costs include legal, consulting and advisory fees. The Parent has assumed these separation costs incurred to date and none of these separation costs were allocated to Adient's combined financial statements. To the extent separation costs are incurred that will directly benefit Adient as a stand-alone company, such costs will be allocated to Adient.

In addition to the transactions discussed above, certain intercompany transactions between the Company and the Parent have not been recorded as related party transactions. These transactions are considered to be effectively settled for cash at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flows as a financing activity and in the combined statements of financial position as Parent's net investment.

**ADIANT AND SUBSIDIARIES**  
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
(In millions)

<u>Year Ended September 30,</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>Accounts Receivable—Allowance for Doubtful Accounts</i></b>			
Balance at beginning of period . . . . .	\$ 11	\$ 14	\$ 17
Provision charged to costs and expenses . . . . .	14	17	28
Reserve adjustments . . . . .	(13)	(18)	(29)
Accounts charged off . . . . .	—	—	(2)
Transfers to held for sale . . . . .	—	(2)	—
Balance at end of period . . . . .	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 14</u>
<b><i>Deferred Tax Assets—Valuation Allowance</i></b>			
Balance at beginning of period . . . . .	\$459	\$426	\$306
Allowance provision for new operating and other loss carryforwards . . . . .	24	33	56
Allowance provision (benefit) adjustments . . . . .	(91)	—	64
Balance at end of period . . . . .	<u>\$392</u>	<u>\$459</u>	<u>\$426</u>

**Adient Ltd**  
**Combined Statements of Financial Position**  
**(unaudited)**

<u>(in millions)</u>	<u>March 31, 2016</u>	<u>September 30, 2015</u>
<b>Assets</b>		
Cash and cash equivalents . . . . .	\$ 66	\$ 44
Accounts receivable—net . . . . .	2,195	2,134
Inventories . . . . .	722	701
Assets held for sale . . . . .	—	55
Other current assets . . . . .	651	872
Current assets . . . . .	<u>3,634</u>	<u>3,806</u>
Property, plant and equipment—net . . . . .	2,125	2,139
Goodwill . . . . .	2,184	2,160
Other intangible assets—net . . . . .	121	129
Investments in partially-owned affiliates . . . . .	1,768	1,646
Other noncurrent assets . . . . .	482	557
Total assets . . . . .	<u>\$10,314</u>	<u>\$10,437</u>
<b>Liabilities and Invested Equity</b>		
Short-term debt . . . . .	\$ 132	\$ 17
Current portion of long-term debt . . . . .	7	7
Accounts payable . . . . .	2,595	2,653
Accrued compensation and benefits . . . . .	338	392
Liabilities held for sale . . . . .	—	42
Restructuring reserve . . . . .	365	280
Other current liabilities . . . . .	530	620
Current liabilities . . . . .	<u>3,967</u>	<u>4,011</u>
Long-term debt . . . . .	32	35
Pension and postretirement benefits . . . . .	107	118
Other noncurrent liabilities . . . . .	1,205	475
Long-term liabilities . . . . .	<u>1,344</u>	<u>628</u>
Commitments and contingencies (Note 18)		
Redeemable noncontrolling interests . . . . .	42	31
Parent's net investment . . . . .	5,018	5,873
Accumulated other comprehensive loss . . . . .	(208)	(247)
Invested equity attributable to Adient . . . . .	4,810	5,626
Noncontrolling interests . . . . .	151	141
Total invested equity . . . . .	<u>4,961</u>	<u>5,767</u>
Total liabilities and invested equity . . . . .	<u>\$10,314</u>	<u>\$10,437</u>

The accompanying notes are an integral part of the combined financial statements.



**Adient Ltd**  
**Combined Statements of Income (Loss)**  
**(unaudited)**

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
Net sales . . . . .	\$4,298	\$5,234	\$8,531	\$10,507
Cost of sales . . . . .	3,868	4,762	7,733	9,591
Gross profit . . . . .	430	472	798	916
Selling, general and administrative expenses . . . . .	(252)	(298)	(505)	(607)
Restructuring and impairment costs . . . . .	(169)	—	(169)	—
Net financing charges . . . . .	(4)	(3)	(6)	(7)
Equity income . . . . .	77	69	171	154
Income before income taxes . . . . .	82	240	289	456
Income tax provision . . . . .	838	21	891	36
Net income (loss) . . . . .	(756)	219	(602)	420
Income attributable to noncontrolling interests . . . . .	23	18	40	37
Net income (loss) attributable to Adient . . . . .	<u>\$ (779)</u>	<u>\$ 201</u>	<u>\$ (642)</u>	<u>\$ 383</u>

The accompanying notes are an integral part of the combined financial statements.

**Adient Ltd**  
**Combined Statements of Comprehensive Income (Loss)**  
**(unaudited)**

<u>(in millions)</u>	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net income (loss) . . . . .	\$(756)	\$ 219	\$(602)	\$ 420
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments . . . . .	185	(441)	33	(670)
Realized and unrealized gains (losses) on derivatives . . . . .	<u>6</u>	<u>6</u>	<u>8</u>	<u>(3)</u>
Other comprehensive income (loss) . . . . .	<u>191</u>	<u>(435)</u>	<u>41</u>	<u>(673)</u>
Total comprehensive income (loss) . . . . .	(565)	(216)	(561)	(253)
Comprehensive income attributable to noncontrolling interests . . . . .	<u>25</u>	<u>16</u>	<u>42</u>	<u>35</u>
Comprehensive income (loss) attributable to Adient . . . . .	<u>\$(590)</u>	<u>\$(232)</u>	<u>\$(603)</u>	<u>\$(288)</u>

The accompanying notes are an integral part of the combined financial statements.

**Adient Ltd**  
**Combined Statements of Cash Flows**  
**(unaudited)**

<u>(in millions)</u>	<b>Six Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Net income (loss) attributable to Adient . . . . .	\$(642)	\$ 383
Income attributable to noncontrolling interests . . . . .	40	37
Net income (loss) . . . . .	(602)	420
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:		
Depreciation . . . . .	163	168
Amortization of intangibles . . . . .	9	10
Pension and postretirement benefit expense . . . . .	2	4
Pension and postretirement contributions . . . . .	(18)	(20)
Equity in earnings of partially-owned affiliates, net of dividends received . . . . .	(150)	(148)
Deferred income taxes . . . . .	804	(174)
Equity-based compensation . . . . .	6	16
Other . . . . .	7	4
Changes in assets and liabilities:		
Receivables . . . . .	(13)	(239)
Inventories . . . . .	(9)	(23)
Other assets . . . . .	239	(94)
Restructuring reserves . . . . .	81	(53)
Accounts payable and accrued liabilities . . . . .	(211)	(90)
Accrued income taxes . . . . .	(14)	5
Cash provided (used) by operating activities . . . . .	294	(214)
<b>Investing Activities</b>		
Capital expenditures . . . . .	(186)	(260)
Sale of property, plant and equipment . . . . .	11	11
Acquisition of businesses, net of cash acquired . . . . .	—	(18)
Business divestitures . . . . .	18	—
Changes in long-term investments . . . . .	—	(45)
Other . . . . .	5	11
Cash used by investing activities . . . . .	(152)	(301)
<b>Financing Activities</b>		
Net transfers (to) from Parent . . . . .	(212)	550
Increase (decrease) in short-term debt . . . . .	117	(25)
Repayment of long-term debt . . . . .	(4)	(5)
Other . . . . .	(22)	(14)
Cash provided (used) by financing activities . . . . .	(121)	506
Effect of exchange rate changes on cash and cash equivalents . . . . .	1	4
<b>Increase (decrease) in cash and cash equivalents . . . . .</b>	<b>22</b>	<b>(5)</b>
Cash and cash equivalents at beginning of period . . . . .	44	45
Cash and cash equivalents at end of period . . . . .	<u>\$ 66</u>	<u>\$ 40</u>

The accompanying notes are an integral part of the combined financial statements.

**Adient Ltd**  
**Notes to Combined Financial Statements**  
**March 31, 2016**  
**(unaudited)**

**1. FINANCIAL STATEMENTS**

In the opinion of management, the accompanying unaudited combined financial statements contain all adjustments (which include normal recurring adjustments) necessary to state fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). These combined financial statements should be read in conjunction with the audited combined financial statements and notes thereto included in the Adient (the “Company”) Form 10. The results of operations for the three and six month periods ended March 31, 2016 are not necessarily indicative of results for the Company’s 2016 fiscal year because of seasonal and other factors.

**The Separation**

On July 24, 2015, Johnson Controls, Inc. (“JCI” or the “Parent”) announced its intent to pursue a separation of the automotive seating and interiors businesses (the “Company” or “Adient”) through a spin-off to shareholders. These combined financial statements reflect the combined historical results of the operations, financial position and cash flows of Adient. Adient designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport utility crossover vehicles and is the world’s largest automotive seating supplier.\* Adient has a leading market position in the Americas, Europe and China, and has relationships with the largest global auto manufacturers. Adient’s technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests, trim covers and fabrics.

**Basis of Presentation**

These combined financial statements were prepared on a stand-alone basis derived from the consolidated financial statements and accounting records of JCI as if Adient had been operating as a stand-alone company for all periods presented. These combined financial statements have been prepared in accordance with U.S. GAAP. The assets and liabilities in the combined financial statements have been reflected on a historical cost basis, as included in the consolidated statements of financial position of JCI. The combined statements of operations include allocations for certain support functions that are provided on a centralized basis by the Parent and subsequently recorded at the business unit level, such as expenses related to employee benefits, finance, human resources, risk management, information technology, facilities, and legal, among others. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a proportional basis of combined sales, headcount or other measures of the Company or the Parent. Management believes the assumptions underlying the combined financial statements, including the assumptions regarding allocating general corporate expenses from the Parent, are reasonable. Nevertheless, the combined financial statements may not include all actual expenses that would have been incurred by Adient and may not reflect the combined results of operations, financial position and cash flows had it been a stand-alone company during the years presented. Actual costs that would have

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\* Based on production volumes. Source: IHS Automotive

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**1. FINANCIAL STATEMENTS (Continued)**

been incurred if Adient had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

**Principles of Combination**

The combined financial statements include certain assets and liabilities that have historically been held at the Parent level but are specifically identifiable or otherwise attributable to Adient. All significant intercompany transactions and accounts within the Company's combined businesses have been eliminated. All intercompany transactions between the Company and the Parent have been included in these combined financial statements as Parent's net investment. Expenses related to corporate allocations from the Parent to the Company are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded. In addition, transactions between the Company and the Parent's other businesses have been classified as related party, rather than intercompany, in the combined financial statements.

In addition to wholly-owned subsidiaries, the Company has investments which, in certain cases, may or may not require combination, as a result of only a partial-ownership interest and/or lack of significant influence over the investee. The Company's investments in partially-owned affiliates are accounted for by the equity method when the Company's interest exceeds 20% and the Company does not have a controlling interest.

*Combined VIEs*

Based upon the criteria set forth in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, "Consolidation," the Company has determined that it was the primary beneficiary in two VIEs for the reporting periods ended March 31, 2016 and September 30, 2015, as the Company absorbs significant economics of the entities and has the power to direct the activities that are considered most significant to the entities.

The two VIEs manufacture seating products in North America for the automotive industry. The Company funds the entities' short-term liquidity needs through revolving credit facilities and has the power to direct the activities that are considered most significant to the entities through its key customer supply relationships.

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**1. FINANCIAL STATEMENTS (Continued)**

The carrying amounts and classification of assets (none of which are restricted) and liabilities included in the Company's combined statements of financial position for the combined VIEs are as follows:

<u>(in millions)</u>	<u>March 31, 2016</u>	<u>September 30, 2015</u>
Current assets . . . . .	\$303	\$279
Noncurrent assets . . . . .	39	41
Total assets . . . . .	<u>\$342</u>	<u>\$320</u>
Current liabilities . . . . .	<u>\$217</u>	<u>\$229</u>
Total liabilities . . . . .	<u>\$217</u>	<u>\$229</u>

The Company did not have a significant variable interest in any other combined VIEs for the presented reporting periods.

**2. NEW ACCOUNTING STANDARDS**

In March 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU No. 2016-09 changes the accounting for certain aspects of share-based payments to employees, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. ASU No. 2016-09 will be effective for the Company for the quarter ending December 31, 2017, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting." ASU No. 2016-07 eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retrospectively. ASU No. 2016-07 will be effective prospectively for the Company for increases in the level of ownership interest or degree of influence that result in the adoption of the equity method that occur during or after the quarter ending December 31, 2017, with early adoption permitted. The impact of this guidance for the Company is dependent on any future increases in the level of ownership interest or degree of influence that result in the adoption of the equity method.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU No. 2016-02 requires recognition of operating leases as lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. ASU No. 2016-02 will be effective retrospectively for the Company for the quarter ending December 31, 2019, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**2. NEW ACCOUNTING STANDARDS (Continued)**

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities.” ASU No. 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU No. 2016-01 will be effective prospectively for the Company for the quarter ending December 31, 2018, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” ASU No. 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in the combined statements of financial position. ASU No. 2015-17 was early adopted by the Company for the quarter ended December 31, 2015 and was applied retrospectively to all periods presented.

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement—Period Adjustments.” ASU No. 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. ASU No. 2015-16 was early adopted by the Company in the quarter ended September 30, 2015. The adoption of this guidance did not have an impact on the Company’s combined financial condition or results from operations.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory.” ASU No. 2015-11 requires inventory that is recorded using the first-in, first-out method to be measured at the lower of cost or net realizable value. ASU No. 2015-11 will be effective retrospectively for the Company for the quarter ending December 31, 2017, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company’s combined financial statements.

In May 2015, the FASB issued ASU No. 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).” ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Such investments should be disclosed separate from the fair value hierarchy. ASU No. 2015-07 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have an impact on the Company’s combined financial statements but will impact pension asset disclosures.

In April 2015, the FASB issued ASU No. 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. ASU No. 2015-03 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company’s historical combined financial statements. Any future impact will depend on future debt issuances.



**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**2. NEW ACCOUNTING STANDARDS (Continued)**

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU No. 2015-02 amends the analysis performed to determine whether a reporting entity should combine certain types of legal entities. ASU No. 2015-02 will be effective retrospectively for the Company for the quarter ending December 31, 2016, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 clarifies the principles for recognizing revenue when an entity either enters into a contract with customers to transfer goods or services or enters into a contract for the transfer of non-financial assets. The original standard was effective retrospectively for the Company for the quarter ending December 31, 2017; however in August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of ASU 2014-09 by one year for all entities. The new standard will become effective retrospectively for the Company for the quarter ending December 31, 2018, with early adoption permitted, but not before the original effective date. Additionally, in March 2016 the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," in April 2016 the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," and in May 2016 the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," which provide additional clarification on certain topics addressed in ASU 2014-09. ASU 2016-08, ASU 2016-10 and ASU 2016-12 follow the same implementation guidelines as ASU 2014-09. The Company is currently assessing the impact adoption of this guidance will have on its combined financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 limits discontinued operations reporting to situations where the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results, and requires expanded disclosures for discontinued operations. ASU No. 2014-08 was effective for the Company for the quarter ended December 31, 2015. The adoption of this guidance has not had any impact on the Company's combined financial statements.

**3. ACQUISITIONS AND DIVESTITURES**

No acquisitions occurred during the six months ended March 31, 2016. In the first six months of fiscal 2015, the Company completed three acquisitions for a combined purchase price, net of cash acquired, of \$47 million, \$18 million of which was paid during the six months ended March 31, 2015. The acquisitions in the aggregate were not material to the Company's combined financial statements. In connection with the acquisitions, the Company recorded goodwill of \$9 million.

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**3. ACQUISITIONS AND DIVESTITURES (Continued)**

During the six months ended March 31, 2016, the Company received \$18 million of cash related to a divestiture completed in fourth quarter of fiscal 2015.

**4. ASSETS AND LIABILITIES HELD FOR SALE**

The Company had determined that certain of its businesses met the criteria to be classified as held for sale. At September 30, 2015, \$55 million of assets and \$42 million of liabilities related to certain product lines were classified as held for sale. At March 31, 2016, these product lines no longer met the criteria to be classified as held for sale.

**5. INVENTORIES**

Inventories consisted of the following:

<u>(in millions)</u>	<u>March 31, 2016</u>	<u>September 30, 2015</u>
Raw materials and supplies . . . . .	\$541	\$539
Work-in-process . . . . .	39	40
Finished goods . . . . .	142	122
Inventories . . . . .	<u>\$722</u>	<u>\$701</u>

**6. GOODWILL AND OTHER INTANGIBLE ASSETS**

The change in the carrying amount of goodwill in the Company's Seating reporting segment for the six months ended March 31, 2016 is as follows:

<u>(in millions)</u>	<u>September 30, 2015</u>	<u>Currency Translation</u>	<u>March 31, 2016</u>
Seating . . . . .	\$2,160	\$24	\$2,184

The Company's other intangible assets, primarily from business acquisitions valued based in part on independent appraisals, consisted of:

<u>(in millions)</u>	<u>March 31, 2016</u>			<u>September 30, 2015</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Intangible assets						
Patented technology . . . . .	\$ 27	\$(12)	\$ 15	\$ 27	\$(11)	\$ 16
Customer relationships . . . . .	101	(43)	58	100	(38)	62
Trademarks . . . . .	57	(18)	39	56	(15)	41
Miscellaneous . . . . .	15	(6)	9	15	(5)	10
Total intangible assets . . . . .	<u>\$200</u>	<u>\$(79)</u>	<u>\$121</u>	<u>\$198</u>	<u>\$(69)</u>	<u>\$129</u>

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**6. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)**

Amortization of other intangible assets for the three months ended March 31, 2016 and 2015 was \$5 million and \$5 million, respectively. Amortization of other intangible assets for the six months ended March 31, 2016 and 2015 was \$9 million and \$10 million, respectively. Excluding the impact of any future acquisitions, the Company anticipates amortization for fiscal 2017, 2018, 2019, 2020 and 2021 will be approximately \$17 million, \$17 million, \$17 million, \$17 million and \$15 million, respectively.

**7. PRODUCT WARRANTIES**

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical return rates and other known factors. Based on analysis of return rates and other factors, the Company's warranty provisions are adjusted as necessary. The Company monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different than those estimates.

The Company's product warranty liability is recorded in the combined statements of financial position in other current liabilities.

The changes in the carrying amount of the Company's total product warranty liability are as follows:

(in millions)	Six Months Ended March 31,	
	2016	2015
Balance at beginning of period . . . . .	\$12	\$19
Accruals for warranties issued during the period . . . . .	4	3
Accruals related to pre-existing warranties (including changes in estimates) . . . . .	1	(1)
Settlements made (in cash or in kind) during the period . . . . .	(1)	(2)
Currency translation . . . . .	—	(1)
Balance at end of period . . . . .	<u>\$16</u>	<u>\$18</u>

**8. SIGNIFICANT RESTRUCTURING AND IMPAIRMENT COSTS**

To better align its resources with its growth strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, the Company commits to restructuring plans as necessary.

In fiscal 2016, the Company committed to a significant restructuring plan (2016 Plan) and recorded \$169 million of restructuring and impairment costs in the combined statements of income. This is the total amount incurred to date for this restructuring plan. The restructuring actions relate to cost reduction initiatives. The costs consist primarily of workforce reductions, plant closures and asset

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**8. SIGNIFICANT RESTRUCTURING AND IMPAIRMENT COSTS (Continued)**

impairments. The restructuring and impairment costs related to the Seating segment. The restructuring actions are expected to be substantially complete in fiscal 2017.

The following table summarizes the changes in the Company's 2016 Plan reserve:

(in millions)	Employee Severance and Termination Benefits	Long-Lived Asset Impairments and Other	Currency Translation	Total
Original Reserve . . . . .	\$154	\$15	\$—	\$169
Utilized—cash . . . . .	(3)	(1)	—	(4)
Utilized—noncash . . . . .	—	(9)	3	(6)
Balance at March 31, 2016 . . . . .	<u>\$151</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$159</u>

In fiscal 2015, the Company committed to a significant restructuring plan (2015 Plan) and recorded \$182 million of restructuring and impairment costs in the combined statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions relate to cost reduction initiatives. The costs consist primarily of workforce reductions, plant closures and asset impairments. The restructuring and impairment costs related to the Seating segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

The following table summarizes the changes in the Company's 2015 Plan reserve:

(in millions)	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Currency Translation	Total
Original Reserve . . . . .	\$155	\$ 27	\$—	\$182
Utilized—cash . . . . .	(1)	—	—	(1)
Utilized—noncash . . . . .	—	(27)	—	(27)
Balance at September 30, 2015 . . . . .	\$154	\$ —	\$—	\$154
Utilized—cash . . . . .	(18)	—	—	(18)
Utilized—noncash . . . . .	—	—	1	1
Balance at March 31, 2016 . . . . .	<u>\$136</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$137</u>

In fiscal 2014, the Company committed to a significant restructuring plan (2014 Plan) and recorded \$158 million of restructuring and impairment costs in the combined statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions related primarily to cost reduction initiatives and included workforce reductions, plant closures and asset impairments. Of the restructuring and impairment costs recorded, \$129 million related to the Interiors segment and \$29 million related to the Seating segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

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**8. SIGNIFICANT RESTRUCTURING AND IMPAIRMENT COSTS (Continued)**

The following table summarizes the changes in the Company's 2014 Plan reserve:

(in millions)	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Currency Translation	Total
Original Reserve . . . . .	\$106	\$ 52	\$ —	\$158
Utilized—noncash . . . . .	—	(52)	(5)	(57)
Balance at September 30, 2014 . . . . .	\$106	\$ —	\$ (5)	\$101
Utilized—cash . . . . .	(24)	—	—	(24)
Utilized—noncash . . . . .	—	—	(9)	(9)
Balance at September 30, 2015 . . . . .	\$ 82	\$ —	\$(14)	\$ 68
Utilized—cash . . . . .	(25)	—	—	(25)
Utilized—noncash . . . . .	—	—	(1)	(1)
Balance at March 31, 2016 . . . . .	<u>\$ 57</u>	<u>\$ —</u>	<u>\$(15)</u>	<u>\$ 42</u>

In fiscal 2013, the Company committed to a significant restructuring plan (2013 Plan) and recorded \$280 million of restructuring and impairment costs in the combined statements of income. This is the total amount incurred to date and the total amount expected to be incurred for this restructuring plan. The restructuring actions related to cost reduction initiatives and included workforce reductions, plant closures, and asset impairments. Of the restructuring and impairment costs recorded, \$152 million related to the Seating segment and \$128 million related to the Interiors segment. The restructuring actions are expected to be substantially complete in fiscal 2016.

The following table summarizes the changes in the Company's 2013 Plan reserve:

(in millions)	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Other	Currency Translation	Total
Original Reserve . . . . .	\$199	\$ 79	\$ 2	\$ —	\$280
Utilized—cash . . . . .	(15)	—	—	—	(15)
Utilized—noncash . . . . .	—	(79)	(2)	3	(78)
Balance at September 30, 2013 . . . . .	\$184	\$ —	\$—	\$ 3	\$187
Utilized—cash . . . . .	(54)	—	—	—	(54)
Utilized—noncash . . . . .	—	—	—	(9)	(9)
Balance at September 30, 2014 . . . . .	\$130	\$ —	\$—	\$ (6)	\$124
Utilized—cash . . . . .	(66)	—	—	—	(66)
Utilized—noncash . . . . .	—	—	—	(10)	(10)
Balance at September 30, 2015 . . . . .	\$ 64	\$ —	\$—	\$(16)	\$ 48
Utilized—cash . . . . .	(29)	—	—	—	(29)
Utilized—noncash . . . . .	—	—	—	(1)	(1)
Balance at March 31, 2016 . . . . .	<u>\$ 35</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$(17)</u>	<u>\$ 18</u>

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
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**8. SIGNIFICANT RESTRUCTURING AND IMPAIRMENT COSTS (Continued)**

The Parent's fiscal 2016, 2015, 2014 and 2013 restructuring plans included workforce reductions of approximately 10,000 for Adient. Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee or on a lump sum basis in accordance with individual severance agreements. As of March 31, 2016, approximately 6,200 of the employees have been separated from the Company pursuant to the restructuring plans. In addition, the restructuring plans included eighteen plant closures for Adient. As of March 31, 2016, nine of the eighteen plants have been closed.

Company management closely monitors its overall cost structure and continually analyzes each of its businesses for opportunities to consolidate current operations, improve operating efficiencies and locate facilities in low cost countries in close proximity to customers. This ongoing analysis includes a review of its manufacturing, engineering and purchasing operations, as well as the overall global footprint for all its businesses. Because of the importance of new vehicle sales by major automotive manufacturers to operations, the Company is affected by the general business conditions in this industry. Future adverse developments in the automotive industry could impact the Company's liquidity position, lead to impairment charges and/or require additional restructuring of its operations.

**9. INCOME TAXES**

In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter. For the three and six months ended March 31, 2016, the Company's effective tax rate was 1,022% and 308%, respectively. The effective rate was higher than the U.S. federal statutory rate of 35% primarily due to the Company's change in assertion over permanently reinvested earnings as a result of the spin-off (\$778 million), the jurisdictional mix of restructuring and impairment costs, and the tax impacts of separation costs, partially offset by the benefits of global tax planning initiatives and foreign tax rate differentials. For the three and six months ended March 31, 2015, the Company's effective tax rate was 9% and 8%, respectively. The effective rate was lower than the U.S. federal statutory rate of 35% primarily due to global tax planning and foreign tax rate differentials, partially offset by a tax law change in Japan.

***Valuation Allowance***

The Company reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowances may be necessary.

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**Notes to Combined Financial Statements (Continued)**  
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**9. INCOME TAXES (Continued)**

***Uncertain Tax Positions***

At March 31, 2016, the Company had gross tax effected unrecognized tax benefits of \$388 million, of which \$385 million, if recognized, would impact the effective tax rate. Total net accrued interest at March 31, 2016 was approximately \$11 million (net of tax benefit). The interest and penalties accrued during the six months ended March 31, 2016 and 2015 was not material. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

***Impacts of Tax Legislation***

The “look-through rule,” under subpart F of the U.S. Internal Revenue Code, expired for the Company on September 30, 2015. The “look-through rule” had provided an exception to the U.S. taxation of certain income generated by foreign subsidiaries. The rule was extended in December 2015 retroactive to the beginning of the Company’s 2016 fiscal year. The retroactive extension was signed into legislation and was made permanent through the Company’s 2020 fiscal year.

During the six months ended March 31, 2016, other tax legislation was adopted in various jurisdictions. These law changes did not have a material impact on the Company’s combined financial statements.

During the six months ended March 31, 2015, tax legislation was adopted in Japan which reduced its statutory income tax rate. As a result of the law change, the Company recorded income tax expense of \$4 million.

***Other Tax Matters***

In the three months ended March 31, 2016, the Company recorded \$169 million of restructuring and impairment costs. Refer to Note 8, “Significant Restructuring and Impairment Costs,” of the notes to combined financial statements for additional information. The restructuring and impairment costs generated a \$5 million tax benefit, which was negatively impacted by the geographic mix, the Company’s current tax position in these jurisdictions and the underlying tax basis in the impaired assets.

In the three months ended March 31, 2016, the Company provided income tax expense on the foreign undistributed earnings of certain non-U.S. subsidiaries associated with the spin-off, which resulted in a non-cash tax charge and deferred tax liability of \$778 million. As a result of the anticipated spin-off, the Parent and the Company were no longer able to assert permanent reinvestment of foreign undistributed earnings as of March 31, 2016 which resulted in this non-cash tax charge.



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**Notes to Combined Financial Statements (Continued)**  
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**9. INCOME TAXES (Continued)**

Deferred taxes are classified in the combined statements of financial position as follows:

<u>(in millions)</u>	<u>March 31, 2016</u>	<u>September 30, 2015</u>
Other noncurrent assets . . . . .	\$ 232	\$285
Other noncurrent liabilities . . . . .	<u>(831)</u>	<u>(93)</u>
Net deferred tax asset (liability) . . . . .	<u>\$ (599)</u>	<u>\$192</u>

**10. RETIREMENT PLANS**

**Participation in Parent Pension and Other Postemployment Benefit Plans**

JCI provides defined benefit pension, postretirement health care and defined contribution benefits to its eligible employees and retirees, including eligible employees and retirees of Adient. These liabilities are not reflected in the combined statements of financial position.

The combined statements of income include expense allocations for these benefits which were determined using a proportional allocation based on headcount and payroll expense for the Company's employees. Management considers the expense allocation methodology and results to be reasonable for all periods presented. Total Parent benefit plan net expense allocated to Adient amounted to \$3 million and \$7 million for the three months ended March 31, 2016 and 2015, respectively. Total Parent benefit plan net expense allocated to Adient amounted to \$6 million and \$16 million for the six months ended March 31, 2016 and 2015, respectively. These costs are reflected in cost of sales and selling, general and administrative expenses. These costs were funded through intercompany transactions with Parent which are now reflected within the net parent investment equity balance.

**Retirement Benefits**

The components of the Company's net periodic benefit costs, which are primarily related to its non-U.S. retirement plans, are shown in the table below in accordance with ASC 715, "Compensation—Retirement Benefits":

<u>(in millions)</u>	<b>Retirement Benefits</b>			
	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Service cost . . . . .	\$ 2	\$ 3	\$ 4	\$ 6
Interest cost . . . . .	4	5	8	10
Expected return on plan assets . . . . .	<u>(6)</u>	<u>(5)</u>	<u>(11)</u>	<u>(11)</u>
Net periodic benefit cost . . . . .	<u>\$—</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 5</u>

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**Notes to Combined Financial Statements (Continued)**  
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**11. FINANCING ARRANGEMENTS**

The Company's net financing charges line item in the combined statements of income contained the following components:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
Interest expense . . . . .	\$2	\$ 3	\$3	\$ 6
Banking fees . . . . .	1	—	2	1
Other . . . . .	1	—	1	—
Net financing charges . . . . .	\$4	\$ 3	\$6	\$ 7

**12. EQUITY AND NONCONTROLLING INTERESTS**

The following schedule presents changes in combined equity attributable to Adient and noncontrolling interests:

(in millions, net of tax)	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Equity Attributable to Adient	Equity Attributable to Noncontrolling Interests	Total Invested Equity	Equity Attributable to Adient	Equity Attributable to Noncontrolling Interests	Total Invested Equity
Beginning balance . . . . .	\$5,604	\$145	\$5,749	\$5,660	\$166	\$5,826
Comprehensive income (loss):						
Net income (loss) . . . . .	(779)	17	(762)	201	14	215
Foreign currency translation adjustments . . . . .	183	1	184	(439)	(3)	(442)
Realized and unrealized gains (losses) on derivatives . . . .	6	—	6	6	—	6
Other comprehensive income (loss) . . . . .	189	1	190	(433)	(3)	(436)
Comprehensive income (loss) . .	(590)	18	(572)	(232)	11	(221)
Other change in equity:						
Dividends attributable to noncontrolling interests . . . . .	—	(12)	(12)	—	(7)	(7)
Change in Parent's net investment .	(204)	—	(204)	276	—	276
Ending balance . . . . .	\$4,810	\$151	\$4,961	\$5,704	\$170	\$5,874

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**Notes to Combined Financial Statements (Continued)**  
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**12. EQUITY AND NONCONTROLLING INTERESTS (Continued)**

(in millions, net of tax)	Six Months Ended March 31, 2016			Six Months Ended March 31, 2015		
	Equity Attributable to Adient	Equity Attributable to Noncontrolling Interests	Total Invested Equity	Equity Attributable to Adient	Equity Attributable to Noncontrolling Interests	Total Invested Equity
Beginning balance . . . . .	\$5,626	\$141	\$5,767	\$5,453	\$159	\$5,612
Comprehensive income (loss):						
Net income (loss) . . . . .	(642)	28	(614)	383	29	412
Foreign currency translation adjustments . . . . .	31	1	32	(668)	(3)	(671)
Realized and unrealized gains (losses) on derivatives . . . .	8	—	8	(3)	—	(3)
Other comprehensive income (loss) . . . . .	39	1	40	(671)	(3)	(674)
Comprehensive income (loss) . .	(603)	29	(574)	(288)	26	(262)
Other change in equity:						
Dividends attributable to noncontrolling interests . . . . .	—	(19)	(19)	—	(15)	(15)
Change in Parent's net investment .	(213)	—	(213)	539	—	539
Ending balance . . . . .	<u>\$4,810</u>	<u>\$151</u>	<u>\$4,961</u>	<u>\$5,704</u>	<u>\$170</u>	<u>\$5,874</u>

The Company consolidates certain subsidiaries in which the noncontrolling interest party has within their control the right to require the Company to redeem all or a portion of its interest in the subsidiary. These redeemable noncontrolling interests are reported at their estimated redemption value. Any adjustment to the redemption value impacts retained earnings but does not impact net income. Redeemable noncontrolling interests which are redeemable only upon future events, the occurrence of which is not currently probable, are recorded at carrying value.

The following schedule presents changes in the redeemable noncontrolling interests:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
Beginning balance . . . . .	\$35	\$29	\$31	\$27
Net income . . . . .	6	4	12	8
Foreign currency translation adjustments . . . . .	1	1	1	1
Dividends . . . . .	—	—	(2)	(2)
Ending balance . . . . .	<u>\$42</u>	<u>\$34</u>	<u>\$42</u>	<u>\$34</u>

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**Notes to Combined Financial Statements (Continued)**  
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**12. EQUITY AND NONCONTROLLING INTERESTS (Continued)**

The following schedule presents changes in accumulated other comprehensive income (AOCI) attributable to Adient:

(in millions, net of tax)	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
<b>Foreign currency translation adjustments</b>				
Balance at beginning of period . . . . .	\$(381)	\$ 54	\$(229)	\$ 283
Aggregate adjustment for the period (net of tax effect of \$(1), \$0, \$10 and \$6) . . . . .	183	(439)	31	(668)
Balance at end of period . . . . .	(198)	(385)	(198)	(385)
<b>Realized and unrealized losses on derivatives</b>				
Balance at beginning of period . . . . .	(15)	(15)	(17)	(6)
Current period changes in fair value (net of tax effect of \$5, \$7, \$7 and \$4) . . . . .	12	11	17	2
Reclassification to income (net of tax effect of \$(4), \$(3), \$(6) and \$(3)) * . . . . .	(6)	(5)	(9)	(5)
Balance at end of period . . . . .	(9)	(9)	(9)	(9)
<b>Pension and postretirement plans</b>				
Balance at beginning of period . . . . .	(1)	(1)	(1)	(1)
Balance at end of period . . . . .	(1)	(1)	(1)	(1)
Accumulated other comprehensive income (loss), end of period . . . . .	\$(208)	\$(395)	\$(208)	\$(395)

\* Refer to Note 13, "Derivative Instruments and Hedging Activities," of the notes to combined financial statements for disclosure of the line items on the combined statements of income affected by reclassifications from AOCI into income related to derivatives.

**13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Parent selectively uses derivative instruments to reduce Adient's market risk associated with changes in foreign currency. Under the Parent's policy, the use of derivatives is restricted to those intended for hedging purposes; the use of any derivative instrument for speculative purposes is strictly prohibited. A description of each type of derivative utilized by the Parent to manage Adient's risk is included in the following paragraphs. In addition, refer to Note 14, "Fair Value Measurements," of the notes to combined financial statements for information related to the fair value measurements and valuation methods utilized by the Company for each derivative type.

The Company has global operations and participates in the foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. The Parent primarily uses foreign currency exchange contracts to hedge certain of Adient's foreign exchange rate exposures. The Parent hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional

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**Notes to Combined Financial Statements (Continued)**  
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**13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

exposures. Gains and losses on derivative contracts offset gains and losses on underlying foreign currency exposures.

The Parent has entered into cross-currency interest rate swaps to selectively hedge portions of Adient's net investment in Japan. The currency effects of the cross-currency interest rate swaps are reflected in the AOCI account within invested equity attributable to Adient where they offset gains and losses recorded on the Company's net investment in Japan. At March 31, 2016, the Parent had two cross-currency interest rate swaps outstanding totaling 10 billion yen. At September 30, 2015 the Parent had four cross-currency interest rate swaps outstanding for Adient totaling 20 billion yen.

The following table presents the location and fair values of derivative instruments and hedging activities included in the Company's combined statements of financial position:

(in millions)	Derivatives and Hedging Activities Designated as Hedging Instruments under ASC 815		Derivatives and Hedging Activities Not Designated as Hedging Instruments under ASC 815	
	March 31, 2016	September 30, 2015	March 31, 2016	September 30, 2015
Other current assets				
Foreign currency exchange derivatives . . . . .	\$ 4	\$ 5	\$23	\$41
Cross-currency interest rate swaps . . . . .	—	5	—	—
Total assets . . . . .	<u>\$ 4</u>	<u>\$10</u>	<u>\$23</u>	<u>\$41</u>
Other current liabilities				
Foreign currency exchange derivatives . . . . .	\$18	\$27	\$ 7	\$17
Cross-currency interest rate swaps . . . . .	7	1	—	—
Total liabilities . . . . .	<u>\$25</u>	<u>\$28</u>	<u>\$ 7</u>	<u>\$17</u>

The Parent enters into International Swaps and Derivatives Associations (ISDA) master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company has not elected to offset the fair value positions of the derivative contracts recorded in the combined statements of financial position. Collateral is generally not required of the Company or the counterparties under the master netting agreements. As of March 31, 2016 and September 30, 2015, no cash collateral was received or pledged under the master netting agreements.

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**Notes to Combined Financial Statements (Continued)**  
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**13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

The gross and net amounts of derivative assets and liabilities are as follows:

(in millions)	Fair Value of Assets		Fair Value of Liabilities	
	March 31, 2016	September 30, 2015	March 31, 2016	September 30, 2015
Gross amount recognized . . . . .	\$27	\$51	\$32	\$45
Gross amount eligible for offsetting . . . . .	(9)	(2)	(9)	(2)
Net amount . . . . .	<u>\$18</u>	<u>\$49</u>	<u>\$23</u>	<u>\$43</u>

The following tables present the location and amount of the effective portion of gains and losses gross of tax on derivative instruments and related hedge items reclassified from AOCI into the Company's combined statements of income and amounts recorded in AOCI net of tax in the combined statements of financial position (in millions):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Location of Gain Reclassified from AOCI into Income	Amount of Gain Reclassified from AOCI into Income			
		Three Months Ended March 31,		Six Months Ended March 31,	
		2016	2015	2016	2015
Foreign currency exchange derivatives . . . . .	Cost of sales	\$10	\$8	\$15	\$8

Derivatives in ASC 815 Cash Flow Hedging Relationships		Amount of Loss Recognized in AOCI on Derivative	
		March 31, 2016	September 30, 2015
Foreign currency exchange derivatives . . . . .		\$(9)	\$(17)

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative			
		Three Months Ended March 31,		Six Months Ended March 31,	
		2016	2015	2016	2015
Foreign currency exchange derivatives . . . . .	Cost of sales	\$ (1)	\$(1)	\$ (5)	\$(1)
Foreign currency exchange derivatives . . . . .	Net financing charges	(19)	(2)	(12)	11
Total . . . . .		<u>\$(20)</u>	<u>\$(3)</u>	<u>\$(17)</u>	<u>\$10</u>

The amount of losses recognized as cumulative translation adjustment (CTA) within AOCI on the effective portion of outstanding net investment hedges was \$4 million at March 31, 2016. The amount of gains recognized in CTA within AOCI on the effective portion of outstanding net investment hedges was \$2 million at September 30, 2015. For the six months ended March 31, 2016 and 2015, no gains or

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**13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)**

losses were reclassified from CTA into income for the Company's outstanding net investment hedges, and no gains or losses were recognized in income for the ineffective portion of cash flow hedges.

**14. FAIR VALUE MEASUREMENTS**

ASC 820, "Fair Value Measurement," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

*Level 1:* Observable inputs such as quoted prices in active markets;

*Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

*Level 3:* Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

**Recurring Fair Value Measurements**

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value:

(in millions)	Fair Value Measurements Using:			
	Total as of March 31, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives . . . . .	\$27	\$—	\$27	\$—
Cross-currency interest rate swaps . . . . .	—	—	—	—
Total assets . . . . .	<u>\$27</u>	<u>\$—</u>	<u>\$27</u>	<u>\$—</u>
Other current liabilities				
Foreign currency exchange derivatives . . . . .	\$25	\$—	\$25	\$—
Cross-currency interest rate swaps . . . . .	7	—	7	—
Total liabilities . . . . .	<u>\$32</u>	<u>\$—</u>	<u>\$32</u>	<u>\$—</u>



**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**14. FAIR VALUE MEASUREMENTS (Continued)**

(in millions)	Fair Value Measurements Using:			
	Total as of September 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives . . . .	\$46	\$—	\$46	\$—
Cross-currency interest rate swaps . . . . .	5	—	5	—
Total assets . . . . .	<u>\$51</u>	<u>\$—</u>	<u>\$51</u>	<u>\$—</u>
Other current liabilities				
Foreign currency exchange derivatives . . . .	\$44	\$—	\$44	\$—
Cross-currency interest rate swaps . . . . .	1	—	1	—
Total liabilities . . . . .	<u>\$45</u>	<u>\$—</u>	<u>\$45</u>	<u>\$—</u>

**Valuation Methods**

Foreign currency exchange derivatives—The Parent selectively hedges anticipated transactions that are subject to foreign exchange rate risk primarily using foreign currency exchange hedge contracts. The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices. As cash flow hedges under ASC 815, “Derivatives and Hedging,” the effective portion of the hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. Any ineffective portion of the hedge is reflected in the combined statements of income. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at March 31, 2016 and September 30, 2015. The fair value of foreign currency exchange derivatives not designated as hedging instruments under ASC 815 are recorded in the combined statements of income.

Cross-currency interest rate swaps—The Parent selectively uses cross-currency interest rate swaps to hedge the foreign currency rate risk associated with certain of Adient’s investments in Japan. The cross-currency interest rate swaps are valued using observable market data. Changes in the market value of the swaps are reflected in the CTA component of AOCI where they offset gains and losses recorded on the Company’s net investment in Japan. At March 31, 2016, the Parent had two cross-currency interest rate swaps outstanding totaling 10 billion yen. At September 30, 2015, the Parent had four cross-currency interest rate swaps outstanding totaling 20 billion yen.

**15. SEGMENT INFORMATION**

ASC 280, “Segment Reporting,” establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it has two reportable segments for financial reporting purposes.

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**15. SEGMENT INFORMATION (Continued)**

Adient designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport utility/crossover vehicles.

- The Seating reportable segment produces automotive seat metal structures and mechanisms, foam, trim, fabric and complete seat systems.
- The Interiors reportable segment, primarily derived from its global automotive interiors joint venture completed on July 2, 2015, produces instrument panels, floor consoles, door panels, overhead consoles, cockpit systems, decorative trim and other products. Prior to the completion of the joint venture, the Interiors reportable segment produced instrument panels, floor consoles and door panels.

Management evaluates the performance of the segments based primarily on segment income, which represents income before income taxes and noncontrolling interests excluding net financing charges, restructuring and impairment costs, and net mark-to-market adjustments on pension and postretirement plans. General corporate and other overhead expenses are allocated to business segments in determining segment income. Financial information relating to the Company's reportable segments is as follows:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
<i>Net Sales</i>				
Seating . . . . .	\$4,266	\$4,224	\$8,438	\$ 8,430
Interiors . . . . .	32	1,010	93	2,077
Total net sales . . . . .	<u>\$4,298</u>	<u>\$5,234</u>	<u>\$8,531</u>	<u>\$10,507</u>

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
<i>Segment Income</i>				
Seating . . . . .	\$ 228	\$225	\$ 426	\$415
Interiors . . . . .	27	18	38	48
Total segment income . . . . .	\$ 255	\$243	\$ 464	\$463
Total restructuring and impairment costs . . . . .	(169)	—	(169)	—
Net financing charges . . . . .	(4)	(3)	(6)	(7)
Income before income taxes . . . . .	<u>\$ 82</u>	<u>\$240</u>	<u>\$ 289</u>	<u>\$456</u>

**16. IMPAIRMENT OF LONG-LIVED ASSETS**

The Company reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**16. IMPAIRMENT OF LONG-LIVED ASSETS (Continued)**

asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

During the three months ended March 31, 2016, the Company concluded it had triggering events requiring assessment of impairment for certain of its long-lived assets in conjunction with its announced restructuring actions. As a result, the Company reviewed the long-lived assets for impairment and recorded a \$9 million impairment charge within restructuring and impairment costs on the combined statements of income. The total impairment charge related to the Seating segment. Refer to Note 8, "Significant Restructuring and Impairment Costs," of the notes to combined financial statements for additional information. The impairment was measured, depending on the asset, either under an income approach utilizing forecasted discounted cash flows or a market approach utilizing an appraisal to determine fair values of the impaired assets. These methods are consistent with the methods the Company employed in prior periods to value other long-lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected future cash flows, estimated production volumes, discount rates, estimated salvage values and third-party appraisals.

At March 31, 2015, the Company concluded it did not have any triggering events requiring assessment of impairment of its long-lived assets.

**17. NONCONSOLIDATED PARTIALLY-OWNED AFFILIATES**

Investments in the net assets of nonconsolidated partially-owned affiliates are stated in the "Investments in partially-owned affiliates" line in the combined statements of financial position as of March 31, 2016 and September 30, 2015. Equity in the net income of nonconsolidated partially-owned affiliates is stated in the "Equity income" line in the combined statements of income for the three and six months ended March 31, 2016 and 2015.

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**17. NONCONSOLIDATED PARTIALLY-OWNED AFFILIATES (Continued)**

The Company maintains total investments in partially-owned affiliates of \$1.8 billion and \$1.6 billion at March 31, 2016 and September 30, 2015, respectively. Financial information for nonconsolidated partially-owned affiliates that were significant to Adient's results is as follows:

*Summarized balance sheet data:*

(in millions)	March 31, 2016		
	YFJC	All Other	Total
Current assets . . . . .	\$2,017	\$3,756	\$5,773
Noncurrent assets . . . . .	570	2,206	2,776
Total assets . . . . .	<u>\$2,587</u>	<u>\$5,962</u>	<u>\$8,549</u>
Current liabilities . . . . .	\$1,627	\$3,811	\$5,438
Noncurrent liabilities . . . . .	39	128	167
Noncontrolling interests . . . . .	90	30	120
Shareholders' equity . . . . .	831	1,993	2,824
Total liabilities and shareholders' equity . . . . .	<u>\$2,587</u>	<u>\$5,962</u>	<u>\$8,549</u>

(in millions)	September 30, 2015		
	YFJC	All Other	Total
Current assets . . . . .	\$1,595	\$3,923	\$5,518
Noncurrent assets . . . . .	541	2,121	2,662
Total assets . . . . .	<u>\$2,136</u>	<u>\$6,044</u>	<u>\$8,180</u>
Current liabilities . . . . .	\$1,352	\$4,140	\$5,492
Noncurrent liabilities . . . . .	41	108	149
Noncontrolling interests . . . . .	67	11	78
Shareholders' equity . . . . .	676	1,785	2,461
Total liabilities and shareholders' equity . . . . .	<u>\$2,136</u>	<u>\$6,044</u>	<u>\$8,180</u>

*Summarized income statement data with reconciliation to Adient's equity in net income from nonconsolidated partially-owned affiliates:*

(in millions)	Six Months Ended March 31, 2016		
	YFJC	All Other	Total
Net sales . . . . .	\$2,191	\$6,320	\$8,511
Gross profit . . . . .	300	489	789
Operating income . . . . .	229	358	587
Net income . . . . .	190	303	493
Income attributable to noncontrolling interests . . . . .	25	14	39
Net income attributable to the entity . . . . .	165	289	454
Equity in net income of affiliated companies, before basis adjustments . . . . .	\$ 83	\$ 100	\$ 183
Basis adjustments . . . . .	(2)	(10)	(12)
Equity in net income of affiliated companies . . . . .	81	90	171

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**17. NONCONSOLIDATED PARTIALLY-OWNED AFFILIATES (Continued)**

(in millions)	Six Months Ended March 31, 2015		
	YFJC	All Other	Total
Net sales . . . . .	\$2,017	\$1,991	\$4,008
Gross profit . . . . .	275	244	519
Operating income . . . . .	218	186	404
Net income . . . . .	180	173	353
Income attributable to noncontrolling interests . . . . .	20	—	20
Net income attributable to the entity . . . . .	160	173	333
Equity in net income of affiliated companies, before basis adjustments . . . . .	\$ 80	\$ 75	\$ 155
Basis adjustments . . . . .	(1)	—	(1)
Equity in net income of affiliated companies . . . . .	79	75	154

**18. COMMITMENTS AND CONTINGENCIES**

The Company accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. Reserves for environmental liabilities totaled \$6 million and \$7 million at March 31, 2016 and September 30, 2015, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company does not currently believe that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other casualty matters. Although the outcome of any such lawsuit, claim or proceeding cannot be predicted with certainty and some may be disposed of unfavorably to Adient, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**19. RELATED PARTY TRANSACTIONS AND PARENT'S NET INVESTMENT**

**Related Party Transactions**

In the ordinary course of business, the Company enters into transactions with related parties, such as equity affiliates and other businesses of the Parent. Such transactions consist of facility management services, the sale or purchase of goods and other arrangements.

**Revision of Previously Reported Related Party Transactions**

In connection with the preparation of the financial statements for the three and six months ended March 31, 2016, the Company identified misstatements in amounts classified as related party transactions in previously reported periods. The misstatements are not considered material, individually or in the aggregate, to previously issued financial statements. The misstatements had no impact on the combined financial statements.

The following table sets forth the net sales to and purchases from related parties included in the combined statements of operations, including revisions to previously reported interim periods:

(in millions)	Three Months Ended December 31,		Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2016	2015	2016	2015
Net sales to related parties . . . . .	\$60(1)	\$49(1)	\$76	\$47	\$136	\$96
Purchases from related parties . . . . .	36	32(2)	41	26	77	58

- (1) These amounts have been revised to correct for previously reported misstatements. The revisions decreased net sales to related parties by \$26 million and \$18 million for the three months ended December 31, 2015 and 2014, respectively.
- (2) This amount has been revised to correct for a previously reported misstatement. The revision decreased purchases from related parties by \$3 million for the three months ended December 31, 2014.

The following table sets forth the amount of accounts receivable due from and payable to related parties in the combined statements of financial position, including the impact of all revisions thereto:

(in millions)	March 31, 2016	December 31, 2015	September 30, 2015
Receivable from related parties . . . . .	\$84	\$252(1)	\$254(1)
Payable to related parties . . . . .	33	88	122

- (1) These amounts have been revised to correct for previously reported misstatements. The revisions increased receivables from related parties by \$12 million at December 31, 2015 and decreased receivables from related parties by \$2 million at September 30, 2015.

Excluding the settlement of intercompany balances in advance of the separation of the Company from the Parent, average receivable and payable balances with related parties remained relatively consistent with the period end balances shown above.

**Adient Ltd**  
**Notes to Combined Financial Statements (Continued)**  
**March 31, 2016**  
**(unaudited)**

**19. RELATED PARTY TRANSACTIONS AND PARENT'S NET INVESTMENT (Continued)**

**Corporate Allocations and Parent's Net Investment**

The combined statements of operations include allocations for certain support functions that are provided on a centralized basis by the Parent and subsequently recorded at the business unit level, such as expenses related to employee benefits, finance, human resources, risk management, information technology, facilities, and legal, among others. Included in cost of sales and selling, general and administrative expense during the three months ended March 31, 2016 and 2015 were \$69 million and \$101 million, respectively, of corporate expenses incurred by JCI. Included in cost of sales and selling, general and administrative expense during the six months ended March 31, 2016 and 2015 were \$139 million and \$182 million, respectively, of corporate expenses incurred by JCI. These expenses have been allocated to the Company on the basis of direct usage when identifiable, with the remainder allocated on a proportional basis of combined sales, headcount or other measures of the Company or the Parent. Management believes the assumptions underlying the combined financial statements, including the assumptions regarding allocating general corporate expenses from the Parent, are reasonable. Nevertheless, the combined financial statements may not include all actual expenses that would have been incurred by the Company and may not reflect the combined results of operations, financial position and cash flows had it been a stand-alone company during the years presented. Actual costs that would have been incurred if the Company had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

In addition to the amounts above, approximately \$107 million and \$194 million of costs related to the separation of Adient have been incurred by the Parent for the three and six months ended March 31, 2016, respectively. Of these amounts, \$72 million and \$132 million was deemed to directly benefit Adient as a stand-alone company for the three and six months ended March 31, 2016, respectively. Accordingly, these costs have been allocated to Adient and are reflected within selling, general and administrative expenses in the combined statements of income.

In addition to the transactions discussed above, certain intercompany transactions between the Company and the Parent have not been recorded as related party transactions. These transactions are considered to be effectively settled for cash at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flows as a financing activity and in the combined statements of financial position as Parent's net investment.



## SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.

### Independent Auditor's Report

To the Board of Directors of Shanghai Yanfeng Johnson Controls Seating Co., Ltd.:

We have audited the accompanying consolidated financial statements of Shanghai Yanfeng Johnson Controls Seating Co., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of 31 December 2014 and 2013, and the related consolidated income statements, cash flow statements and statements of changes in owners' equity for each of the two years ended 31 December 2014 and 2013.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of Accounting Standards for Business Enterprises in the People's Republic of China; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2014 and 2013, and the results of their operations and their cash flows for each of the two years ended 31 December 2014 and 2013 in accordance with the requirements of Accounting Standards for Business Enterprises in the People's Republic of China.

#### *Other Matters*

The accompanying consolidated balance sheet as of 31 December 2015, and the related consolidated income statement, cash flow statement and statement of changes in owners' equity for the year then ended are presented for purposes of complying with Rule 3-09 of SEC Regulation S-X; however, Rule 3-09 does not require the financial statements as of and for the year ended 31 December 2015 to be audited and they are, therefore, not covered by this report.

Accounting Standards for Business Enterprises in the People's Republic of China vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in **Note 14** to the consolidated financial statements.

/s/ PricewaterhouseCoopers Zhong Tian LLP

PricewaterhouseCoopers Zhong Tian LLP

26 April 2016

Shanghai, the People's Republic of China

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF 31 DECEMBER 2015, 2014 AND 2013**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**  
**(All amounts in RMB Yuan unless otherwise stated)**

<b>ASSETS</b>	<b>Note</b>	<b>31 December 2015 Consolidated (Unaudited)</b>	<b>31 December 2014 Consolidated</b>	<b>31 December 2013 Consolidated</b>
<b>Current assets</b>				
Cash at bank and on hand . . . . .	7(1)	3,939,894,113	3,165,627,901	3,009,341,225
Notes receivable . . . . .	7(2)	1,198,378,148	1,030,656,745	846,422,674
Accounts receivable . . . . .	7(3(a))	5,697,029,340	4,688,450,612	4,498,658,134
Advances to suppliers . . . . .		130,127,043	162,716,875	126,838,132
Interest receivable . . . . .		1,678,489	394,637	1,095,888
Dividends receivable . . . . .		16,336,555	—	—
Other receivables . . . . .	7(3(b))	228,573,927	464,461,266	367,600,678
Inventories . . . . .	7(4)	701,202,676	638,115,225	622,120,216
Other current assets . . . . .	7(5)	352,709,670	49,714,736	75,796,692
<b>Total current assets . . . . .</b>		<u>12,265,929,961</u>	<u>10,200,137,997</u>	<u>9,547,873,639</u>
<b>Non-current assets</b>				
Long-term equity investments . . . . .	7(6)	158,752,993	76,331,842	62,434,370
Fixed assets . . . . .	7(7)	1,778,145,645	1,537,142,169	1,327,582,914
Construction in progress . . . . .	7(8)	334,405,828	485,022,530	453,220,391
Intangible assets . . . . .	7(9)	290,139,232	362,271,077	587,790,417
Long-term prepaid expenses . . . . .	7(10)	195,116,898	202,556,024	124,512,878
Deferred tax assets . . . . .	7(20(a))	546,116,880	335,832,409	252,343,326
Other non-current assets . . . . .	7(11)	99,787,600	53,009,636	93,019,363
Goodwill . . . . .	7(12)	71,566,642	71,566,642	71,566,642
<b>Total non-current assets . . . . .</b>		<u>3,474,031,718</u>	<u>3,123,732,329</u>	<u>2,972,470,301</u>
<b>TOTAL ASSETS . . . . .</b>		<u>15,739,961,679</u>	<u>13,323,870,326</u>	<u>12,520,343,940</u>

The accompanying notes form an integral part of these financial statements.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2015 Consolidated (Unaudited)	31 December 2014 Consolidated	31 December 2013 Consolidated
<b>Current liabilities</b>				
Short-term borrowings . . . . .	7(13)	75,000,000	100,000,000	299,300,500
Notes payable . . . . .	7(14)	457,179,867	441,557,489	459,996,380
Accounts payable . . . . .	7(15)	8,468,879,463	6,510,519,647	5,850,740,700
Advances from customers . . . . .		55,982,936	50,804,021	66,160,399
Employee benefits payable . . . . .	7(16)	621,152,813	548,588,559	466,055,388
Taxes payable . . . . .	7(17)	560,021,549	407,355,491	449,618,177
Interest payable . . . . .		—	—	1,769,746
Dividends payable . . . . .		—	36,552,986	9,000,000
Other payables . . . . .	7(18)	1,546,190,411	1,652,806,503	1,320,308,049
Current portion of Long-term borrowings	7(19)	5,398,000	5,398,000	2,699,000
<b>Total current liabilities</b> . . . . .		<u>11,789,805,039</u>	<u>9,753,582,696</u>	<u>8,925,648,339</u>
<b>Non-current liabilities</b>				
Long-term borrowings . . . . .	7(19)	13,505,000	18,903,000	24,301,000
Deferred income . . . . .		7,402,636	5,440,000	5,440,000
Deferred tax liabilities . . . . .	7(20(b))	241,500	18,599,893	69,724,286
Provisions . . . . .		4,206,400	4,037,176	3,454,415
<b>Total non-current liabilities</b> . . . . .		<u>25,355,536</u>	<u>46,980,069</u>	<u>102,919,701</u>
<b>Total liabilities</b> . . . . .		<u>11,815,160,575</u>	<u>9,800,562,765</u>	<u>9,028,568,040</u>
<b>Owners' equity</b>				
Paid-in capital . . . . .	7(21)	439,853,380	439,853,380	439,853,380
Capital surplus . . . . .	7(22)	—	—	1,148,851
Other Comprehensive income . . . . .	7(33(b))	(307,041)	(32,010)	(147,000)
Surplus reserve . . . . .	7(23)	329,063,052	284,833,010	242,136,006
Undistributed profits . . . . .	7(24)	2,635,032,872	2,354,813,576	2,266,775,854
Total equity attributable to equity holders of the Company . . . . .		3,403,642,263	3,079,467,956	2,949,767,091
Minority interest . . . . .		521,158,841	443,839,605	542,008,809
<b>Total owners' equity</b> . . . . .		<u>3,924,801,104</u>	<u>3,523,307,561</u>	<u>3,491,775,900</u>
<b>TOTAL LIABILITIES AND OWNERS'</b> <b>EQUITY</b> . . . . .		<u>15,739,961,679</u>	<u>13,323,870,326</u>	<u>12,520,343,940</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Zhengang Ma

Principal in charge of accounting:  
Haifeng Mao

Head of accounting department:  
Jianjun Chu

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**CONSOLIDATED INCOME STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2015 Consolidated (Unaudited)	2014 Consolidated	2013 Consolidated
<b>Revenue</b> . . . . .	7(25)	26,572,050,764	24,485,129,870	21,572,906,592
Less: Cost of sales . . . . .	7(25)(28)	(22,023,017,968)	(20,287,565,383)	(17,638,266,869)
Taxes and surcharges . . . . .	7(26)	(119,877,553)	(85,497,846)	(77,345,731)
Selling and distribution expenses . . . . .	7(28)	(175,878,437)	(174,129,174)	(172,411,220)
General and administrative expenses . . . . .	7(28)	(1,838,254,817)	(1,834,888,595)	(1,554,353,927)
Financial expenses—net . . . . .	7(27)	59,098,880	25,205,319	(26,052,533)
Asset impairment losses . . . . .	7(29)	(9,380,519)	(4,671,239)	(10,943,037)
Add: Investment income—net . . . . .	7(30)	48,357,857	13,897,472	1,083,789
Including: Share of profit of associates and joint ventures . . . . .		40,459,106	13,897,472	1,083,789
<b>Operating profit</b> . . . . .		2,513,098,207	2,137,480,424	2,094,617,064
Add: Non-operating income . . . . .	7(31(a))	45,819,087	45,272,000	35,833,374
Including: gains on disposal of non-current assets . . . . .		1,676,650	13,714,861	5,306,453
Less: Non-operating expenses . . . . .	7(31(b))	(14,512,924)	(14,525,030)	(11,603,001)
Including: Losses on disposal of non-current assets . . . . .		(4,669,157)	(10,808,449)	(6,638,252)
<b>Total profit</b> . . . . .		2,544,404,370	2,168,227,394	2,118,847,437
Less: Income tax expenses . . . . .	7(32)	(463,389,635)	(388,801,668)	(371,443,481)
<b>Net profit</b> . . . . .		2,081,014,735	1,779,425,726	1,747,403,956
Attributable to equity holders of the Company . . . . .		1,775,435,020	1,591,845,675	1,674,363,531
Minority interest . . . . .		305,579,715	187,580,051	73,040,425
<b>Other comprehensive income, net of tax</b>				
Attributable to equity owners of the Company . . . . .	7(33(a))	(275,031)	114,990	(147,000)
Translation differences on translation of foreign currency financial statements . . . . .		(275,031)	114,990	(147,000)
<b>Total comprehensive income</b> . . . . .		2,080,739,704	1,779,540,716	1,747,256,956
Attributable to equity owners of the Company . . . . .		1,775,159,989	1,591,960,665	1,674,216,531
Attributable to minority interests . . . . .		305,579,715	187,580,051	73,040,425

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Zhengang Ma

Principal in charge of accounting:  
Haifeng Mao

Head of accounting department:  
Jianjun Chu

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in Rmb Yuan unless otherwise stated)

Item	Note	2015 Consolidated (Unaudited)	2014 Consolidated	2013 Consolidated
<b>Cash flows from operating activities</b>				
Cash received from sales of goods or rendering of services . . . . .		30,668,864,213	28,945,292,864	23,847,583,444
Refund of taxes and surcharges . . . . .		13,781,018	34,090,499	4,542
Cash received relating to other operating activities . . . . .		74,044,037	43,456,279	64,838,551
<b>Sub-total of cash inflows . . . . .</b>		<b>30,756,689,268</b>	<b>29,022,839,642</b>	<b>23,912,426,537</b>
Cash paid for goods and services . . . . .		(22,770,981,843)	(22,077,186,618)	(18,098,199,881)
Cash paid to and on behalf of employees . . . . .		(1,553,146,820)	(1,402,532,782)	(1,158,938,499)
Payments of taxes and surcharges . . . . .		(1,781,651,976)	(1,434,245,412)	(991,365,833)
Cash paid relating to other operating activities . . . . .	7(34(d))	(1,653,278,352)	(1,441,512,528)	(1,062,458,998)
<b>Sub-total of cash outflows . . . . .</b>		<b>(27,759,058,991)</b>	<b>(26,355,477,340)</b>	<b>(21,310,963,211)</b>
<b>Net cash flows from operating activities . . . . .</b>	7(34(a))	<b>2,997,630,277</b>	<b>2,667,362,302</b>	<b>2,601,463,326</b>
<b>Cash flows from investing activities</b>				
Cash received from disposal of investments . . . . .		50,646,471	89,724,800	—
Cash received from returns on investments . . . . .		16,244,436	3,070,735	1,180,994
Net cash received from disposal of fixed assets, intangible assets and other long-term assets . . . . .		211,692,165	191,304,314	22,134,823
Net cash received from disposal of subsidiaries and other business units . . . . .		13,510,827	—	—
Cash received relating to other investing activities . . . . .		—	—	220,000,000
<b>Sub-total of cash inflows . . . . .</b>		<b>292,093,899</b>	<b>284,099,849</b>	<b>243,315,817</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets . . . . .		(476,099,495)	(767,637,244)	(554,705,790)
Cash paid to acquire investments . . . . .		(315,000,000)	(90,371,271)	(50,251,692)
Net cash paid to acquire subsidiaries and other business units . . . . .		(62,298,600)	—	(412,534,635)
Cash paid relating to other investing activities . . . . .		—	—	(220,000,000)
<b>Sub-total of cash outflows . . . . .</b>		<b>(853,398,095)</b>	<b>(858,008,515)</b>	<b>(1,237,492,117)</b>
<b>Net cash flows from investing activities . . . . .</b>		<b>(561,304,196)</b>	<b>(573,908,666)</b>	<b>(994,176,300)</b>
<b>Cash flows from financing activities</b>				
Cash received from capital contributions . . . . .		—	—	17,500,000
Including: Cash received from capital contributions by minority shareholders of subsidiaries . . . . .		—	—	17,500,000
Cash received from borrowings . . . . .		75,855,064	400,000,000	458,793,339
<b>Sub-total of cash inflows . . . . .</b>		<b>75,855,064</b>	<b>400,000,000</b>	<b>476,293,339</b>
Cash repayments of borrowings . . . . .		(105,496,657)	(601,999,500)	(282,092,839)
Cash payments for interest expenses, distribution of dividends or profits . . . . .		(1,664,108,967)	(1,567,648,168)	(1,451,764,972)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries . . . . .		(250,598,100)	(142,793,799)	(122,042,022)
Cash payments relating to other financing activities . . . . .		—	(87,504,313)	—
<b>Sub-total of cash outflows . . . . .</b>		<b>(1,769,605,624)</b>	<b>(2,257,151,981)</b>	<b>(1,733,857,811)</b>
<b>Net cash flows from financing activities . . . . .</b>		<b>(1,693,750,560)</b>	<b>(1,857,151,981)</b>	<b>(1,257,564,472)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents . . . . .</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash . . . . .</b>	7(34(b))	<b>742,575,521</b>	<b>236,301,655</b>	<b>349,722,554</b>
Add: Cash at beginning of year . . . . .	7(34(b))	2,998,757,581	2,762,455,926	2,412,733,372
<b>Cash at end of year . . . . .</b>	7(34(b))	<b>3,741,333,102</b>	<b>2,998,757,581</b>	<b>2,762,455,926</b>

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Zhengang Ma

Principal in charge of accounting:  
Haifeng Mao

Head of accounting department:  
Jianjun Chu

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in Rmb Yuan unless otherwise stated)

Item	Note	Attributable to equity holders of the Company					Minority interest	Total owners' equity
		Paid-in capital	Capital surplus	Surplus reserves	Undistributed profits	Other comprehensive income		
<b>Balance at 1 January 2013</b>		439,853,380	1,148,851	197,012,397	2,005,163,942	—	565,376,934	3,208,555,504
<b>Movements for the year ended 31 December 2013</b>								
Total Comprehensive income								
Net profit		—	—	—	1,674,363,531	—	73,040,425	1,747,403,956
Other comprehensive income								
Foreign currency exchange differences	7(33)	—	—	—	—	(147,000)	—	(147,000)
Total Comprehensive income for the year		—	—	—	1,674,363,531	(147,000)	73,040,425	1,747,256,956
Capital contribution and withdrawal by owners								
New subsidiaries		—	—	—	—	—	17,500,000	17,500,000
Profit distribution								
Appropriation to surplus reserves		—	—	45,123,609	(45,123,609)	—	—	—
Profit distribution to equity owners		—	—	—	(1,322,403,562)	—	(113,703,818)	(1,436,107,380)
Appropriation to staff welfare and incentive funds		—	—	—	(45,224,448)	—	(204,732)	(45,429,180)
<b>Balance at 31 December 2013</b>		439,853,380	1,148,851	242,136,006	2,266,775,854	(147,000)	542,008,809	3,491,775,900
<b>Balance at 1 January 2014</b>		439,853,380	1,148,851	242,136,006	2,266,775,854	(147,000)	542,008,809	3,491,775,900
<b>Movements for the year ended 31 December 2014</b>								
Total Comprehensive income								
Net profit		—	—	—	1,591,845,675	—	187,580,051	1,779,425,726
Other comprehensive income								
Foreign currency exchange differences	7(33)	—	—	—	—	114,990	—	114,990
Total Comprehensive income for the year		—	—	—	1,591,845,675	114,990	187,580,051	1,779,540,716
Capital contribution and withdrawal by owners								
New subsidiaries		—	—	—	—	—	(34,123,771)	(34,123,771)
Transaction with minority interest		—	(1,148,851)	(2,189,800)	—	—	(80,951,299)	(84,289,950)
Profit distribution								
Appropriation to surplus reserves		—	—	44,886,804	(44,886,804)	—	—	—
Profit distribution to equity owners		—	—	—	(1,413,873,089)	—	(170,346,785)	(1,584,219,874)
Appropriation to staff welfare and incentive funds		—	—	—	(45,048,060)	—	(327,400)	(45,375,460)
<b>Balance at 31 December 2014</b>		439,853,380	—	284,833,010	2,354,813,576	(32,010)	443,839,605	3,523,307,561
<b>Balance at 1 January 2015</b>		439,853,380	—	284,833,010	2,354,813,576	(32,010)	443,839,605	3,523,307,561
<b>Movements for the year ended 31 December 2015 (Unaudited)</b>								
Total Comprehensive income								
Net profit		—	—	—	1,775,435,020	—	305,579,715	2,081,014,735
Other comprehensive income								
Foreign currency exchange differences	7(33)	—	—	—	—	(275,031)	—	(275,031)
Total Comprehensive income for the year		—	—	—	1,775,435,020	(275,031)	305,579,715	2,080,739,704
New subsidiaries		—	—	—	—	—	(13,601,251)	(13,601,251)
Profit distribution								
Appropriation to surplus reserves		—	—	44,230,042	(44,230,042)	—	—	—
Profit distribution to equity owners		—	—	—	(1,406,453,166)	—	(214,045,114)	(1,620,498,280)
Appropriation to staff welfare and incentive funds		—	—	—	(44,532,516)	—	(614,114)	(45,146,630)
<b>Balance at 31 December 2015 (Unaudited)</b>		439,853,380	—	329,063,052	2,635,032,872	(307,041)	521,158,841	3,924,801,104

The accompanying notes form an integral part of these consolidated financial statements.

Legal representative:  
Zhengang Ma

Principal in charge of accounting:  
Haifeng Mao

Head of accounting department:  
Jianjun Chu



**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

## **1 General information**

Shanghai Yanfeng Johnson Controls Seating Co., Ltd. (“the Company”) is a sino-foreign joint venture company set up by Yanfeng Automotive Trim Systems Co., Ltd. (“Yanfeng Trim” and formerly known as “Yanfeng Visteon Automotive Trim Systems Co., Ltd.”) and Johnson Controls International Inc. (“JCI International”) on 18 December 1997. The approved operating period is 25 years and the registered capital is USD 24,770,700. Yanfeng Trim and JCI International hold 50.01% and 49.99% equity interest of the Company, respectively. Yanfeng Trim is ultimately held by Shanghai Automotive Industry Corporation (Group) (“SAIC”).

In July 2007, according to equity transfer contract, JCI International transferred all the equity interest (49.99%) of the Company to Johnson Controls Asia Holding Co., Ltd. (“JCI Asia”). JCI International and JCI Asia are ultimately held by Johnson Controls, Inc. (“JCI”). In accordance with the resolution of the Board of Directors’ meeting on 30 August 2011 and the revised joint venture contract and Articles of Association, the Company completed the transfer from surplus reserve to paid-in capital for USD 12,000,000 (Yanfeng Trim: USD 6,001,200, JCI Asia: USD 5,998,800) and the transfer from undistributed profits to paid-in capital for USD 25,229,300 (Yanfeng Trim: USD 12,617,190, JCI Asia: USD 12,612,110) on 8 November 2012, thus the registered capital was increased to USD 62,000,000.

The approved scope of business operation of the Company and its subsidiaries (together “the Group”) is to develop and manufacture automobile seats and their spare parts, provide technical service for automobile seating, and sell its own products.

These financial statements are authorised for issue by the Company’s responsible person on 26 April 2016.

## **2 Basis of preparation**

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises—Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”). In addition, information relating to the nature and effect of significant difference between CAS and accounting principles generally accepted in the United State of America is presented in Note 14 to the consolidated financial statement of the Group.

The financial statements are prepared on a going concern basis.

## **3 Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements of the Group for the year ended 31 December 2015, 2014 and 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated financial position of the Group as at 31 December 2015, 2014 and 2013 and of their financial performance, cash flows and other information for the years then ended.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**4 Summary of significant accounting policies and accounting estimates**

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Functional currency

The functional currency is Renminbi (RMB).

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The financial assets held by the Group are mainly receivables.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

**(All amounts in RMB Yuan unless otherwise stated)**

**4 Summary of significant accounting policies and accounting estimates (Continued)**

**(a) Receivables**

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4(6)).

**(b) Recognition and measurement**

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to acquisition of the financial assets are included in their initially recognised amounts. A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset have expired, or all the substantial risks and rewards of ownership of the financial asset have been transferred. Receivables are subsequently measured at amortised cost by using the effective interest method.

**(c) Impairment of financial assets**

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

**(6) Receivables**

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. Provision for bad debts is determined based on the

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**4 Summary of significant accounting policies and accounting estimates (Continued)**

historical loss experience for groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

**(7) Inventories**

Inventories include raw materials, work in progress, and finished goods, and are measured at the lower of cost and net realisable value.

Cost is determined using weighted average method base on standard cost. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred based on normal operating capacity.

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes

The Group adopts the perpetual inventory system.

**(8) Long-term equity investments**

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

**(a) Subsidiaries**

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

**(b) Joint ventures and associates**

A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**4 Summary of significant accounting policies and accounting estimates (Continued)**

Investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

**(9) Fixed assets**

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computer and electronic equipment, tooling and office equipment. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. Fixed assets contributed by the Chinese investors are initially measured at the value as stipulated in the investment contract or agreement.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**4 Summary of significant accounting policies and accounting estimates (Continued)**

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings . . . . .	20 years	10%	4.5%
Machinery and equipment . . . . .	3 - 15 years	0% - 5%	6.33 - 33.3%
Motor vehicles . . . . .	3 - 6 years	0% - 5%	15.83 - 33.3%
Computer and electronic equipment . . . . .	3 - 5 years	0% - 5%	19 - 33.3%
Tooling . . . . .	3 - 5 years	0% - 5%	19 - 33.3%
Office equipment . . . . .	3 - 7 years	0% - 5%	13.57 - 33.3%

The estimated useful life and the estimated residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

**(10) Construction in progress**

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation cost, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month.

**(11) Intangible assets**

Intangible assets, including land use rights patent rights and non-patented technology and software are measured at cost. Intangible assets also include identifiable assets acquired from business combinations involving enterprises not under common control, such as customer relationship, and are measured at fair value at the time of acquisition.

**(a) Land use rights**

Land use rights are amortised on the straight-line basis over their estimated useful lives. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

**(b) Patent rights and non-patented technology**

Patent rights and non-patented technology are amortised on a straight-line basis over the patent protection period as stipulated by the laws.

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**4 Summary of significant accounting policies and accounting estimates (Continued)**

(c) Software

Software is amortised on a straight-line basis over the patent protection period.

(d) Customer relationship

Customer relationship acquired from business combination involving enterprises not under common control are amortised over their beneficial periods.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on useful life and amortisation method are performed at each year-end, with adjustment made as appropriate.

(12) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred; expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(13) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date.



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**4 Summary of significant accounting policies and accounting estimates (Continued)**

**(14) Long-term prepaid expenses**

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

**(15) Impairment of long-term assets**

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

**(16) Borrowing costs**

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under

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**4 Summary of significant accounting policies and accounting estimates (Continued)**

acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

**(17) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. Borrowings of which the period is within one year (inclusive) are classified as short-term borrowings, and the others are classified as long-term borrowings.

**(18) Employee benefits**

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits and post-employment benefits.

**(a) Short-term employee benefits**

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences and etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

**(b) Post-employment benefits**

The Group classifies post-employment benefit plans as defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which belong to defined contribution plans.

**Basic pensions**

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

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**4 Summary of significant accounting policies and accounting estimates (Continued)**

**(19) Provisions**

Provisions for product warranties, onerous contracts and etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**(20) Deferred tax assets and deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are relate to the same tax payer within the Group and same taxation authority, and;

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**4 Summary of significant accounting policies and accounting estimates (Continued)**

- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

**(21) Revenue recognition**

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific criteria of revenue recognition have been met for each type of the Group's activities as described below:

**(a) Sale of products**

Revenue is recognised when all the risks and rewards incidental to ownership of goods have been substantially transferred to the buyers with no more continuous management or control over the goods, the economic benefits associated with the transaction will flow to the Group, and the relevant revenue and cost can be reliably measured.

**(b) Rendering of services**

Revenue is recognised when service is completed and it is probable that the associated economic benefits will flow to the Group and its total revenue and cost can be reliably measured.

**(22) Government Grants**

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

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**4 Summary of significant accounting policies and accounting estimates (Continued)**

**(23) Leases**

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

**(24) Profit distribution**

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors' meeting.

**(25) Business combinations**

**(a) Business combinations involving enterprises not under common control.**

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

**(26) Preparation of consolidated financial statements**

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are deconsolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, came under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

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**4 Summary of significant accounting policies and accounting estimates (Continued)**

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed to minority interests, and presented separately in the consolidated financial statements under owners' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

**(27) Critical accounting estimates and judgments**

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

**(i) Income taxes**

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. The Group recognises income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(ii) Accounting estimates on impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 7(12)).

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**4 Summary of significant accounting policies and accounting estimates (Continued)**

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

**5 Taxation**

The main categories and rates of taxes applicable to the Group during the current year are set out below:

<u>Type</u>	<u>Tax rate</u>	<u>Taxable base</u>
Enterprise income tax(a) . . . . .	25% and 20%	Taxable income
Value added tax ("VAT")(b) . . .	6% and 17%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)
Business tax . . . . .	5%	Taxable turnover amount

(a) In 2015, 2014 and 2013, the enterprise income tax rates applicable to the Company and its subsidiaries with high technology certificates are as follows:

- (1) The Company is a foreign-invested production enterprise set up in Pudong new district, Shanghai. It was certificated as the advanced and high technology enterprise by Shanghai Science and Technology Committee in 2011 (valid for 3 years) and 2014 (valid for 3 years), respectively. According to the Fiscal and Taxation (2009), No.203 "The notice on implementing preferential corporate income tax rate of advanced and high technology enterprises", the applicable income tax rate is 15% in year 2015, 2014 and 2013.
- (2) Shanghai Jixiang Automobile Roof Trimming Co., Ltd. ("Shanghai Jixiang Automobile") is a domestic enterprise set up in Shanghai. It was certificated as the advanced and high technology enterprise by Shanghai Science and Technology Committee in 2012 (valid for 3 years) and 2015 (valid for 3 years), respectively. According to the Fiscal and Taxation (2009), No.203 "The notice on implementing preferential corporate income tax rate of advanced and high technology enterprises", the applicable income tax rate is 15% in year 2015, 2014 and 2013.



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**5 Taxation (Continued)**

- (3) Guangzhou Dongfeng Johnson Controls Automotive Seating Co., Ltd. (“Guangzhou Dongfeng Johnson Seating”) is a foreign-invested production enterprise set up in coastal economic open zone. It was certificated as the advanced and high technology enterprise by Guangzhou Province Science and Technology Agency in 2014 (valid for 3 years). According to the Fiscal and Taxation (2009), No.203 “The notice on implementing preferential corporate income tax rate of advanced and high technology enterprises”, the applicable income tax rate is 15% in year 2015 and 25% in 2014 and 2013.
- (4) Hefei Johnson Controls Yunhe Automotive Seating Co., Ltd. (“Hefei Yunhe Johnson”) is a foreign-invested manufacturing enterprise set up in Hefei Economic and Technological Development Zone. The company was certificated as the advanced and high technology enterprise by Hefei Science and Technology Committee in 2012 (valid for 3 years) and 2015 (valid for 3 years), respectively. According to the Fiscal and Taxation (2009) No.203 “The notice on implementing preferential corporate income tax rate of advanced and high technology enterprises”, the applicable income tax rate of Hefei Yunhe Johnson is 15% in 2015, 2014 and 2013.
- (5) Shenyang Yanfeng Johnson Controls Seating Co., Ltd. (“Shenyang Yanfeng Johnson Seating”) is a domestic enterprise newly set up in Shenyang. The company was certificated as the advanced and high technology enterprise by Liaoning Office of Science and Technology in 2013. According to Guoshuihan (2009) No.203 “Notification of implementing preferential corporate income tax rate of advanced and high technology enterprises”, the applicable income tax rate of Shenyang Yanfeng Johnson Seating is 15% in 2015, 2014 and 2013.
- (6) Chongqing Yanfeng Johnson Automotive Parts Systems Co., Ltd. (“Chongqing Yanfeng Johnson”) is a foreign-invested manufacturing enterprise set up in Chongqing. It was certificated as the advanced and high technology enterprise for the first time in July 2010, then it was certificated as the advanced and high technology enterprise again through the review in October 2013 (valid until December 2015). According to the Fiscal and Taxation (2009), No.203 “The notice on implementing preferential corporate income tax rate of advanced and high technology enterprises”, the applicable income tax rate is 15% in year 2015, 2014 and 2013.
- (b) Pursuant to the Circular on the Pilot Plan for Levying VAT in Place of Business Tax (Cai Shui No.110, 2011) and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries in Shanghai (Cai Shui [2013] No.106) and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries across the nation (Cai Shui No.37, 2013) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from technical consulting business of part of the Company and the subsidiaries registered in Shanghai and other cities is subject to VAT at the rate of 6% from 1 January 2012, the applicable tax rate is 6%.

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**6 Subsidiaries**

(1) Significant subsidiaries included in the consolidation scope as at 31 December 2015 are as follows:

	Place of registration	Registered capital	Nature of business and principal activities	% interest held by the Company		% voting right held by the Company	
				Directly	Indirectly	Directly	Indirectly
Shenyang Yanfeng Johnson Seating . . . . .	Shenyang	RMB 30,000,000	Develop, produce and sell automotive interior, overhead systems and parts production. Self-management or agency of import and export of goods and technologies	100%		100%	
Yantai Yanfeng Johnson Controls Seating Co., Ltd.	Yantai	RMB 35,000,000	Produce and sell auto seating and parts, automotive functional polymer materials; import and export goods and technology	100%		100%	
Nanjing Yanfeng Johnson Controls Seating Co., Ltd. . . . .	Nanjing	RMB 45,000,000	Produce and sell auto seating and provide after-sale service; import and export goods and service	60%		60%	
Shanghai Yanfeng Johnson Controls Anting Seating Co., Ltd. . . . .	Shanghai	RMB 15,000,000	Design, develop, produce and sell auto seats and provide after-sale service; import and export goods	100%		100%	
Yizheng Yanfeng Johnson Controls Seating Co., Ltd.	Yangzhou	RMB 60,000,000	Design, develop, produce and sell auto seats, automotive ceiling and sun visor	100%		100%	
Chongqing Yanfeng Johnson	Chongqing	USD 7,500,000	Produce and sell automotive seatings and spare parts and sun visor	50%		62.50%	

- (a) The newly established subsidiaries of the Group in 2013 included Ningbo Yanfeng Johnson Controls Seating Co., Ltd., Wuhan Yanfeng Johnson Controls Seating Co., Ltd., Daqing Yanfeng Johnson Automotive Parts Systems Co., Ltd. and Yanfeng Johnson Controls (Thailand) Co., Ltd. The newly established subsidiaries of the Group in 2014 included Nantong Yanfeng Johnson Controls Seating Parts Co., Ltd, Langfang Yanfeng Johnson Controls Automotive Components Co., Ltd, Nanchang Yanfeng Johnson Controls Automotive Components Systems Co., Ltd. and Hangzhou Yanfeng Johnson Controls Automotive Components Systems Co., Ltd. The newly established subsidiaries of the Group in 2015 included Yanfeng Johnson Controls America Seating, Inc., Chongqing Yanfeng Johnson Fengao Automotive Components Co., Ltd..

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**6 Subsidiaries (Continued)**

- (b) In 2015, the company disposed 50% equity interest of its subsidiary Baoding Yanfeng Johnson Seating Parts Co., Ltd. to Great Wall Automobile Holding Co., Ltd..
- (c) On 26 September 2014, the Company purchased 45% equity interest of its subsidiary Shanghai Johnson Controls Automotive Metal Components Co., Ltd. from JCI. After the acquisition, Shanghai Johnson Controls Automotive Metal Components Co., Ltd. became a wholly-owned subsidiary of the Company (Note 8(b)).
- (d) On 21 February 2014, the Company's former subsidiary Wuhan Johnson Controls Yunhe Automotive Seating Co., Ltd. dissolved and liquidated.
- (e) On 2 July 2013, the Company acquired 100% equity interest of Johnson Controls Automotive Systems (Kunshan) Co., Ltd. ("Johnson Controls Kunshan") from CRH Automotive GmbH (Note 8(a)).

**(2) Information of non-wholly-owned subsidiaries**

Total profit attributable to minority shareholders for the year ended 31 December 2015 (Unaudited)	Dividends paid to minority interests for the year ended 31 December 2015 (Unaudited)	Accumulated minority interests as at 31 December 2015 (Unaudited)
305,579,715	214,045,114	521,158,841
Total profit attributable to minority shareholders for the year ended 31 December 2014	Dividends paid to minority interests for the year ended 31 December 2014	Accumulated minority interests as at 31 December 2014
187,580,051	170,346,785	444,472,126
Total profit attributable to minority shareholders for the year ended 31 December 2013	Dividends paid to minority interests for the year ended 31 December 2013	Accumulated minority interests as at 31 December 2013
73,040,425	113,703,818	542,008,809

There is no individually subsidiary with significant non-wholly-owned interest within the group. Considering all the subsidiaries are automobile industry related companies, their principal activities are production and sale of automotive parts as well as components and they all operate their business in China mainland, the summarised aggregated financial information for all the subsidiaries that has non-wholly-owned interests are set out below:

31 December 2015 (Unaudited)					
Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
4,885,026,193	885,503,988	5,770,530,181	4,563,721,745	24,041,900	4,587,763,645
31 December 2014					
Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
4,424,732,193	835,075,697	5,259,807,890	4,196,754,935	33,892,988	4,230,647,923

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**6 Subsidiaries (Continued)**

31 December 2013					
Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
4,510,159,993	862,820,758	5,372,980,751	4,069,901,871	50,163,457	4,120,065,328

2015 (Unaudited)			
Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
10,509,628,494	647,904,303	647,904,303	224,033,364

2014			
Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
9,535,246,058	415,106,959	415,106,959	781,707,192

2013			
Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
9,187,962,646	184,792,650	184,792,650	819,507,820

**7 Notes to the consolidated financial statements**

(1) Cash at bank and on hand

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Cash on hand . . . . .	26,270	43,942	58,605
Current deposits . . . . .	3,741,306,832	2,998,713,639	2,762,397,321
Other cash balances(a) . . . . .	198,561,011	166,870,320	246,885,299
	<u>3,939,894,113</u>	<u>3,165,627,901</u>	<u>3,009,341,225</u>

(a) As at 31 December 2015, 2014 and 2013, RMB 198,561,011, RMB 166,719,551 and RMB 246,885,299 were pledged to banks as collateral for the Group to issue notes payable of RMB 228,819,635, RMB 235,486,021 and RMB 291,334,997, respectively. (Note 7(14)).

As at 31 December 2015 and 2013, no other cash balances were the margin deposits paid by the Group for applying for unconditional, irrevocable letter of credit from the bank. As at 31 December 2014, RMB 150,769 were the margin deposits paid by the Group for applying for unconditional, irrevocable letter of credit from the bank.

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**7 Notes to the consolidated financial statements (Continued)**

(2) Notes receivable

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Trade acceptance notes . . . . .	—	—	17,980,000
Bank acceptance notes . . . . .	1,198,378,148	1,030,656,745	828,442,674
	<u>1,198,378,148</u>	<u>1,030,656,745</u>	<u>846,422,674</u>

As at 31 December 2015, 2014 and 2013, notes receivable with amount of RMB 222,124,500, RMB 204,357,084 and RMB 168,661,383 was pledged to banks as collateral for the Group to issue notes payable of RMB 221,724,500, RMB 206,071,468 and RMB 168,661,383, respectively. (Note 7(14)).

As at 31 December 2015, 2014 and 2013, the Group has no trade acceptance notes with recourse that is not mature but has been discounted.

(3) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2014			31 December 2015 (Unaudited)
Accounts receivable . . . . .	4,698,378,707			5,713,997,765
		Increase in the current year	Writes off in the current year	
Less: provision for bad debts . . . . .	(9,928,095)	(7,056,982)	16,652	(16,968,425)
	<u>4,688,450,612</u>			<u>5,697,029,340</u>
	31 December 2013			31 December 2014
Accounts receivable . . . . .	4,508,391,003			4,698,378,707
		Increase in the current year	Writes off in the current year	
Less: provision for bad debts . . . . .	(9,732,869)	(713,560)	518,334	(9,928,095)
	<u>4,498,658,134</u>			<u>4,688,450,612</u>
	31 December 2012			31 December 2013
Accounts receivable . . . . .	3,570,698,575			4,508,391,003
		Increase in the current year	Writes off in the current year	
Less: provision for bad debts . . . . .	(7,090,955)	(2,902,735)	260,821	(9,732,869)
	<u>3,563,607,620</u>			<u>4,498,658,134</u>

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**7 Notes to the consolidated financial statements (Continued)**

As at 31 December 2015 and 2014, no accounts receivable was pledged to bank as collateral of short term borrowings. As at 31 December 2013, accounts receivable of RMB 5,500,000 was pledged to bank as collateral of short term borrowings of RMB 4,400,000 .(Note 7(13)).

The aging of accounts receivable and related provisions for bad debts are analysed below:

	31 December 2015 (Unaudited)			31 December 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year .	5,442,373,758	95.25%	(2,415,833)	4,658,158,997	99.14%	(806,662)	4,489,174,943	99.57%	(112,824)
1 to 2 years . .	244,636,126	4.28%	(3,379,236)	32,565,341	0.69%	(3,305,603)	4,575,902	0.10%	(1,526,427)
2 to 3 years . .	19,388,759	0.34%	(3,784,961)	2,220,905	0.05%	(463,760)	8,929,210	0.20%	(2,382,670)
Over 3 years .	7,599,122	0.13%	(7,388,395)	5,433,464	0.12%	(5,352,070)	5,710,948	0.13%	(5,710,948)
	<u>5,713,997,765</u>	<u>100.00%</u>	<u>(16,968,425)</u>	<u>4,698,378,707</u>	<u>100.00%</u>	<u>(9,928,095)</u>	<u>4,508,391,003</u>	<u>100.00%</u>	<u>(9,732,869)</u>

As at 31 December 2015, 2014 and 2013, no material accounts receivable was past due but not impaired.

(b) Other receivables

	31 December 2014		31 December 2015 (Unaudited)
Receivables from equity transfer . . . .	—		21,500,000
Receivables from disposal of fixed assets . . . . .	160,032,610		4,226
Receivables for modules . . . . .	200,755,931		147,645,565
Cash pooling funds . . . . .	50,646,471		—
Deposits . . . . .	32,193,079		50,064,467
Others . . . . .	21,779,364		10,305,418
	<u>465,407,455</u>		<u>229,519,676</u>
		Increase in the current year	Written-off in the current year
Less: provision for bad debts . . . . .	(946,189)	—	440
	<u>464,461,266</u>		<u>(945,749)</u>
			<u>228,573,927</u>

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**7 Notes to the consolidated financial statements (Continued)**

	<u>31 December 2013</u>			<u>31 December 2014</u>
Receivables from equity transfer . . . .	30,909,408			—
Receivables from disposal of fixed assets . . . . .	160,193,792			160,032,610
Receivables for modules . . . . .	81,666,069			200,755,931
Cash pooling funds . . . . .	—			50,646,471
Deposits . . . . .	50,363,255			32,193,079
Others . . . . .	45,402,205			21,779,364
	<u>368,534,729</u>			<u>465,407,455</u>
		Increase	Written-off	
		in the	in the	
		current year	current year	
Less: provision for bad debts . . . . .	(934,051)	(12,138)	—	(946,189)
	<u>367,600,678</u>			<u>464,461,266</u>
	<u>31 December 2012</u>			<u>31 December 2013</u>
Receivables from equity transfer . . . .	30,909,408			30,909,408
Receivables from disposal of fixed assets . . . . .	—			160,193,792
Receivables for modules . . . . .	47,219,132			81,666,069
Deposits . . . . .	20,910,957			50,363,255
Others . . . . .	85,172,356			45,402,205
	<u>184,211,853</u>			<u>368,534,729</u>
		Increase	Written-off	
		in the	in the	
		current year	current year	
Less: provision for bad debts . . . . .	(933,611)	(337,400)	336,960	(934,051)
	<u>183,278,242</u>			<u>367,600,678</u>



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**7 Notes to the consolidated financial statements (Continued)**

Other receivables and related provisions for bad debts are analysed below:

	31 December 2015 (Unaudited)			31 December 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year . . . . .	196,262,868	85.51%	—	288,793,103	62.05%	(12,138)	326,109,876	88.49%	(440)
1 to 2 years . . . . .	24,176,246	10.53%	(12,138)	171,149,988	36.77%	(440)	39,378,086	10.69%	—
2 to 3 years . . . . .	4,745,088	2.07%	—	3,385,685	0.73%	—	1,129,886	0.31%	—
Over 3 years . . . . .	4,335,474	1.89%	(933,611)	2,078,679	0.45%	(933,611)	1,916,881	0.51%	(933,611)
	<u>229,519,676</u>	<u>100.00%</u>	<u>(945,749)</u>	<u>465,407,455</u>	<u>100.00%</u>	<u>(946,189)</u>	<u>368,534,729</u>	<u>100.00%</u>	<u>(934,051)</u>

As at 31 December 2015, 2014 and 2013, no material other receivables were past due but not impaired.

**(4) Inventories**

	31 December 2014			31 December 2015 (Unaudited)
Cost—				
Raw materials . . . . .	495,782,759			422,758,307
Work in progress . . . . .	32,424,927			21,343,381
Finished goods . . . . .	147,067,879			290,728,598
	<u>675,275,565</u>			<u>734,830,286</u>
		Increase	Written-off	
		in the	in the	
		current year	current year	
Less: Provision for declines in the value of inventories				
Raw materials . . . . .	(31,190,832)	(1,708,382)	4,444,581	(28,454,633)
Work in progress . . . . .	(805,118)	22,032	(90,673)	(873,759)
Finished goods . . . . .	<u>(5,164,390)</u>	<u>(637,187)</u>	<u>1,502,359</u>	<u>(4,299,218)</u>
	<u>(37,160,340)</u>	<u>(2,323,537)</u>	<u>5,856,267</u>	<u>(33,627,610)</u>
	<u>638,115,225</u>			<u>701,202,676</u>

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**7 Notes to the consolidated financial statements (Continued)**

	<u>31 December 2013</u>			<u>31 December 2014</u>
Cost—				
Raw materials . . . . .	504,552,628			495,782,759
Work in progress . . . . .	21,841,835			32,424,927
Finished goods . . . . .	<u>131,202,783</u>			<u>147,067,879</u>
	<u>657,597,246</u>			<u>675,275,565</u>
Less: Provision for declines in the value of inventories		Increase in the current year	Written-off in the current year	
Raw materials . . . . .	(31,728,613)	(1,724,450)	2,262,231	(31,190,832)
Work in progress . . . . .	(1,248,134)	443,016	—	(805,118)
Finished goods . . . . .	<u>(2,500,283)</u>	<u>(2,664,107)</u>	<u>—</u>	<u>(5,164,390)</u>
	<u>(35,477,030)</u>	<u>(3,945,541)</u>	<u>2,262,231</u>	<u>(37,160,340)</u>
	<u>622,120,216</u>			<u>638,115,225</u>
	<u>31 December 2012</u>			<u>31 December 2013</u>
Cost—				
Raw materials . . . . .	340,889,632			504,552,628
Work in progress . . . . .	21,655,669			21,841,835
Finished goods . . . . .	<u>111,761,097</u>			<u>131,202,783</u>
	<u>474,306,398</u>			<u>657,597,246</u>
Less: Provision for declines in the value of inventories		Increase in the current year	Written-off in the current year	
Raw materials . . . . .	(28,464,056)	(4,958,621)	1,694,064	(31,728,613)
Work in progress . . . . .	(126,317)	(1,121,817)	—	(1,248,134)
Finished goods . . . . .	<u>(3,305,400)</u>	<u>805,117</u>	<u>—</u>	<u>(2,500,283)</u>
	<u>(31,895,773)</u>	<u>(5,275,321)</u>	<u>1,694,064</u>	<u>(35,477,030)</u>
	<u>442,410,625</u>			<u>622,120,216</u>

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**7 Notes to the consolidated financial statements (Continued)**

(5) Other current assets

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Entrusted loans (Note 9(4(e))) . . . . .	315,000,000	—	50,000,000
Value-added tax recoverable . . . . .	31,452,580	42,212,988	22,644,255
Prepaid income tax . . . . .	6,094,030	7,158,847	3,152,437
Prepaid property tax and others . . . . .	163,060	342,901	—
	<u>352,709,670</u>	<u>49,714,736</u>	<u>75,796,692</u>

(6) Long-term equity investments

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Associates(a) . . . . .	108,432,277	76,331,842	62,434,370
Joint venture(b) . . . . .	50,320,716	—	—
Less: Provision for impairment of long-term equity investments . . . . .	—	—	—
	<u>158,752,993</u>	<u>76,331,842</u>	<u>62,434,370</u>

(a) Associates

General information of significant associates:

	Major business location	Place of registration	Nature of business	Interest held	Voting rights held
Wuhan Taiji Johnson Controls Seatings Co., Ltd. ("Wuhan Taiji") . . . . .	Wuhan	Wuhan	Design, develop, produce and process auto key parts; sell the produced parts and provide after-sale service	20.00%	14.29%
Dongfeng Johnson Automotive Seating Co., Ltd. ("Dongfeng Johnson Seating") . . . . .	Wuhan	Wuhan	Design, develop, produce and process auto key parts; sell the produced parts and provide after-sale service	50.00%	50.00%

Investments in associates are set out below:

31 December 2014	Increase in investment	Share of net profit under equity method	Profit/Cash dividends declared by associates	Share of other comprehensive income	Share of other changes in equity	31 December 2015 (Unaudited)
76,331,842	—	40,365,585	(8,265,150)	—	—	108,432,277

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<u>31 December 2013</u>	<u>Increase in investment</u>	<u>Share of net profit under equity method</u>	<u>Profit/Cash dividends declared by associates</u>	<u>Share of other comprehensive income</u>	<u>Share of other changes in equity</u>	<u>31 December 2014</u>
62,434,370	—	13,897,472	—	—	—	76,331,842
<u>31 December 2012</u>	<u>Increase in investment</u>	<u>Share of net profit under equity method</u>	<u>Profit/Cash dividends declared by associates</u>	<u>Share of other comprehensive income</u>	<u>Share of other changes in equity</u>	<u>31 December 2013</u>
61,350,581	—	1,083,789	—	—	—	62,434,370

**(b) Joint venture**

General information of significant joint venture:

	<u>Major business location</u>	<u>Place of registration</u>	<u>Nature of business</u>	<u>Interest held</u>	<u>Voting rights held</u>
CRH Automotive Shenyang Co., Ltd. (“CRH Shenyang”) . . . . .	Shenyang	Shenyang	Design, develop, manufacture, sell auto seats frame and relevant parts; provide after-sale service; import and export goods (exclude those forbidden by the State or restricted by imports and exports).	50.00%	50.00%

Investments in joint ventures are set out below:

	<u>31 December 2014</u>	<u>Increase in investment</u>	<u>Share of net profit under equity method</u>	<u>Profit/Cash dividends declared by associates</u>	<u>Share of other comprehensive income</u>	<u>Share of other changes in equity</u>	<u>31 December 2015 (Unaudited)</u>
CRH Shenyang . . .	—	62,298,600	93,521	(12,071,405)	—	—	50,320,716

On 30 September 2015, the Company acquired 50% of the equity interest of CRH Shenyang from Johnson Controls Solingen Beteiligungs GmbH with the consideration of USD 9,800,000. After the acquisition, the Company owned 50% equity interest of CRH Shenyang, which is treated as a joint venture company.

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**7 Notes to the consolidated financial statements (Continued)**

**(7) Fixed assets**

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Computer and electronic equipment</b>	<b>Tooling</b>	<b>Office equipment</b>	<b>Total</b>
<b>Cost</b>							
31 December 2014 . . . . .	664,843,579	1,402,641,847	11,092,134	167,202,068	143,136,647	52,202,548	2,441,118,823
Transfer from construction in progress . . . . .	141,831,535	306,246,174	1,525,343	40,739,923	40,643,272	20,870,904	551,857,151
Increase in the current year . . .	53,000	24,471	—	230,283	159,025	223,818	690,597
Decrease in the current year . .	(276,918)	(105,538,409)	(1,413,514)	(19,274,608)	(20,641,042)	(1,778,920)	(148,923,411)
Transfer to construction in progress . . . . .	—	(25,103,785)	—	(255,531)	—	(2,954,058)	(28,313,374)
31 December 2015 (Unaudited)	<u>806,451,196</u>	<u>1,578,270,298</u>	<u>11,203,963</u>	<u>188,642,135</u>	<u>163,297,902</u>	<u>68,564,292</u>	<u>2,816,429,786</u>
<b>Accumulated depreciation</b>							
31 December 2014 . . . . .	(103,659,542)	(556,410,903)	(6,757,457)	(101,370,359)	(106,393,288)	(24,997,707)	(899,589,256)
Increase in the current year . . .	(40,528,317)	(159,961,886)	(1,953,950)	(26,167,157)	(22,608,860)	(9,848,111)	(261,068,281)
Decrease in the current year . .	267,167	72,123,397	993,056	15,643,917	15,629,259	1,611,258	106,268,054
Transfer to construction in progress . . . . .	—	19,129,591	—	125,640	—	771,828	20,027,059
31 December 2015 (Unaudited)	<u>(143,920,692)</u>	<u>(625,119,801)</u>	<u>(7,718,351)</u>	<u>(111,767,959)</u>	<u>(113,372,889)</u>	<u>(32,462,732)</u>	<u>(1,034,362,424)</u>
<b>Provision for impairment loss</b>							
31 December 2014 . . . . .	—	(3,363,932)	—	—	(1,023,466)	—	(4,387,398)
Increase in the current year . . .	—	—	—	—	—	—	—
Decrease in the current year . .	—	195,392	—	—	270,289	—	465,681
31 December 2015 (Unaudited)	<u>—</u>	<u>(3,168,540)</u>	<u>—</u>	<u>—</u>	<u>(753,177)</u>	<u>—</u>	<u>(3,921,717)</u>
<b>Net book value</b>							
31 December 2015 (Unaudited)	<u>662,530,504</u>	<u>949,981,957</u>	<u>3,485,612</u>	<u>76,874,176</u>	<u>49,171,836</u>	<u>36,101,560</u>	<u>1,778,145,645</u>

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	Buildings	Machinery and equipment	Motor vehicles	Computer and electronic equipment	Tooling	Office equipment	Total
Cost							
31 December 2013 . . . . .	519,463,143	1,358,811,728	10,844,001	136,795,400	147,725,780	36,615,918	2,210,255,970
Transfer from construction in progress . . . . .	145,122,080	331,208,637	3,523,355	41,150,310	45,480,626	23,657,653	590,142,661
Increase in the current year . . .	15,001,081	6,465,285	210,256	1,123,548	1,395,301	2,800,366	26,995,837
Decrease in the current year . . .	(14,742,725)	(293,843,803)	(3,485,478)	(11,867,190)	(51,465,060)	(10,871,389)	(386,275,645)
31 December 2014 . . . . .	664,843,579	1,402,641,847	11,092,134	167,202,068	143,136,647	52,202,548	2,441,118,823
Accumulated depreciation							
31 December 2013 . . . . .	(77,872,259)	(568,593,538)	(7,193,895)	(84,890,511)	(117,369,709)	(20,664,340)	(876,584,252)
Increase in the current year . . .	(29,531,678)	(127,840,535)	(1,870,214)	(22,480,349)	(20,692,286)	(9,625,438)	(212,040,500)
Decrease in the current year . . .	3,744,395	140,023,170	2,306,652	6,000,501	31,668,707	5,292,071	189,035,496
31 December 2014 . . . . .	(103,659,542)	(556,410,903)	(6,757,457)	(101,370,359)	(106,393,288)	(24,997,707)	(899,589,256)
Provision for impairment loss							
31 December 2013 . . . . .	—	(4,916,956)	—	(7,405)	(1,151,027)	(13,416)	(6,088,804)
Increase in the current year . . .	—	—	—	—	—	—	—
Decrease in the current year . . .	—	1,553,024	—	7,405	127,561	13,416	1,701,406
31 December 2014 . . . . .	—	(3,363,932)	—	—	(1,023,466)	—	(4,387,398)
Net book value							
31 December 2014 . . . . .	561,184,037	842,867,012	4,334,677	65,831,709	35,719,893	27,204,841	1,537,142,169

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**7 Notes to the consolidated financial statements (Continued)**

	Buildings	Machinery and equipment	Motor vehicles	Computer and electronic equipment	Tooling	Office equipment	Total
Cost							
31 December 2012 . . . . .	471,574,352	1,045,048,036	9,911,902	107,074,688	175,769,456	20,381,047	1,829,759,481
Reclassification . . . . .	(16,709,106)	58,273,933	933,327	(713,823)	(41,784,331)	—	—
Transfer from construction in progress . . . . .	64,671,004	276,606,047	1,536,077	37,390,888	28,869,228	10,786,868	419,860,112
Increase in the current year . . . .	245,893	7,010,357	520,119	3,170,691	—	1,435,309	12,382,369
Acquisition of business . . . . .	—	25,678,077	1,068,351	—	—	9,084,912	35,831,340
Decrease in the current year . . . .	(319,000)	(53,804,722)	(3,125,775)	(10,127,044)	(15,128,573)	(5,072,218)	(87,577,332)
31 December 2013 . . . . .	519,463,143	1,358,811,728	10,844,001	136,795,400	147,725,780	36,615,918	2,210,255,970
Accumulated depreciation							
31 December 2012 . . . . .	(55,379,405)	(472,203,389)	(7,704,123)	(79,958,787)	(103,398,472)	(11,204,754)	(729,848,930)
Reclassification . . . . .	1,762,691	(6,193,549)	(134,218)	654,121	3,910,955	—	—
Increase in the current year . . . .	(24,561,253)	(126,525,339)	(1,556,970)	(15,512,682)	(29,263,009)	(6,136,555)	(203,555,808)
Acquisition of business . . . . .	—	(2,959,067)	(516,266)	—	—	(6,242,806)	(9,718,139)
Decrease in the current year . . . .	305,708	39,287,806	2,717,682	9,926,837	11,380,817	2,919,775	66,538,625
31 December 2013 . . . . .	(77,872,259)	(568,593,538)	(7,193,895)	(84,890,511)	(117,369,709)	(20,664,340)	(876,584,252)
Provision for impairment loss							
31 December 2012 . . . . .	—	(1,357,266)	—	—	(2,378,127)	—	(3,735,393)
Reclassification . . . . .	—	(2,018,848)	—	—	2,018,848	—	—
Increase in the current year . . . .	—	(1,540,842)	—	(7,405)	(865,918)	(13,416)	(2,427,581)
Decrease in the current year . . . .	—	—	—	—	74,170	—	74,170
31 December 2013 . . . . .	—	(4,916,956)	—	(7,405)	(1,151,027)	(13,416)	(6,088,804)
Net book value							
31 December 2013 . . . . .	441,590,884	785,301,234	3,650,106	51,897,484	29,205,044	15,938,162	1,327,582,914
31 December 2012 . . . . .	416,194,947	571,487,381	2,207,779	27,115,901	69,992,857	9,176,293	1,096,175,158

In 2015, 2014 and 2013, the amount of depreciation expense charged to cost of sales were RMB 213,440,384, RMB 178,646,061 and RMB 168,759,332 for, respectively.

In 2015, 2014 and 2013, the amount of depreciation expense charged to selling expenses were RMB 14,910, RMB 512 and RMB 512, respectively.

In 2015, 2014 and 2013, the amount of depreciation expense charged to general and administrative expenses were RMB 47,612,987, RMB 33,393,927, and RMB 34,795,964, respectively.



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**7 Notes to the consolidated financial statements (Continued)**

**(8) Construction in progress**

Name of projects	31 December 2014	Increase in the current year	Transfer from fixed assets	Transfer to fixed assets	Transfer to long-term deferred assets	Decrease in the current year	31 December 2015 (Unaudited)
Plant and machineries . . . . .	221,606,083	267,408,574	5,974,194	(306,246,174)	(10,538,111)	(10,821,978)	167,382,588
Building Improvements . . . . .	203,185,882	80,800,335	—	(141,831,535)	(22,146,220)	(1,298,405)	118,710,057
Other construction projects . . .	60,230,565	89,964,495	2,312,121	(103,779,442)	(35,100)	(379,456)	48,313,183
	<u>485,022,530</u>	<u>438,173,404</u>	<u>8,286,315</u>	<u>(551,857,151)</u>	<u>(32,719,431)</u>	<u>(12,499,839)</u>	<u>334,405,828</u>
Including: Capitalised borrowing cost . . . . .	—	—	—	—	—	—	—
Less: provision for impairment of construction in progress . .	—	—	—	—	—	—	—
	<u>485,022,530</u>						<u>334,405,828</u>

Name of projects	31 December 2013	Increase in the current year	Transfer to fixed assets	Transfer to long-term deferred assets	31 December 2014
Plant and machineries . . . . .	289,380,413	274,864,503	(331,208,637)	(11,430,196)	221,606,083
Building Improvements . . . . .	100,579,204	325,973,833	(145,122,080)	(78,245,075)	203,185,882
Others construction projects . . . . .	63,260,774	110,781,735	(113,811,944)	—	60,230,565
	<u>453,220,391</u>	<u>711,620,071</u>	<u>(590,142,661)</u>	<u>(89,675,271)</u>	<u>485,022,530</u>
Including: Capitalised borrowing costs . . . . .	1,384,961	—	(1,384,961)	—	—
Less: provision for impairment of construction in progress . . . . .	—	—	—	—	—
	<u>453,220,391</u>				<u>485,022,530</u>

Name of projects	31 December 2012	Increase in the current year	Acquisition of business	Transfer to fixed assets	Transfer to long term deferred assets	31 December 2013
Plant and machineries . . . . .	294,315,759	276,700,358	1,756,114	(276,606,047)	(6,785,771)	289,380,413
Building Improvements . . . . .	44,575,847	131,460,875	—	(64,671,004)	(10,786,514)	100,579,204
Others construction projects . . . .	35,952,177	124,471,143	4,607,337	(78,583,061)	(23,186,822)	63,260,774
	<u>374,843,783</u>	<u>532,632,376</u>	<u>6,363,451</u>	<u>(419,860,112)</u>	<u>(40,759,107)</u>	<u>453,220,391</u>
Including: Capitalised from borrowing costs . . . . .	—	1,384,961	—	—	—	1,384,961
Less: provision for impairment of construction in progress . . . . .	—	—	—	—	—	—
	<u>374,843,783</u>					<u>453,220,391</u>

In 2015 and 2014, no capitalised borrowing costs occurred. In 2013, the capitalisation rate used to determine the borrowing cost eligible for capitalisation was 6.55% per annum.

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**7 Notes to the consolidated financial statements (Continued)**

**(9) Intangible assets**

	<b>31 December 2014</b>	<b>Increase in the current year</b>	<b>Disposal in the current year</b>	<b>Amortization charged in the current year</b>	<b>31 December 2015 (Unaudited)</b>	<b>Accumulative amortization</b>
Land use rights . . . . .	258,532,985	—	—	(6,329,835)	252,203,150	37,591,834
Patents . . . . .	375,666	—	—	(40,611)	335,055	159,945
Software . . . . .	29,698,801	26,618,345	(69,044)	(18,647,075)	37,601,027	88,335,518
Customer relationship . . . . .	73,663,625	—	—	(73,663,625)	—	825,411,900
	<u>362,271,077</u>	<u>26,618,345</u>	<u>(69,044)</u>	<u>(98,681,146)</u>	<u>290,139,232</u>	<u>951,499,197</u>
Less: provision for impairment of intangible assets . . . . .	—	—	—	—	—	—
	<u>362,271,077</u>				<u>290,139,232</u>	

	<b>31 December 2013</b>	<b>Increase in the current year</b>	<b>Disposal in the current year</b>	<b>Amortization charged in the current year</b>	<b>31 December 2014</b>	<b>Accumulative amortization</b>
Land use rights . . . . .	256,297,708	8,914,858	—	(6,679,581)	258,532,985	31,265,869
Patents . . . . .	411,833	—	—	(36,167)	375,666	119,334
Software . . . . .	17,985,768	26,959,569	(658,658)	(14,587,878)	29,698,801	73,668,227
Customer relationship . . . . .	313,095,108	—	—	(239,431,483)	73,663,625	775,178,275
	<u>587,790,417</u>	<u>35,874,427</u>	<u>(658,658)</u>	<u>(260,735,109)</u>	<u>362,271,077</u>	<u>880,231,705</u>
Less: provision for impairment of intangible assets . . . . .	—	—	—	—	—	—
	<u>587,790,417</u>				<u>362,271,077</u>	

	<b>31 December 2012</b>	<b>Increase in the current year</b>	<b>Acquisition of business</b>	<b>Disposal in the current year</b>	<b>Amortization charged in the current year</b>	<b>31 December 2013</b>	<b>Accumulative amortization</b>
Land use rights . . . . .	277,599,616	6,051,642	—	(20,382,410)	(6,971,140)	256,297,708	24,582,418
Patents . . . . .	346,667	95,000	—	—	(29,834)	411,833	83,167
Software . . . . .	2,260,353	16,698,419	1,108,580	(503,857)	(1,577,727)	17,985,768	13,336,845
Customer relationship . . . . .	277,093,700	—	291,530,500	—	(255,529,092)	313,095,108	590,762,592
	<u>557,300,336</u>	<u>22,845,061</u>	<u>292,639,080</u>	<u>(20,886,267)</u>	<u>(264,107,793)</u>	<u>587,790,417</u>	<u>628,765,022</u>
Less: provision for impairment of intangible assets . . . . .	—	—	—	—	—	—	—
	<u>557,300,336</u>					<u>587,790,417</u>	

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**7 Notes to the consolidated financial statements (Continued)**

(10) Long-term prepaid expenses

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Leasehold improvements . . . . .	179,174,199	189,829,072	116,117,413
Software . . . . .	584,334	2,509,712	8,185,417
Others . . . . .	15,358,365	10,217,240	210,048
	<u>195,116,898</u>	<u>202,556,024</u>	<u>124,512,878</u>

(11) Other non-current assets

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Prepayment of equipment . . . . .	50,533,076	30,967,176	69,740,193
Prepayment of land use right . . . . .	29,455,609	—	—
Others . . . . .	19,798,915	22,042,460	23,279,170
	<u>99,787,600</u>	<u>53,009,636</u>	<u>93,019,363</u>

(12) Goodwill

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015 (Unaudited)
Goodwill . . . . .	71,566,642	—	—	71,566,642
Less: provision for impairment . . . . .	—	—	—	—
	<u>71,566,642</u>	<u>—</u>	<u>—</u>	<u>71,566,642</u>

	31 December 2013	Increase in the current year	Decrease in the current year	31 December 2014
Goodwill . . . . .	71,566,642	—	—	71,566,642
Less: provision for impairment . . . . .	—	—	—	—
	<u>71,566,642</u>	<u>—</u>	<u>—</u>	<u>71,566,642</u>

	31 December 2012	Increase in the current year	Decrease in the current year	31 December 2013
Goodwill . . . . .	71,566,642	—	—	71,566,642
Less: provision for impairment . . . . .	—	—	—	—
	<u>71,566,642</u>	<u>—</u>	<u>—</u>	<u>71,566,642</u>

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**7 Notes to the consolidated financial statements (Continued)**

The Group's goodwill as mentioned above was not impaired as at 31 December 2015, 2014 and 2013.

The recoverable amount of asset groups and groups of asset groups is calculated using the estimated cash flows determined according to the five-year budget approved by management. The cash flows beyond the five-year period are calculated based on the following estimated growth rates.

The main assumptions applied in calculating discounted future cash flows are as follows:

Growth rate . . . . .	14.0%
Gross margin . . . . .	18.0%
Discount rate . . . . .	17.0%

The weighted average growth rates applied by management are consistent with those estimated in the industry reports, and do not exceed the long-term average growth rates of each product. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset groups within the corresponding operating segment.

**(13) Short-term borrowings**

	<b>Currency</b>	<b>31 December 2015 (Unaudited)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Secured—Plunged . . . . .	RMB	—	—	4,400,000
Unsecured . . . . .	RMB	75,000,000	100,000,000	83,000,000
	USD	—	—	211,900,500
		<u>75,000,000</u>	<u>100,000,000</u>	<u>299,300,500</u>

As at 31 December 2015 and 2014, no short-term borrowings was secured by accounts receivable. As at 31 December 2013, short-term borrowings of RMB 4,400,000 were secured by accounts receivable with the carrying amount of RMB 5,500,000 (Note 7(3(a))).

As at 31 December 2015, 2014 and 2013, the weighted average interest rate of short-term borrowings is 6.02%, 6.43% and 4.39% per annum, respectively.

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**7 Notes to the consolidated financial statements (Continued)**

(14) Notes payable

	<b>31 December 2015 (Unaudited)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Bank acceptance notes . . . . .	457,179,867	441,557,489	459,996,380

As at 31 December 2015, 2014 and 2013, bank acceptance notes of RMB 228,819,635, RMB 235,486,021 and RMB 291,334,997 were secured with bank deposits of RMB 198,561,011, RMB 166,719,551 and RMB 246,885,299, respectively (Note 7(1(b))).

As at 31 December 2015, 2014 and 2013, bank acceptance notes of RMB 221,724,500, RMB 206,071,468 and RMB 168,661,383 were secured with notes receivable of RMB 222,124,500, RMB 204,357,084 and RMB 168,661,383, respectively (Note 7(2)).

(15) Accounts payable

	<b>31 December 2015 (Unaudited)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Within 1 year . . . . .	8,346,912,180	6,459,349,263	5,770,115,985
1 to 2 years . . . . .	108,949,525	40,263,804	64,010,990
2 to 3 years . . . . .	9,008,700	7,786,083	13,699,339
Over 3 years . . . . .	4,009,058	3,120,497	2,914,386
	<u>8,468,879,463</u>	<u>6,510,519,647</u>	<u>5,850,740,700</u>

(16) Employee benefits payable

	<b>31 December 2015 (Unaudited)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Short-term employee benefits payable(a) . .	606,859,311	538,637,755	457,053,246
Defined contribution plans payable(b) . . . .	14,293,502	9,950,804	9,002,142
	<u>621,152,813</u>	<u>548,588,559</u>	<u>466,055,388</u>

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**7 Notes to the consolidated financial statements (Continued)**

(a) Short-term employee benefits

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015 (Unaudited)
Wages and salaries, bonus, allowances and subsidies . . . . .	260,619,279	1,132,303,027	(1,097,701,334)	295,220,972
Staff welfare . . . . .	—	87,717,100	(87,717,100)	—
Social security contributions . . . . .	14,377,485	83,877,705	(89,138,815)	9,116,375
Including: Medical insurance . . . . .	7,372,363	71,839,820	(74,320,811)	4,891,372
Work injury insurance . . . . .	2,255,176	4,984,132	(6,573,333)	665,975
Maternity insurance . . . . .	4,749,946	7,053,753	(8,244,671)	3,559,028
Housing funds . . . . .	9,213,678	95,555,097	(96,902,965)	7,865,810
Labour union funds and employee education funds . . . . .	16,874,496	25,619,638	(25,412,941)	17,081,193
Other short-term employee benefits . . . . .	1,086,076	3,157,495	(3,925,013)	318,558
Staff welfare and incentive funds . . . . .	236,466,741	45,146,630	(4,356,968)	277,256,403
	<u>538,637,755</u>	<u>1,473,376,692</u>	<u>(1,405,155,136)</u>	<u>606,859,311</u>
	31 December 2013	Increase in the current year	Decrease in the current year	31 December 2014
Wages and salaries, bonus, allowances and subsidies . . . . .	226,914,167	1,130,907,576	(1,097,202,464)	260,619,279
Staff welfare . . . . .	—	28,970,535	(28,970,535)	—
Social security contributions . . . . .	12,057,713	67,536,120	(65,216,348)	14,377,485
Including: Medical insurance . . . . .	6,641,342	57,526,220	(56,795,199)	7,372,363
Work injury insurance . . . . .	1,965,662	3,900,702	(3,611,188)	2,255,176
Maternity insurance . . . . .	3,450,709	6,109,198	(4,809,961)	4,749,946
Housing funds . . . . .	5,512,519	69,194,114	(65,492,955)	9,213,678
Labour union funds and employee education funds . . . . .	14,494,462	25,723,259	(23,343,225)	16,874,496
Other short-term employee benefits . . . . .	161,052	2,419,505	(1,494,481)	1,086,076
Staff welfare and incentive funds . . . . .	197,913,333	45,375,460	(6,822,052)	236,466,741
	<u>457,053,246</u>	<u>1,370,126,569</u>	<u>(1,288,542,060)</u>	<u>538,637,755</u>

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	<u>31 December 2012</u>	<u>Increase in the current year</u>	<u>Decrease in the current year</u>	<u>31 December 2013</u>
Wages and salaries, bonus, allowances and subsidies . . . . .	148,274,542	834,802,636	(756,163,011)	226,914,167
Staff welfare . . . . .	—	47,010,536	(47,010,536)	—
Social security contributions . . . . .	35,020,854	72,693,913	(95,657,054)	12,057,713
Including: Medical insurance . . . . .	19,289,352	40,039,528	(52,687,538)	6,641,342
Work injury insurance . . . . .	5,709,139	11,850,644	(15,594,121)	1,965,662
Maternity insurance . . . . .	10,022,363	20,803,741	(27,375,395)	3,450,709
Housing funds . . . . .	13,157,797	78,598,721	(86,243,999)	5,512,519
Labour union funds and employee education funds . . . . .	9,909,090	30,009,828	(25,424,456)	14,494,462
Other short-term employee benefits . . . . .	9,163,009	688,962	(9,690,919)	161,052
Staff welfare and incentive funds . . . . .	172,894,395	45,429,180	(20,410,242)	197,913,333
	<u>388,419,687</u>	<u>1,109,233,775</u>	<u>(1,040,600,217)</u>	<u>457,053,246</u>

(b) Defined contribution plans payable

		<b>2015 (Unaudited)</b>	
		<u>Amount payable</u>	<u>Ending balance</u>
Basic pensions . . . . .		151,997,339	13,380,326
Unemployment insurance . . . . .		10,391,553	913,176
		<u>162,388,892</u>	<u>14,293,502</u>
		<b>2014</b>	
		<u>Amount payable</u>	<u>Ending balance</u>
Basic pensions . . . . .		108,658,194	6,489,804
Unemployment insurance . . . . .		8,206,064	3,461,000
		<u>116,864,258</u>	<u>9,950,804</u>
		<b>2013</b>	
		<u>Amount payable</u>	<u>Ending balance</u>
Basic pensions . . . . .		111,013,793	6,426,162
Unemployment insurance . . . . .		8,676,300	2,575,980
		<u>119,690,093</u>	<u>9,002,142</u>



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**7 Notes to the consolidated financial statements (Continued)**

(17) Taxes payable

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Enterprise income tax payable . . . . .	302,092,879	194,557,016	268,141,773
Value-added-tax payable . . . . .	223,572,378	179,644,760	156,568,640
Business tax payable . . . . .	356,099	6,950,458	7,503,211
Individual income tax payable . . . . .	9,871,414	5,188,415	4,318,171
Others . . . . .	24,128,779	21,014,842	13,086,382
	<u>560,021,549</u>	<u>407,355,491</u>	<u>449,618,177</u>

(18) Other payables

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Accrued expenses . . . . .	1,270,897,055	1,353,331,749	1,061,270,983
Service fee payables . . . . .	62,195,223	19,364,734	32,136,165
Payables for purchase of property, plants and equipment . . . . .	40,303,467	108,869,302	55,949,739
Others . . . . .	172,794,666	171,240,718	170,951,162
	<u>1,546,190,411</u>	<u>1,652,806,503</u>	<u>1,320,308,049</u>

(19) Long-term borrowings

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Unsecured . . . . .	18,903,000	24,301,000	27,000,000
Less: Current portion of long-term borrowings	<u>(5,398,000)</u>	<u>(5,398,000)</u>	<u>(2,699,000)</u>
	<u>13,505,000</u>	<u>18,903,000</u>	<u>24,301,000</u>

As at 31 December 2015, 2014 and 2013, the weighted average interest rate of long-term borrowings is 6.15%, 6.55% and 6.55% per annum, respectively.

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**7 Notes to the consolidated financial statements (Continued)**

(20) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets

	<b>31 December 2015</b> <b>(Unaudited)</b>		<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Deferred tax assets</b>	<b>Deductible temporary difference</b>	<b>Deferred tax assets</b>	<b>Deductible temporary difference</b>	<b>Deferred tax assets</b>	<b>Deductible temporary difference</b>
Provision for asset impairments . . .	9,560,137	55,463,501	9,969,371	52,422,022	9,814,321	52,232,754
Depreciation of fixed assets . . . . .	4,477,205	21,513,376	6,666,212	26,732,055	9,433,452	61,125,901
Amortisation of intangible assets . .	—	—	730,101	2,920,405	821,203	3,284,811
Accrued expense, accounts receivable and accounts payable .	502,335,531	2,486,895,028	288,981,601	1,454,697,632	196,304,868	1,040,024,068
Accrued payroll . . . . .	19,049,565	119,149,427	16,308,003	107,641,939	25,125,742	159,027,817
Net loss carry forward . . . . .	8,975,147	35,900,585	11,817,121	47,268,490	8,908,672	46,083,234
Deferred income . . . . .	1,719,295	7,402,636	1,360,000	5,440,000	1,360,000	5,440,000
Allowance . . . . .	—	—	—	—	575,068	3,454,415
	<u>546,116,880</u>	<u>2,726,324,553</u>	<u>335,832,409</u>	<u>1,697,122,543</u>	<u>252,343,326</u>	<u>1,370,673,000</u>
Including:						
Expected to be recovered within one year (inclusive) . . . . .	538,515,249		318,540,723		232,292,545	
Expected to be recovered after one year . . . . .	<u>7,601,631</u>		<u>17,291,686</u>		<u>20,050,781</u>	
	<u>546,116,880</u>		<u>335,832,409</u>		<u>252,343,326</u>	

As at 31 December 2015, 2014 and 2013, the Group has not recognized related deferred tax assets of RMB 1,123,881, RMB 1,902,419 and RMB 9,506,929 regarding the tax loss of RMB 4,495,525, RMB 7,609,676 and RMB 38,027,717, respectively.

Deductible losses that are not recognised as deferred tax assets will be expired as follows:

	<b>31 December 2015 (Unaudited)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Within 1 year . . . . .	4,495,525	3,114,151	19,079,411
Between 1 to 2 years . . . . .	—	4,495,525	—
Between 2 to 3 years . . . . .	—	—	10,916,664
Between 3 to 4 years . . . . .	—	—	1,825,074
Over 4 years . . . . .	—	—	6,206,568
	<u>4,495,525</u>	<u>7,609,676</u>	<u>38,027,717</u>

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**7 Notes to the consolidated financial statements (Continued)**

**(b) Deferred tax liabilities**

	<b>31 December 2015 (Unaudited)</b>		<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Deferred tax liabilities</b>	<b>Taxable temporary difference</b>	<b>Deferred tax liabilities</b>	<b>Taxable temporary difference</b>	<b>Deferred tax liabilities</b>	<b>Taxable temporary difference</b>
Business combinations involving enterprises not under common control . . . . .	—	—	18,485,081	73,940,324	69,724,286	316,947,922
Depreciation of fixed assets . . . . .	241,500	965,999	114,812	459,248	—	—
	<u>241,500</u>	<u>965,999</u>	<u>18,599,893</u>	<u>74,399,572</u>	<u>69,724,286</u>	<u>316,947,922</u>
Including:						
Expected to be recovered within one year (inclusive) . . . . .	241,500		18,599,893		51,239,205	
Expected to be recovered after one year . . . . .	—		—		18,485,081	
	<u>241,500</u>		<u>18,599,893</u>		<u>69,724,286</u>	

**(21) Paid-in capital**

	<b>31 December 2014</b>	<b>Increase in the current year</b>	<b>Decrease in the current year</b>	<b>31 December 2015 (Unaudited)</b>
Yanfeng Trim . . . . .	219,967,272	—	—	219,967,272
JCI Asia . . . . .	219,886,108	—	—	219,886,108
	<u>439,853,380</u>	<u>—</u>	<u>—</u>	<u>439,853,380</u>
	<b>31 December 2013</b>	<b>Increase in the current year</b>	<b>Decrease in the current year</b>	<b>31 December 2014</b>
Yanfeng Trim . . . . .	219,967,272	—	—	219,967,272
JCI Asia . . . . .	219,886,108	—	—	219,886,108
	<u>439,853,380</u>	<u>—</u>	<u>—</u>	<u>439,853,380</u>
	<b>31 December 2012</b>	<b>Increase in the current year</b>	<b>Decrease in the current year</b>	<b>31 December 2013</b>
Yanfeng Trim . . . . .	219,967,272	—	—	219,967,272
JCI Asia . . . . .	219,886,108	—	—	219,886,108
	<u>439,853,380</u>	<u>—</u>	<u>—</u>	<u>439,853,380</u>

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**7 Notes to the consolidated financial statements (Continued)**

(22) Capital Surplus

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015 (Unaudited)
Other capital surplus . . . . .	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	31 December 2013	Increase in the current year	Decrease in the current year	31 December 2014
Other capital surplus . . . . .	1,148,851	—	(1,148,851)	—
	<u>1,148,851</u>	<u>—</u>	<u>(1,148,851)</u>	<u>—</u>
	31 December 2012	Increase in the current year	Decrease in the current year	31 December 2013
Other capital surplus . . . . .	1,148,851	—	—	1,148,851
	<u>1,148,851</u>	<u>—</u>	<u>—</u>	<u>1,148,851</u>

(23) Surplus reserve

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015 (Unaudited)
Reserve Fund . . . . .	116,186,069	14,743,347	—	130,929,416
Enterprise Expansion Fund . . . .	168,646,941	29,486,695	—	198,133,636
	<u>284,833,010</u>	<u>44,230,042</u>	<u>—</u>	<u>329,063,052</u>
	31 December 2013	Increase in the current year	Decrease in the current year	31 December 2014
Reserve Fund . . . . .	103,413,601	14,962,268	(2,189,800)	116,186,069
Enterprise Expansion Fund . . . .	138,722,405	29,924,536	—	168,646,941
	<u>242,136,006</u>	<u>44,886,804</u>	<u>(2,189,800)</u>	<u>284,833,010</u>
	31 December 2012	Increase in the current year	Decrease in the current year	31 December 2013
Reserve Fund . . . . .	88,372,398	15,041,203	—	103,413,601
Enterprise Expansion Fund . . . .	108,639,999	30,082,406	—	138,722,405
	<u>197,012,397</u>	<u>45,123,609</u>	<u>—</u>	<u>242,136,006</u>

In accordance with the “Company Law” and the Company’s Articles of Association, the Company should appropriate RMB 14,743,347, RMB 14,962,268 and RMB 15,041,203 of net profit to Reverse

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Fund for 2015, 2014 and 2013, respectively. The Company should appropriate RMB 29,486,695, RMB 29,924,536 and RMB 30,082,406 of net profit to Enterprise Expansion Fund for 2015, 2014 and 2013, respectively.

In accordance with the Circular on Accounting Treatment of Enterprises Following the Implementation of the Company Law (Cai Qi [2006]67) issued by the Ministry of Finance on 15 March 2006, if the board of directors determines to continue the accrual for the staff welfare and incentive fund, the Company should specify the purposes of the fund, and the conditions and procedures for using the fund. The fund should be managed as a liability.

**(24) Undistributed profit**

In accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the Company's Articles of Association, the Company appropriated the Reserve Fund, the Enterprise Expansion Fund and the Staff Welfare and Incentive Fund of net profit after setting off accumulated losses of previous year and before profit distributions to the investors. In 2015, 2014 and 2013, the Group appropriated the Staff Welfare and Incentive Fund with an amount of RMB 45,146,630, RMB 45,375,460 and RMB 45,429,180 of net profit, respectively

In accordance with the resolution at the Board of Directors' meeting dated on 7 August 2015, 12 May 2014 and 16 May 2013, the Board of Directors proposed the dividends with an amount of RMB 1,406,453,166, RMB 1,413,873,089 and RMB 1,322,403,562 to the shareholders, respectively.

**(25) Revenue and cost of sales**

	<b>2015</b>		<b>2014</b>		<b>2013</b>	
	<b>(Unaudited)</b>					
	<b>Revenue</b>	<b>Cost of sales</b>	<b>Revenue</b>	<b>Cost of sales</b>	<b>Revenue</b>	<b>Cost of sales</b>
Revenue from main operations						
—sales of automotive spare parts . . . . .	25,946,688,824	(21,576,248,882)	23,300,080,576	(19,212,615,952)	21,253,089,968	(17,432,993,062)
Revenue from other operations						
—sales of raw materials . . . . .	332,415,663	(307,126,311)	1,088,884,852	(1,039,139,938)	215,619,088	(197,278,064)
—service income . . . . .	265,741,206	(120,826,588)	49,801,832	(7,330,000)	92,586,994	(2,100,346)
—others . . . . .	27,205,071	(18,816,187)	46,362,610	(28,479,493)	11,610,542	(5,895,397)
	<u>26,572,050,764</u>	<u>(22,023,017,968)</u>	<u>24,485,129,870</u>	<u>(20,287,565,383)</u>	<u>21,572,906,592</u>	<u>(17,638,266,869)</u>

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**7 Notes to the consolidated financial statements (Continued)**

(26) Tax and surcharges

	<b>2015</b> <b>(Unaudited)</b>	<b>2014</b>	<b>2013</b>
City maintenance and construction tax . . . . .	59,994,242	38,920,905	38,586,289
Educational surcharge . . . . .	53,004,452	36,606,013	34,893,498
Others . . . . .	6,878,859	9,970,928	3,865,944
	<u>119,877,553</u>	<u>85,497,846</u>	<u>77,345,731</u>

(27) Financial expenses—net

	<b>2015</b> <b>(Unaudited)</b>	<b>2014</b>	<b>2013</b>
Interest income . . . . .	68,066,033	43,790,505	36,301,845
Interest of borrowings . . . . .	(7,057,701)	(9,211,536)	(8,029,756)
Discount charges for notes receivable . . . . .	(92,465)	(53,771)	(582,980)
Exchange gains/ losses—net . . . . .	2,633,550	(5,828,481)	(51,439,948)
Others . . . . .	(4,450,537)	(3,491,398)	(2,301,694)
	<u>59,098,880</u>	<u>25,205,319</u>	<u>(26,052,533)</u>

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**7 Notes to the consolidated financial statements (Continued)**

(28) Expenses by nature

The cost of sales, selling expenses, general and administrative expenses in the income statements are listed as follows by nature:

	<b>2015</b> <b>(Unaudited)</b>	<b>2014</b>	<b>2013</b>
Changes in inventories of finished goods and work in progress . . . . .	(132,579,173)	(26,448,188)	(19,627,852)
Consumed raw materials and low value consumables, etc. . . . .	20,489,628,165	18,518,827,158	16,055,465,726
Employee benefits . . . . .	1,590,618,954	1,441,615,367	1,183,494,689
Depreciation and amortization expenses . . . . .	398,139,629	502,251,363	498,239,424
Research and development expenses . . . . .	266,918,928	290,649,240	272,593,664
Transportation and logistics costs . . . . .	181,461,700	186,555,000	173,810,694
Rental . . . . .	170,677,949	154,885,771	117,777,837
Utilities . . . . .	14 5,971,042	102,474,719	97,149,685
After-sales maintenance fee . . . . .	6,564,753	7,145,671	6,696,265
Advertising expenses . . . . .	1,765,506	1,375,313	2,982,686
Others . . . . .	917,983,769	1,117,251,738	976,449,198
	<u>24,037,151,222</u>	<u>22,296,583,152</u>	<u>19,365,032,016</u>

(29) Impairment losses

	<b>2015</b> <b>(Unaudited)</b>	<b>2014</b>	<b>2013</b>
Impairment losses of declines in the value of inventories . . . . .	2,323,537	3,945,541	5,275,321
Allowance for doubtful accounts . . . . .	7,056,982	725,698	3,240,135
Impairment losses on fixed assets . . . . .	—	—	2,427,581
	<u>9,380,519</u>	<u>4,671,239</u>	<u>10,943,037</u>



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**7 Notes to the consolidated financial statements (Continued)**

(30) Investment income—net

	2015 (Unaudited)	2014	2013
Share of net profit or loss of investees under equity method . . . . .	40,459,106	13,897,472	1,083,789
Gain from disposal of long-term equity investments(a) . . . . .	7,898,751	—	—
	<u>48,357,857</u>	<u>13,897,472</u>	<u>1,083,789</u>

(a) Gain from disposal of long-term equity investments attributes to the disposal of 50% equity interest of Baoding Yanfeng Johnson Automotive Seating Co., Ltd. in 2015.

(31) Non-operating income and expenses

(a) Non-operating income

	2015 (Unaudited)	2014	2013
Government subsidies . . . . .	34,676,251	27,429,208	16,800,617
Gain on disposal of fixed assets . . . . .	1,676,650	13,714,861	5,306,453
Income from business combination . . . . .	—	—	8,484,365
Others . . . . .	9,466,186	4,127,931	5,241,939
	<u>45,819,087</u>	<u>45,272,000</u>	<u>35,833,374</u>

(b) Non-operating expense

	2015 (Unaudited)	2014	2013
Loss on disposal of fixed assets . . . . .	4,669,157	10,808,449	6,638,252
Others . . . . .	9,843,767	3,716,581	4,964,749
	<u>14,512,924</u>	<u>14,525,030</u>	<u>11,603,001</u>

(32) Income tax expenses

	2015 (Unaudited)	2014	2013
Current income tax . . . . .	692,032,499	523,415,144	485,672,831
Deferred income tax . . . . .	(228,642,864)	(134,613,476)	(114,229,350)
	<u>463,389,635</u>	<u>388,801,668</u>	<u>371,443,481</u>

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The reconciliation from income tax calculated based on applicable tax rate and total profit presented in the consolidated financial statements to the income tax expenses is as follows:

	2015 (Unaudited)	2014	2013
Total profit . . . . .	2,544,404,370	2,168,227,394	2,118,847,437
Income tax expenses calculated at the applicable tax rate . . . . .	636,101,093	542,056,849	529,711,859
Investment income under equity method . . . . .	(6,068,866)	(2,084,621)	(162,568)
Income not subject to tax . . . . .	—	—	(172,800)
Effect of favourable tax rates . . . . .	(146,627,863)	(129,982,885)	(151,425,064)
Additional deduction of research and development expense . . . . .	(9,984,951)	(9,608,501)	(8,770,490)
Effect of change in the tax rates . . . . .	1,336,323	(2,237,894)	(1,456,542)
Cost, expense and loss not deductible for tax purposes . . . . .	17,797,833	7,366,230	12,672,041
Tax losses for which no deferred income tax asset was recognised . . . . .	—	778,538	1,551,642
Utilisation of previously unrecognised tax losses . . . . .	(52,862,590)	(8,383,048)	(2,544,658)
Tax reconciliation differences in previous years . . . . .	23,698,656	(9,103,000)	(7,959,939)
Income tax expenses . . . . .	<u>463,389,635</u>	<u>388,801,668</u>	<u>371,443,481</u>

(33) Other comprehensive income

- (a) Other comprehensive income, the related income tax effect and the reclassifications to profit or loss

	2015 (Unaudited)		
	Amount before tax	Income tax	Net after tax
Differences arising from translation of foreign currency financial statements . . . . .	(275,031)	—	(275,031)
Less: Reclassification of previous other comprehensive income to profit or loss . . . . .	—	—	—
	<u>(275,031)</u>	<u>—</u>	<u>(275,031)</u>

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**7 Notes to the consolidated financial statements (Continued)**

	2014		
	Amount before tax	Income tax	Net after tax
Differences arising from translation of foreign currency financial statements . . . . .	114,990	—	114,990
Less: Reclassification of previous other comprehensive income to profit or loss . . . . .	—	—	—
	<u>114,900</u>	<u>—</u>	<u>114,900</u>
	2013		
	Amount before tax	Income tax	Net after tax
Differences arising from translation of foreign currency financial statements . . . . .	(147,000)	—	(147,000)
Less: Reclassification of previous other comprehensive income to profit or loss . . . . .	—	—	—
	<u>(147,000)</u>	<u>—</u>	<u>(147,000)</u>

(b) Reconciliation of other comprehensive income

	Equity attributable to the parent company			
	Differences arising from translation of foreign currency financial statements	Sub-total	Minority interests	Total other comprehensive income
31 December 2012 . . . . .	—	—	—	—
Movements for the year ended 31 December 2013 . . . .	(147,000)	(147,000)	—	(147,000)
31 December 2013 . . . . .	(147,000)	(147,000)	—	(147,000)
Movements for the year ended 31 December 2014 . . . .	114,990	114,990	—	114,990
31 December 2014 . . . . .	(32,010)	(32,010)	—	(32,010)
Movements for the year ended 31 December 2015 . . . .	(275,031)	(275,031)	—	(275,031)
31 December 2015 . . . . .	<u>(307,041)</u>	<u>(307,041)</u>	<u>—</u>	<u>(307,041)</u>

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**7 Notes to the consolidated financial statements (Continued)**

(34) Notes to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2015 (Unaudited)	2014	2013
Net profit . . . . .	2,081,014,735	1,779,425,726	1,747,403,956
Add: Provisions for assets impairment . . . . .	9,380,519	4,671,239	10,943,037
Depreciation of fixed assets . . . . .	261,068,281	212,040,500	203,555,808
Amortisation of intangible assets . . . . .	98,681,146	260,735,109	264,107,793
Amortisation of long-term prepaid expenses . . . . .	38,390,202	29,475,754	30,575,823
Losses on disposal of fixed assets, intangible assets and other long-term assets . . . . .	2,992,507	(2,906,412)	981,449
Financial (income)/ expenses—net . . . . .	(4,983,235)	6,842,052	7,121,344
Investment income . . . . .	(48,357,857)	(13,897,472)	(1,083,789)
Increase in deferred tax assets . . . . .	(210,718,377)	(83,489,083)	(68,124,681)
Decrease in deferred tax liabilities . . . . .	(18,358,393)	(51,124,393)	(46,104,669)
Increase in inventories . . . . .	(65,755,469)	(17,678,319)	(118,765,342)
Increase in operating receivables . . . . .	(1,261,835,070)	(415,978,727)	(1,241,915,921)
Increase in operating payables . . . . .	2,116,111,288	959,246,328	1,812,768,518
Net cash flows from operating activities . . . . .	<u>2,997,630,277</u>	<u>2,667,362,302</u>	<u>2,601,463,326</u>

(b) Net increase in cash

	2015 (Unaudited)	2014	2013
Cash at end of year . . . . .	3,741,333,102	2,998,757,581	2,762,455,926
Less: cash at beginning of year . . . . .	(2,998,757,581)	(2,762,455,926)	(2,412,733,372)
Net increase in cash . . . . .	<u>742,575,521</u>	<u>236,301,655</u>	<u>349,722,554</u>

(c) Cash

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Cash at bank and on hand (note 7(1)) . . . . .	3,939,894,113	3,165,627,901	3,009,341,225
Less: restricted cash at bank . . . . .	(198,561,011)	(166,870,320)	(246,885,299)
Cash at end of year . . . . .	<u>3,741,333,102</u>	<u>2,998,757,581</u>	<u>2,762,455,926</u>

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**8 Business combination**

(a) Business combination involving entities not under common control

In 2013, the Company acquired 100% equity interest of Johnson Controls Kunshan from CRH Automotive GmbH. The acquisition date was 2 July 2013, also the date when the Company actually obtained its controlling rights in Johnson Controls Kunshan. Net assets obtained through acquisition and the non-operating income are recognised as below:

Cost of combination—	
Cash paid . . . . .	428,959,524
Dividends declared at acquisition date but not yet paid . . . . .	(201,273,344)
Total combination cost . . . . .	227,686,180
Less: Fair value of the identifiable net assets obtained . . . . .	(236,170,545)
Non-operating income . . . . .	<u>(8,484,365)</u>

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**8 Business combination (Continued)**

The assets and liabilities of Johnson Controls Kunshan at the acquisition date, and the cash flows relating to the acquisition are as follows:

	Fair value	Carrying amount	
	Acquisition date	Acquisition date	31 December 2013
Cash at bank and on hand . . . . .	16,424,889	16,424,889	26,342,075
Notes receivable . . . . .	5,000,000	5,000,000	—
Accounts receivable . . . . .	173,423,646	173,423,646	286,153,806
Advances to suppliers . . . . .	13,475,663	13,475,663	3,297,765
Interest receivable . . . . .	—	—	1,178
Other receivables . . . . .	168,980,703	168,980,703	164,122,996
Inventories . . . . .	64,525,506	64,525,506	62,077,557
Other current assets . . . . .	—	—	14,842,115
Fixed assets . . . . .	26,113,201	21,882,401	24,320,025
Construction in progress . . . . .	6,363,451	6,363,451	4,678,919
Intangible assets . . . . .	292,639,080	1,108,580	218,881,879
Long-term prepaid expenses . . . . .	5,433,167	5,433,167	4,281,112
Deferred tax assets . . . . .	4,606,202	4,606,202	3,174,550
Less: Short-term borrowings . . . . .	—	—	(60,000,000)
Accounts payable . . . . .	(150,164,216)	(150,164,216)	(145,187,842)
Advances from customers . . . . .	(134,211)	(134,211)	—
Employee benefits payable . . . . .	(4,870,344)	(4,870,344)	(3,975,410)
Taxes payable . . . . .	(59,289,404)	(59,289,404)	(58,980,948)
Interest payable . . . . .	—	—	(720,000)
Dividends payable . . . . .	(201,273,344)	(201,273,344)	(201,273,344)
Other payables . . . . .	(51,143,119)	(51,143,119)	(52,704,557)
Deferred tax liabilities . . . . .	(73,940,325)	—	(55,455,244)
Net assets obtained . . . . .	<u>236,170,545</u>	<u>14,349,570</u>	<u>233,876,632</u>
		Fair value	
		Acquisition date	
Consideration settled in cash . . . . .			428,959,524
Less: Cash and cash equivalents in the subsidiary acquired . . . . .			(16,424,889)
Net cash outflow on acquisition of the subsidiary . . . . .			<u>412,534,635</u>

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**8 Business combination (Continued)**

The revenue, net profit and cash flows of Johnson Controls Kunshan for the period from the acquisition date to 31 December 2013 are as follows:

Revenue . . . . .	411,370,607
Net profit . . . . .	2,287,133
Cash flows from operating activities . . . . .	(50,582,814)
Net cash flows . . . . .	9,917,186

The Group uses valuation techniques to determine fair value of assets and liabilities of Johnson Controls Kunshan at purchasing date. The key hypothesis and evaluation method of main assets are listed as follows:

Fixed assets are evaluated by the replacement cost method.

Intangible assets are evaluated by discounted multi-period excess earnings method.

The work capital involves with current assets and liabilities, of which the fair values are determined after checking their carrying amounts.

**(b) Equity transactions with minority interest**

On 26 September 2014, the Company acquired 45% equity interest of its subsidiary, Shanghai Johnson Automotive Metal from JCI. After the acquisition, Shanghai Johnson Automotive Metal Components Co. Ltd. became a wholly-owned subsidiary of the Company. Capital surplus and surplus reserve adjustments of the deal are as follows:

Cost of combination—	
Cash paid . . . . .	84,289,950
Total combination cost . . . . .	84,289,950
Less: the share of the subsidiary's net identifiable assets continually calculated from the combination date based on the newly acquired equity ratio at the transaction day . . . . .	(80,951,299)
	<u>3,338,651</u>
Including: Capital surplus adjustment . . . . .	1,148,851
Surplus reserve adjustment . . . . .	2,189,800



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**9 Related parties and related party transactions**

(1) The parent company and subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6.

(a) General information of the parent company

	Place of registration	Nature of business
Yanfeng Trim . . . . .	Shanghai, China	Production and sale of plastic and decorating products used for autos, trucks and motorcycles, automotive electronics, instruments, tooling, stamping parts and standard fasteners

(b) Registered capital and changes in registered capital of the parent company

	31 December 2014 RMB	Current year changes	31 December 2015 (Unaudited) RMB
Yanfeng Trim . . . . .	1,078,947,853	—	1,078,947,853
	31 December 2013 USD	Current year changes	31 December 2014 RMB
Yanfeng Trim(i) . . . . .	139,233,200	—	1,078,947,853
	31 December 2012 USD	Current year changes	31 December 2013 USD
Yanfeng Trim . . . . .	139,233,200	—	139,233,200

Note: Yanfeng Trim changed from foreign-invested production enterprise to domestic enterprise approved by Shanghai Municipal Commission of Commerce (Grant No: Shanghai Foreign Investment approve [2013] No.3573). After the registration changes in Shanghai Industrial and Commercial Bureau, the registered capital changed from USD 139,233,200 to RMB 1,078,947,853. The parent company obtained an updated business licence on 6 January 2014.

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**9 Related parties and related party transactions (Continued)**

(c) The proportion of interests and voting rights in the Company held by the parent company

	31 December 2015 (Unaudited)		31 December 2014		31 December 2013	
	% interest held	% voting rights	% interest held	% voting rights	% interest held	% voting rights
Yanfeng Trim . . . . .	<u>50.01%</u>	<u>50.00%</u>	<u>50.01%</u>	<u>50.00%</u>	<u>50.01%</u>	<u>50.00%</u>

(2) Related parties that do not control or are not controlled by the Company

	Relationship with the Group
Dongfeng Johnson Seating(i)	Associate
Wuhan Taiji(i)	Associate
CRH Automotive Shenyang Co., Ltd(i)	Joint venture
Yanfeng Hainachuan Automotive Trim Systems Co., Ltd(ii)	Controlled by the parent company
Yanfeng (Chongqing) Automotive Trim Systems Co., Ltd.(ii)	Controlled by the parent company
Yanfeng Zhejiang Automotive Interior Trim Systems Co., Ltd.(ii)	Controlled by the parent company
Yanfeng Automotive Trim Systems	Controlled by the parent company
Liuzhou Co., Ltd.(ii)	Controlled by the parent company
Yanfeng Guangzhou Automotive Trim Systems Co., Ltd.(ii)	Controlled by the parent company
Yanfeng USA Automotive Trim Systems Co., Ltd.(ii)	Controlled by the parent company
Yanfeng Key (Shanghai) Automotive Safety Systems Co., Ltd.(ii)	Joint venture of the parent company
Beijing Hainachuan Yanfeng Automobile module system Co., Ltd.(ii)	Joint venture of the parent company
Dongfeng Visteon Automotive Trim Systems Co., Ltd.(ii)	Joint venture of the parent company
Shanghai Yanfeng Johnson Controls Seating Mechanical Part Co., Ltd.(ii)	Joint venture of the parent company
Shanghai Volkswagen Automotive Co., Ltd.(ii)	Related parties of parent company
Shanghai General Motors Co., Ltd.(ii)	Related parties of parent company
Shanghai GM (Shenyang) Norsom Motors Co., Ltd.(ii)	Related parties of parent company
SAIC GM Sales Co., Ltd.(ii)	Related parties of parent company
Shanghai GM Dong Yue Motors Co., Ltd.(ii)	Related parties of parent company

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**9 Related parties and related party transactions (Continued)**

	Relationship with the Group
Shanghai TRW Automotive Safety Systems Co., Ltd.(ii)	Related parties of parent company
SAIC Automotive Finance Co, Ltd.(ii)	Related parties of parent company
Shanghai Automotive Industry (Group) Corporation(ii)	Related parties of parent company
Jiangsu ANJI-CEVA Automotive Logistics Co., Ltd.(ii)	Related parties of parent company
Shanghai Sanhuan Spring Co., Ltd.(ii)	Related parties of parent company
Nanjing Automobile Group Co., Ltd.(ii)	Related parties of parent company
Ningbo Volkswagen automotive Co., Ltd.(ii)	Related parties of parent company
Donghua Automotive Industrial Co., Ltd.(ii)	Related parties of parent company
Nanjing Donghua Automobile Interior Trim Systems Co., Ltd.(ii)	Related parties of parent company
Nanjing Iveco Motor Company Ltd.(ii)	Related parties of parent company
Shanghai General Motors—Wuling Co., Ltd.(ii)	Related parties of parent company
Shanghai Automobile Industry Activities Center Co., Ltd.(ii)	Related parties of parent company
Shanghai Automobile Commercial Vehicle Co., Ltd.(ii)	Related parties of parent company
Shanghai Brose Automotive Components Co., Ltd.(ii)	Related parties of parent company
Pan Asia Technical Automotive Center Co., Ltd.(ii)	Related parties of parent company
Shanghai Jieneng Automobile Technology Co., Ltd.(ii)	Related parties of parent company
SAIC-Volkswagen Sales Co., Ltd.(ii)	Related parties of parent company
SACO(ii)	Related parties of parent company
Shanghai Huizhong Automobile Manufacturing Co., Ltd.(ii)	Related parties of parent company
Shanghai Koito Automotive Lamp Co., Ltd.(ii)	Related parties of parent company
Shanghai Lear Industrial Transportation Automotive Parts Co., Ltd.(ii)	Related parties of parent company
Guangzhou Johnson Controls Automotive Interior Systems Co., Ltd.(iii)	Joint venture of JCI
Changsha Guangzhou Automobile Johnson Controls Automotive Interior Systems Co., Ltd.(iii)	Joint venture of JCI
CJSC Johnson Controls International(iii)	Subsidiary of JCI

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**9 Related parties and related party transactions (Continued)**

	Relationship with the Group
Daechang Seat Co.,Ltd.(iii)	Subsidiary of JCI
Diniz Johnson Controls Oto(iii)	Subsidiary of JCI
Esteban Ikeda, S.A. Pollgono Ind(iii)	Subsidiary of JCI
Faurecia Automotive Seat Inc.(iii)	Subsidiary of JCI
JC Automotive SA (PTY) Ltd.(iii)	Subsidiary of JCI
JC Automotive Spain S.A.(iii)	Subsidiary of JCI
JC Automotive UK Ltd.(iii)	Subsidiary of JCI
JC Siemianowice Sp.z o.o ul. Krupan(iii)	Subsidiary of JCI
JCA Seating (M) SDN BHD(iii)	Subsidiary of JCI
JCA, Mexico,S.de R.L de C.V(iii)	Subsidiary of JCI
JCAS K.K Plant(iii)	Subsidiary of JCI
JCAS Kinryo Plant(iii)	Subsidiary of JCI
JCI GEEL N.V(iii)	Subsidiary of JCI
JCI Matamoros Metals(iii)	Subsidiary of JCI
JCI—Lakewood Mechanisms(iii)	Subsidiary of JCI
Johnson Control Automotive Interiors Management (China) Co.,Ltd.(iii)	Subsidiary of JCI
Johnson Control Investment (China) Co., Ltd.(iii)	Subsidiary of JCI
Johnson Controls & Summit Interiors(iii)	Subsidiary of JCI
Johnson Controls Automotive(iii)	Subsidiary of JCI
Johnson Controls Automotive Holding(iii)	Subsidiary of JCI
Johnson Controls Automotive Korea(iii)	Subsidiary of JCI
Johnson Controls Automotive Ltd.(iii)	Subsidiary of JCI
Johnson Controls Automotive NV(iii)	Subsidiary of JCI
Johnson Controls Automotive SAS(iii)	Subsidiary of JCI
Johnson Controls Automotive Mexico(iii)	Subsidiary of JCI
Johnson Controls Automotive UK(iii)	Subsidiary of JCI
Johnson Controls Brazil(iii)	Subsidiary of JCI
Johnson Controls Components(iii)	Subsidiary of JCI
Johnson Controls Components GmbH &Co.(iii)	Subsidiary of JCI
Johnson Controls do Brazil Automotive(iii)	Subsidiary of JCI
Johnson Controls Dongsung Automotive, Inc.(iii)	Subsidiary of JCI
Johnson Controls Fibril(iii)	Subsidiary of JCI
Johnson Controls GmbH(iii)	Subsidiary of JCI
Johnson Controls GmbH & Co. KG Whilhel(iii)	Subsidiary of JCI
Johnson Controls Hilchenbach(iii)	Subsidiary of JCI
Johnson Controls Inc.(iii)	Subsidiary of JCI
Johnson Controls Inc. Battle Creek(iii)	Subsidiary of JCI

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**9 Related parties and related party transactions (Continued)**

	Relationship with the Group
Johnson Controls Inc. Matamoros(iii)	Subsidiary of JCI
Johnson Controls Interiors GmbH(iii)	Subsidiary of JCI
Johnson Controls K.K.(iii)	Subsidiary of JCI
Johnson Controls K.K. (OPPAMA)(iii)	Subsidiary of JCI
Johnson Controls K.K. AYASE (Ayase)(iii)	Subsidiary of JCI
Johnson Controls Matamoros(iii)	Subsidiary of JCI
Johnson Controls Mezolak Kft(iii)	Subsidiary of JCI
Johnson Controls Mor Bt.(iii)	Subsidiary of JCI
Johnson Controls Ramos Metals Plant(iii)	Subsidiary of JCI
Johnson Controls Schwalbach(iii)	Subsidiary of JCI
Johnson Controls Siwmianowice SP.Z(iii)	Subsidiary of JCI
Johnson Controls Winchester(iii)	Subsidiary of JCI
Kinryo Kogyo Co., Ltd.(iii)	Subsidiary of JCI
PT. APM Armada Autoparts(iii)	Subsidiary of JCI
PT. Armada Johnson Controls(iii)	Subsidiary of JCI
Tachi—S Co., Ltd.(iii)	Subsidiary of JCI
TATA Johnson Controls(iii)	Subsidiary of JCI

- (i) The related parties are collectively referred to as “Associates and Joint ventures”.
- (ii) The related parties are collectively referred to as “SAIC, its subsidiaries and joint ventures”.
- (iii) The related parties are collectively referred to as “JCI, its subsidiaries and joint ventures”.
- (3) Related party transactions
- (a) Pricing policies

The Group’s pricing on products sold to related parties and goods purchased from related parties is based on market price.

- (b) Purchases of goods

	2015 (Unaudited)	2014	2013
SAIC, its subsidiaries and joint ventures . . . . .	6,040,834,033	4,237,372,070	2,526,628,588
Associates and Joint ventures . . . . .	186,911,048	—	—
JCI, its subsidiaries and joint ventures	120,581,231	410,815,392	186,081,901
	<u>6,348,326,312</u>	<u>4,648,187,462</u>	<u>2,712,710,489</u>

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**9 Related parties and related party transactions (Continued)**

(c) Sales of goods

	2015 (Unaudited)	2014	2013
SAIC, its subsidiaries and joint ventures . . . . .	16,507,946,364	15,798,341,005	12,111,557,313
JCI, its subsidiaries and joint ventures . . . . .	630,717,292	1,206,475,766	1,283,264,329
Associates and Joint ventures . . . .	177,185,654	46,748,588	129,475,005
	<u>17,315,849,310</u>	<u>17,051,565,359</u>	<u>13,524,296,647</u>

(d) Payments for technical service fee

	2015 (Unaudited)	2014	2013
JCI, its subsidiaries and joint ventures . . . . .	11,094,631	25,794,485	26,976,723
SAIC, its subsidiaries and joint ventures . . . . .	—	441,814	—
	<u>11,094,631</u>	<u>26,236,299</u>	<u>26,976,723</u>

(e) Increase/ (Decrease) on entrusted loans and cash pool

	2015 (Unaudited)	2014	2013
SAIC, its subsidiaries and joint ventures . . . . .	300,000,000	—	—
Associates and Joint ventures . . . . .	(35,646,471)	646,471	50,000,000
	<u>264,353,529</u>	<u>646,471</u>	<u>50,000,000</u>

(f) Interest income from entrusted loans and cash pool

	2015 (Unaudited)	2014	2013
SAIC, its subsidiaries and joint ventures . . . . .	11,903,333	—	—
Associates and Joint ventures . . . . .	137,603	2,369,484	908,412
	<u>12,040,936</u>	<u>2,369,484</u>	<u>908,412</u>

(g) Transfer of fixed assets

	2015 (Unaudited)	2014	2013
SAIC, its subsidiaries and joint ventures . . . .	—	239,181,461	160,193,792

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**9 Related parties and related party transactions (Continued)**

(4) Receivables from and payables to related parties

(a) Accounts receivable

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures . . . . .	3,535,400,441	2,476,788,674	1,597,371,464
JCI, its subsidiaries and joint ventures . . . . .	254,272,885	282,348,127	313,403,578
Associates and Joint ventures . . . . .	67,727,656	68,544,572	76,661,494
	<u>3,857,400,982</u>	<u>2,827,681,373</u>	<u>1,987,436,536</u>

(b) Advances to suppliers

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures . . . . .	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,700,000</u>

(c) Other receivables

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures . . . . .	<u>40,933,096</u>	<u>213,200,582</u>	<u>165,259,624</u>

(d) Notes receivable

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures . . . . .	198,155,751	143,284,958	—
Associates and Joint ventures . . . . .	11,764,000	36,075,000	48,115,000
	<u>209,919,751</u>	<u>179,359,958</u>	<u>48,115,000</u>



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**9 Related parties and related party transactions (Continued)**

(e) Other current assets

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures . . . .	300,000,000	—	—
Associates and Joint ventures . . . . .	15,000,000	—	50,000,000
	<u>315,000,000</u>	<u>—</u>	<u>50,000,000</u>

(f) Accounts payable

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures .	1,355,522,304	777,445,836	458,300,575
JCI, its subsidiaries and joint ventures . .	22,165,380	48,256,121	34,981,481
Associates and Joint ventures . . . . .	76,470,959	—	—
	<u>1,454,158,643</u>	<u>825,701,957</u>	<u>493,282,056</u>

(g) Notes payable

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures . . . .	21,133,578	36,513,000	84,290,000

(h) Cash at bank—deposit in SAIC, its subsidiaries and joint ventures

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
SAIC, its subsidiaries and joint ventures . . .	385,533,629	112,121,166	96,202,227

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**9 Related parties and related party transactions (Continued)**

(5) Commitments in relation to related parties

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

(a) Lease

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
—Lessee			
SAIC, its subsidiaries and joint ventures . . . . .	36,939,538	41,311,628	43,401,376

**10 Commitments**

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Buildings, machinery and equipment . . . . .	16,596,507	80,488,440	55,431,614

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarized as follows:

	31 December 2015 (Unaudited)	31 December 2014	31 December 2013
Within one year . . . . .	132,460,943	131,592,517	98,047,259
Between 1 and 2 years . . . . .	120,530,998	113,931,992	82,805,272
Between 2 and 3 years . . . . .	114,024,576	105,257,607	73,339,670
Over 3 years . . . . .	361,243,744	284,160,625	323,372,716
	<u>728,260,261</u>	<u>634,942,741</u>	<u>577,564,917</u>

**11 Financial risk**

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**11 Financial risk (Continued)**

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During 2015, 2014 and 2013, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 31 December 2015, 2014 and 2013, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	<b>31 December 2015</b> <b>(Unaudited)</b>		
	<b>USD</b>	<b>Other</b>	<b>Total</b>
Financial assets denominated in foreign currency—			
Cash at bank and on hand . . . . .	43,742,685	21,370,564	65,113,249
Receivables . . . . .	173,800,678	250,854,243	424,654,921
	<u>217,543,363</u>	<u>272,224,807</u>	<u>489,768,170</u>
Financial liabilities denominated in foreign currency—			
Payables . . . . .	48,819,672	121,748,654	170,568,326
	<u>48,819,672</u>	<u>121,748,654</u>	<u>170,568,326</u>
	<b>31 December 2014</b>		
	<b>USD</b>	<b>Other</b>	<b>Total</b>
Financial assets denominated in foreign currency—			
Cash at bank and on hand . . . . .	53,521,080	24,670,080	78,191,160
Receivables . . . . .	209,023,397	222,641,716	431,665,113
	<u>262,544,477</u>	<u>247,311,796</u>	<u>509,856,273</u>
Financial liabilities denominated in foreign currency—			
Payables . . . . .	41,166,835	91,832,808	132,999,643
	<u>41,166,835</u>	<u>91,832,808</u>	<u>132,999,643</u>

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**11 Financial risk (Continued)**

	31 December 2013		
	USD	Other	Total
Financial assets denominated in foreign currency—			
Cash at bank and on hand . . . . .	147,260,468	55,503,843	202,764,311
Receivables . . . . .	316,960,189	297,419,292	614,379,481
	<u>464,220,657</u>	<u>352,923,135</u>	<u>817,143,792</u>
Financial liabilities denominated in foreign currency—			
Short-term borrowings . . . . .	211,900,500	—	211,900,500
Payables . . . . .	73,733,823	136,321,246	210,055,069
	<u>285,634,323</u>	<u>136,321,246</u>	<u>421,955,569</u>

As at 31 December 2015, 2014 and 2013, if USD had weakened/ strengthened by 10% against RMB while all other variables had been held constant, the Group's profit before tax for the year would have been approximately RMB 16,872,369, RMB 22,137,764 and RMB 17,858,633 lower/higher for various financial assets and liabilities denominated in USD, respectively.

(b) Interest rate risk

The Group's interest rate risk mainly arises from long-term bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2015, 2014 and 2013, the Company's long-term interest bearing borrowings were RMB-denominated with floating rates, amounting to RMB 13,505,000, RMB 18,903,000 and RMB 24,301,000 (Note 7(19)).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Company's financial position. The management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2015, 2014 and 2013, the Company did not enter into any interest rate swap agreements.

(2) Credit risk

Credit risk is managed on a Group basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables, notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**11 Financial risk (Continued)**

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

**(3) Liquidity risk**

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flow:

<b>31 December 2015</b>				
<b>(Unaudited)</b>				
	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Financial liabilities—				
Short-term borrowings . . . . .	75,000,000	—	—	75,000,000
Notes payable . . . . .	457,179,867	—	—	457,179,867
Accounts payable . . . . .	8,468,879,463	—	—	8,468,879,463
Interests payable . . . . .	4,678,717	900,386	—	5,579,103
Other payables . . . . .	275,293,356	—	—	275,293,356
Long-term borrowings . . . . .	5,398,000	13,505,000	—	18,903,000
	<u>9,286,429,403</u>	<u>14,405,386</u>	<u>—</u>	<u>9,300,834,789</u>

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
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(All amounts in RMB Yuan unless otherwise stated)

**11 Financial risk (Continued)**

	31 December 2014			
	Within 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities—				
Short-term borrowings . . . . .	100,000,000	—	—	100,000,000
Notes payable . . . . .	441,557,489	—	—	441,557,489
Accounts payable . . . . .	6,510,519,647	—	—	6,510,519,647
Interests payable . . . . .	6,023,194	1,841,602	—	7,864,796
Dividends payable . . . . .	36,552,986	—	—	36,552,986
Other payables . . . . .	299,474,754	—	—	299,474,754
Long-term borrowings . . . . .	5,398,000	18,903,000	—	24,301,000
	<u>7,399,526,070</u>	<u>20,744,602</u>	<u>—</u>	<u>7,420,270,672</u>
	31 December 2013			
	Within 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities—				
Short-term borrowings . . . . .	299,300,500	—	—	299,300,500
Notes payable . . . . .	459,996,380	—	—	459,996,380
Accounts payable . . . . .	5,850,740,700	—	—	5,850,740,700
Interests payable . . . . .	8,309,778	3,100,912	13,884	11,424,574
Dividends payable . . . . .	9,000,000	—	—	9,000,000
Other payables . . . . .	259,037,066	—	—	259,037,066
Long-term borrowings . . . . .	2,699,000	21,592,000	2,709,000	27,000,000
	<u>6,889,083,424</u>	<u>24,692,912</u>	<u>2,722,884</u>	<u>6,916,499,220</u>

**12 Fair value estimates**

(1) Financial instruments not measured at fair value

Financial assets and liabilities measured at amortized cost mainly include receivables, short-term borrowing and payables.

The carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

**13 Capital management**

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**13 Capital management (Continued)**

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders or sell assets to reduce debts.

**14 Reconciliation to United States generally accepted accounting principles**

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises in the People's Republic of China ("PRC GAAP"), which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant differences are described in the reconciliation tables below. Other differences do not have a significant effect on either net profit or shareholders' equity. The effects of the significant adjustments to net profit for the years ended 31 December 2015 and 2014 which would be required if U.S. GAAP were to be applied instead of PRC GAAP are summarized as follows:

	<u>31 December 2015</u> (Unaudited)	<u>31 December 2014</u>
Net profit under PRC GAAP . . . . .	2,081,014,735	1,779,425,726
Adjustments:		
Inventory impairment reversals(a) . . . . .	618,444	525,473
Staff Welfare and Incentive Fund(b) . . . . .	(4,356,968)	(6,822,052)
Tax effect of the reconciling items(c) . . . . .	(92,767)	(78,821)
Net profit under U.S. GAAP . . . . .	<u>2,077,183,444</u>	<u>1,773,050,326</u>

The effects of the significant adjustments to shareholders' equity for the years ended 31 December 2015 and 2014 which would be required if U.S. GAAP were to be applied instead of PRC GAAP are summarized as follows:

	<u>31 December 2015</u> (Unaudited)	<u>31 December 2014</u>
Shareholders' equity under PRC GAAP . . . . .	3,924,801,104	3,523,307,561
Adjustments:		
Inventory impairment reversals(a) . . . . .	618,444	525,473
Staff Welfare and Incentive Fund(b) . . . . .	277,256,403	236,466,741
Tax effect of the reconciling items(c) . . . . .	(92,767)	(78,821)
Shareholders' equity under U.S. GAAP . . . . .	<u>4,202,583,184</u>	<u>3,760,220,954</u>

(a) Inventory impairment reversals

Under PRC GAAP, reversals of inventory impairment charges (limited to the amounts of the original impairment) are required for subsequent recoveries. Impairments and any subsequent reversals are included in a separate profit and loss line item—"Asset impairment losses", which is outside of cost of goods sold. Under U.S. GAAP, reversals of



**SHANGHAI YANFENG JOHNSON CONTROLS SEATING CO., LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013 (Continued)**  
**(AMOUNTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**  
**ARE UNAUDITED)**

(All amounts in RMB Yuan unless otherwise stated)

**14 Reconciliation to United States generally accepted accounting principles (Continued)**

impairments are prohibited, as a write-down of inventories to the lower of cost or market creates a new cost basis that subsequently cannot be reversed.

(b) Staff Welfare and Incentive Fund

In accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the Company's Articles of Association, the Company appropriated the Staff Welfare and Incentive Fund of net profit after setting off accumulated losses of previous year and before profit distributions to the investors. The Staff Welfare and Incentive Fund is restricted to fund payments of special bonus to employees and for the collective welfare of employees. None of it is allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor can it be distributed except under liquidation.

Under PRC GAAP, appropriation of the Staff Welfare and Incentive Fund is a liability in nature and accounted for as a transfer from retained earnings to Staff Welfare and Incentive Fund, a liability account. Subsequent payment is accounted for as a release of the Company's liability.

Under U.S. GAAP, appropriation to the Staff Welfare and Incentive Fund is accounted for as a transfer from retained earnings to the statutory reserves. Subsequent payment is accounted for as expenses or assets based on the usage of the payment, and proportionate retained earnings and the statutory reserves are reversed concurrently.

(c) Tax effect of the reconciling items

The applicable statutory tax rate used to calculate the tax effect of the reconciling items on the net profit reconciliation between PRC GAAP and U.S. GAAP for the years ended December 31, 2015 and 2014 was 15%.

SEPARATION AND DISTRIBUTION AGREEMENT

BY AND BETWEEN

JOHNSON CONTROLS PLC

AND

ADIENT PLC

DATED AS OF [•], 2016

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## EXHIBITS

Exhibit A	Amended and Restated Articles of Association of Adient
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## SEPARATION AND DISTRIBUTION AGREEMENT

This SEPARATION AND DISTRIBUTION AGREEMENT, dated as of [●], 2016 (this “Agreement”), is by and between Johnson Controls plc, a public limited company organized under the laws of Ireland (“Johnson Controls”), and Adient plc, a public limited company organized under the laws of England and Wales (“Adient”). Capitalized terms used herein and not otherwise defined shall have the respective meanings given to them in Article I.

### RECITALS

WHEREAS, the board of directors of Johnson Controls (the “Johnson Controls Board”) has determined that it is in the best interests of Johnson Controls and its shareholders to create a new publicly traded company that shall operate the Adient Business;

WHEREAS, in furtherance of the foregoing, the Johnson Controls Board has determined that it is appropriate and desirable to separate the Adient Business from the Johnson Controls Business (the “Separation”) and, following the Separation, for Adient to issue ordinary shares to holders of Johnson Controls Shares on the Record Date, pro rata to their respective holdings (the “Distribution”);

WHEREAS, Adient has been incorporated solely for these purposes and has not engaged in activities except in preparation for the Separation and the Distribution;

WHEREAS, Adient and Johnson Controls have prepared, and Adient has filed with the SEC, the Form 10, which includes the Information Statement, and which sets forth disclosure concerning Adient, the Separation and the Distribution; and

WHEREAS, each of Johnson Controls and Adient has determined that it is appropriate and desirable to set forth the principal corporate transactions required to effect the Separation and the Distribution and certain other agreements that will govern certain matters relating to the Separation and the Distribution and the relationship of Johnson Controls, Adient and the members of their respective Groups following the Distribution.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

### ARTICLE I DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings:

“Action” shall mean any demand, action, claim, counterclaim, dispute, suit, countersuit, arbitration, inquiry, subpoena, hearing, proceeding, examination or investigation of any nature (whether criminal, civil, legislative, administrative, regulatory, prosecutorial,

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appellate or otherwise) by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

“Adient” shall have the meaning set forth in the Preamble.

“Adient Accounts” shall have the meaning set forth in Section 2.9(a).

“Adient Articles” shall mean the Amended and Restated Articles of Association of Adient, substantially in the form of Exhibit A.

“Adient Assets” shall have the meaning set forth in Section 2.2(a).

“Adient Balance Sheet” shall mean the pro forma combined balance sheet of the Adient Business, including any notes and subledgers thereto, as of [●], 2016, as presented in the Information Statement mailed to the Record Holders.

“Adient Borrowing” shall have the meaning set forth in Section 2.12(a).

“Adient Business” shall mean (a) the business, operations and activities conducted at any time prior to the Effective Time by Johnson Controls, Adient or their current or former Affiliates relating to the designing, manufacturing, researching and developing, marketing and selling, either directly or indirectly, of interior products and systems for passenger cars and light trucks, including complete seating systems, frames, mechanisms, foam, head restraints, armrests, trim covers and fabrics, interior systems, door systems, floor consoles, instrument panels, cockpits, overhead systems and overhead consoles and (b) any terminated, divested or discontinued businesses, operations and activities that, at the time of termination, divestiture or discontinuation, primarily related to the business, operations or activities described in clause (a) as then conducted, (i) including those set forth on Schedule 1.1(b)(i) (ii) other than those set forth on Schedule 1.1(b)(ii).

“Adient Cash Transfer” shall have the meaning set forth in Section 2.12(a).

“Adient CNS Period” shall have the meaning set forth in Section 8.2(a).

“Adient CNS Products” shall have the meaning set forth in Section 8.2(a).

“Adient Contracts” shall mean the following contracts and agreements to which either Party or any member of its Group is a party or by which it or any member of its Group or any of their respective Assets is bound, whether or not in writing; provided, that Adient Contracts shall not include any contract or agreement that is contemplated to be retained by Johnson Controls or any member of the Johnson Controls Group from and after the Effective Time pursuant to any provision of this Agreement or any Ancillary Agreement:

(a) (i) any original equipment manufacturer, customer, distribution, supply or vendor contract or agreement entered into prior to the Effective Time exclusively related to the Adient Business and (ii) with respect to any original equipment manufacturer, customer, distribution, supply or vendor contract or agreement entered into prior to the Effective Time that relates to the Adient Business but is not exclusively related to the



Adient Business, that portion of any such original equipment manufacturer, customer, distribution, supply or vendor contract or agreement that relates to the Adient Business;

(b) (i) any license or other agreement conferring rights to Intellectual Property entered into prior to the Effective Time exclusively related to the Adient Business and (ii) with respect to any license agreement entered into prior to the Effective Time that relates to the Adient Business but is not exclusively related to the Adient Business, that portion of any such license agreement that relates to the Adient Business;

(c) (i) any contract or agreement with a Third Party pursuant to which such Third Party licenses, leases, or provides services with respect to Information Technology entered into prior to the Effective Time exclusively related to the Adient Information Technology and (ii) with respect to any contract or agreement with a Third Party pursuant to which such Third Party licenses, leases, or provides services with respect to Information Technology entered into prior to the Effective Time that relates to the Adient Information Technology but is not exclusively related to the Adient Information Technology, that portion of any such contract or agreement that relates to the Adient Information Technology;

(d) any joint venture or partnership contract or agreement that relates primarily to the Adient Business as of the Effective Time, including the joint venture contracts set forth on Schedule 1.2(d);

(e) any guarantee, indemnity, representation, covenant, warranty or other Liability of either Party or any member of its Group to the extent related to any other Adient Contract, any Adient Liability or the Adient Business;

(f) (i) any employment, change of control, retention, consulting, indemnification, termination, severance or other similar agreements with any current or former Adient Group employee or current or former consultant of the Adient Group that are in effect as of the Effective Time and (ii) any proprietary information and inventions agreement or similar Intellectual Property assignment or license agreement with any current or former Adient Group employee, Johnson Controls Group employee, consultant of the Adient Group or consultant of the Johnson Controls Group, in each case entered into prior to the Effective Time and in effect as of the Effective Time, to the extent such agreement relates to the Adient Business;

(g) any contract or agreement that is otherwise expressly contemplated pursuant to this Agreement or any of the Ancillary Agreements to be assigned to Adient or any member of the Adient Group;

(h) any interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements related exclusively to the Adient Business or entered into by or on behalf of any division, business unit or member of the Adient Group; and

(i) any contracts, agreements or settlements listed on Schedule 1.2(i), including the right to recover any amounts under such contracts, agreements or settlements.

“Adient Designees” shall mean any and all entities (including corporations, general or limited partnerships, trusts, joint ventures, unincorporated organizations, limited liability entities or other entities) designated by Adient that will be members of the Adient Group as of immediately prior to the Effective Time.

“Adient Financing Arrangements” shall have the meaning set forth in Section 2.12(a).

“Adient Group” shall mean (a) prior to the Effective Time, Adient and each Person that will be a Subsidiary of Adient as of immediately after the Effective Time, including the Transferred Entities, even if, prior to the Effective Time, such Person is not a Subsidiary of Adient; and (b) on and after the Effective Time, Adient and each Person that is a Subsidiary of Adient.

“Adient Indemnified Parties” shall have the meaning set forth in Section 4.3.

“Adient Information” shall have the meaning set forth in Section 2.2(a)(x).

“Adient Information Technology” shall mean: (a) all Information Technology and all related Software owned or licensed (including rights to use via subscriptions or otherwise) by either Party or any member of its Group located at the Adient Real Property or that is exclusively used or exclusively held for use in the Adient Business as of the Effective Time, (i) including any Information Technology and Software set forth on Schedule 1.3(a)(i), but (ii) excluding any Adient Contract that would otherwise constitute Adient Information Technology and any Data Center Infrastructure located at the sites set forth on Schedule 1.3(a)(ii); and (b) all rights to Intellectual Property of either Party or any member of its Group in any of the foregoing.

“Adient Intellectual Property” shall mean (a) the Registrable IP set forth on Schedule 1.4(a), (b) all Other IP exclusively used in or exclusively held for use in the Adient Business as of the Effective Time, (c) the non-exclusive right to all Other IP that is used in or held for use in the Adient Business as of the Effective Time but is not exclusively used in or exclusively held for use in the Adient Business, except, in each case of clauses (b) and (c), any Adient Information Technology or any Adient Contract that would otherwise constitute Other IP, and (d) all rights to Intellectual Property of either Party or any member of the Group in any of the foregoing.

“Adient Liabilities” shall have the meaning set forth in Section 2.3(a).

“Adient Permits” shall mean all Permits owned or licensed by either Party or member of its Group primarily used in or primarily held for use in the Adient Business as of the Effective Time.

“Adient Real Property” shall mean (a) all of the Real Property owned by either Party or member of its Group as of the Effective Time listed or described on Schedule 1.5(a),

and (b) all the Real Property Leases to which either Party or member of its Group is party as of the Effective Time set forth on Schedule 1.5(b).

“Adient Shares” shall mean the ordinary shares, par value £0.01 per share, of Adient.

“Affiliate” shall mean, when used with respect to a specified Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition, “control” (including with correlative meanings, “controlled by” and “under common control with”), when used with respect to any specified Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract or otherwise. It is expressly agreed that, prior to, at and after the Effective Time, for purposes of this Agreement and the Ancillary Agreements, (a) no member of the Adient Group shall be deemed to be an Affiliate of any member of the Johnson Controls Group, (b) no member of the Johnson Controls Group shall be deemed to be an Affiliate of any member of the Adient Group and (c) the Persons set forth on Schedule 1.6(c) shall be deemed Affiliates of Adient even if they would not otherwise fall within the definition of “Affiliate.”

“Agent” shall mean Wells Fargo Bank, N.A. or such other trust company or bank duly appointed by Johnson Controls to act as distribution agent, transfer agent and registrar for the Adient Shares in connection with the Distribution.

“Agreement” shall have the meaning set forth in the Preamble.

“Ancillary Agreement” shall mean all agreements (other than this Agreement) entered into by the Parties or the members of their respective Groups (but as to which no Third Party is a party) in connection with the Separation, the Distribution, or the other transactions contemplated by this Agreement, including the Transition Services Agreement, the Tax Matters Agreement, the Employee Matters Agreement, the Transitional Trademark License Agreement and the Transfer Documents.

“Approvals or Notifications” shall mean any consents, waivers, approvals, permits or authorizations to be obtained from, notices, registrations or reports to be submitted to, or other filings to be made with, any third Person, including any Governmental Authority.

“Arbitration Request” shall have the meaning set forth in Section 7.3(a).

“Arbitration Rules” shall have the meaning set forth in Section 7.3(a).

“Archival Information” shall mean, with respect to either Party, all Information of such Party and the members of its Group recorded in the electronic systems of, stored in facilities owned or leased by, or stored in third party storage facilities pursuant to storage arrangements with, such Party or any member of its Group.

“Assets” shall mean, with respect to any Person, the assets, properties, claims and rights (including goodwill) of such Person, wherever located (including in the possession of

vendors or other third Persons or elsewhere), of every kind, character and description, whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such Person, including rights and benefits pursuant to any contract, license, permit, indenture, note, bond, mortgage, agreement, concession, franchise, instrument, undertaking, commitment, understanding or other arrangement.

“Bankruptcy Code” shall have the meaning set forth in Section 8.2(d).

“Claims Made Policies” shall have the meaning set forth in Section 5.1(b).

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commingled Information” shall have the meaning set forth in Section 2.2(a)(x).

“Data Center Infrastructure” shall mean all Information Technology and Software owned or licensed (including rights to use via subscriptions or otherwise) by either Party or any member of its Group that is (a) located as of the Effective Time at a data center operated by a Party or any member of such Party’s Group and (b) used or held for use in the operation of such data center.

“Delayed Adient Asset” shall have the meaning set forth in Section 2.4(c).

“Delayed Adient Liability” shall have the meaning set forth in Section 2.4(c).

“Delayed Johnson Controls Asset” shall have the meaning set forth in Section 2.4(h).

“Delayed Johnson Controls Liability” shall have the meaning set forth in Section 2.4(h).

“Disclosure Document” shall mean any registration statement (including the Form 10) filed with the SEC by or on behalf of any Party or any member of its Group, and also includes any information statement (including the Information Statement), prospectus, offering memorandum, offering circular, periodic report or similar disclosure document, whether or not filed with the SEC or any other Governmental Authority, in each case which describes the Separation or the Distribution or the Adient Group or primarily relates to the transactions contemplated hereby.

“Dispute” shall have the meaning set forth in Section 7.1.

“Distribution” shall have the meaning set forth in the Recitals.

“Distribution Date” shall mean the date of the consummation of the Distribution, which shall be determined by the Johnson Controls Board in its sole and absolute discretion.

“Distribution Ratio” shall mean a number equal to one *divided by* ten (10).

“Effective Time” shall mean [•], New York City time, on the Distribution Date.

“Employee Matters Agreement” shall mean the Employee Matters Agreement to be entered into by and between Johnson Controls and Adient or the members of their respective Groups in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement.

“Environmental Law” shall mean any Law relating to pollution, protection or restoration of or prevention of harm to the environment or natural resources, including the use, handling, transportation, treatment, storage, disposal, Release or discharge of Hazardous Materials or the protection of or prevention of harm to human health and safety.

“Excess Casualty Policies” shall have the meaning set forth in Section 5.1(b).

“Exchange Act” shall mean the U.S. Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

“Force Majeure” shall mean, with respect to a Party, an event beyond the control of such Party (or any Person acting on its behalf), which event (a) does not arise or result from the fault or negligence of such Party (or any Person acting on its behalf) and (b) by its nature would not reasonably have been foreseen by such Party (or such Person), or, if it would reasonably have been foreseen, was unavoidable, and includes acts of God, acts of civil or military authority, embargoes, epidemics, pandemics, war, riots, insurrections, fires, explosions, earthquakes, floods, sudden and unusually severe weather conditions or labor problems.

“Form 10” shall mean the registration statement on Form 10 filed by Adient with the SEC to effect the registration of Adient Shares pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time prior to the Distribution.

“Governmental Approvals” shall mean any Approvals or Notifications to be made to, or obtained from, any Governmental Authority.

“Governmental Authority” shall mean any nation or government, any state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, local, provincial, domestic, foreign, supranational or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, government and any executive official thereof, including the New York Stock Exchange and any similar self-regulatory body under applicable securities Laws.

“Group” shall mean either the Adient Group or the Johnson Controls Group, as the context requires.

“Hazardous Materials” shall mean any chemical, material, substance, waste, pollutant, emission, discharge, release or contaminant that could result in Liability under, or that is prohibited, limited or regulated by or pursuant to, any Environmental Law, and any natural or artificial substance (whether solid, liquid or gas, noise, ion, vapor or electromagnetic) that could

cause harm to human health or the environment, including petroleum, petroleum products and byproducts, asbestos and asbestos-containing materials, urea formaldehyde foam insulation, electronic, medical or infectious wastes, polychlorinated biphenyls, radon gas, radioactive substances, chlorofluorocarbons and all other ozone-depleting substances.

“Indemnified Party” shall have the meaning set forth in Section 4.4(a).

“Indemnifying Party” shall have the meaning set forth in Section 4.4(a).

“Indemnity Payment” shall have the meaning set forth in Section 4.4(a).

“Information” shall mean information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium and regardless of location, including (a) Technology and (b) to the extent not described by clause (a), studies, reports, records, books, contracts, instruments, surveys, concepts, techniques, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs, marketing plans, customer names and records, supplier names and records, customer and supplier lists, customer and vendor data or correspondence, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other financial, employee or business information or data, files, papers, tapes, keys, correspondence, plans, invoices, forms, product data and literature, promotional and advertising materials, operating manuals, instructional documents, quality records and regulatory and compliance records; provided that “Information” shall not include (i) Registrable IP or (ii) Software that is licensed by either Party or any member of its Group.

“Information Statement” shall mean the information statement to be sent to the holders of Johnson Controls Shares in connection with the Distribution, as such information statement may be amended or supplemented from time to time prior to the Distribution.

“Information Technology” shall mean all technology, hardware, computers, servers, workstations, routers, hubs, switches, printers, copiers, scanners, data communication lines, network and telecommunications equipment, Internet-related information technology infrastructure and other information technology equipment, in each case, other than Software.

“Initial Notice” shall have the meaning set forth in Section 7.1.

“Insurance Administration” shall mean, with respect to each insurance policy maintained by any member of the Johnson Controls Group, the accounting for premiums, retrospectively-rated premiums, defense costs, indemnity payments, deductibles and retentions, as appropriate, under the terms and conditions of each such policy; discussions or negotiations with insurers and the control of any Actions relating to any such policy; the reporting to excess insurance carriers of any losses or claims which may cause the per-occurrence, per claim or aggregate limits of any such policy to be exceeded; and the distribution of Insurance Proceeds as contemplated by this Agreement.

“Insurance Administration Procedures” shall have the meaning set forth in Section 5.1(b).

“Insurance Proceeds” shall mean those monies:

- (a) received by an insured from an insurer, including administrators and claims agents; or
- (b) paid by an insurer, including administrators and claims agents, on behalf of the insured;

in any such case net of any costs or expenses (including any applicable self-insurance or retention amount under a captive insurance arrangement) incurred in the collection thereof to the extent such adjustment is demonstrably related to such proceeds and net of any applicable premium adjustments (including reserves and retrospectively-rated premium adjustments (it being understood that Insurance Proceeds shall include any such amounts received under a captive insurance arrangement)).

“Intellectual Property” shall mean all of the following, whether arising under the Laws of Ireland, the United States, the United Kingdom or any other foreign or multinational jurisdiction: (a) Patents, (b) trademarks, service marks, trade names, service names, trade dress, logos and other source or business identifiers, including all goodwill associated with any of the foregoing, and any and all common law rights in and to any of the foregoing, registrations and applications for registration of any of the foregoing, all rights in and to any of the foregoing provided by international treaties or conventions, and all reissues, extensions and renewals of any of the foregoing, (c) Internet domain names, registrations and related rights, (d) copyrightable works, copyrights, moral rights, mask work rights, database rights and design rights, whether or not registered (including Software), and all registrations and applications for registration of any of the foregoing, and all rights in and to any of the foregoing provided by international treaties or conventions, (e) confidential and proprietary information, including trade secrets, invention disclosures, processes and know-how, and (f) intellectual property rights arising from or in respect of any Technology.

“Intercompany Accounts” shall have the meaning set forth in Section 2.7(a).

“Intercompany Arrangements” shall have the meaning set forth in Section 2.7(a).

“International Casualty Policies” shall have the meaning set forth in Section 5.1(b).

“IRS” shall mean the U.S. Internal Revenue Service.

“Johnson Controls” shall have the meaning set forth in the Preamble.

“Johnson Controls Accounts” shall have the meaning set forth in Section 2.9(a).

“Johnson Controls Assets” shall have the meaning set forth in Section 2.2(b).

“Johnson Controls Board” shall have the meaning set forth in the Recitals.

“Johnson Controls Business” shall mean all businesses, operations and activities (whether or not such businesses, operations or activities are or have been terminated, divested or discontinued) conducted at any time prior to the Effective Time by either Party or any member of its Group, other than the Adient Business.



“Johnson Controls CNS Period” shall have the meaning set forth in Section 8.2(b).

“Johnson Controls CNS Products” shall have the meaning set forth in Section 8.2(b).

“Johnson Controls Group” shall mean Johnson Controls and each Person that is a Subsidiary of Johnson Controls (other than Adient and any other member of the Adient Group).

“Johnson Controls Indemnified Parties” shall have the meaning set forth in Section 4.2.

“Johnson Controls Liabilities” shall have the meaning set forth in Section 2.3(b).

“Johnson Controls Shares” shall mean the ordinary shares, par value \$0.01 per share, of Johnson Controls.

“Law” shall mean any national, supranational, international, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any Tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Authority.

“Liability” or “Liabilities” shall mean all debts, guarantees, assurances, commitments, liabilities, responsibilities, Losses, remediation, deficiencies, damages, fines, penalties, settlements, sanctions, costs, expenses, interest and obligations of any nature or kind, whether accrued or fixed, absolute or contingent, matured or unmatured, accrued or not accrued, asserted or unasserted, liquidated or unliquidated, foreseen or unforeseen, known or unknown, reserved or unreserved, or determined or determinable, including those arising under any Law, claim (including any Third-Party Claim), demand, Action, order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority or arbitration tribunal, and those arising under any contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or terms of employment, whether imposed or sought to be imposed by a Governmental Authority, another third Person, or a Party, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, or otherwise, in each case, including all costs, expenses, interest, attorneys’ fees, disbursements and expenses of counsel, expert and consulting fees and costs related thereto or to the investigation or defense thereof and any fines, damages or equitable relief that is imposed in connection therewith.

“Linked” shall have the meaning set forth in Section 2.9(a).

“Losses” shall mean actual losses (including any diminution in value), costs, damages, penalties and expenses (including legal and accounting fees and expenses and costs of investigation and litigation), whether or not involving a Third-Party Claim.

“Mediation Request” shall have the meaning set forth in Section 7.2.

“Mediation Rules” shall have the meaning set forth in Section 7.2.

“NYSE” shall mean the New York Stock Exchange.

“One-Time Payment” shall have the meaning set forth in Section 2.4(a).

“Other IP” shall mean all Intellectual Property, other than Registrable IP, that is owned by, licensed by or to, or sublicensed by or to either Party or any member of its Group as of the Effective Time.

“Parties” or “Party” shall mean the parties or party to this Agreement.

“Patents” shall mean (a) issued patents; (b) patents issuing on any patent application; and (c) with respect to any patent or patent application described in clauses (a) or (b), (i) any patent claims issuing on any such patent application that claims priority from, and that cover exclusively subject matter that is entitled to priority to, any such patent or patent application (including any divisional, continuation, continuation-in-part, reissue, reexamination, or extension) with a priority date that is on or before the Distribution Date, and (ii) any foreign counterpart of any of such patents and patent applications with a priority date that is on or before the Distribution Date.

“Permits” shall mean permits, approvals, authorizations, consents, licenses or certificates issued by any Governmental Authority.

“Person” shall mean an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

“Plan of Reorganization” shall have the meaning set forth in Section 2.1(a).

“Premium Threshold” shall have the meaning set forth in Section 5.1(b).

“Prime Rate” shall mean the rate that Bloomberg displays as “Prime Rate by Country United States” at [www.bloomberg.com/markets/rates-bonds/key-rates/](http://www.bloomberg.com/markets/rates-bonds/key-rates/) or on a Bloomberg terminal at PRIMBB Index.

“Privileged Information” shall mean any information, in written, oral, electronic or other tangible or intangible forms, including any communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), as to which a Party or any member of its Group would be entitled to assert or have asserted a privilege, including the attorney-client and attorney work product privileges.

“Proposed Assignee” shall have the meaning set forth in Section 2.8(a).

“Proposed Assignee Group” shall have the meaning set forth in Section 2.8(a).

“Real Property” shall mean land together with all easements, rights and interests arising out of the ownership thereof or appurtenant thereto and all buildings, structures, improvements and fixtures located thereon.

“Real Property Leases” shall mean all leases to Real Property and, to the extent covered by such leases, any and all buildings, structures, improvements and fixtures located thereon.

“Record Date” shall mean the close of business on the date to be determined by the Johnson Controls Board as the record date for determining holders of Johnson Controls Shares entitled to receive Adient Shares pursuant to the Distribution.

“Record Holders” shall mean the holders of record of Johnson Controls Shares as of the Record Date.

“Registrable IP” shall mean all rights to Intellectual Property that are registered, filed, issued or granted under the authority of, with or by, any Governmental Authority, including all Patents, statutory invention registrations, registered trademarks, registered service marks, registered trade secrets, registered Internet domain names, copyright registrations and applications for the foregoing.

“Release” shall mean any release, spill, emission, discharge, leaking, pumping, pouring, dumping, injection, deposit, disposal, dispersal, leaching or migration of Hazardous Materials into the environment (including ambient air, surface water, groundwater and surface or subsurface strata).

“Representatives” shall mean, with respect to any Person, any of such Person’s directors, officers, employees, agents, consultants, advisors, accountants, attorneys or other representatives.

“Residual Information” shall mean information in non-tangible form that may be retained in the unaided memory of Representatives of a Party or members of such Party’s Group who have had access to confidential and proprietary information concerning the other Party or any member of the other Party’s Group.

“Retained Financing Liabilities” shall have the meaning set forth in Section 2.12(a).

“SEC” shall mean the U.S. Securities and Exchange Commission.

“Security Interest” shall mean any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

“Separation” shall have the meaning set forth in the Recitals.

“Shared Contract” shall have the meaning set forth in Section 2.8(a).

“Software” shall mean any and all (a) computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, and whether “out-of-the box,” customized or developed applications, (b) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (c) descriptions, flow charts and other work products used to design, plan, organize and develop any of the foregoing, (d) screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons

and (e) documentation, including user manuals and other training documentation, relating to any of the foregoing.

“Subsidiary” shall mean, with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (a) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (i) the total combined voting power of all classes of voting securities of such Person, (ii) the total combined equity interests or (iii) the capital or profit interests, in the case of a partnership, or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.

“Tax” shall have the meaning set forth in the Tax Matters Agreement.

“Tax Matters Agreement” shall mean the Tax Matters Agreement to be entered into by and between Johnson Controls and Adient or any members of their respective Groups in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement.

“Tax Return” shall have the meaning set forth in the Tax Matters Agreement.

“Technology” shall mean all technology, designs, formulae, algorithms, procedures, methods, discoveries, processes, techniques, ideas, know-how, research and development, technical data, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship in any media, confidential, proprietary or nonpublic information, and other similar materials, all customized applications, completely developed applications and modifications to commercial applications, and all recordings, graphs, drawings, reports, analyses and other writings, and other tangible embodiments of the foregoing in any form, in each case, other than Software.

“Third Party” shall mean any Person other than the Parties or any members of their respective Groups.

“Third-Party Claim” shall have the meaning set forth in Section 4.5(a).

“Transfer Documents” shall have the meaning set forth in Section 2.1(b).

“Transferred Entities” or “Transferred Entity” shall mean the entities set forth on Schedule 1.7.

“Transition Committee” shall have the meaning set forth in Section 2.14.

“Transition Services Agreement” shall mean the Transition Services Agreement to be entered into by and between Johnson Controls and Adient or any members of their respective Groups in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement.

“Transitional Trademark License Agreement” shall mean the Transitional Trademark License Agreement to be entered into by and between Johnson Controls and Adient or any members of their respective Groups in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement.

“Unreleased Adient Liability” shall have the meaning set forth in Section 2.5(a)(ii).

“Unreleased Johnson Controls Liability” shall have the meaning set forth in Section 2.5(b)(ii).

## ARTICLE II THE SEPARATION

### 2.1 Transfer of Assets and Assumption of Liabilities.

(a) On or prior to the Effective Time, in accordance with the plan and structure set forth on Schedule 2.1(a) (the “Plan of Reorganization”):

(i) *Transfer and Assignment of Adient Assets.* Johnson Controls shall, and shall cause the applicable members of its Group to, contribute, assign, transfer, convey and deliver to Adient, or the applicable Adient Designees, and Adient or such Adient Designees shall accept from Johnson Controls and the applicable members of the Johnson Controls Group, all of Johnson Controls’ and such Johnson Controls Group member’s respective direct or indirect right, title and interest in and to all of the Adient Assets (it being understood that if any Adient Asset is held by a Transferred Entity or a wholly owned Subsidiary of a Transferred Entity, such Adient Asset may be assigned, transferred, conveyed and delivered to Adient or the applicable Adient Designee as a result of the transfer of all of the equity interests in such Transferred Entity from Johnson Controls or the applicable members of the Johnson Controls Group to Adient or the applicable Adient Designee);

(ii) *Acceptance and Assumption of Adient Liabilities.* Adient shall, and shall cause the applicable Adient Designees to, accept, assume and agree faithfully to perform, discharge and fulfill all the Adient Liabilities in accordance with their respective terms (it being understood that if any Adient Liability is a liability of a Transferred Entity or a wholly owned Subsidiary of a Transferred Entity, such Adient Liability may be assumed by Adient or the applicable Adient Designee as a result of the transfer of all of the equity interests in such Transferred Entity from Johnson Controls or the applicable members of the Johnson Controls Group to Adient or the applicable Adient Designee). Adient and such Adient Designees shall be responsible for all Adient Liabilities in accordance with their respective terms, regardless of when or where such Adient Liabilities arose or arise, whether the facts on which they are based occurred prior to or subsequent to the Effective Time, where or against whom such Adient Liabilities are asserted or determined (including any Adient Liabilities arising out of claims made by Johnson Controls’ or Adient’s respective Subsidiaries, Affiliates or Representatives, or by the Representatives of their respective Subsidiaries and Affiliates, against any member

of the Johnson Controls Group or the Adient Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the Johnson Controls Group or the Adient Group, or any of their respective Subsidiaries, Affiliates or Representatives;

(iii) *Transfer and Assignment of Johnson Controls Assets.* Johnson Controls and Adient shall cause Adient and the Adient Designees to contribute, assign, transfer, convey and deliver to Johnson Controls or certain members of the Johnson Controls Group designated by Johnson Controls, and Johnson Controls or such other members of the Johnson Controls Group shall accept from Adient and the Adient Designees, all of Adient's and such Adient Designees' respective direct or indirect right, title and interest in and to all Johnson Controls Assets held by Adient or an Adient Designee; and

(iv) *Acceptance and Assumption of Johnson Controls Liabilities.* Johnson Controls shall, and shall cause the applicable members of the Johnson Controls Group designated by Johnson Controls to accept, assume and agree faithfully to perform, discharge and fulfill all of the Johnson Controls Liabilities in accordance with their respective terms. Johnson Controls and the applicable members of the Johnson Controls Group shall be responsible for all Johnson Controls Liabilities in accordance with their respective terms, regardless of when or where such Johnson Controls Liabilities arose or arise, whether the facts on which they are based occurred prior to or subsequent to the Effective Time, where or against whom such Johnson Controls Liabilities are asserted or determined (including any such Johnson Controls Liabilities arising out of claims made by Johnson Controls' or Adient's respective Subsidiaries, Affiliates or Representatives, or by the Representatives of their respective Subsidiaries and Affiliates, against any member of the Johnson Controls Group or the Adient Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the Johnson Controls Group or the Adient Group, or any of their respective Subsidiaries, Affiliates or Representatives.

(b) *Transfer Documents.* In furtherance of the contribution, assignment, transfer, conveyance and delivery of the Assets and the acceptance and assumption of the Liabilities in accordance with Section 2.1(a), (i) each Party shall execute and deliver, and shall cause the applicable members of its Group to execute and deliver, such bills of sale, quitclaim deeds, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of such Party's and the applicable members of its Group's right, title and interest in and to such Assets to the other Party and the applicable members of its Group in accordance with Section 2.1(a), and (ii) each Party shall execute and deliver, and shall cause the applicable members of its Group to execute and deliver, to the other Party such assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Liabilities by such Party or the applicable members of its Group in accordance with Section 2.1(a). All of the foregoing documents

contemplated by this Section 2.1(b) shall be referred to collectively herein as the “Transfer Documents.”

(c) *Misallocations.* In the event that at any time or from time to time (whether prior to, at or after the Effective Time), one Party (or any member of such Party’s respective Group) shall receive or otherwise possess any Asset that is allocated to the other Party (or any member of such Party’s Group) pursuant to this Agreement or any Ancillary Agreement, such Party shall promptly transfer, or cause to be transferred, such Asset to the Party so entitled thereto (or to any member of such Party’s Group), and such Party (or member of such Party’s Group) shall accept such Asset. Prior to any such transfer, the Person receiving or possessing such Asset shall hold such Asset in trust for any such other Person. In the event that at any time or from time to time (whether prior to, at or after the Effective Time), one Party hereto (or any member of such Party’s respective Group) shall receive or otherwise assume any Liability that is allocated to the other Party (or any member of such Party’s Group) pursuant to this Agreement or any Ancillary Agreement, such Party shall promptly transfer, or cause to be transferred, such Liability to the Party responsible therefor (or to the applicable member of such Party’s Group), and such Party (or member of such Party’s Group) shall accept, assume and agree to faithfully perform, discharge and fulfill such Liability. The Parties shall, and shall cause the applicable members of their respective Group to, execute such Transfer Documents and take such further actions as may be required to effectuate the Transfers denoted in this Section 2.1.

(d) *Waiver of Bulk-Sale and Bulk-Transfer Laws.* Adient hereby waives compliance by each and every member of the Johnson Controls Group with the requirements and provisions of any “bulk-sale” or “bulk-transfer” Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Adient Assets to any member of the Adient Group. Johnson Controls hereby waives compliance by each and every member of the Adient Group with the requirements and provisions of any “bulk-sale” or “bulk-transfer” Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Johnson Controls Assets to any member of the Johnson Controls Group.

(e) *Information.* Notwithstanding anything to the contrary in this Agreement, neither Party nor any member of its Group shall be required to deliver the original versions of Commingled Information or Archival Information to the other Party or any member of its Group as a result of the Separation and Distribution.

## 2.2 Adient Assets; Johnson Controls Assets.

(a) *Adient Assets.* For purposes of this Agreement, “Adient Assets” shall mean:

(i) all issued and outstanding capital stock or other equity interests of the Transferred Entities that are owned by either Party or any member of its Group as of the Effective Time;

(ii) all Assets of either Party or any member of its Group included or reflected as Assets of the Adient Group on the Adient Balance Sheet, subject to any dispositions of such Assets subsequent to the date of the Adient Balance Sheet; provided,



that the amounts set forth on the Adient Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on the amount of such Assets that are included in the definition of Adient Assets pursuant to this subclause (ii);

(iii) all Assets of either Party or any of the members of its Group as of the Effective Time that are of a nature or type that would have resulted in such Assets being included as Assets of Adient or members of the Adient Group on a pro forma combined balance sheet of the Adient Group or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Assets included on the Adient Balance Sheet), it being understood that (x) the Adient Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Assets that are included in the definition of Adient Assets pursuant to this subclause (iii) and (y) the amounts set forth on the Adient Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on the amount of such Assets that are included in the definition of Adient Assets pursuant to this subclause (iii);

(iv) all Assets of either Party or any of the members of its Group as of the Effective Time that are expressly provided by this Agreement or any Ancillary Agreement as Assets to be transferred to or owned by Adient or any other member of the Adient Group;

(v) all Adient Contracts as of the Effective Time and all rights, interests or claims of either Party or any of the members of its Group thereunder as of the Effective Time;

(vi) all Adient Information Technology and Adient Intellectual Property as of the Effective Time and all rights, interests or claims of either Party or any of the members of its Group thereunder as of the Effective Time;

(vii) all Adient Permits as of the Effective Time and all rights, or interests or claims of either Party or any of the members of its Group thereunder as of the Effective Time;

(viii) all Adient Real Property as of the Effective Time and all rights, or interests or claims of either Party or any of the members of its Group thereunder as of the Effective Time;

(ix) all Assets of either Party or any of the members of its Group as of the Effective Time that are exclusively related to the Adient Business;

(x) to the extent not already described by clauses (i) through (ix) of this Section 2.2(a), all rights, interests and claims of either Party or any of the members of its Group as of the Effective Time with respect to Information to the extent it is related to the Adient Assets, the Adient Liabilities, the Adient Business or the Transferred Entities (the "Adient Information"); provided, that (A) Johnson Controls or the applicable member of the Johnson Controls Group shall retain any Adient Information that is commingled with, and not easily separable from, Information that does not relate to the

Adient Assets, the Adient Liabilities, the Adient Business or the Transferred Entities (“Commingled Information”), and both Parties shall have equal rights to use the Commingled Information, (B) each Party or the applicable member of its Group shall retain its Archival Information (other than Information of the other Party or the applicable member of its Group that is easily separable from the other Archival Information), (C) Adient shall have the right to use any Adient Information included in the Johnson Controls Archival Information and (D) Johnson Controls shall have the right to use any Information that is not Adient Information but is included in the Adient Archival Information; and

(xi) any and all Assets set forth on Schedule 2.2(a)(xi).

Notwithstanding the foregoing, the Adient Assets shall not in any event include any Asset referred to in clauses (i) through (iv) of Section 2.2(b).

(b) *Johnson Controls Assets.* For the purposes of this Agreement, “Johnson Controls Assets” shall mean all Assets of either Party or the members of its Group as of the Effective Time, other than the Adient Assets, including:

(i) any and all Assets that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be retained by Johnson Controls or any other member of the Johnson Controls Group;

(ii) any and all Contracts of either Party or any of the members of its Group as of the Effective Time (other than the Adient Contracts);

(iii) any and all Information Technology and Intellectual Property of either Party or any of the members of its Group as of the Effective Time (other than the Adient Information Technology and the Adient Intellectual Property, and other than (A) any license of Information Technology or Intellectual Property pursuant to an Adient Contract or (B) any license of Information Technology or Intellectual Property of Johnson Controls or any member of the Johnson Controls Group to Adient or any member of the Adient Group pursuant to this Agreement or any Ancillary Agreement);

(iv) all Permits of either Party or any of the members of its Group as of the Effective Time (other than the Adient Permits);

(v) all Real Property of either Party or any of the members of its Group as of the Effective Time (other than the Adient Real Property); and

(vi) any and all Assets set forth on Schedule 2.2(b)(vi).

Notwithstanding the foregoing, for purposes of Sections 2.2(a) and 2.2(b), in the case of any conflict between this Agreement and the Transfer Documents, this Agreement shall prevail. Each of the Parties shall use its reasonable best efforts to ensure that the applicable provisions of this Agreement are reflected in the Transfer Documents.

2.3 Adient Liabilities; Johnson Controls Liabilities.

(a) *Adient Liabilities.* For the purposes of this Agreement, “Adient Liabilities” shall mean the following Liabilities of either Party or any of the members of its Group:

(i) all Liabilities included or reflected as liabilities or obligations of Adient or the members of the Adient Group on the Adient Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the Adient Balance Sheet; provided, that the amounts set forth on the Adient Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of Adient Liabilities pursuant to this subclause (i);

(ii) all Liabilities as of the Effective Time that are of a nature or type that would have resulted in such Liabilities being included or reflected as liabilities or obligations of Adient or the members of the Adient Group on a pro forma combined balance sheet of the Adient Group or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Liabilities included on the Adient Balance Sheet), it being understood that (x) the Adient Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Liabilities that are included in the definition of Adient Liabilities pursuant to this subclause (ii) and (y) the amounts set forth on the Adient Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of Adient Liabilities pursuant to this subclause (ii);

(iii) all Liabilities to the extent relating to, arising out of or resulting from (A) the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from the Adient Business or an Adient Asset, (B) the Adient Assets or (C) the Adient Financing Arrangements (other than the Retained Financing Liabilities);

(iv) all Liabilities that are expressly provided by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be assumed by Adient or any other member of the Adient Group, and all agreements, obligations and Liabilities of any member of the Adient Group under this Agreement or any of the Ancillary Agreements;

(v) all Liabilities set forth on Schedule 2.3(a)(v); and

(vi) all Liabilities arising out of claims made by any Third Party (including Johnson Controls’ or Adient’s respective directors, officers, shareholders, current and former employees and agents) against any member of the Johnson Controls

Group or the Adient Group to the extent relating to, arising out of or resulting from the Adient Business, the Adient Assets or the Liabilities referred to in clauses (i) through (v) above (whether such claims arise, in each case before, at or after the Effective Time);

provided that, notwithstanding the foregoing, the Parties agree that the Liabilities set forth on Schedule 2.3(b)(i) shall not be Adient Liabilities but instead shall be Johnson Controls Liabilities.

(b) *Johnson Controls Liabilities.* For the purposes of this Agreement, “Johnson Controls Liabilities” shall mean the following Liabilities of either Party or any of the members of its Group:

(i) all Liabilities relating to, arising out of or resulting from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time) of any member of the Johnson Controls Group and, prior to the Effective Time, any member of the Adient Group, in each case that are not Adient Liabilities, including any and all Liabilities set forth on Schedule 2.3(b)(i);

(ii) all Liabilities that are expressly provided by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be assumed or retained by Johnson Controls or any other member of the Johnson Controls Group, and all agreements, obligations and Liabilities of any member of the Johnson Controls Group under this Agreement or any of the Ancillary Agreements; and

(iii) all Liabilities arising out of claims made by any Third Party (including Johnson Controls’ or Adient’s respective directors, officers, shareholders, current and former employees and agents) against any member of the Johnson Controls Group or the Adient Group to the extent relating to, arising out of or resulting from the Johnson Controls Business or the Johnson Controls Assets or the Liabilities referred to in clauses (i) and (ii) above (whether such claims arise, in each case before, at or after the Effective Time).

Notwithstanding the foregoing, for purposes of Sections 2.3(a) and 2.3(b), in the case of any conflict between this Agreement and the Transfer Documents, this Agreement shall prevail.

#### 2.4 Approvals and Notifications.

(a) *Approvals and Notifications for Adient Assets.* To the extent that the transfer or assignment of any Adient Asset, the assumption of any Adient Liability, the Separation, or the Distribution requires any Approvals or Notifications, the Parties shall use their commercially reasonable efforts to obtain or make such Approvals or Notifications as soon as reasonably practicable; provided, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed between Johnson Controls and Adient, neither Johnson Controls nor Adient shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial

accommodation) to any Person in order to obtain or make such Approvals or Notifications, except that Johnson Controls shall be required to make one such commercially reasonable payment, if required by the applicable third Person (each, a "One-Time Payment"), for each of such Approvals or Notifications.

(b) *Delayed Adient Transfers.* If and to the extent that the valid, complete and perfected transfer or assignment to the Adient Group of any Adient Asset, or assumption by the Adient Group of any Adient Liability, would be a violation of applicable Law or require any Approvals or Notifications in connection with the Separation or the Distribution that have not been obtained or made by the Effective Time then, unless the Parties mutually shall otherwise determine, the transfer or assignment to the Adient Group of such Adient Assets or the assumption by the Adient Group of such Adient Liabilities, as the case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Approvals or Notifications have been obtained or made. Notwithstanding the foregoing, any such Adient Assets or Adient Liabilities, as the case may be, shall continue to constitute Adient Assets and Adient Liabilities for all other purposes of this Agreement.

(c) *Treatment of Delayed Adient Assets and Delayed Adient Liabilities.* If any transfer or assignment of any Adient Asset or any assumption of any Adient Liability intended to be transferred, assigned or assumed hereunder, as the case may be, is not consummated on or prior to the Effective Time, whether as a result of the provisions of Section 2.4(b) or for any other reason (any such Adient Asset, a "Delayed Adient Asset" and any such Adient Liability, a "Delayed Adient Liability"), then, insofar as reasonably possible and subject to applicable Law, the member of the Johnson Controls Group retaining such Delayed Adient Asset or such Delayed Adient Liability, as the case may be, shall thereafter hold such Delayed Adient Asset or Delayed Adient Liability, as the case may be, for the use and benefit (or the performance and obligation, in the case of a Liability) of the member of the Adient Group entitled thereto (at the expense of the member of the Adient Group entitled thereto). In addition, the member of the Johnson Controls Group retaining such Delayed Adient Asset or such Delayed Adient Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Delayed Adient Asset or Delayed Adient Liability in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the member of the Adient Group to which such Delayed Adient Asset is to be transferred or assigned, or which will assume such Delayed Adient Liability, as the case may be, in order to place such member of the Adient Group in a substantially similar position as if such Delayed Adient Asset or Delayed Adient Liability had been transferred, assigned or assumed as contemplated hereby and so that all the benefits and burdens relating to such Delayed Adient Asset or Delayed Adient Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Delayed Adient Asset or Delayed Adient Liability, as the case may be, and all costs and expenses related thereto, other than any One-Time Payments for Approvals or Notifications, shall inure from and after the Effective Time to the Adient Group.

(d) *Transfer of Delayed Adient Assets and Delayed Adient Liabilities.* If and when the Approvals or Notifications, the absence of which caused the deferral of transfer or assignment of any Delayed Adient Asset or the deferral of assumption of any Delayed Adient Liability pursuant to Section 2.4(b), are obtained or made, and, if and when any other legal

impediments for the transfer or assignment of any Delayed Adient Asset or the assumption of any Delayed Adient Liability have been removed, the transfer or assignment of the applicable Delayed Adient Asset or the assumption of the applicable Delayed Adient Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(e) *Costs for Delayed Adient Assets and Delayed Adient Liabilities.* Any member of the Johnson Controls Group retaining a Delayed Adient Asset or Delayed Adient Liability due to the deferral of the transfer or assignment of such Delayed Adient Asset or the deferral of the assumption of such Delayed Adient Liability, as the case may be, shall not be obligated, in connection with the foregoing, to make any payments to a third Person unless the necessary funds are advanced or otherwise made available by the member of the Adient Group entitled to the Delayed Adient Asset or Delayed Adient Liability, other than (i) reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by Adient or the member of the Adient Group entitled to such Delayed Adient Asset or Delayed Adient Liability and (ii) any One-Time Payments for Approvals or Notifications.

(f) *Approvals and Notifications for Johnson Controls Assets.* To the extent that the transfer or assignment of any Johnson Controls Asset or the assumption of any Johnson Controls Liability requires any Approvals or Notifications, the Parties shall use their commercially reasonable efforts to obtain or make such Approvals or Notifications as soon as reasonably practicable; provided, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed between Johnson Controls and Adient, neither Johnson Controls nor Adient shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Approvals or Notifications, except that Adient shall be required to make a One-Time Payment for each of such Approvals or Notifications.

(g) *Delayed Johnson Controls Transfers.* If and to the extent that the valid, complete and perfected transfer or assignment to the Johnson Controls Group of any Johnson Controls Asset or assumption by the Johnson Controls Group of any Johnson Controls Liability would be a violation of applicable Law or require any Approval or Notification in connection with the Separation or the Distribution that have not been obtained or made by the Effective Time then, unless the Parties mutually shall otherwise determine, the transfer or assignment to the Johnson Controls Group of such Johnson Controls Assets or the assumption by the Johnson Controls Group of such Johnson Controls Liabilities, as the case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Approvals or Notifications have been obtained or made. Notwithstanding the foregoing, any such Johnson Controls Assets or Johnson Controls Liabilities, as the case may be, shall continue to constitute Johnson Controls Assets and Johnson Controls Liabilities for all other purposes of this Agreement.

(h) *Treatment of Delayed Johnson Controls Assets and Delayed Johnson Controls Liabilities.* If any transfer or assignment of any Johnson Controls Asset or any assumption of any Johnson Controls Liability intended to be transferred, assigned or assumed hereunder, as the case may be, is not consummated on or prior to the Effective Time whether as a

result of the provisions of this Section 2.4(h) or for any other reason (any such Johnson Controls Asset, a “Delayed Johnson Controls Asset” and any such Johnson Controls Liability, a “Delayed Johnson Controls Liability”), then, insofar as reasonably possible and subject to applicable Law, the member of the Adient Group retaining such Delayed Johnson Controls Asset or such Delayed Johnson Controls Liability, as the case may be, shall thereafter hold such Delayed Johnson Controls Asset or Delayed Johnson Controls Liability, as the case may be, for the use and benefit (or the performance and obligation, in the case of a Liability) of the member of the Johnson Controls Group entitled thereto (at the expense of the member of the Johnson Controls Group entitled thereto). In addition, the member of the Adient Group retaining such Delayed Johnson Controls Asset or such Delayed Johnson Controls Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Delayed Johnson Controls Asset or Delayed Johnson Controls Liability in the ordinary course of business in accordance with past practice, and take such other actions as may be reasonably requested by the member of the Johnson Controls Group to which such Delayed Johnson Controls Asset is to be transferred or assigned, or which will assume such Delayed Johnson Controls Liability, as the case may be, in order to place such member of the Johnson Controls Group in a substantially similar position as if such Delayed Johnson Controls Asset or Delayed Johnson Controls Liability had been transferred, assigned or assumed as contemplated hereby and so that all the benefits and burdens relating to such Delayed Johnson Controls Asset or Delayed Johnson Controls Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Delayed Johnson Controls Asset or Delayed Johnson Controls Liability, as the case may be, and all costs and expenses related thereto, other than any One-Time Payments for Approvals or Notifications, shall inure from and after the Effective Time to the Johnson Controls Group.

(i) *Transfer of Delayed Johnson Controls Assets and Delayed Johnson Controls Liabilities.* If and when the Approvals or Notifications, the absence of which caused the deferral of transfer or assignment of any Delayed Johnson Controls Asset or the deferral of assumption of any Delayed Johnson Controls Liability pursuant to Section 2.4(g), are obtained or made, and, if and when any other legal impediments for the transfer or assignment of any Delayed Johnson Controls Asset or the assumption of any Delayed Johnson Controls Liability have been removed, the transfer or assignment of the applicable Delayed Johnson Controls Asset or the assumption of the applicable Delayed Johnson Controls Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(j) *Costs for Delayed Johnson Controls Assets and Delayed Johnson Controls Liabilities.* Any member of the Adient Group retaining a Delayed Johnson Controls Asset or Delayed Johnson Controls Liability due to the deferral of the transfer or assignment of such Delayed Johnson Controls Asset or the deferral of the assumption of such Delayed Johnson Controls Liability, as the case may be, shall not be obligated, in connection with the foregoing, to make any payments to a third Person unless the necessary funds are advanced or otherwise made available by the member of the Johnson Controls Group entitled to the Delayed Johnson Controls Asset or Delayed Johnson Controls Liability, other than (i) reasonable out-of-pocket expenses, attorneys’ fees and recording or similar fees, all of which shall be promptly reimbursed by Johnson Controls or the member of the Johnson Controls Group entitled to such Delayed



Johnson Controls Asset or Delayed Johnson Controls Liability and (ii) any One-Time Payments for Approvals or Notifications.

(k) *One-Time Payments.* Johnson Controls and Adient shall cooperate in good faith and use commercially reasonable efforts to negotiate with any third Persons from whom Approvals or Notifications must be obtained to transfer or assign any Adient Asset or Johnson Controls Asset, as applicable, or assume any Adient Liability or Johnson Controls Liability, as applicable, to minimize the need for, and cost of, any One-Time Payments required by such third Person for any Approvals or Notifications.

2.5 Novation of Liabilities.

(a) *Novation of Adient Liabilities.*

(i) Each of Johnson Controls and Adient, at the request of the other, shall use its commercially reasonable efforts to obtain, or to cause to be obtained, as soon as reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all Adient Liabilities and obtain in writing the unconditional release of each member of the Johnson Controls Group that is a party to any such arrangements, so that, in any such case, the members of the Adient Group shall be solely responsible for such Adient Liabilities; provided, that, except as otherwise expressly provided in this Agreement or any of the Ancillary Agreements, neither Johnson Controls nor Adient shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any third Person from whom any such consent, substitution, approval, amendment or release is requested, except that Johnson Controls or Adient, as applicable, shall be required to make a One-Time Payment for each such consent, substitution, approval amendment or release it requests from a third Person.

(ii) If Johnson Controls or Adient is unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release, and the applicable member of the Johnson Controls Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an “Unreleased Adient Liability”), Adient shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the Johnson Controls Group, as the case may be, (A) pay, perform and discharge fully all the obligations or other Liabilities of such member of the Johnson Controls Group that constitute Unreleased Adient Liabilities from and after the Effective Time and (B) use its commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance or discharge is permitted to be made by the obligee thereunder on any member of the Johnson Controls Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased Adient Liabilities shall otherwise become assignable or able to be novated, Johnson Controls shall promptly assign, or cause to be assigned, and Adient or the applicable Adient Group member shall assume, such Unreleased Adient Liabilities without exchange of further consideration.

(b) *Novation of Johnson Controls Liabilities.*

(i) Each of Johnson Controls and Adient, at the request of the other, shall use its commercially reasonable efforts to obtain, or to cause to be obtained, as soon as reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all Johnson Controls Liabilities and obtain in writing the unconditional release of each member of the Adient Group that is a party to any such arrangements, so that, in any such case, the members of the Johnson Controls Group shall be solely responsible for such Johnson Controls Liabilities; provided, that, except as otherwise expressly provided in this Agreement or any of the Ancillary Agreements, neither Johnson Controls nor Adient shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any third Person from whom any such consent, substitution, approval, amendment or release is requested, except that Johnson Controls or Adient, as applicable, shall be required to make a One-Time Payment for each such consent, substitution, approval amendment or release it requests from a third Person.

(ii) If Johnson Controls or Adient is unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release and the applicable member of the Adient Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an "Unreleased Johnson Controls Liability"), Johnson Controls shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the Adient Group, as the case may be, (A) pay, perform and discharge fully all the obligations or other Liabilities of such member of the Adient Group that constitute Unreleased Johnson Controls Liabilities from and after the Effective Time and (B) use its commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance or discharge is permitted to be made by the obligee thereunder on any member of the Adient Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased Johnson Controls Liabilities shall otherwise become assignable or able to be novated, Adient shall promptly assign, or cause to be assigned, and Johnson Controls or the applicable Johnson Controls Group member shall assume, such Unreleased Johnson Controls Liabilities without exchange of further consideration.

(c) Johnson Controls and Adient shall cooperate in good faith and use commercially reasonable efforts to negotiate with any third Persons from whom consents, substitutions, approvals, amendments or releases are requested pursuant to this Section 2.5 are requested to minimize the need for, and cost of, any One-Time Payments required by such third Person for any such consents, substitutions, approvals, amendments or releases.

2.6 Release of Guarantees. In furtherance of, and not in limitation of, the obligations set forth in Section 2.5:

(a) On or prior to the Effective Time or as soon as practicable thereafter, each of Johnson Controls and Adient shall, at the request of the other Party and with the reasonable cooperation of such other Party and the applicable member(s) of such Party's Group, use

commercially reasonable efforts to: (i) (A) substitute one or more members of the Adient Group as the replacement guarantor or obligor with respect to any Adient Liability for which any member(s) of the Johnson Controls Group is the guarantor or obligor, and (B) cause the applicable third Person party to such guarantee to provide a full and irrevocable release of any member(s) of the Johnson Controls Group that is liable, directly or indirectly, for reimbursement to the credit or fulfillment of other Liabilities to a third Person in connection with such guarantee; and (ii) (A) substitute one or more members of the Johnson Controls Group as the replacement guarantor or obligor with respect to any Johnson Controls Liability for which any member(s) of the Adient Group is guarantor or obligor, and (B) cause the applicable third Person party to such guarantee to provide a full and irrevocable release of any member(s) of the Adient Group that is liable, directly or indirectly, for reimbursement to the credit or fulfillment of other Liabilities to a third Person in connection with such guarantee.

(b) To the extent required to obtain a release from a guarantee of:

(i) any member of the Johnson Controls Group, Adient shall (A) execute a guarantee agreement in substantially the same form and substance as the existing guarantee, which agreement shall include the removal of any Security Interest on or in any Johnson Controls Asset that may serve as collateral or security for any such Adient Liability, except to the extent that such existing guarantee contains representations, covenants or other terms or provisions either (I) with which Adient would be reasonably unable to comply or (II) which Adient would not reasonably be able to avoid breaching, and (B) make a One-Time Payment for the release of such guarantee; and

(ii) any member of the Adient Group, Johnson Controls shall (A) execute a guarantee agreement in substantially the same form and substance as the existing guarantee, which agreement shall include the removal of any Security Interest on or in any Adient Asset that may serve as collateral or security for any such Johnson Controls Liability, except to the extent that such existing guarantee contains representations, covenants or other terms or provisions either (I) with which Johnson Controls would be reasonably unable to comply or (II) which Johnson Controls would not reasonably be able to avoid breaching, and (B) make a One-Time Payment for the release of such guarantee.

(iii) Johnson Controls and Adient shall cooperate in good faith and use commercially reasonable efforts to negotiate with any third Persons from whom releases of guarantees are sought pursuant to this Section 2.6 to minimize the need for, and cost of, any One-Time Payments required by such third Person for any release of guarantees.

(c) If Johnson Controls or Adient is unable to obtain, or to cause to be obtained, any such required removal or release as set forth in clauses (a) and (b) of this Section 2.6: (i) the Party or the relevant member of its Group that has assumed the Liability with respect to such guarantee shall indemnify, defend and hold harmless the guarantor or obligor against or from any Liability arising from or relating thereto in accordance with the provisions of Article IV (including reasonable and documented out-of-pocket expenses in maintaining such guarantee), whether or not such guarantee is drawn upon or required to be performed, and shall,

as agent or subcontractor for such guarantor or obligor, pay, perform and discharge fully all the obligations or other Liabilities of such guarantor or obligor thereunder; and (ii) each of Johnson Controls and Adient, on behalf of itself and the other members of their respective Group, agree not to renew or extend the term of, increase any obligations under, or transfer to a Third Party, any loan, guarantee, lease, contract or other obligation for which the other Party or a member of its Group is or may be liable unless all obligations of such other Party and the members of such other Party's Group with respect thereto are thereupon terminated by documentation satisfactory in form and substance to such other Party.

## 2.7 Termination of Agreements.

(a) In furtherance of the releases and other provisions of Section 4.1, (i) Johnson Controls shall use its reasonable best efforts to cause all intercompany balances and accounts between Adient and each member of the Adient Group, on the one hand, and Johnson Controls and each member of the Johnson Controls Group, on the other hand ("Intercompany Accounts") to (other than balances or accounts arising out of the Intercompany Arrangements described in clauses (i) or (ii) of Section 2.7(b)) be settled or otherwise eliminated, effective as of the Effective Time, such that no Party or any member of its Group shall have any continuing obligation with respect thereto and otherwise in such a manner as Johnson Controls shall determine in good faith (including by means of dividends, distributions, contribution, the creation or repayment of intercompany debt, increasing or decreasing of cash pool balances or otherwise) and (ii) all agreements, arrangements, commitments or understandings, including all obligations to provide goods, services or other benefits, whether or not in writing, between or among Adient and/or any member of the Adient Group, on the one hand, and Johnson Controls and/or any member of the Johnson Controls Group, on the other hand ("Intercompany Arrangements"), are (except as set forth in Section 2.7(b)) hereby terminated, effective as of the Effective Time, without further payment or performance and cease to have any further force and effect, such that no party thereto shall have any further obligations therefor or thereunder. No such terminated Intercompany Arrangement (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Effective Time. Each Party shall, at the reasonable request of the other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.7(a)(ii) shall not apply to: (i) this Agreement and the Ancillary Agreements (and each other agreement or instrument expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by any of the Parties or any of the members of their respective Groups or to be continued from and after the Effective Time); (ii) any Intercompany Arrangements listed or described on Schedule 2.7(b)(ii); and (iii) any agreements, arrangements, commitments or understandings to which any Third Party or any non-wholly owned Subsidiary of Johnson Controls or Adient, as the case may be, is a party (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned).

(c) All Intercompany Accounts outstanding as of the Effective Time, if any, (i) shall be net settled and paid as of the Effective Time within ninety (90) days of the Effective Time by the Party (or member of its Group) owning such net amount, except (ii) that if such receivable or payable arises pursuant to an agreement, arrangement or understanding described

in clauses (i) or (ii) of Section 2.7(b), then it shall be settled in accordance with the terms of such agreement, arrangement or understanding.

## 2.8 Treatment of Shared Contracts.

(a) Subject to applicable Law and without limiting the generality of the obligations set forth in Section 2.1, unless the Parties otherwise agree or the benefits of any contract, agreement, arrangement, commitment or understanding described in this Section 2.8 are expressly conveyed to the applicable Party pursuant to this Agreement or an Ancillary Agreement, any contract or agreement, a portion of which is an Adient Contract, and the remainder of which is a Johnson Controls Asset (any such contract or agreement, a “Shared Contract”), shall be assigned in relevant part to the applicable member(s) of the applicable Group, if so assignable, or appropriately amended prior to, on or after the Effective Time, so that each Party or the applicable member of its Group shall, as of the Effective Time, be entitled to the rights and benefits, and shall assume the related portion of any Liabilities, inuring to its respective businesses; provided, that (i) in no event shall any member of any Group be required to assign (or amend) any Shared Contract in its entirety or to assign a portion of any Shared Contract which is not assignable (or cannot be amended) by its terms (including any terms imposing consents or conditions on an assignment where such consents or conditions have not been obtained or fulfilled) and (ii) if any Shared Contract cannot be so partially assigned by its terms or otherwise, or cannot be amended, or if such assignment or amendment would impair the benefit the parties thereto derive from such Shared Contract, then the Parties shall, and shall cause each of the members of their respective Groups to, take such other reasonable and permissible actions (including by providing prompt written notice to the other Party with respect to any relevant claim of Liability or other relevant matters arising in connection with a Shared Contract so as to allow such other Party the ability to exercise any applicable rights under such Shared Contract) to cause a member of the Adient Group or the Johnson Controls Group, as the case may be, to receive the rights and benefits of that portion of each Shared Contract that relates to the Adient Business or the Johnson Controls Business, as the case may be (in each case, to the extent so related), as if such Shared Contract had been assigned to (or amended to admit) a member of the applicable Group pursuant to this Section 2.8 (the “Proposed Assignee,” and the Group in which the Proposed Assignee is a member, the “Proposed Assignee Group”), and to bear the burden of the corresponding Liabilities (including any Liabilities that may arise by reason of such arrangement), as if such Liabilities had been assumed by the Proposed Assignee or another member of the Proposed Assignee Group pursuant to this Section 2.8. Without limiting the foregoing, if (A) a Shared Contract that is a vendor or supplier Contract cannot be assigned or amended pursuant to this Section 2.8 and can be addressed through an arrangement described in clause (ii) of the immediately preceding sentence, but the Proposed Assignee elects not to receive the rights and benefits of the applicable portion of such Shared Contract pursuant to such an arrangement, and (B) as a result the other Party or a member of the other Party’s Group is required to pay any termination, breakage, volume reduction or similar fee or expense to such vendor or supplier, then (C) the Proposed Assignee or the applicable member of the Proposed Assignee Group shall reimburse the other Party or the applicable member of the other Party’s Group for the amount of such fee or expense.

(b) Each of Johnson Controls and Adient shall, and shall cause the members of its Group to, (i) treat for all Tax purposes the portion of each Shared Contract inuring to its

respective businesses as Assets owned by, and/or Liabilities of, as applicable, such Party, or the members of its Group, as applicable, not later than the Effective Time, and (ii) neither report nor take any Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by applicable Law).

(c) Nothing in this Section 2.8 shall require any member of any Group to make any non-*de minimis* payment (except to the extent advanced, assumed or agreed in advance to be reimbursed by any member of the other Group), incur any non-*de minimis* obligation or grant any non-*de minimis* concession for the benefit of any member of any other Group in order to effect any transaction contemplated by this Section 2.8, other than any One-Time Payments for Approvals or Notifications to be made pursuant to Section 2.4.

## 2.9 Bank Accounts; Cash Balances.

(a) Each Party agrees to take, or cause the members of its Group to take, at the Effective Time (or such earlier time as the Parties may agree), all actions necessary to amend all contracts or agreements governing each bank and brokerage account owned by Adient or any other member of the Adient Group (collectively, the “Adient Accounts”), and all contracts or agreements governing each bank or brokerage account owned by Johnson Controls or any other member of the Johnson Controls Group (collectively, the “Johnson Controls Accounts”), so that each such Adient Account and Johnson Controls Account, if currently linked (whether by automatic withdrawal, automatic deposit or any other authorization to transfer funds from or to, hereinafter “Linked”) to any Johnson Controls Account or Adient Account, respectively, is de-Linked from such Johnson Controls Account or Adient Account, respectively.

(b) It is intended that, following consummation of the actions contemplated by Section 2.9(a), there will be in place a cash management process pursuant to which the Adient Accounts will be managed and funds collected will be transferred into one (1) or more accounts maintained by Adient or a member of the Adient Group.

(c) It is intended that, following consummation of the actions contemplated by Section 2.9(a), there will continue to be in place a cash management process pursuant to which the Johnson Controls Accounts will be managed and funds collected will be transferred into one (1) or more accounts maintained by Johnson Controls or a member of the Johnson Controls Group.

(d) With respect to any outstanding checks issued or payments initiated by Johnson Controls, Adient, or any of the members of their respective Groups prior to the Effective Time, such outstanding checks and payments shall be honored after the Effective Time by the Person or Group owning the account on which the check is drawn or from which the payment was initiated, respectively.

(e) As between Johnson Controls and Adient (and the members of their respective Groups), all payments made and reimbursements or other payments received after the Effective Time by either Party (or member of its Group) that relate to a business, Asset or Liability of the other Party (or member of its Group), shall be held by such Party in trust for the use and benefit of the Party entitled thereto and, promptly following receipt by such Party of any

such payment or reimbursement, such Party shall pay over, or shall cause the applicable member of its Group to pay over to the other Party the amount of such payment or reimbursement without right of set-off.

2.10 Ancillary Agreements. Effective on or prior to the Effective Time, each of Johnson Controls and Adient will, or will cause the applicable members of their Groups to, execute and deliver all Ancillary Agreements to which it is a party.

2.11 Disclaimer of Representations and Warranties. EACH OF JOHNSON CONTROLS (ON BEHALF OF ITSELF AND EACH MEMBER OF THE JOHNSON CONTROLS GROUP) AND ADIENT (ON BEHALF OF ITSELF AND EACH MEMBER OF THE ADIENT GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM OR OTHER ASSET, INCLUDING ANY ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY ASSIGNMENT, DOCUMENT OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN “AS IS,” “WHERE IS” BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM OF DEED OR CONVEYANCE) AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE WILL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD AND MARKETABLE TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (II) ANY NECESSARY APPROVALS OR NOTIFICATIONS ARE NOT OBTAINED OR MADE OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

2.12 Adient Financing Arrangements; Cash Transfers.

(a) Prior to the Effective Time and pursuant to the Plan of Reorganization, (i) Adient or another member of the Adient Group will enter into one or more financing arrangements and agreements pursuant to which it shall borrow a principal amount of \$3.5 billion dollars (the “Adient Borrowing” and together with the financing arrangements and agreements, collectively the “Adient Financing Arrangements”), and (ii) Adient Global Holdings Ltd or such other member of the Adient Group that made the Adient Borrowing shall transfer \$3.0 billion of the proceeds from the Adient Borrowing to Johnson Controls or the applicable member of the Johnson Controls Group as consideration for the transfer of Adient Assets to

Adient pursuant to Section 2.1 (the “Adient Cash Transfer”). Johnson Controls and Adient agree to take all necessary actions to assure the full release and discharge of Johnson Controls and the other members of the Johnson Controls Group from all obligations pursuant to the Adient Financing Arrangements, except as set forth below, as of no later than the Effective Time. The Parties agree that Adient or another member of the Adient Group, as the case may be, and not Johnson Controls or any member of the Johnson Controls Group, are and shall be responsible for all costs and expenses incurred in connection with the Adient Financing Arrangements, except that Johnson Controls shall be responsible for paying interest on the Adient Financing Arrangements accruing prior to the Distribution Date (the “Retained Financing Liabilities”).

(b) Prior to the Effective Time, Johnson Controls and Adient shall cooperate in the preparation of all materials as may be necessary or advisable to execute the Adient Financing Arrangements.

(c) Following the Distribution Date, Johnson Controls or Adient, as applicable, shall pay or cause to be paid to the other Party an adjustment amount determined in accordance with Schedule 2.12(c).

2.13 Financial Information Certifications. In order to enable the principal executive officer and principal financial officer of Adient to make the certifications required of them under Section 302 of the Sarbanes-Oxley Act of 2002, Johnson Controls, within thirty-five (35) days of the end of any fiscal quarter in which Adient remains Johnson Controls’ Subsidiary, shall provide Adient with one or more certifications with respect to its disclosure controls and procedures and internal control over financial reporting (each, as defined in the Exchange Act) and the effectiveness thereof. Such certification(s) shall be provided by Johnson Controls (and not by any officer or employee in their individual capacity).

2.14 Transition Committee. Prior to the Effective Time, the Parties shall establish a transition committee (the “Transition Committee”) that shall consist of 2 members from Johnson Controls and 2 members from Adient, which membership shall be as set forth on Schedule 2.14. The Transition Committee shall be responsible for monitoring and managing all matters related to any of the transactions contemplated by this Agreement or any Ancillary Agreements. The Transition Committee shall have the authority to: (a) establish one or more subcommittees from time to time as it deems appropriate or as may be described in any Ancillary Agreements, with each such subcommittee comprised of one or more members of the Transition Committee or one or more employees of either Party or any member of its respective Group, and each such subcommittee having such scope of responsibility as may be determined by the Transition Committee from time to time; (b) delegate to any such committee any of the powers of the Transition Committee; (c) combine, modify the scope of responsibility of, and disband any such subcommittees; and (d) modify or reverse any such delegations. The Transition Committee shall establish general procedures for managing the responsibilities delegated to it under this Section 2.14, and may modify such procedures from time to time. The Parties may change the composition, authority and procedures of the Transition Committee by mutual written agreement after the Effective Time. All decisions by the Transition Committee or any subcommittee thereof shall be effective only if mutually agreed in writing by both Parties. The Parties shall utilize the procedures set forth in Article VII to resolve any matters as to which the Transition Committee is not able to reach a decision.



ARTICLE III  
THE DISTRIBUTION

3.1 Sole and Absolute Discretion; Cooperation.

(a) Johnson Controls shall, in its sole and absolute discretion, determine the terms of the Distribution, including the form, structure and terms of any transaction and/or offering to effect the Distribution and the timing and conditions to the consummation of the Distribution. In addition, Johnson Controls may, at any time and from time to time until the consummation of the Distribution, modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution. Nothing shall in any way limit Johnson Controls' right to terminate this Agreement or not to complete the Distribution as set forth in Article IX or, prior to the Distribution, alter the consequences of any such termination from those specified in Article IX.

(b) Adient shall cooperate with Johnson Controls to accomplish the Distribution and shall, at Johnson Controls' direction, promptly take any and all actions necessary or desirable to effect the Distribution, including in respect of the registration under the Exchange Act of Adient Shares on the Form 10. Johnson Controls shall select any investment bank or manager in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and financial, legal, accounting and other advisors for Johnson Controls. Adient and Johnson Controls, as the case may be, will provide to the Agent any information required in order to complete the Distribution.

3.2 Actions Prior to the Distribution. Prior to the Effective Time and subject to the terms and conditions set forth herein, the Parties shall take, or cause to be taken, the following actions in connection with the Distribution:

(a) *Notice to NYSE.* Johnson Controls shall, to the extent possible, give the NYSE not less than ten (10) days' advance notice of the Record Date in compliance with Rule 10b-17 under the Exchange Act.

(b) *Adient Articles of Association.* On or prior to the Distribution Date, Johnson Controls and Adient shall take all necessary actions so that, as of the Effective Time, the Adient Articles shall become the articles of association of Adient.

(c) *Adient Directors and Officers.* On or prior to the Distribution Date, Johnson Controls and Adient shall take all necessary actions so that as of the Effective Time: (i) the directors and executive officers of Adient shall be those set forth in the Information Statement made available to the Record Holders prior to the Distribution Date, unless otherwise agreed by the Parties; (ii) each individual referred to in clause (i) shall have resigned from his or her position, if any, as a member of the Johnson Controls Board and/or as an executive officer of Johnson Controls; and (iii) Adient shall have such other officers as Adient shall appoint.

(d) *NYSE Listing.* Adient shall prepare and file, and shall use its reasonable best efforts to have approved, an application for the listing of the Adient Shares to be distributed in the Distribution on the NYSE, subject to official notice of distribution.

(e) *Securities Law Matters.* Adient shall file any amendments or supplements to the Form 10 as may be necessary or advisable in order to cause the Form 10 to become and remain effective as required by the SEC or federal, state or other applicable securities Laws. Johnson Controls and Adient shall cooperate in preparing, filing with the SEC and causing to become effective registration statements or amendments thereof which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or advisable in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. Johnson Controls and Adient will prepare, and Adient will, to the extent required under applicable Law, file with the SEC any such documentation and any requisite no-action letters that Johnson Controls determines are necessary or desirable to effectuate the Distribution, and Johnson Controls and Adient shall each use its reasonable best efforts to obtain all necessary approvals from the SEC with respect thereto as soon as practicable. Johnson Controls and Adient shall take all such action as may be necessary or appropriate under the securities or blue sky Laws of the United States (and any comparable Laws under any other jurisdiction) in connection with the Distribution.

(f) *Availability of Information Statement.* Johnson Controls shall, as soon as is reasonably practicable after the Form 10 is declared effective under the Exchange Act and the Johnson Controls Board has approved the Distribution, cause the Information Statement to be mailed to the Record Holders or, in connection with the delivery of a notice of Internet availability of the Information Statement to such holders, posted on the Internet.

(g) *The Distribution Agent.* Johnson Controls shall enter into a distribution agent agreement with the Agent or otherwise provide instructions to the Agent regarding the Distribution.

(h) *Share-Based Employee Benefit Plans.* Johnson Controls and Adient shall take all actions as may be necessary to approve the grants of adjusted equity awards by Johnson Controls (in respect of Johnson Controls shares) and Adient (in respect of Adient shares) in connection with the Distribution in order to satisfy the requirements of Rule 16b-3 under the Exchange Act.

### 3.3 Conditions to the Distribution.

(a) The consummation of the Distribution will be subject to the satisfaction or waiver by Johnson Controls, in its sole and absolute discretion, of the following conditions:

(i) The SEC shall have declared effective the Form 10; no order suspending the effectiveness of the Form 10 shall be in effect; and no proceedings for such purposes shall have been instituted or threatened by the SEC.

(ii) The Information Statement shall have been mailed to Record Holders or, in connection with the delivery of a notice of Internet availability of the Information Statement to such holders, posted on the Internet.

(iii) The transfer of the Adient Assets (other than any Delayed Adient Asset) and Adient Liabilities (other than any Delayed Adient Liability) contemplated to be transferred from Johnson Controls to Adient on or prior to the Distribution shall have

occurred as contemplated by Section 2.1, and the transfer of the Johnson Controls Assets (other than any Delayed Johnson Controls Asset) and Johnson Controls Liabilities (other than any Delayed Johnson Controls Liability) contemplated to be transferred from Adient to Johnson Controls on or prior to the Distribution Date shall have occurred as contemplated by Section 2.1, in each case pursuant to the Plan of Reorganization.

(iv) The actions and filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities Laws or blue sky Laws, and the rules and regulations thereunder, shall have been taken or made and, where applicable, have become effective or been accepted.

(v) Each of the Ancillary Agreements shall have been duly executed and delivered by the applicable parties thereto.

(vi) No order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation, the Distribution or any of the transactions related thereto shall be in effect.

(vii) The Adient Shares to be distributed to the Johnson Controls shareholders in the Distribution shall have been accepted for listing on the NYSE, subject to official notice of distribution.

(viii) Johnson Controls shall have received the proceeds from the Adient Cash Transfer and shall be satisfied in its sole and absolute discretion that, as of the Effective Time, it shall have no further Liability (other than Retained Financing Liabilities) under the Adient Financing Arrangements.

(ix) No other events or developments shall exist or shall have occurred that, in the judgment of the Johnson Controls Board, in its sole and absolute discretion, make it inadvisable to effect the Separation, the Distribution or the transactions contemplated by this Agreement or any Ancillary Agreement.

(b) The foregoing conditions are for the sole benefit of Johnson Controls and shall not give rise to or create any duty on the part of Johnson Controls or the Johnson Controls Board to waive or not waive any such condition or in any way limit Johnson Controls' right to terminate this Agreement as set forth in Article IX or, prior to the Distribution, alter the consequences of any such termination from those specified in Article IX. Any determination made by the Johnson Controls Board prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in Section 3.3(a) shall be conclusive and binding on the Parties. If Johnson Controls waives any material condition, it shall promptly issue a press release disclosing such fact and file a Current Report on Form 8-K with the SEC describing such waiver.

### 3.4 The Distribution.

(a) Subject to Section 3.3, on or prior to the Effective Time, Adient will deliver to the Agent, for the benefit of the Record Holders, book-entry transfer authorizations for

such number of the outstanding Adient Shares as is necessary to effect the Distribution, and shall cause the transfer agent for the Johnson Controls Shares to instruct the Agent to distribute at the Effective Time the appropriate number of Adient Shares to each such holder or designated transferee or transferees of such holder by way of direct registration in book-entry form. Adient will not issue paper stock certificates in respect of the Adient Shares. The Distribution shall be effective at the Effective Time.

(b) Subject to Sections 3.3 and 3.4(c), each Record Holder will be entitled to receive in the Distribution a number of whole Adient Shares equal to the number of Johnson Controls Shares held by such Record Holder on the Record Date multiplied by the Distribution Ratio, rounded down to the nearest whole number.

(c) No fractional shares will be distributed or credited to book-entry accounts in connection with the Distribution, and any such fractional shares interests to which a Record Holder would otherwise be entitled shall not entitle such Record Holder to vote or to any other rights as a stockholder of Adient. In lieu of any such fractional shares, each Record Holder who, but for the provisions of this Section 3.4(c), would be entitled to receive a fractional share interest of an Adient Share pursuant to the Distribution, shall be paid cash, without any interest thereon, as hereinafter provided. As soon as practicable after the Effective Time, Johnson Controls shall direct the Agent to determine the number of whole and fractional Adient Shares allocable to each Record Holder, to aggregate all such fractional shares into whole shares, and to sell the whole shares obtained thereby in the open market at the then-prevailing prices on behalf of each Record Holder who otherwise would be entitled to receive fractional share interests (with the Agent, in its sole and absolute discretion, determining when, how and through which broker-dealer and at what price to make such sales), and to cause to be distributed to each such Record Holder, in lieu of any fractional share, such Record Holder's or owner's ratable share of the total proceeds of such sale, after deducting any Taxes required to be withheld and applicable transfer Taxes, and after deducting the costs and expenses of such sale and distribution, including brokers fees and commissions. None of Johnson Controls, Adient or the Agent will be required to guarantee any minimum sale price for the fractional Adient Shares sold in accordance with this Section 3.4(c). Neither Johnson Controls nor Adient will be required to pay any interest on the proceeds from the sale of fractional shares. Neither the Agent nor the broker-dealers through which the aggregated fractional shares are sold shall be Affiliates of Johnson Controls or Adient. Solely for purposes of computing fractional share interests pursuant to this Section 3.4(c) and Section 3.4(d), the beneficial owner of Johnson Controls Shares held of record in the name of a nominee in any nominee account shall be treated as the Record Holder with respect to such shares.

(d) Any Adient Shares or cash in lieu of Adient Shares (or fractions thereof) that remain unclaimed by any Record Holder one hundred and eighty (180) days after the Distribution Date shall be delivered to Adient, and Adient shall hold such Adient Shares for the account of such Record Holder, and the Parties agree that all obligations to provide such Adient Shares and cash, if any, in lieu of Adient Shares (or fractions thereof) shall be obligations of Adient, subject in each case to applicable escheat or other abandoned property Laws, and Johnson Controls shall have no Liability with respect thereto.

(e) Until the Adient Shares are duly transferred in accordance with this Section 3.4 and applicable Law, from and after the Effective Time, Adient will regard the Persons entitled to receive such Adient Shares as record holders of Adient Shares in accordance with the terms of the Distribution without requiring any action on the part of such Persons. Adient agrees that, subject to any transfers of such shares, from and after the Effective Time (i) each such holder will be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, the Adient Shares then held by such holder, and (ii) each such holder will be entitled, without any action on the part of such holder, to receive evidence of ownership in book-entry form of the Adient Shares then held by such holder.

#### ARTICLE IV MUTUAL RELEASES; INDEMNIFICATION

##### 4.1 Release of Pre-Distribution Claims.

(a) *Adient Release of Johnson Controls.* Except as provided in Sections 4.1(c) and 4.3, effective as of the Effective Time, Adient does hereby, for itself and each other member of the Adient Group, and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the Adient Group (in each case, in their respective capacities as such), surrender, relinquish, release and forever discharge (i) Johnson Controls and the members of the Johnson Controls Group, and their respective successors and assigns, (ii) all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the Johnson Controls Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, and (iii) all Persons who at any time prior to the Effective Time are or have been shareholders, directors, officers, agents or employees of a Transferred Entity and who are not, as of immediately after the Effective Time, directors, officers or employees of Adient or a member of the Adient Group, in each case from: (A) all Adient Liabilities, (B) all Liabilities arising from or in connection with the transactions and all other activities to implement the Separation and the Distribution and (C) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent relating to, arising out of or resulting from the Adient Business, the Adient Assets or the Adient Liabilities.

(b) *Johnson Controls Release of Adient.* Except as provided in Sections 4.1(c) and 4.2, effective as of the Effective Time, Johnson Controls does hereby, for itself and each other member of the Johnson Controls Group and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the Johnson Controls Group (in each case, in their respective capacities as such), surrender, relinquish, release and forever discharge (i) Adient and the members of the Adient Group and their respective successors and assigns, and (ii) all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the Adient Group (in each case, in their respective capacities as such), and their respective heirs,

executors, administrators, successors and assigns, from (A) all Johnson Controls Liabilities, (B) all Liabilities arising from or in connection with the transactions and all other activities to implement the Separation and the Distribution and (C) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent relating to, arising out of or resulting from the Johnson Controls Business, the Johnson Controls Assets or the Johnson Controls Liabilities.

(c) *Obligations Not Affected.* Nothing contained in Section 4.1(a) or 4.1(b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified in Section 2.7(b) or the applicable Schedules thereto as not to terminate as of the Effective Time, in each case in accordance with its terms. Nothing contained in Section 4.1(a) or 4.1(b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the Johnson Controls Group or the Adient Group that is specified in Section 2.7(b) or the applicable Schedules thereto as not to terminate as of the Effective Time, any other Liability specified in Section 2.7(b) as not to terminate as of the Effective Time or any Intercompany Account that is not settled as of the Effective Time;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement;

(iii) any Liability provided in or resulting from any Contract or understanding that is entered into after the Effective Time between Johnson Controls or Adient (and/or a member of the Johnson Controls Group or the Adient Group), on the one hand, and Adient or Johnson Controls (and/or a member of the other Adient Group or the Johnson Controls Group), on the other hand;

(iv) any Liability that the Parties may have with respect to indemnification or contribution pursuant to this Agreement, any Ancillary Agreement or otherwise for claims brought against the Parties by third Persons, which Liability shall be governed by the provisions of this Article IV and Article V and, if applicable, the appropriate provisions of the Ancillary Agreements; or

(v) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 4.1.

In addition, nothing contained in Section 4.1(a) shall release any member of the Johnson Controls Group from honoring its existing obligations to indemnify any director, officer or employee of Adient who was a director, officer or employee of any member of the Johnson Controls Group on or prior to the Effective Time, to the extent such director, officer or employee becomes a named defendant in any Action with respect to which such director, officer or

employee was entitled to such indemnification pursuant to such existing obligations; it being understood that, if the underlying obligation giving rise to such Action is an Adient Liability, Adient shall indemnify Johnson Controls for such Liability (including Johnson Controls' costs to indemnify the director, officer or employee) in accordance with the provisions set forth in this Article IV.

(d) *No Claims.* Adient shall not make, and shall not permit any member of the Adient Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Johnson Controls or any other member of the Johnson Controls Group, or any other Person released pursuant to Section 4.1(a), with respect to any Liabilities released pursuant to Section 4.1(a). Johnson Controls shall not make, and shall not permit any other member of the Johnson Controls Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against Adient or any other member of the Adient Group, or any other Person released pursuant to Section 4.1(b), with respect to any Liabilities released pursuant to Section 4.1(b).

(e) *Execution of Further Releases.* At any time at or after the Effective Time, at the written request of either Party, the other Party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions of this Section 4.1.

4.2 Indemnification by Adient. Except as otherwise specifically set forth in this Agreement or in any Ancillary Agreement, to the fullest extent permitted by Law, Adient shall, and shall cause the other members of the Adient Group to, indemnify, defend and hold harmless Johnson Controls, each member of the Johnson Controls Group and each of their respective past, present and future directors, officers, employees and agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Johnson Controls Indemnified Parties"), from and against any and all Liabilities of the Johnson Controls Indemnified Parties relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):

(a) any Adient Liability;

(b) any failure of Adient, any other member of the Adient Group or any other Person to pay, perform or otherwise promptly discharge any Adient Liabilities in accordance with their terms, whether prior to, on or after the Effective Time;

(c) any breach by Adient or any other member of the Adient Group of this Agreement or any of the Ancillary Agreements (other than the Transition Services Agreement);

(d) except to the extent it relates to a Johnson Controls Liability, any guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any member of the Adient Group by any member of the Johnson Controls Group that survives following the Distribution[]; and

(e) [any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to

make the statements therein not misleading, with respect to all information contained in the Form 10, the Information Statement (as amended or supplemented if Adient shall have furnished any amendments or supplements thereto) or any other Disclosure Document, other than the matters described in clause (e) of Section 4.3].

4.3 Indemnification by Johnson Controls. Except as otherwise specifically set forth in this Agreement or in any Ancillary Agreement, to the fullest extent permitted by Law, Johnson Controls shall, and shall cause the other members of the Johnson Controls Group to, indemnify, defend and hold harmless Adient, each member of the Adient Group and each of their respective past, present and future directors, officers, employees and agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the “Adient Indemnified Parties”), from and against any and all Liabilities of the Adient Indemnified Parties relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):

- (a) any Johnson Controls Liability;
- (b) any failure of Johnson Controls, any other member of the Johnson Controls Group or any other Person to pay, perform or otherwise promptly discharge any Johnson Controls Liabilities in accordance with their terms, whether prior to, on or after the Effective Time;
- (c) any breach by Johnson Controls or any other member of the Johnson Controls Group of this Agreement or any of the Ancillary Agreements (other than the Transition Services Agreement);
- (d) except to the extent it relates to an Adient Liability, any guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any member of the Johnson Controls Group by any member of the Adient Group that survives following the Distribution[; and
- (e) [any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Form 10, the Information Statement (as amended or supplemented if Adient shall have furnished any amendments or supplements thereto) or any other Disclosure Document specifically relating to (i) the Johnson Controls Business, Johnson Controls Assets or Johnson Controls Liabilities or (ii) Johnson Controls and other members of the Johnson Controls Group as of and after the Effective Time].

4.4 Indemnification Obligations Net of Insurance Proceeds and Other Amounts.

(a) The Parties intend that any Liability subject to indemnification, contribution or reimbursement pursuant to this Article IV or Article V will be net of Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnified Party in



respect of any indemnifiable Liability. Accordingly, the amount that either Party (an “Indemnifying Party”) is required to pay to any Person entitled to indemnification or contribution hereunder (an “Indemnified Party”) will be reduced by any Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnified Party in respect of the related Liability. If an Indemnified Party receives a payment (an “Indemnity Payment”) required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds or any other amounts in respect of the same Liability, then the Indemnified Party will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or such other amounts (net of any out-of-pocket costs or expenses incurred in the collection thereof) had been received, realized or recovered before the Indemnity Payment was made.

(b) It is expressly agreed and understood that all rights to indemnification, contribution and reimbursement pursuant to this Article IV or Article V are in excess of all available insurance. Without limiting the foregoing, the Parties agree that an insurer that would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of any provision contained in this Agreement or any Ancillary Agreement, have any subrogation rights with respect thereto, it being understood that no insurer or any other Third Party shall be entitled to a “windfall” (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the Liability allocation, indemnification and contribution provisions hereof. Accordingly, any provision herein that could have the result of giving any insurer or other Third Party such a “windfall” shall be suspended or amended to the extent necessary to not provide such “windfall.” Each Party shall, and shall cause the members of its Group to, use commercially reasonable efforts (taking into account the probability of success on the merits and the cost of expending such efforts, including attorney’s fees and expenses) to collect or recover, or allow the Indemnifying Party to collect or recover, any Insurance Proceeds that may be collectible or recoverable respecting the Liabilities for which indemnification or contribution may be available under this Article IV. Notwithstanding the foregoing, an Indemnifying Party may not delay making any indemnification payment required under the terms of this Agreement, or otherwise satisfying any indemnification obligation, pending the outcome of any Action to collect or recover Insurance Proceeds, and an Indemnified Party need not attempt to collect any Insurance Proceeds prior to making a claim for indemnification or contribution or receiving any Indemnity Payment otherwise owed to it under this Agreement or any Ancillary Agreement.

#### 4.5 Procedures for Indemnification of Third-Party Claims.

(a) *Notice of Claims.* If, at or after the date of this Agreement, an Indemnified Party shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the Johnson Controls Group or the Adient Group of any claim or of the commencement by any such Person of any Action (collectively, a “Third-Party Claim”) with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnified Party pursuant to Section 4.2 or 4.3, or any other Section of this Agreement or any Ancillary Agreement, such Indemnified Party shall give such Indemnifying Party written notice thereof as soon as practicable, but in any event within thirty

(30) days after becoming aware of such Third-Party Claim (or sooner if the nature of the Third-Party Claim so requires). Any such notice shall describe the Third-Party Claim in reasonable detail, including, to the extent set forth in or readily apparent from the notices and documents received by the Indemnified Party, the facts and circumstances giving rise to such claim for indemnification, and include copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third-Party Claim. Notwithstanding the foregoing, the failure of an Indemnified Party to provide notice in accordance with this Section 4.5(a) shall not relieve an Indemnifying Party of its indemnification obligations under this Agreement, except to the extent to which the Indemnifying Party is actually prejudiced by the Indemnified Party's failure to provide notice in accordance with this Section 4.5(a).

(b) *Control of Defense.* An Indemnifying Party may elect to control the defense of (and seek to settle or compromise), at its own expense and with its own counsel, any Third-Party Claim; provided, that, prior to the Indemnifying Party assuming and controlling defense of such Third-Party Claim, it shall first confirm to the Indemnified Party in writing that, assuming the facts presented to the Indemnifying Party by the Indemnified Party being true, the Indemnifying Party shall indemnify the Indemnified Party for any such damages to the extent resulting from, or arising out of, such Third-Party Claim. Notwithstanding the foregoing, if the Indemnifying Party assumes such defense and, in the course of defending such Third-Party Claim, (i) the Indemnifying Party discovers that the facts presented at the time the Indemnifying Party acknowledged its indemnification obligation in respect of such Third-Party Claim were not true or that such facts, while true in all material respects, do not form the basis upon which such Third-Party Claim is predicated (e.g., as a result of the allegations made in such Third-Party Claim changing over time) and (ii) such untruth or change provides a reasonable basis for asserting that the Indemnifying Party does not have an indemnification obligation in respect of such Third-Party Claim, then (A) the Indemnifying Party shall not be bound by such acknowledgment, (B) the Indemnifying Party shall promptly thereafter provide the Indemnified Party written notice of its assertion that it does not have an indemnification obligation in respect of such Third-Party Claim (giving the reasons therefor) and (C) the Indemnified Party shall have the right to assume the defense of such Third-Party Claim. Within thirty (30) days after the receipt of a notice from an Indemnified Party in accordance with Section 4.5(a) (or sooner, if the nature of the Third-Party Claim so requires), the Indemnifying Party shall provide written notice to the Indemnified Party indicating whether the Indemnifying Party shall assume responsibility for defending the Third-Party Claim. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnified Party of its election within thirty (30) days after receipt of the notice from an Indemnified Party as provided in Section 4.5(a), then the Indemnified Party that is the subject of such Third-Party Claim shall be entitled to continue to conduct and control the defense of such Third-Party Claim.

(c) *Allocation of Defense Costs.* If an Indemnifying Party has elected to assume the defense of a Third-Party Claim, then such Indemnifying Party shall be solely liable for all fees and expenses incurred by it in connection with the defense of such Third-Party Claim and shall not be entitled to seek any indemnification or reimbursement from the Indemnified Party for any such fees or expenses incurred by the Indemnifying Party during the course of the defense of such Third-Party Claim by such Indemnifying Party, regardless of any subsequent decision by the Indemnifying Party to reject or otherwise abandon its assumption of such defense. If an Indemnifying Party elects not to assume responsibility for defending any Third-

Party Claim or fails to notify an Indemnified Party of its election within thirty (30) days after receipt of a notice from an Indemnified Party as provided in Section 4.5(a), and the Indemnified Party conducts and controls the defense of such Third-Party Claim and the Indemnifying Party has an indemnification obligation with respect to such Third-Party Claim, then the Indemnifying Party shall be liable for all reasonable fees and expenses incurred by the Indemnified Party in connection with the defense of such Third-Party Claim.

(d) *Right to Monitor and Participate.* An Indemnified Party that does not conduct and control the defense of any Third-Party Claim, or an Indemnifying Party that has failed to elect to defend any Third-Party Claim as contemplated hereby, nevertheless shall have the right to employ separate counsel (including local counsel as necessary) of its own choosing to monitor and participate in (but not control) the defense of any Third-Party Claim for which it is a potential Indemnified Party or Indemnifying Party, but the fees and expenses of such counsel shall be borne by such Indemnified Party or non-controlling Indemnifying Party, as the case may be, and the provisions of Section 4.5(c) shall not apply to such fees and expenses. Notwithstanding the foregoing, but subject to Sections 6.7 and 6.8, such Party shall cooperate with the Party entitled to conduct and control the defense of such Third-Party Claim in such defense and make available to the controlling Party all witnesses, information and materials in such Party's possession or under such Party's control relating thereto as are reasonably required by the controlling Party (with the reasonable out-of-pocket costs associated with such cooperation being at the expense of the non-controlling party). In addition to the foregoing, if any Indemnified Party shall in good faith determine that such Indemnified Party and the Indemnifying Party have actual or potential differing defenses or conflicts of interest between them that make joint representation inappropriate, then the Indemnified Party shall have the right to employ separate counsel (including local counsel as necessary) and to participate in (but not control) the defense, compromise, or settlement thereof, and the Indemnifying Party shall bear the reasonable fees and expenses of one such counsel and local counsel (as appropriate) for all Indemnified Parties.

(e) *No Settlement.* Neither Party may settle or compromise any Third-Party Claim for which either Party is seeking to be indemnified hereunder without the prior written consent of the other Party, which consent may not be unreasonably withheld, unless such settlement or compromise is solely for monetary damages, does not involve any finding or determination of wrongdoing or violation of Law by the other Party and provides for a full, unconditional and irrevocable release of the other Party from all Liability in connection with the Third-Party Claim. The Parties hereby agree that if a Party presents the other Party with a written notice containing a proposal to settle or compromise a Third-Party Claim for which either Party is seeking to be indemnified hereunder and the Party receiving such proposal does not respond in any manner to the Party presenting such proposal within thirty (30) days (or within any such shorter time period that may be required by applicable Law or court order) of receipt of such proposal, then the Party receiving such proposal shall be deemed to have consented to the terms of such proposal.

(f) *Tax Matters Agreement Governs.* The above provisions of this Section 4.5 and the provisions of Section 4.6 do not apply to Taxes (Taxes being governed by the Tax Matters Agreement). In the case of any conflict between this Agreement and the Tax Matters

Agreement in relation to any matters addressed by the Tax Matters Agreement, the Tax Matters Agreement shall prevail.

(g) *Reporting.* An Indemnifying Party shall provide the Indemnified Party with a monthly written report identifying any Third-Party Claims that such Indemnifying Party has elected to defend pursuant to Section 4.5(b). In addition, the Indemnifying Party shall establish a procedure reasonably acceptable to the Indemnified Party to automatically send electronic notice from the Indemnifying Party to the Indemnified Party through the litigation management system or any successor system when any such Third-Party Claim is closed, regardless of whether such Third-Party Claim was decided by settlement, verdict, dismissal or was otherwise disposed of.

#### 4.6 Additional Matters.

(a) *Timing of Payments.* Indemnification or contribution payments in respect of any Liabilities for which an Indemnified Party is entitled to indemnification or contribution under this Article IV shall be paid reasonably promptly (but in any event within thirty (30) days of the final determination of the amount that the Indemnified Party is entitled to indemnification or contribution under this Article IV) by the Indemnifying Party to the Indemnified Party as such Liabilities are incurred upon demand by the Indemnified Party, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification or contribution payment, including documentation with respect to calculations made and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. The indemnity and contribution provisions contained in this Article IV shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnified Party, and (ii) the knowledge by the Indemnified Party of Liabilities for which it might be entitled to indemnification hereunder.

(b) *Notice of Direct Claims.* Any claim for indemnification or contribution under this Agreement or any Ancillary Agreement that does not result from a Third-Party Claim shall be asserted by written notice given by the Indemnified Party to the applicable Indemnifying Party; provided, that the failure by an Indemnified Party to so assert any such claim shall not prejudice the ability of the Indemnified Party to do so at a later time except to the extent (if any) that the Indemnifying Party is prejudiced thereby. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such thirty (30)-day period, such specified claim shall be conclusively deemed a Liability of the Indemnifying Party under this Section 4.6(b) or, in the case of any written notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of the claim (or such portion thereof) becomes finally determined. If such Indemnifying Party does not respond within such thirty (30)-day period or rejects such claim in whole or in part, such Indemnified Party shall, subject to the provisions of Article VII, be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements, as applicable, without prejudice to its continuing rights to pursue indemnification or contribution hereunder.

(c) *Pursuit of Claims Against Third Parties.* If (i) a Party incurs any Liability arising out of this Agreement or any Ancillary Agreement; (ii) an adequate legal or equitable

remedy is not available for any reason against the other Party to satisfy the Liability incurred by the incurring Party; and (iii) a legal or equitable remedy may be available to the other Party against a Third Party for such Liability, then the other Party shall use its commercially reasonable efforts to cooperate with the incurring Party, at the incurring Party's expense, to permit the incurring Party to obtain the benefits of such legal or equitable remedy against the Third Party.

(d) *Subrogation.* In the event of payment by or on behalf of any Indemnifying Party to any Indemnified Party in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnified Party as to any events or circumstances in respect of which such Indemnified Party may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnified Party shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(e) *Substitution.* In the event of an Action for which a Party is entitled to indemnification hereunder and in which the Indemnifying Party is not a named defendant, if either the Indemnified Party or Indemnifying Party shall so request, the Parties shall endeavor to substitute the Indemnifying Party for the named defendant. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in Section 4.5 and this Section 4.6, and the Indemnifying Party shall fully indemnify the named defendant in accordance with the other provisions of this Article IV.

#### 4.7 Right of Contribution.

(a) *Contribution.* If any right of indemnification contained in Sections 4.2 or 4.3 is held unenforceable or is unavailable for any reason, or is insufficient to hold harmless an Indemnified Party in respect of any Liability for which such Indemnified Party is entitled to indemnification hereunder, then the Indemnifying Party shall contribute to the amounts (including any costs, expenses, attorneys' fees, disbursements and expenses of counsel, expert and consulting fees and costs related thereto or to the investigation or defense thereof) paid or payable by the Indemnified Parties as a result of such Liability (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the members of its Group, on the one hand, and the Indemnified Parties entitled to contribution, on the other hand, as well as any other relevant equitable considerations.

(b) *Allocation of Relative Fault.* Solely for purposes of determining relative fault pursuant to this Section 4.7: (i) except for fault attributable to the gross negligence or intentional misconduct of a member of the Johnson Controls Group, any fault associated with the business conducted with the Delayed Adient Assets or Delayed Adient Liabilities or with the ownership, operation or activities of the Adient Business prior to the Effective Time shall be deemed to be the fault of Adient and the other members of the Adient Group, and no such fault shall be deemed to be the fault of Johnson Controls or any other member of the Johnson Controls Group; (ii) except for fault attributable to the gross negligence or intentional misconduct of a member of the Adient Group, any fault associated with the business conducted with Delayed

Johnson Controls Assets or Delayed Johnson Controls Liabilities shall be deemed to be the fault of Johnson Controls and the other members of the Johnson Controls Group, and no such fault shall be deemed to be the fault of Adient or any other member of the Adient Group; (iii) any fault associated with the ownership, operation or activities of the Johnson Controls Business prior to or after the Effective Time shall be deemed to be the fault of Johnson Controls and the other members of the Johnson Controls Group, and no such fault shall be deemed to be the fault of Adient or any other member of the Adient Group; and (iv) any fault associated with the ownership, operation or activities of the Adient Business prior to or after the Effective Time shall be deemed to be the fault of Adient and the other members of the Adient Group, and no such fault shall be deemed to be the fault of Johnson Controls or any other member of the Johnson Controls Group.

4.8 Covenant Not to Sue (Liabilities and Indemnity). Each Party hereby covenants and agrees that none of it, the members of such Party's Group or any Person claiming through it shall bring suit or otherwise assert any claim against any Indemnified Party, or assert a defense against any claim asserted by any Indemnified Party, before any court, arbitrator, mediator or administrative agency anywhere in the world, alleging that: (a) the assumption of any Adient Liabilities by Adient or a member of the Adient Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; (b) the retention of any Johnson Controls Liabilities by Johnson Controls or a member of the Johnson Controls Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; or (c) the provisions of this Article IV are void or unenforceable for any reason.

4.9 Remedies Cumulative. The remedies provided in this Article IV shall be cumulative and, subject to the provisions of Article VIII, shall not preclude assertion by any Indemnified Party of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

4.10 Survival of Indemnities. The rights and obligations of each of Johnson Controls and Adient and their respective Indemnified Parties under this Article IV shall survive (a) the sale or other transfer by either Party or any member of its Group of any assets or businesses or the assignment by it of any liabilities; or (b) any merger, consolidation, business combination, sale of all or substantially all of its Assets, restructuring, recapitalization, reorganization or similar transaction involving either Party or any of the members of its Group.

4.11 Coordination with Ancillary Agreements. The provisions of Sections 4.2 through 4.10 hereof shall not apply with respect to Taxes or Tax matters (including the control of Tax related proceedings), which shall be governed by the Tax Matters Agreement. In the case of any conflict between this Agreement and the Tax Matters Agreement in relation to any matters addressed by the Tax Matters Agreement, the Tax Matters Agreement shall control. The provisions of Sections 4.2 through 4.10 hereof shall not apply (except as expressly set forth in the Transition Services Agreement) with respect to the representations, warranties, covenants and agreements set forth in the Transition Services Agreement, which shall be governed by the Transition Services Agreement. In the case of any conflict between this Agreement and the Transition Services Agreement in relation to any matters addressed by the Transition Services Agreement, the Transition Services Agreement shall control.

ARTICLE V  
CERTAIN OTHER MATTERS

5.1      Insurance Matters.

(a)      Johnson Controls and Adient agree to cooperate in good faith regarding Insurance Administration to provide for an orderly transition from the date hereof through the Effective Time. In no event shall Johnson Controls, any other member of the Johnson Controls Group or any Johnson Controls Indemnified Party have Liability or obligation whatsoever to any member of the Adient Group in the event that any insurance policy or other contract of insurance shall be terminated or otherwise cease to be in effect for any reason, shall be unavailable or inadequate to cover any Liability of any member of the Adient Group for any reason whatsoever or shall not be renewed or extended beyond the current expiration date of any such insurance policy or other contract of insurance.

(b)      From and after the Effective Time, with respect to any losses, damages and Liability incurred by any member of the Adient Group prior to the Effective Time, Johnson Controls will provide Adient with access to, and Adient may, upon prior written notice to Johnson Controls, make claims under, (1) Johnson Controls' third-party excess casualty insurance policies that are "occurrence based" insurance policies in place immediately prior to the Effective Time and Johnson Controls' historical excess casualty policies of insurance that are "occurrence based" insurance policies ("Excess Casualty Policies"), (2) Johnson Controls' international casualty insurance policies that are "occurrence based" insurance policies in place immediately prior to the Effective Time and Johnson Controls' historical international casualty policies of insurance that are "occurrence based" insurance policies, including any such policies that are underwritten by Global Risk Underwriters Ltd. during the period commencing October 1, 2006 and ending on the Distribution Date ("International Casualty Policies") and (3) Johnson Controls' third-party insurance policies that are "claims made" insurance policies in place immediately prior to the Effective Time and Johnson Controls' historical policies of insurance that are "claims made" insurance policies ("Claims Made Policies"), but in each case of clauses (1), (2) and (3), solely to the extent that such policies provided coverage for members of the Adient Group prior to the Effective Time and pursuant to the Insurance Administration procedures to be mutually agreed in writing between Johnson Controls and Adient (the "Insurance Administration Procedures," which shall be legally binding upon the Parties, once agreed); provided, that such access to, and the right to make claims under, such insurance policies, shall be subject to the terms and conditions of such insurance policies, including any restrictions on coverage or scope, any deductibles, retentions or self-insurance provision, and any fees, costs, or other expenses, and shall be subject to the following additional conditions:

(i)      Adient shall report any claim to Johnson Controls, as promptly as practicable and in any event in sufficient time so that such claim may be made in accordance with Johnson Controls' claim reporting procedures in effect immediately prior to the Effective Time (or in accordance with any modifications to such procedures after the Effective Time communicated by Johnson Controls to Adient in writing);

(ii)      Adient and the members of the Adient Group shall indemnify, hold harmless and reimburse Johnson Controls and the members of the Johnson Controls

Group for any deductible, self-insured retention, fees and expenses incurred by Johnson Controls or any members of the Johnson Controls Group to the extent resulting from any access to, any claims made by Adient or any other members of the Adient Group under any insurance provided pursuant to Excess Casualty Policies and Claims Made Policies, including any indemnity payments, settlements, judgments, legal fees and allocated claims expenses and claim handling fees, whether such claims are made by Adient, its employees or third Persons;

(iii) Adient shall exclusively bear (and neither Johnson Controls nor any members of the Johnson Controls Group shall have any obligation to repay or reimburse Adient or any member of the Adient Group for) and shall be liable for all uninsured, uncovered, unavailable or uncollectible amounts of all such claims made by Adient or any member of the Adient Group under the policies as provided for in this Section 5.1(b). In the event an insurance policy/program aggregate limit is exhausted, or believed likely to be exhausted, due to noticed claims, the Adient Group, on the one hand, and the Johnson Controls Group, on the other hand, shall be responsible for their pro rata portion of the reinstatement premium, based upon the losses of such Group submitted to Johnson Controls' insurance carrier(s) (including any submissions prior to the Effective Time) that exhausted the applicable fiscal year's policy/program aggregate limit. To the extent that the Johnson Controls Group or the Adient Group is allocated more than its pro rata portion of such premium due to the timing of losses submitted to Johnson Controls' insurance carrier(s), the other party shall promptly pay the first party an amount so that each Group has been properly allocated its pro rata portion of the reinstatement premium. Johnson Controls and Adient can mutually agree not to reinstate the policy/program aggregate limit and, in such event, each Group will bear all of its own future losses;

(iv) Claims made by Adient under the Excess Casualty Policies, International Casualty Policies and Claims Made Policies will be subject to (and recovery thereon will be reduced by the amount of) any applicable deductibles, and claims made by Adient under the Claims Made Policies will be subject to (and recovery thereon will be reduced by the amount of) any applicable retentions or self-insurance provisions. With respect to any deductibles, retentions or self-insurance provisions described in the immediately preceding sentence that require a payment by a member of the Johnson Controls Group, Adient shall reimburse the applicable member of the Johnson Controls Group for its pro rata portion of such payment based on the Adient Group's interest in such claim. It is understood that the Claims Made Policies may not provide any coverage to the Adient Group for incidents occurring prior to the Effective Time but that are asserted with the insurance carrier after the Effective Time; and

(v) To the extent that an annual retrospective adjustment by a Johnson Controls insurance carrier results from a claim made by Adient or related to the Adient Business and such adjustment causes the premium paid or payable by a member of the Johnson Controls Group to such insurance carrier to increase by more than the Premium Threshold, then Johnson Controls shall promptly notify Adient of such increase. If either Johnson Controls or Adient determine that it is appropriate to request that the Johnson Controls insurance carrier reconsider the adjustment amount or the premium calculation,



then subject to Section 5.1(d), the Parties shall cooperate in good faith and assist each other in making such request and engaging in discussions with the Johnson Controls insurance carrier. After the final determination of the premium calculation, or if neither Johnson Controls nor Adient makes a request in accordance with the immediately preceding sentence, then Adient shall reimburse the applicable member of the Johnson Controls Group for the excess of any increase over the Premium Threshold. The “Premium Threshold” shall equal an amount to be mutually agreed in writing by Johnson Controls and Adient and set forth in the Insurance Administration Procedures.

In the event that any member of the Johnson Controls Group incurs any losses, damages or Liability prior to or in respect of the period prior to the Effective Time for which such member of the Johnson Controls Group is entitled to coverage under Adient’s insurance policies (if any), the same process pursuant to this Section 5.1(b) shall apply, substituting “Johnson Controls” for “Adient,” “Adient” for “Johnson Controls” and “the applicable insurer” for “Global Risk Underwriters Ltd.”

(c) Except as provided in Section 5.1(b) and except for the insurance programs set forth on Schedule 5.1(c), from and after the Effective Time, neither Adient nor any member of the Adient Group shall have any rights to or under any of the insurance programs of Johnson Controls or any other member of the Johnson Controls Group. At the Effective Time, Adient shall have in effect all insurance programs required to comply with Adient’s contractual obligations and such other insurance policies as reasonably necessary or customary for companies operating a business similar to Adient’s. Such insurance programs may include general liability, commercial auto liability, workers’ compensation, employer’s liability, product liability, professional services liability, property, cargo, employment practices liability, employee dishonesty/crime, directors’ and officers’ liability and fiduciary liability. Johnson Controls and Adient shall cooperate in good faith to apportion any collateral accountability supporting pre-Effective Time insurance programs of Johnson Controls or any other member of the Johnson Controls Group pursuant to the Insurance Administration Procedures.

(d) Adient and the other members of the Adient Group, in connection with making a claim under any insurance policy of Johnson Controls or any member of the Johnson Controls Group pursuant to this Section 5.1, shall use commercially reasonable efforts to avoid taking any action (other than the act of making the claim) that would be reasonably likely to (i) have an adverse impact on the then-current relationship between Johnson Controls or any member of the Johnson Controls Group, on the one hand, and the applicable insurance company, on the other hand; (ii) result in the applicable insurance company terminating or reducing coverage, or increasing the amount of any premium owed by Johnson Controls or any member of the Johnson Controls Group under the applicable insurance policy; or (iii) otherwise compromise, jeopardize or interfere with the rights of Johnson Controls or any member of the Johnson Controls Group under the applicable insurance policy. Johnson Controls and the other members of the Johnson Controls Group, in connection with Insurance Administration on behalf of Adient or any member of the Adient Group under any insurance policy or program of Johnson Controls or any member of the Johnson Controls Group pursuant to this Section 5.1, shall use commercially reasonable efforts to avoid taking any action (other than the act of making the claim) that would be reasonably likely to (i) have an adverse impact on the then-current relationship between Adient or any member of the Adient Group, on the one hand, and the

applicable insurance company, on the other hand; (ii) result in the applicable insurance company terminating or reducing coverage, or increasing the amount of any premium owed by Adient or any member of the Adient Group under the applicable insurance policy; or (iii) otherwise compromise, jeopardize or interfere with the rights of Adient or any member of the Adient Group under the applicable insurance policy, in each case of clauses (i) through (iii), if such insurance company is also an insurer of Adient or any member of the Adient Group.

(e) All payments and reimbursements by Johnson Controls or Adient pursuant to this Section 5.1 will be made within thirty (30) days after Johnson Controls' receipt or Adient's receipt, as applicable, of an invoice therefor from Adient or Johnson Controls, as applicable. If either Party incurs costs to enforce the other Party's obligations herein, such Party agrees to indemnify, defend and hold harmless such other Party for such enforcement costs, including reasonable attorneys' fees. Except as mutually agreed and set forth in the Insurance Administration Procedures, Johnson Controls shall retain responsibility for and have the exclusive right to control Insurance Administration and any and all other rights with respect to its insurance policies and programs, including the right to exhaust, settle, release, commute, buyback or otherwise resolve disputes with respect to any of its insurance policies and programs and to amend, modify or waive any rights under any such insurance policies and programs, notwithstanding whether any such policies or programs apply to any Adient Liabilities and/or claims Adient has made or could make in the future. No member of the Adient Group shall, without the prior written consent of Johnson Controls, erode, exhaust, settle, release, commute, buyback or otherwise resolve disputes with Johnson Controls' insurers with respect to any of Johnson Controls' insurance policies and programs, or amend, modify or waive any rights under any such insurance policies and programs. Adient shall cooperate with Johnson Controls and share such information as is reasonably necessary in order to permit Johnson Controls to manage and conduct its insurance matters as it deems appropriate. Neither Johnson Controls nor any of the members of the Johnson Controls Group shall have any obligation to secure extended reporting for any claims under any insurance policies for any acts or omissions by any member of the Adient Group incurred prior to the Effective Time.

(f) Johnson Controls shall, and shall cause the members of the Johnson Controls Group to, (i) use commercially reasonable efforts, at Adient's reasonable request (and provided that Adient complies with the requirements of Section 5.1(b)), to assist Adient in making claims under the Johnson Controls insurance programs described in Section 5.1(b) and Schedule 5.1(c), (ii) notify Adient within a commercially reasonable period of time after any election by Johnson Controls to control any claim under an Johnson Controls insurance policy or program to the extent such claim relates to the Adient Asset and/or Adient Liability, (iii) within a commercially reasonable period of time after Johnson Controls' receipt thereof, pay over to Adient or the applicable member of the Adient Group any Insurance Proceeds that are received by Johnson Controls or any member of the Johnson Controls Group in respect of such claims and (iv) otherwise perform Insurance Administration on behalf of Adient and the other members of the Adient Group, as described in this Section 5.1(b), using a standard of care consistent with the standard that Johnson Controls and the applicable members of the Johnson Controls Group use when performing Insurance Administration on behalf of Johnson Controls and the other members of the Johnson Controls Group.

(g) This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of the Johnson Controls Group in respect of any insurance policy or any other contract or policy of insurance.

5.2 Late Payments. Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement or any Ancillary Agreement (and any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within thirty (30) days of receipt of such bill, invoice or other demand) shall accrue interest at a rate per annum equal to the Prime Rate plus two (2%) percent, compounded semiannually, from such due date to the date paid.

5.3 Treatment of Payments for Tax Purposes. For all tax purposes, the Parties agree to treat (i) any payment required by this Agreement (other than payments with respect to interest accruing after the Effective Time) as either a contribution by Johnson Controls to Adient or a distribution by Adient to Johnson Controls, as the case may be, occurring immediately prior to the Effective Time or as a payment of an assumed or retained Liability; and (ii) any payment of interest as taxable or deductible, as the case may be, to the Party entitled under this Agreement to retain such payment or required under this Agreement to make such payment, in either case except as otherwise required by applicable Law.

5.4 Inducement. Adient acknowledges and agrees that Johnson Controls' willingness to cause, effect and consummate the Separation and the Distribution has been conditioned upon and induced by Adient's covenants and agreements in this Agreement and the Ancillary Agreements, including Adient's assumption of the Adient Liabilities pursuant to the Separation and the provisions of this Agreement and Adient's covenants and agreements contained in Article IV.

5.5 Post-Effective Time Conduct. The Parties acknowledge that, after the Effective Time, each Party shall be independent of the other Party, with responsibility for its own actions and inactions and its own Liabilities relating to, arising out of or resulting from the conduct of its business, operations and activities after the Effective Time, except as may otherwise be provided in any Ancillary Agreement, and each Party shall (except as otherwise provided in Article IV) use commercially reasonable efforts to prevent such Liabilities from being inappropriately borne by the other Party.

5.6 Data Transfer Agreement. Johnson Controls shall use commercially reasonable efforts to cooperate with Adient in connection with Adient's entry into data transfer agreements for the purposes of complying with data privacy regulations of the European Union.

## ARTICLE VI EXCHANGE OF INFORMATION; CONFIDENTIALITY

### 6.1 Agreement for Exchange of Information.

(a) Subject to Section 6.9 and any other applicable confidentiality obligations, each of Johnson Controls and Adient, on behalf of itself and each member of its respective Group, agrees to use commercially reasonable efforts to provide or make available, or cause to

be provided or made available, to the other Party and the members of such other Party's Group, at any time before, on or after the Effective Time, as soon as reasonably practicable after written request therefor, any Information (or a copy thereof) in the possession or under the control of such Party or its Group which the requesting Party or its Group to the extent that (i) such information relates (A) to the Adient Business, or any Adient Asset or Adient Liability, if Adient is the requesting Party, or (B) to the Johnson Controls Business, or any Johnson Controls Asset or Johnson Controls Liability, if Johnson Controls is the requesting Party; (ii) such Information is required by the requesting Party to comply with its obligations under this Agreement or any Ancillary Agreement; or (iii) such Information is required by the requesting Party to comply with any obligation imposed by any Governmental Authority; provided, that, if the Party to whom the request has been made determines that any such provision of Information could be detrimental to the Party providing the Information, violate any Law or agreement, or waive any privilege available under applicable Law, including any attorney-client privilege, then the Parties shall use commercially reasonable efforts to permit compliance with such obligations to the extent and in a manner that avoids any such harm or consequence. The Party providing Information pursuant to this Section 6.1(a) shall only be obligated to provide such Information in the form, condition and format in which it then exists, and in no event shall such Party be required to perform any improvement, modification, conversion, updating or reformatting of any such Information, and nothing in this Section 6.1(a) shall expand the obligations of a Party under Section 6.4.

(b) Without limiting the generality of the foregoing, until the first Adient fiscal year end occurring after the Effective Time (and for a reasonable period of time afterwards as required for each Party to prepare consolidated financial statements or complete a financial statement audit for the fiscal year during which the Distribution Date occurs), each Party shall use its commercially reasonable efforts to cooperate, and to cause its Representatives to cooperate, with the other Party and such Party's Representatives to enable (i) the other Party to meet its timetable for dissemination of its earnings releases, financial statements, periodic reports and management's assessment of the effectiveness of its disclosure controls and procedures and its internal control over financial reporting in accordance with the Exchange Act; and (ii) the other Party's accountants to timely complete their review of the quarterly financial statements and audit of the annual financial statements, including, to the extent applicable to such Party, its auditor's audit of its internal control over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, the SEC's and Public Company Accounting Oversight Board's rules and auditing standards thereunder and any other applicable Laws.

6.2 Ownership of Information. The provision of any Information pursuant to Section 6.1 or Section 6.7 shall not (a) affect the ownership of such Information (which shall be determined solely in accordance with the terms of this Agreement and the Ancillary Agreements), or (b) constitute a grant of rights in or to any such Information.

6.3 Compensation for Providing Information. The Party requesting Information agrees to reimburse the other Party for the reasonable costs, if any, of gathering, copying, transporting and otherwise complying with the request with respect to such Information (including any reasonable costs and expenses incurred in any review of Information for purposes of protecting the Privileged Information of the providing Party or in connection with the restoration of backup media for purposes of providing the requested Information). Except as

may be otherwise specifically provided elsewhere in this Agreement, any Ancillary Agreement or any other agreement between the Parties, such costs shall reflect the providing Party's actual costs and expenses.

6.4 Record Retention. To facilitate the possible exchange of Information pursuant to this Article VI and other provisions of this Agreement after the Effective Time, the Parties agree to use their reasonable best efforts to retain all Information in their respective possession or control on the Effective Time in accordance with the policies of Johnson Controls as in effect on the Effective Time or such other policies as may be adopted by Johnson Controls after the Effective Time (provided, in the case of Adient, that Johnson Controls notifies Adient of any such change); provided, that in the case of any Information relating to Taxes, employee benefits, Environmental Law, Hazardous Materials or contingent Liabilities that are known as of the Effective Time, such retention period shall be extended to the expiration of the applicable statute of limitations (giving effect to any extensions thereof). Except in accordance with the policies of Johnson Controls as in effect on the Effective Time or such other policies as may be adopted by Johnson Controls after the Effective Time (provided, that such other policies at least provide for the retention of documents until the expiration of any applicable statute of limitations and as otherwise required by applicable Law and, in the case of Adient, that Johnson Controls notifies Adient of any such change), no Party will destroy, or permit any of its Subsidiaries to destroy, any Information that would, in accordance with such policies, be archived or otherwise filed in a centralized filing system by such party or its applicable Subsidiaries. Notwithstanding the foregoing, Section 8 of the Tax Matters Agreement will govern the retention of Tax Records (as defined in the Tax Matters Agreement) and Section 8.01 of the Employee Matters Agreement shall govern the retention of employment and benefits related records.

6.5 Limitations of Liability. Neither Party shall have any monetary Liability to the other Party in the event that any Information exchanged or provided pursuant to this Agreement is found to be inaccurate in the absence of gross negligence or willful misconduct by the Party providing such Information. Neither Party shall have any monetary Liability to any other Party if any Information is destroyed after commercially reasonable efforts by such Party to comply with the provisions of Section 6.4.

6.6 Other Agreements Providing for Exchange of Information.

(a) The rights and obligations granted under this Article VI are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of information set forth in any Ancillary Agreement.

(b) Any party that receives, pursuant to a request for Information in accordance with this Article VI, Information that is contained in written, electronic or other tangible forms and that is not relevant to its request shall (i) return it to the providing Party or, at the receiving Party's election, destroy such Information; and (ii) deliver to the providing Party written confirmation that such Information was returned or destroyed, as the case may be, which confirmation shall be signed by an authorized representative of the requesting Party.

6.7 Production of Witnesses; Records; Cooperation.

(a) After the Effective Time, except in the case of an adversarial Action between Johnson Controls and Adient, or any members of their respective Groups, each Party shall use its commercially reasonable efforts to make available to the other Party, upon written request, the former and then-current directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action, and the defense, settlement or compromise, prosecution, evaluation or pursuit thereof, in which the requesting Party (or member of its Group) may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all costs and expenses in connection therewith.

(b) If an Indemnifying Party chooses to defend or to seek to compromise or settle any Third-Party Claim, the other Party shall otherwise cooperate in such defense, settlement or compromise, as the case may be. Without limiting the foregoing, the Parties shall cooperate and consult to the extent reasonably necessary with respect to any Actions.

(c) Without limiting any provision of this Section 6.7, each of the Parties agrees to cooperate, and to cause each member of its respective Group to cooperate, with each other in the defense of any infringement or similar claim with respect any Intellectual Property or Technology and shall not claim to acknowledge, or permit any member of its respective Group to claim to acknowledge, the validity or infringing use of any Intellectual Property of a third Person in a manner that would hamper or undermine the defense of such infringement or similar claim.

(d) The obligation of the Parties to provide witnesses pursuant to this Section 6.7 is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses inventors and other officers without regard to whether the witness or the employer of the witness could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 6.7(a)).

6.8 Privileged Matters.

(a) The Parties recognize that legal and other professional services that have been and will be provided prior to the Effective Time have been and will be rendered for the collective benefit of each of the members of the Johnson Controls Group and the Adient Group, and that each of the members of the Johnson Controls Group and the Adient Group should be deemed to be the client with respect to such services for the purposes of asserting all privileges which may be asserted under applicable Law in connection therewith. The parties recognize that legal and other professional services will be provided after the Effective Time, which services will be rendered solely for the benefit of the Johnson Controls Group or the Adient Group, as the case may be.

(b) The Parties agree as follows:

(i) Johnson Controls shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the Johnson Controls Business and not to the Adient Business, whether or not the Privileged Information is in the possession or under the control of any member of the Johnson Controls Group or any member of the Adient Group. Johnson Controls shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any Johnson Controls Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of any member of the Johnson Controls Group or any member of the Adient Group;

(ii) Adient shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the Adient Business and not to the Johnson Controls Business, whether or not the Privileged Information is in the possession or under the control of any member of the Adient Group or any member of the Johnson Controls Group. Adient shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any Adient Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the privileged Information is in the possession or under the control of any member of the Adient Group or any member of the Johnson Controls Group; and

(iii) If the Parties do not agree as to whether certain information is Privileged Information, then such information shall be treated as Privileged Information, and the Party that believes that such information is Privileged Information shall be entitled to control the assertion or waiver of all privileges and immunities in connection with any such information until such time as it is finally judicially determined that such information is not Privileged Information or unless the Parties otherwise agree. The Parties shall use the procedures set forth in Article VII to resolve any disputes as to whether any information relates solely to the Johnson Controls Business, solely to the Adient Business, or to both the Johnson Controls Business and the Adient Business.

(c) Subject to the remaining provisions of this Section 6.8, the Parties agree that they shall have a shared privilege or immunity with respect to all privileges and immunities not allocated pursuant to Section 6.8(b) and all privileges and immunities relating to any Actions or other matters that involve both Parties (or one or more members of their respective Groups) and in respect of which both Parties have Liabilities under this Agreement, and that no such shared privilege or immunity may be waived by either Party without the prior written consent of the other Party.

(d) If any dispute arises between the Parties or any members of their respective Group regarding whether a privilege or immunity should be waived to protect or advance the interests of either Party and/or any member of their respective Groups, each Party agrees that it shall (i) negotiate with the other Party in good faith; (ii) endeavor to minimize any

prejudice to the rights of the other Party; and (iii) not unreasonably withhold consent to any request for waiver by the other Party. Further, each Party specifically agrees that it shall not withhold its consent to the waiver of a privilege or immunity for any purpose except to protect its own legitimate interests.

(e) Subject to Section 6.9, in the event of any adversarial Action or Dispute between Johnson Controls and Adient, or any members of their respective Groups, either Party may waive a privilege in which the other Party or member of such other Party's Group has a shared privilege, without obtaining consent pursuant to Section 6.8(c); provided that such waiver of a shared privilege shall be effective only as to the use of information with respect to the Action or Dispute between the Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared privilege with respect to any Third Party.

(f) Upon receipt by either Party, or by any member of its respective Group, of any subpoena, discovery or other request that may reasonably be expected to result in the production or disclosure of Privileged Information subject to a shared privilege or immunity or as to which another Party has the sole right hereunder to assert a privilege or immunity, or if either Party obtains knowledge that any of its, or any member of its respective Group's, current or former directors, officers, agents or employees have received any subpoena, discovery or other requests that may reasonably be expected to result in the production or disclosure of such Privileged Information, such Party shall promptly notify the other Party of the existence of the request (which notice shall be delivered to such other Party no later than five (5) business days following the receipt of any such subpoena, discovery or other request) and shall provide the other Party a reasonable opportunity to review the Privileged Information and to assert any rights it or they may have under this Section 6.8 or otherwise, to prevent the production or disclosure of such Privileged Information.

(g) Any furnishing of, or access or transfer of, any information pursuant to this Agreement is made in reliance on the agreement of Johnson Controls and Adient set forth in this Section 6.8 and in Section 6.9 to maintain the confidentiality of Privileged Information and to assert and maintain all applicable privileges and immunities. The Parties agree that their respective rights to any access to information, witnesses and other Persons, the furnishing of notices and documents and other cooperative efforts between the Parties contemplated by this Agreement, and the transfer of Privileged Information between the Parties and members of their respective Groups pursuant to this Agreement, shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise. The Parties further agree that (i) the exchange by one Party to the other Party of any Privileged Information that should not have been transferred pursuant to the terms of this Article VI shall not be deemed to constitute a waiver of any privilege or immunity that has been or may be asserted under this Agreement or otherwise with respect to such Privileged Information; and (ii) the Party receiving such Privileged Information shall promptly return such Privileged Information to the Party who has the right to assert the privilege or immunity.

(h) In connection with any matter contemplated by Section 6.7 or this Section 6.8, the Parties agree to, and to cause the applicable members of their Group to, use reasonable efforts to maintain their respective separate and joint privileges and immunities,



including by executing joint defense and/or common interest agreements where necessary or useful for this purpose.

6.9 Confidentiality.

(a) *Confidentiality.* Subject to this Section 6.9, from and after the Effective Time until the seven (7)-year anniversary of the Effective Time (other than in the case of any Technology, for which the obligations in this Section 6.9 will continue until such time as any of the exceptions set forth in clauses (i) through (iii) of this Section 6.9(a) have been satisfied with respect to such Technology), each of Johnson Controls and Adient, on behalf of itself and each member of its respective Group, agrees to hold, and to cause its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to Johnson Controls' confidential and proprietary information pursuant to policies in effect as of the Effective Time, all confidential and proprietary information concerning the other Party or any member of the other Party's Group or their respective businesses that is either in its possession (including confidential and proprietary information in its possession prior to the date hereof) or furnished by any such other Party or any member of such Party's Group or their respective Representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such confidential and proprietary information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such confidential and proprietary information is or was (i) in the public domain or generally available to the public, other than as a result of a disclosure by such Party or any member of such Party's Group or any of their respective Representatives in violation of this Agreement, (ii) later lawfully acquired from other sources by such Party (or any member of such Party's Group) which sources are not themselves bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality with respect to such confidential and proprietary information, or (iii) independently developed or generated without reference to or use of any proprietary or confidential information of the other Party or any member of such Party's Group. If any confidential and proprietary information of one Party or any member of its Group is disclosed to the other Party or any member of such other Party's Group in connection with providing services to such first Party or any member of such first Party's Group under this Agreement or any Ancillary Agreement, then such disclosed confidential and proprietary information shall be used only as required to perform such services.

(b) *No Release; Return or Destruction.* Each Party agrees not to release or disclose, or permit to be released or disclosed, any information addressed in Section 6.9(a) to any other Person, except its Representatives who need to know such information in their capacities as such (who shall be advised of their obligations hereunder with respect to such information), and except in compliance with Section 6.10. Without limiting the foregoing, when any such information is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each Party will promptly after request of the other Party either return to the other Party all such information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or notify the other Party in writing that it has destroyed such information (and such copies thereof and such notes, extracts or summaries based thereon); provided, that such Party's Representatives may retain one (1) copy of such information to the extent required by applicable Law or professional standards, and shall not be required to destroy any such information located in back-up, archival electronic storage.

(c) *Third-Party Information; Privacy or Data Protection Laws.* Each Party acknowledges that it and members of its Group may presently have and, after the Effective Time, may gain access to or possession of confidential or proprietary information of, or personal information relating to, Third Parties (i) that was received under confidentiality or non-disclosure agreements entered into between such Third Parties, on the one hand, and the other Party or members of such Party's Group, on the other hand, prior to the Effective Time; or (ii) that, as between the two Parties, was originally collected by the other Party or members of such Party's Group and that may be subject to and protected by privacy, data protection or other applicable Laws. Each Party agrees that it shall hold, protect and use, and shall cause the members of its Group and its and their respective Representatives to hold, protect and use, in strict confidence the confidential and proprietary information of, or personal information relating to, Third Parties in accordance with privacy, data protection or other applicable Laws and the terms of any agreements that were either entered into before the Effective Time or affirmative commitments or representations that were made before the Effective Time by, between or among the other Party or members of the other Party's Group, on the one hand, and such Third Parties, on the other hand.

(d) *Residual Information.* Notwithstanding anything to the contrary herein, each Party and the members of such Party's Group shall be free to use for any purpose the Residual Information resulting from access Representatives of such Party or the members of its Group have had to confidential and proprietary information concerning the other Party or any member of the other Party's Group. The Parties acknowledge and understand that the foregoing does not constitute a license under any Patents or copyrights.

6.10 *Protective Arrangements.* In the event that a Party or any member of its Group either determines on the advice of its counsel that it is required to disclose any information pursuant to applicable Law or receives any request or demand under lawful process or from any Governmental Authority to disclose or provide information of the other Party (or any member of the other Party's Group) that is subject to the confidentiality provisions hereof, such Party shall notify the other Party (to the extent legally permitted) as promptly as practicable under the circumstances prior to disclosing or providing such information and shall cooperate, at the expense of the other Party, in seeking any appropriate protective order requested by the other Party. In the event that such other Party fails to receive such appropriate protective order in a timely manner and the Party receiving the request or demand reasonably determines that its failure to disclose or provide such information shall actually prejudice the Party receiving the request or demand, then the Party that received such request or demand may thereafter disclose or provide information to the extent required by such Law (as so advised by its counsel) or by lawful process or such Governmental Authority, and the disclosing Party shall promptly provide the other Party with a copy of the information so disclosed, in the same form and format so disclosed, together with a list of all Persons to whom such information was disclosed, in each case to the extent legally permitted.

## ARTICLE VII DISPUTE RESOLUTION

7.1 *Good-Faith Negotiation.* Subject to Section 7.4, either Party seeking resolution of any dispute, controversy or claim arising out of or relating to this Agreement or

Ancillary Agreement (including regarding whether any Assets are Adient Assets, any Liabilities are Adient Liabilities or the validity, interpretation, breach or termination of this Agreement or any Ancillary Agreement) (a “Dispute”) that cannot be resolved by the Transition Committee, shall provide written notice thereof to the other Party (the “Initial Notice”), and within thirty (30) days of the delivery of the Initial Notice, the Parties shall attempt in good faith to negotiate a resolution of the Dispute. The negotiations shall be conducted by executives who hold, at a minimum, the title of executive vice president (or an equivalent title for an executive officer) and who have authority to settle the Dispute. All such negotiations shall be confidential without prejudice and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Parties are unable for any reason to resolve a Dispute within thirty (30) days after the delivery of such notice), or within such longer period as the Parties may agree to in writing, or if a Party reasonably concludes that the other Party is not willing to negotiate as contemplated by the preceding sentences of this Section 7.1, the Dispute shall be submitted to mediation in accordance with Section 7.2.

7.2 Mediation. Any Dispute not resolved pursuant to Section 7.1 shall, at the written request of a Party (a “Mediation Request”), be submitted to nonbinding mediation in accordance with the then current JAMS International Mediation Rules (the “Mediation Rules”), except as modified herein. The mediation shall be held in (i) Milwaukee, Wisconsin or (ii) such other place as the Parties may mutually agree in writing. The Parties shall have twenty (20) days from receipt by a Party of a Mediation Request, or such longer period as the Parties may agree to in writing, to agree on a mediator. If no mediator has been agreed upon by the Parties during such period, then a Party may request (on written notice to the other Party) that JAMS appoint a mediator in accordance with the Mediation Rules. All mediation pursuant to this clause shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence, and no oral or documentary representations made by the Parties during such mediation shall be admissible for any purpose in any subsequent proceedings. No Party shall disclose or permit the disclosure of any information about the evidence adduced or the documents produced by the other Party in the mediation proceedings or about the existence, contents or results of the mediation without the prior written consent of such other Party, except in the course of a judicial or regulatory proceeding or as may be required by Law or requested by a Governmental Authority or securities exchange. Before making any disclosure permitted by the preceding sentence, the Party intending to make such disclosure shall, to the extent reasonably practicable, give the other Party reasonable written notice of the intended disclosure and afford the other party a reasonable opportunity to protect its interests. If the Dispute has not been resolved within sixty (60) days of the appointment of a mediator, or within ninety (90) days after receipt by a Party of a Mediation Request (whichever occurs sooner), or within such longer period as the Parties may agree to in writing, then the Dispute shall be submitted to binding arbitration in accordance with Section 7.3.

7.3 Arbitration.

(a) In the event that a Dispute has not been resolved within sixty (60) days of the appointment of a mediator in accordance with Section 7.2, or within ninety (90) days after receipt by a Party of a Mediation Request (whichever occurs sooner), or within such longer period as the Parties may agree to in writing, then such Dispute shall, upon the written request of a Party (an “Arbitration Request”) be submitted to be finally resolved by binding arbitration

pursuant to the then-current Commercial Arbitration Rules of the American Arbitration Association (the “Arbitration Rules”). The arbitration shall be held in the same location as the mediation pursuant to Section 7.2 or such other location as the Parties may mutually agree in writing. Unless otherwise agreed by the Parties in writing, any Dispute to be decided pursuant to this Section 7.3 will be decided by binding arbitration (i) before a sole arbitrator if the amount in dispute, inclusive of all claims and counterclaims, totals less than \$10 million; or (ii) by a panel of three (3) arbitrators if the amount in dispute, inclusive of all claims and counterclaims, totals \$10 million or more.

(b) The panel of three (3) arbitrators will be chosen as follows: (i) within fifteen (15) days from the date of the receipt of the Arbitration Request, each Party will name an arbitrator who shall have experience as a former federal or state court judge and shall have such other qualifications as the Parties may mutually agree from time to time; and (ii) the two (2) Party-appointed arbitrators will thereafter, within thirty (30) days from the date on which the second of the two (2) arbitrators was named, name a third, independent arbitrator who will act as chairperson of the arbitral tribunal. In the event that either Party fails to name an arbitrator within fifteen (15) days from the date of receipt of the Arbitration Request, then upon written application by either Party, that arbitrator shall be appointed pursuant to the Arbitration Rules. In the event that the two (2) Party-appointed arbitrators fail to appoint the third, then the third, independent arbitrator will be appointed pursuant to the Arbitration Rules. If the arbitration will be before a sole independent arbitrator, then the sole independent arbitrator will be appointed by agreement of the Parties within fifteen (15) days of the date of receipt of the Arbitration Request. If the Parties cannot agree to a sole independent arbitrator, then upon written application by either party, the sole independent arbitrator will be appointed pursuant to the Arbitration Rules; provided, that the arbitrator shall have experience as a former federal or state court judge and shall have such other qualifications as the Parties may mutually agree from time to time.

(c) The arbitrator(s) will have the right to award, on an interim basis, or include in the final award, any relief which it deems proper in the circumstances, including money damages (with interest on unpaid amounts from the due date), injunctive relief (including specific performance) and an award of attorneys’ fees and costs to the prevailing Party (after considering all the claims and circumstances); provided that the arbitrator(s) will not award any relief not specifically requested by the parties and, in any event, will not award any indirect, incidental, consequential, special, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other (including lost profits or lost revenues) arising in connection with the transactions contemplated hereby (other than any such Liability to the extent awarded to a Third Party with respect to a Third-Party Claim). Upon selection of the arbitrator(s) following any grant of interim relief by a special arbitrator or court pursuant to Section 7.4, the arbitrator(s) may affirm or disaffirm that relief, and the parties will seek modification or rescission of the order entered by the court as necessary to accord with the decision of the arbitrator(s). The award of the arbitrator(s) shall be final and binding on the Parties, and may be enforced in any court of competent jurisdiction. The initiation of mediation or arbitration pursuant to this Article VII will toll the applicable statute of limitations for the duration of any such proceedings. The Parties shall share equally the administration and arbitrator fees associated with the arbitration.

7.4 Litigation and Unilateral Commencement of Arbitration. Notwithstanding the foregoing provisions of this Article VII, (a) a Party may (i) seek preliminary provisional or injunctive judicial relief with respect to a Dispute without first complying with the procedures set forth in Sections 7.1, 7.2 and 7.3 if such action is reasonably necessary to avoid irreparable harm and (b) either Party may initiate arbitration before the expiration of the periods specified in Sections 7.2 and 7.3 if (i) such action is reasonably necessary to avoid irreparable harm or (ii) such Party has submitted a Mediation Request or Arbitration Request, as applicable, (A) and the other Party has failed, within the applicable periods set forth in Section 7.2, to agree upon a date for the first mediation session to take place within thirty (30) days after the appointment of such mediator or such longer period as the Parties may agree to in writing or (B) such Party has failed to comply with Section 7.3 in good faith with respect to commencement and engagement in arbitration. In such event, the other Party may commence and prosecute such arbitration unilaterally in accordance with the Arbitration Rules. Immediately following the issuance of any preliminary provisional or injunctive relief pursuant to clause (a) of the immediately preceding sentence, the Party seeking such relief will consent to the stay of any judicial proceedings pending the resolution of the Dispute pursuant to the procedures set forth in Sections 7.1, 7.2 and 7.3.

7.5 Conduct During Dispute Resolution Process. Unless otherwise agreed in writing, the Parties shall, and shall cause their respective members of their Group to, continue to honor all commitments under this Agreement and each Ancillary Agreement to the extent required by such agreements during the course of dispute resolution pursuant to the provisions of this Article VII, unless such commitments are the specific subject of the Dispute at issue.

## ARTICLE VIII FURTHER ASSURANCES AND ADDITIONAL COVENANTS

### 8.1 Further Assurances.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the Parties shall use its reasonable best efforts, prior to, on and after the Effective Time, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the Effective Time, each Party hereto shall cooperate with the other Party, and without any further consideration, but at the expense of the requesting Party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all Approvals or Notifications of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Governmental Approvals), and to take all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the Adient Assets and the Johnson Controls Assets and the assignment and assumption of the

Adient Liabilities and the Johnson Controls Liabilities and the other transactions contemplated hereby and thereby. In addition, and without limiting Section 2.4, each Party will, at the reasonable request, cost and expense of the other Party, take such other actions after the Effective Time as may be reasonably necessary to vest in such other Party good and marketable title to the Assets transferred or allocated to such Party under this Agreement or any of the Ancillary Agreements, free and clear of any Security Interest, if and to the extent it is practicable to do so.

(c) On or prior to the Effective Time, Johnson Controls and Adient in their respective capacities as direct and indirect shareholders of the members of their respective Groups, shall each ratify any actions that are reasonably necessary or desirable to be taken by Johnson Controls, Adient or any of the members of their respective Groups, as the case may be, to effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

(d) Johnson Controls and Adient, and each of the members of their respective Groups, waive (and agree not to assert against any of the others) any claim or demand that any of them may have against each other for any Liabilities or other claims relating to or arising out of: (i) the failure of Adient or any other member of the Adient Group, on the one hand, or of Johnson Controls or any other member of the Johnson Controls Group, on the other hand, to provide any notification or disclosure required under any Law in connection with the Separation or the other transactions contemplated by this Agreement, including the transfer by any member of any Group to any member of the other Group of ownership or operational control of any Assets not previously owned or operated by such transferee; or (ii) any inadequate, incorrect or incomplete notification or disclosure under any such Law by the applicable transferor.

## 8.2 Covenant Not to Sue (Patents).

(a) Johnson Controls hereby covenants and agrees that, until the expiration of the last valid claim of any Patent included in the Johnson Controls Assets (the "Adient CNS Period"), neither it nor any member of the Johnson Controls Group will bring suit or otherwise assert any claim against any member of the Adient Group before any Governmental Authority, arbitration tribunal or mediator anywhere in the world alleging infringement of any Patents included within the Johnson Controls Assets based on any member of the Adient Group making, using, importing, offering for sale or selling any product, platform, service or solution of the Adient Group ("Adient CNS Products"), in each case at any time prior to the expiration or termination of the Adient CNS Period.

(b) Adient hereby covenants and agrees that, until the expiration of the last valid claim of any Patent included in the Adient Assets (the "Johnson Controls CNS Period"), neither it nor any member of the Adient Group will bring suit or otherwise assert any claim against any member of the Johnson Controls Group before any Governmental Authority, arbitration tribunal or mediator anywhere in the world alleging infringement of any Patents included within the Adient Assets based on any member of the Johnson Controls Group making, using, importing, offering for sale or selling any product, platform, service or solution of the Johnson Controls Group ("Johnson Controls CNS Products"), in each case at any time prior to the expiration or termination of the Johnson Controls CNS Period.

(c) Upon the consummation of a change of control of Adient or Johnson Controls, as applicable, in which a competitor of the other Party acquires or joins a “group” (within the meaning of Sections 13(d) and 14(d) of the Exchange Act) that acquires control, the covenant set forth in Section 8.2(a) or Section 8.2(b), as applicable, will automatically become limited to and thereafter apply solely with respect to the particular Adient CNS Products or Johnson Controls CNS Products, as applicable (including the particular sub-components and sub-assemblies within such Adient CNS Products or Johnson Controls CNS Products), offered by the members of the first Party’s Group at the effective time of such change of control.

(d) All rights granted under this Section 8.2 are, and will be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the “Bankruptcy Code”), licenses of rights to “intellectual property” as defined under Section 101(35A) of the Bankruptcy Code, and if a case under the Bankruptcy Code is filed by or against a Party, and in that case this Section 8.2 is rejected pursuant to Section 365 of the Bankruptcy Code, then the other Parties may exercise all rights provided by Section 365(n) of the Bankruptcy Code, including the right to retain their rights and the full benefits granted by such Party hereunder.

## ARTICLE IX TERMINATION

9.1 Termination. This Agreement and all Ancillary Agreements may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Effective Time by Johnson Controls, in its sole and absolute discretion, without the approval or consent of any other Person, including Adient. After the Effective Time, this Agreement may not be terminated except by an agreement in writing signed by a duly authorized officer of each of the Parties.

9.2 Effect of Termination. In the event of any termination of this Agreement prior to the Effective Time, no Party (nor any of its directors, officers or employees) shall have any Liability or further obligation to the other Party by reason of this Agreement.

## ARTICLE X MISCELLANEOUS

### 10.1 Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement and each Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

(b) This Agreement, the Ancillary Agreements and the Exhibits, Schedules and appendices hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein.

(c) Johnson Controls represents on behalf of itself and each other member of the Johnson Controls Group, and Adient represents on behalf of itself and each other member of the Adient Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each Ancillary Agreement to which it is a party has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

(d) Each Party acknowledges that it and each other Party is executing certain of the Ancillary Agreements by facsimile, stamp or mechanical signature, and that delivery of an executed counterpart of a signature page to this Agreement or any Ancillary Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by email in portable document format (PDF) shall be effective as delivery of such executed counterpart of this Agreement or any Ancillary Agreement. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by email in portable document format (PDF)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Party at any time, it will as promptly as reasonably practicable cause each such Ancillary Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.

10.2 Governing Law; Consent to Jurisdiction; WAIVER OF JURY TRIAL. This Agreement and, unless expressly provided therein, each Ancillary Agreement (and any claims or disputes arising out of or related hereto or thereto or to the transactions contemplated hereby and thereby or to the inducement of any party to enter herein and therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of New York irrespective of the choice of laws principles of the State of New York (other than Section 5-1401 and Section 5-1402 of the General Obligations Law of the State of New York) including all matters of validity, construction, effect, enforceability, performance and remedies. Each of Johnson Controls and Adient, on behalf of itself and the members of its Group, hereby irrevocably (a) agrees that any Dispute shall be subject to the exclusive jurisdiction of any federal court sitting in the Borough of Manhattan in The City of New York (or, only if such court lacks subject matter jurisdiction, in any New York State court sitting in the Borough of Manhattan in The City of New York), (b) waives any claims of forum non conveniens, and agrees to submit to the jurisdiction of such courts, as provided in New York General Obligations Law § 5-1402, (c) agrees that service of any process, summons, notice or document by United States registered mail to its respective address set forth in Section 10.5 shall be effective service of process for any litigation brought against it in any such court or for the taking of any other acts as may be necessary or appropriate in order to effectuate any judgment



of said courts and (d) UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN CONNECTION WITH ANY DISPUTE.

10.3 Assignability. Except as set forth in any Ancillary Agreement, this Agreement and each Ancillary Agreement shall be binding upon and inure to the benefit of the Parties and the parties thereto, respectively, and their respective successors and permitted assigns; provided, that neither Party nor any such party thereto may assign its rights or delegate its obligations under this Agreement or any Ancillary Agreement without the express prior written consent of the other Party hereto or other parties thereto, as applicable. Notwithstanding the foregoing, no such consent shall be required for the assignment of a party's rights and obligations under this Agreement or the Ancillary Agreements (except as may be otherwise provided in any such Ancillary Agreement) in whole in connection with a change of control of a Party so long as the resulting, surviving or transferee Person assumes all the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party. Nothing herein is intended to, or shall be construed to, prohibit either Party or any member of its Group from being party to or undertaking a change of control.

10.4 Third-Party Beneficiaries. Except for the indemnification rights under this Agreement of any Johnson Controls Indemnified Party or Adient Indemnified Party in their respective capacities as such, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no third-party beneficiaries of this Agreement or any Ancillary Agreement and neither this Agreement nor any Ancillary Agreement shall provide any third person with any remedy, claim, Liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

10.5 Notices. All notices, requests, claims, demands or other communications under this Agreement and, to the extent, applicable and unless otherwise provided therein, under each of the Ancillary Agreements shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon acknowledgment of receipt) by delivery in person, by overnight courier service, or by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 10.5):

If to Johnson Controls, to:

Johnson Controls plc  
5757 North Green Bay Avenue  
Milwaukee, Wisconsin 53209  
Attn: General Counsel  
Facsimile: (414) 524-2299  
Email: CO-General.Counsel@jci.com

with a copy to:

Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, New York 10019  
Attention: Andrew R. Brownstein  
David K. Lam  
Facsimile: (212) 403-2000

If to Adient, to:

Adient plc  
833 East Michigan Street  
Milwaukee, Wisconsin 53202  
Attn: General Counsel  
Facsimile: [•]  
Email: [•]

with a copy to:

Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, New York 10019  
Attention: Andrew R. Brownstein  
David K. Lam  
Facsimile: (212) 403-2000

A Party may, by notice to the other Party, change the address to which such notices are to be given.

10.6 Severability. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

10.7 Force Majeure. No Party shall be deemed in default of this Agreement or, unless otherwise expressly provided therein, any Ancillary Agreement for any delay or failure to fulfill any obligation (other than a payment obligation) hereunder or thereunder so long as and to the extent to which any delay or failure in the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance of such obligations (other than a payment obligation) shall be extended for a period equal to the time lost by reason of the delay. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) provide written notice to the other Party of the nature and

extent of any such Force Majeure condition; and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement and the Ancillary Agreements, as applicable, as soon as reasonably practicable.

10.8 No Set-Off. Except as set forth in any Ancillary Agreement or as otherwise mutually agreed to in writing by the Parties, neither Party nor any member of such Party's group shall have any right of set-off or other similar rights with respect to (a) any amounts received pursuant to this Agreement or any Ancillary Agreement; or (b) any other amounts claimed to be owed to the other Party or any member of its Group arising out of this Agreement or any Ancillary Agreement.

10.9 Publicity. Prior to the Effective Time, each of Adient and Johnson Controls shall consult with each other prior to issuing any press releases or otherwise making public statements with respect to the Separation, the Distribution or any of the other transactions contemplated hereby or under any Ancillary Agreement and prior to making any filings with any Governmental Authority with respect thereto.

10.10 Expenses. Except as otherwise expressly set forth in this Agreement or any Ancillary Agreement, as otherwise agreed to in writing by the Parties or as set forth on Schedule 10.10, (a) all out-of-pocket fees, costs and expenses incurred on or prior to the Effective Time in connection with the preparation, execution, delivery and implementation of this Agreement and any Ancillary Agreement, the Separation, the Plan of Reorganization, the Form 10, the Distribution and the consummation of the transactions contemplated hereby and thereby will be borne by Johnson Controls, and (b) all out-of-pocket fees, costs and expenses incurred following the Effective Time shall be borne by the Party or its applicable Subsidiary incurring such fees, costs or expenses.

10.11 Headings. The article, section and paragraph headings contained in this Agreement and in the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any Ancillary Agreement.

10.12 Survival of Covenants. Except as expressly set forth in this Agreement or any Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and Liability for the breach of any obligations contained herein, shall survive the Separation and the Distribution and shall remain in full force and effect in accordance with their terms.

10.13 Waivers of Default. Waiver by a Party of any default by the other Party of any provision of this Agreement or any Ancillary Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement or any Ancillary Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.

10.14 Specific Performance. Subject to the provisions of Article VII, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and

provisions of this Agreement or any Ancillary Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its or their rights under this Agreement or such Ancillary Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.

10.15 Amendments. No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

10.16 Interpretation. In this Agreement and any Ancillary Agreement, (a) words in the singular shall be deemed to include the plural and vice versa and words of one gender shall be deemed to include the other genders as the context requires; (b) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement (or the applicable Ancillary Agreement) as a whole (including all of the Schedules, Exhibits and Appendices hereto and thereto) and not to any particular provision of this Agreement (or such Ancillary Agreement); (c) Article, Section, Schedule, Exhibit and Appendix references are to the Articles, Sections, Schedules, Exhibits and Appendices to this Agreement (or the applicable Ancillary Agreement) unless otherwise specified; (d) unless otherwise stated, all references to any agreement shall be deemed to include the exhibits, schedules and annexes to such agreement; (e) the word “including” and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) shall mean “including, without limitation,” unless otherwise specified; (f) the word “or” shall not be exclusive; (g) unless otherwise specified in a particular case, the word “days” refers to calendar days; (h) references to “business day” shall mean any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by law to close in Ireland, the United States or the United Kingdom; (i) references herein to this Agreement or any other agreement contemplated herein shall be deemed to refer to this Agreement or such other agreement as of the date on which it is executed and as it may be amended, modified or supplemented thereafter, unless otherwise specified; and (j) unless expressly stated to the contrary in this Agreement or in any Ancillary Agreement, all references to “the date hereof,” “the date of this Agreement,” “hereby” and “hereupon” and words of similar import shall all be references to [●], 2016.

10.17 Limitations of Liability. Notwithstanding anything in this Agreement to the contrary, neither Adient or any member of the Adient Group, on the one hand, nor Johnson Controls or any member of the Johnson Controls Group, on the other hand, shall be liable under this Agreement to the other for any indirect, incidental, consequential, special, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other (including lost profits or lost revenues) arising in connection with the transactions

contemplated hereby (other than any such Liability to the extent awarded to a Third Party with respect to a Third-Party Claim).

10.18 Performance. Johnson Controls will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the Johnson Controls Group. Adient will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the Adient Group. Each Party (including its permitted successors and assigns) further agrees that it will (a) give timely notice of the terms, conditions and continuing obligations contained in this Agreement and any applicable Ancillary Agreement to all of the other members of its Group and (b) cause all of the other members of its Group not to take any action or fail to take any such action inconsistent with such Party's obligations under this Agreement, any Ancillary Agreement or the transactions contemplated hereby or thereby.

10.19 Mutual Drafting. This Agreement and the Ancillary Agreements shall be deemed to be the joint work product of the Parties and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties have caused this Separation and Distribution Agreement to be executed by their duly authorized representatives.

JOHNSON CONTROLS PLC

By: \_\_\_\_\_  
Name:  
Title:

ADIENT PLC

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Separation and Distribution Agreement]*

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TRANSITION SERVICES AGREEMENT

BY AND BETWEEN

JOHNSON CONTROLS PLC

AND

ADIENT PLC

DATED AS OF [•], 2016

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## TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT, dated as of [•], 2016 (this “Agreement”), is by and between Johnson Controls plc, a public limited company organized under the laws of Ireland (“Johnson Controls”), and Adient plc, a public limited company organized under the laws of England and Wales (“Adient”).

### RECITALS:

WHEREAS, the board of directors of Johnson Controls (the “Johnson Controls Board”) has determined that it is in the best interests of Johnson Controls and its shareholders to create a new publicly traded company that shall operate the Adient Business;

WHEREAS, in furtherance of the foregoing, the Johnson Controls Board has determined that it is appropriate and desirable to separate the Adient Business from the Johnson Controls Business (the “Separation”) and, following the Separation, make a distribution, on a pro rata basis, to holders of Johnson Controls Shares on the Record Date of all the outstanding Adient Shares owned by Johnson Controls (the “Distribution”);

WHEREAS, in order to effectuate the Separation and the Distribution, Johnson Controls and Adient have entered into a Separation and Distribution Agreement, dated as of [•], 2016 (the “Separation and Distribution Agreement”);

WHEREAS, in order to facilitate and provide for an orderly transition in connection with the Separation and the Distribution, the Parties desire to enter into this Agreement to set forth the terms and conditions pursuant to which each of the Parties shall provide Services to the other Party for a transitional period; and

WHEREAS, the Parties acknowledge that this Agreement, the Separation and Distribution Agreement, and the Ancillary Agreements represent the integrated agreement of Johnson Controls and Adient related to the Separation and the Distribution, are being entered together, and would not have been entered independently.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

### ARTICLE I DEFINITIONS

Section 1.01. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Action” has the meaning set forth in the Separation and Distribution Agreement.

“Adient” has the meaning set forth in the Preamble.

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“Adient Business” has the meaning set forth in the Separation and Distribution Agreement.

“Adient Shares” has the meaning set forth in the Separation and Distribution Agreement.

“Adversely Affected Service” has the meaning set forth in Section 5.03.

“Affiliate” has the meaning set forth in the Separation and Distribution Agreement.

“Agreement” has the meaning set forth in the Preamble.

“Ancillary Agreements” has the meaning set forth in the Separation and Distribution Agreement.

“Charge” or “Charges” has the meaning set forth in Section 2.03.

“Confidential Information” shall mean all Information that is either confidential and/or proprietary.

“Dispute” has the meaning set forth in Section 9.16(a).

“Distribution” has the meaning set forth in the Recitals.

“Distribution Date” has the meaning set forth in the Separation and Distribution Agreement.

“Divested Business” has the meaning set forth in Section 9.08(b).

“Divested Business Acquirer” has the meaning set forth in Section 9.08(b).

“Early Termination Charges” shall mean, with respect to the termination of any Service pursuant to Section 5.02(a)(i), the sum of (a) any and all reasonable costs, fees and expenses (other than any severance or retention costs) payable by the Provider of such Service to a Third Party due to the early termination of such Service; provided, however, that the Provider shall use commercially reasonable efforts to minimize any costs, fees or expenses payable by the Provider to any Third Party in connection with such early termination of such Service, and the Early Termination Charges payable by the Recipient shall be reduced accordingly; and (b) any additional severance and retention costs, if any, because of the early termination of such Service that the Provider of such terminated Service incurs to employees who had been retained primarily to provide such terminated Service (it being agreed that the costs set forth in this clause (b) shall only be the amount, if any, in excess of the severance and retention costs that such Provider would have paid to such employees if the Service had been provided for the full period during which such Service would have been provided hereunder but for such early termination).

“Effective Time” has the meaning set forth in the Separation and Distribution Agreement.

“Force Majeure” has the meaning set forth in the Separation and Distribution Agreement.

“Governmental Authority” has the meaning set forth in the Separation and Distribution Agreement.

“Group” has the meaning set forth in the Separation and Distribution Agreement.

“Information” has the meaning set forth in the Separation and Distribution Agreement.

“Intellectual Property” has the meaning set forth in the Separation and Distribution Agreement.

“Interest Payment” has the meaning set forth in Section 4.02.

“Johnson Controls” has the meaning set forth in the Preamble.

“Johnson Controls Board” has the meaning set forth in the Recitals.

“Johnson Controls Business” has the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls Shares” has the meaning set forth in the Separation and Distribution Agreement.

“Law” has the meaning set forth in the Separation and Distribution Agreement.

“Level of Service” has the meaning set forth in Section 2.02(c).

“Liability” or “Liabilities” has the meaning set forth in the Separation and Distribution Agreement.

“New Service” has the meaning set forth in Section 2.01(d).

“Notice of Breach” has the meaning set forth in Section 5.02(a)(ii).

“Omitted Service” has the meaning set forth in Section 2.01(b).

“One-Time Payment” has the meaning set forth in Section 2.02(b).

“Party” or “Parties” shall mean the parties to this Agreement.

“Person” has the meaning set forth in the Separation and Distribution Agreement.

“Prime Rate” has the meaning set forth in the Separation and Distribution Agreement.

“Provider” shall mean, with respect to any Service, the Party identified on the Schedules hereto as the “Provider” of such Service.

“Provider Indemnitees” has the meaning set forth in Section 7.02.

“Recipient” shall mean, with respect to any Service, the Party receiving such Service hereunder.

“Record Date” has the meaning set forth in the Separation and Distribution Agreement.

“Representatives” has the meaning set forth in the Separation and Distribution Agreement.

“Residual Information” has the meaning set forth in the Separation and Distribution Agreement.

“Schedule” or “Schedules” has the meaning set forth in Section 2.01(a).

“Separation” has the meaning set forth in the Recitals.

“Separation and Distribution Agreement” has the meaning set forth in the Recitals.

“Service” or “Services” has the meaning set forth in Section 2.01(a).

“Service Baseline Period” has the meaning set forth in Section 2.02(c).

“Service Change” has the meaning set forth in Section 2.01(c).

“Service Interruption” has the meaning set forth in Section 2.02(a).

“Service Period” shall mean, with respect to any individual Service, the period commencing on the Distribution Date and ending on the earlier of (a) the date that a Party terminates the provision of the entirety of such individual Service pursuant to Section 5.02, (b) the date that is the twenty-four (24)-month anniversary of the Distribution Date, or (c) the date specified for termination of such individual Service in the Schedules hereto.

“Service Standard” has the meaning set forth in Section 2.02(a).

“Subsidiary” or “Subsidiaries” has the meaning set forth in the Separation and Distribution Agreement.

“Tax” has the meaning set forth in the Tax Matters Agreement.

“Tax Authority” has the meaning set forth in the Tax Matters Agreement.

“Tax Matters Agreement” has the meaning set forth in the Separation and Distribution Agreement.

“Term” has the meaning set forth in the Section 5.01.

“Third Party” shall mean any Person other than the Parties or any of their Affiliates.

“Third Party Claim” shall mean any claim asserted or any Action commenced by any Third Party against any Party or any of its Affiliates.

“To-be-Terminated Service” has the meaning set forth in Section 5.03.

“Transition Committee” has the meaning set forth in the Separation and Distribution Agreement.

## ARTICLE II SERVICES

### Section 2.01. Services.

(a) Commencing as of the Effective Time, the Provider agrees to provide, or to cause one or more of its Subsidiaries to provide, to the Recipient, or any designated Subsidiary or Affiliate of the Recipient, the applicable services (each a “Service” and, collectively, the “Services”) set forth on the schedules hereto (each, a “Schedule” and, collectively, the “Schedules”).

(b) During the Term, if a Party identifies a service that the other Party or any of its Subsidiaries provided to the identifying Party or any of its Subsidiaries during the twelve (12)-month period immediately prior to the Distribution Date, but such service was inadvertently omitted from the Services set forth in the Schedules hereto (an “Omitted Service”), then the Provider shall provide, or shall cause one of more of its Subsidiaries to provide, such Omitted Service, and the Parties shall negotiate in good faith the terms and conditions upon which the other Party shall provide such Omitted Service, which terms and conditions shall include the applicable Service Standard and shall otherwise be substantially in line with terms and conditions of such Omitted Service during the twelve (12)-month period immediately prior to the Distribution Date.

(c) During the Term, either Party may request that the other Party modify, alter or adjust the manner in which the other Party provides Services (a “Service Change”). Following the delivery of such request, the Parties shall negotiate in good faith the terms and conditions of such Service Change, which terms and conditions shall include the applicable Service Standard.

(d) During the Term, either Party may request that the other Party provide an additional or different service that is not an Omitted Service and that does not constitute a Service Change (a “New Service”). The other Party shall consider such request, but nothing in this Agreement shall require the other Party to agree to provide such New Service. If the other Party consents to providing the requested New Service, then the Parties shall cooperate in good faith to

determine the terms and conditions upon which the other Party shall provide such requested New Service, including the applicable Service Standard.

(e) The terms and conditions of any Omitted Service, agreed-upon Service Change or New Services that the providing Party consents to provide shall be documented in a supplement to the Schedules describing in reasonable detail the nature, scope, Charges, Service Period(s), termination provisions and other terms and conditions applicable to such Omitted Service, Service Change or New Service, as applicable, in a manner similar to that in which the Services are described in the Schedules. Each supplement to the Schedules that is agreed to in writing by the Parties shall be deemed part of this Agreement as of the date of such agreement, and the Omitted Service, Service Change or New Service set forth therein shall be deemed a Service provided under this Agreement, in each case subject to the terms and conditions of this Agreement.

Section 2.02. Performance of Services.

(a) The Provider shall perform, or shall cause one or more of its Subsidiaries to perform, all Services to be provided by the Provider in a commercially reasonable manner (i) that is based on its past practice and that is substantially similar in all material respects to the analogous services provided by or on behalf of Johnson Controls or any of its Subsidiaries to Johnson Controls or its applicable functional group or Subsidiary during the twelve (12) months immediately prior to the Effective Time, if such service or a similar service was provided prior to the Effective Time, or (ii) that is based on its then-current practice and that is substantially similar in all material respects to the analogous services provided by or on behalf of Johnson Controls or any of its Subsidiaries to Johnson Controls or its applicable functional group or Subsidiary following the Effective Time (clause (i) or (ii), as applicable, the “Service Standard”). Upon receipt of written notice from the Recipient identifying any outage, interruption, disruption, downturn or other failure of any Service (a “Service Interruption”), Provider shall use commercially reasonable efforts to respond, or to cause one or more of its Subsidiaries to respond, to such Service Interruption in a manner that is substantially similar to the manner in which Provider or its Affiliates responded to Service Interruptions during the twelve (12)-month period prior to the Effective Time or, if such service or a similar service was not provided prior to the Effective Time, in a manner that is substantially similar to the manner in which such Provider or its Affiliates respond with respect to internally provided services.

(b) Nothing in this Agreement shall require the Provider to perform or cause to be performed any Service to the extent that the Provider reasonably believes that the manner of such performance would constitute (i) a breach, violation or infringement of, or a default under, any of the terms, conditions or provisions of any agreement, instrument, contract, obligation or undertaking which was entered into by such Provider prior to the date of this Agreement or (ii) a violation of any applicable Law. If the Provider is or becomes aware of any potential violation on the part of the Provider, the Provider shall use commercially reasonable efforts to promptly advise the Recipient of such potential violation, and the Provider and the Recipient will mutually seek an alternative that addresses such potential violation. The Parties agree to cooperate in good faith and use commercially reasonable efforts to obtain any necessary Third Party consents required under any existing contract or agreement with a Third Party or under applicable Law to allow the Provider to perform, or cause to be performed, all Services to be provided

by the Provider hereunder in accordance with the standards set forth in this Section 2.02. Without limiting the foregoing, neither Party shall under any circumstance be required to (and the Provider shall not, without the prior written consent of the Recipient) pay or commit to pay any amount or incur any obligation in favor of or offer or grant any accommodation (financial or otherwise, including any requirements for the securing or posting of any bonds, letters of credit or similar instruments, or the furnishing of any guarantees) to obtain any such Third Party consent, except that the Provider shall be required to make one such payment, commitment or accommodation if required by such Third Party (a “One-Time Payment”). Unless otherwise agreed in writing in advance by the Parties, other than One-Time Payments, all reasonable out-of-pocket costs and expenses (if any) incurred by the Recipient or any of its Subsidiaries or, with the Recipient’s prior written consent, the Provider or any of its Subsidiaries in connection with obtaining any such Third Party consent that is required to allow the Provider to perform or cause to be performed such Services shall be borne solely by the Recipient. If, with respect to a Service, the Parties, despite the use of such commercially reasonable efforts and the making of a One-Time Payment, are unable to obtain a required Third Party consent, or the performance of such Service by the Provider would constitute a violation of any applicable Law, the Parties shall use commercially reasonable efforts to develop an alternative arrangement that is reasonably acceptable to each Party and that enables the Provider to perform or cause to be performed such Service or an analogous service without obtaining such required Third Party consent or violating any applicable Law.

(c) The Provider shall not be obligated to perform or to cause to be performed any Service in a manner that is materially more burdensome (with respect to service quality or quantity) than analogous services provided to Johnson Controls or its applicable functional group or Subsidiary (collectively referred to as the “Level of Service”) during Johnson Controls’ fiscal year 2016 (the “Service Baseline Period”). A Service shall be deemed materially more burdensome if, among other items, its usage exceeds the highest quantity of analogous services provided to the functional groups or Subsidiaries of Johnson Controls that are part of the Recipient during the Service Baseline Period, or if the Provider is required to hire new employees, engage new contractors or make capital investments in respect of such Service greater than the maximum number of employees or contractors dedicated at any time to analogous services, or investments made by Johnson Controls with respect to analogous services, during the Service Baseline Period. If the Recipient requests that the Provider perform or cause to be performed any Service that exceeds the Level of Service during the Service Baseline Period, including any acquisition or upgrade of technology, software or information systems, then the Parties shall cooperate and act in good faith to determine whether the Provider will be required to provide such requested higher Level of Service. If and to the extent that the Parties determine that the Provider shall provide the requested higher Level of Service, then such higher Level of Service shall be documented in a supplement to the Schedules. Each such supplement, as agreed to in writing by the Parties, shall be deemed part of this Agreement as of the date of such written agreement and the Level of Service increases set forth in such written agreement shall be deemed a part of the Services provided under this Agreement, in each case subject to the terms and conditions of this Agreement.

(d) (i) Neither the Provider nor any of its Subsidiaries shall be required to perform or to cause to be performed any of the Services for the benefit of any Third Party or any other Person other than the Recipient and its Subsidiaries, and (ii) EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 2.02 OR SECTION 7.03, EACH PARTY ACKNOWLEDGES



AND AGREES THAT ALL SERVICES ARE PROVIDED ON AN “AS-IS” BASIS, THAT THE RECIPIENT ASSUMES ALL RISK AND LIABILITY ARISING FROM OR RELATING TO ITS USE OF AND RELIANCE UPON THE SERVICES, AND THAT THE PROVIDER MAKES NO OTHER REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, WITH RESPECT TO THE SERVICES. EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

(ii) Each Party shall be responsible for its own compliance with any and all Laws applicable to its performance under this Agreement. No Party shall knowingly take any action in violation of any such applicable Law that results in Liability being imposed on the other Party. Notwithstanding any other provision of this Agreement, (i) neither Party shall, in connection with its performance or use of Services under this Agreement, knowingly take any action, or fail to take any action that Johnson Controls took in the ordinary course during the Service Baseline Period in connection with such Service, if the taking of such action or failure to take such action would materially adversely affect the ability of the other Party and its Subsidiaries or Affiliates to comply with such applicable Laws, and (ii) the Provider shall not have any obligation to provide, or cause to be provided, Services to the extent that any change in applicable Law after the date of this Agreement provision would materially increase or change the Provider’s burden or the burden of any applicable Subsidiary of the Provider with respect to compliance with applicable Laws, unless the applicable Recipient agrees to bear all incremental costs resulting from the increased compliance burden associated with providing such Services; provided, that the Provider shall use commercially reasonable efforts to promptly advise the Recipient of such increased burden, and the Provider and the Recipient will mutually seek an alternative that minimizes such increased burden.

Section 2.03. Charges for Services. Unless otherwise provided with respect to a specific Service on the Schedules hereto, the Recipient shall pay the Provider of the Services a fee (either one-time or recurring) for such Services (or category of Services, as applicable) (each fee constituting a “Charge” and, collectively, “Charges”), which Charges shall be set forth on the applicable Schedules hereto, or if not set forth, then based upon the actual cost of providing such Services as agreed to by the Parties from time to time. During the Term, the amount of a Charge for any Service may be modified to the extent of (a) any adjustments mutually agreed to in writing by the Parties, (b) any adjustments due to a change in Level of Service requested by the Recipient and agreed upon by the Provider, and (c) any adjustment in the rates or charges imposed by any Third Party provider that is providing Services pursuant to the existing agreement with such Third Party provider for such Services or any renewal thereof that contains substantially similar terms (proportional to the respective use of such Services by each Party). Each Party shall use commercially reasonable efforts to minimize the cost of providing the Services. Together with any invoice for Charges, the Provider shall provide the Recipient with reasonable documentation, including any additional documentation reasonably requested by the Recipient to

the extent that such documentation is in the Provider's or its Subsidiaries' possession or control, to support the calculation of such Charges.

Section 2.04. Reimbursement for Out-of-Pocket Costs and Expenses. The Recipient shall reimburse the Provider for reasonable out-of-pocket costs and expenses incurred by the Provider or any of its Subsidiaries in connection with providing the Services (including reasonable travel-related expenses) to the extent that such costs and expenses are not reflected in the Charges for such Services; provided, that any such cost or expense in excess of five thousand dollars (\$5,000.00), in the aggregate, that is not consistent with the historical practice between the Parties for any individual Service (including business travel and related expenses) shall require advance written approval of the Recipient. Any authorized travel-related expenses incurred in performing the Services shall be incurred and charged to the Recipient in accordance with the Provider's then-applicable business travel policies.

Section 2.05. Changes in the Performance of Services. Subject to the performance standards for Services set forth in Sections 2.02(a), 2.02(b) and 2.02(c), the Provider may make changes from time to time in the manner of performing the Services if the Provider is making similar changes in performing analogous services for itself and if the Provider furnishes to the Recipient reasonable prior written notice (in content and timing) of such changes; provided, that no such change shall have a significant adverse effect on the timeliness or quality of, or the Charges for, the applicable Service. If any such change by the Provider reasonably requires the Recipient to incur an increase in costs and expenses to continue to receive and utilize the applicable Services in the same manner as the Recipient was receiving and utilizing such Service prior to such change, the Provider shall be required to reimburse the Recipient for all such reasonable increase in costs and expenses. Upon request, the Recipient shall provide the Provider with reasonable documentation, including any additional documentation reasonably requested by the Provider to the extent that such documentation is in the Recipient's or its Subsidiaries' possession or control, to support the calculation of such increase in costs and expenses.

Section 2.06. Transitional Nature of Services. The Parties acknowledge the transitional nature of the Services. The Recipient agrees to cooperate in good faith and to use commercially reasonable efforts to effectuate a smooth transition of the Services from the Provider to the Recipient (or its designee) as soon as commercially practicable after the Distribution Date, but in any event before the end of the Service period for such Service (as described in Section 5.01). The Parties agree to use reasonable efforts to assist and cooperate in good faith with each other in order to effectuate such transition of the Services from the Provider to the Recipient (or its designee) in a timely and orderly manner.

Section 2.07. Subcontracting. The Provider may hire or engage one or more Third Parties to perform any or all of its obligations under this Agreement; provided, that if a Third Party was not already performing such obligation on behalf of the Provider immediately prior to the Distribution Date, the Provider shall (a) notify the Recipient prior to hiring or engaging such Third Party and (b) obtain the Recipient's prior consent (such consent not to be unreasonably withheld, conditioned or delayed) if (i) the hiring or engagement of such Third Party would decrease the quality or level of the Services provided to the Recipient compared to the quality or level of Services provided by the Provider or (ii) the use of such Third Party would increase the Charges payable by the Recipient in connection with such Services; provided, further,

that the Provider shall in all cases remain primarily responsible for all of its obligations under this Agreement with respect to the scope of the Services, the performance standard for Services set forth in Sections 2.02(a), 2.02(b) and 2.02(c) and the content of the Services provided to the Recipient. Subject to the confidentiality provisions set forth in Article VI, each Party shall, and shall cause its respective Affiliates to, provide, upon ten (10) business days' prior written notice from the other Party, any Information within such Party's or its Affiliates' possession that the requesting Party reasonably requests in connection with any Services being provided to such requesting Party by a Third Party, including any applicable invoices, agreements documenting the arrangements between such Third Party and the Provider and other supporting documentation.

### ARTICLE III OTHER ARRANGEMENTS

#### Section 3.01. Access.

(a) Adient shall, and shall cause its Subsidiaries to, allow Johnson Controls and its Subsidiaries and their respective Representatives reasonable access to the facilities of Adient and its Subsidiaries that is necessary for Johnson Controls and its Subsidiaries to fulfill their obligations under this Agreement. In addition to the foregoing right of access, Adient shall, and shall cause its Subsidiaries to, afford Johnson Controls, its Subsidiaries and their respective Representatives, upon reasonable advance written notice, reasonable access during normal business hours to the facilities, Information, systems, infrastructure and personnel of Adient and its Subsidiaries as is reasonably necessary for Johnson Controls to verify the adequacy of internal controls over information technology, reporting of financial data and related processes employed in connection with the Services being provided by Adient or its Subsidiaries, including in connection with verifying compliance with Section 404 of the Sarbanes-Oxley Act of 2002; provided, that (i) such access shall not unreasonably interfere with any of the business or operations of Adient or any of its Subsidiaries and (ii) in the event that Adient determines that providing such access could be commercially detrimental, violate any applicable Law or agreement or waive any attorney-client privilege, then the Parties shall use commercially reasonable efforts to permit such access in a manner that avoids such harm or consequence. Johnson Controls agrees that all of its and its Subsidiaries' employees shall, and that it shall use commercially reasonable efforts to cause its Representatives' employees to, when on the property of Adient or its Subsidiaries, or when given access to any facilities, Information, systems, infrastructure or personnel of Adient or its Subsidiaries, conform to the policies and procedures of Adient and its Subsidiaries, as applicable, concerning health, safety, conduct and security which are made known or provided to Johnson Controls from time to time.

(b) Johnson Controls shall, and shall cause its Subsidiaries to, allow Adient and its Subsidiaries and their respective Representatives reasonable access to the facilities of Johnson Controls and its Subsidiaries that is necessary for Adient and its Subsidiaries to fulfill their obligations under this Agreement. In addition to the foregoing right of access, Johnson Controls shall, and shall cause its Subsidiaries to, afford Adient, its Subsidiaries and their respective Representatives, upon reasonable advance written notice, reasonable access during normal business hours to the facilities, Information, systems, infrastructure and personnel of Johnson Controls and its Subsidiaries as is reasonably necessary for Adient to verify the adequacy of

internal controls over information technology, reporting of financial data and related processes employed in connection with the Services being provided by Johnson Controls or its Subsidiaries, including in connection with verifying compliance with Section 404 of the Sarbanes-Oxley Act of 2002; provided, that (i) such access shall not unreasonably interfere with any of the business or operations of Johnson Controls or any of its Subsidiaries and (ii) in the event that Johnson Controls determines that providing such access could be commercially detrimental, violate any applicable Law or agreement or waive any attorney-client privilege, then the Parties shall use commercially reasonable efforts to permit such access in a manner that avoids such harm or consequence. Adient agrees that all of its and its Subsidiaries' employees shall, and that it shall use commercially reasonable efforts to cause its Representatives' employees to, when on the property of Johnson Controls or its Subsidiaries, or when given access to any facilities, Information, systems, infrastructure or personnel of Johnson Controls or its Subsidiaries, conform to the policies and procedures of Johnson Controls and its Subsidiaries, as applicable, concerning health, safety, conduct and security which are made known or provided to Adient from time to time.

#### ARTICLE IV BILLING; TAXES

Section 4.01. Procedure. Charges for the Services shall be charged to and payable by the Recipient. Amounts payable pursuant to this Agreement shall be paid by wire transfer (or such other method of payment as may be agreed between the Parties from time to time in writing) to the Provider (as directed by the Provider), on a monthly basis in the case of recurring fees, which amounts shall be due within thirty (30) days of the Recipient's receipt of each such invoice, including reasonable documentation pursuant to Section 2.03. Unless otherwise indicated in the Schedules, all amounts due and payable hereunder shall be invoiced and paid in U.S. dollars. If an amount is required to be paid in another currency, the conversion rate used to determine the amount of such Charge in U.S. dollars shall be the conversion rate used at the time that the obligation to pay arises in the financial reporting systems of the Party receiving such payment.

Section 4.02. Late Payments. Charges not paid when due pursuant to this Agreement (and any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within thirty (30) days of the receipt of such bill, invoice or other demand) shall accrue interest at a rate per annum equal to the Prime Rate plus two (2%) percent (the "Interest Payment").

Section 4.03. Taxes. Without limiting any provisions of this Agreement, the Recipient shall bear any and all Taxes and other similar charges (and any related interest and penalties) imposed on, or payable with respect to, any fees or charges, including any Charges, payable by it pursuant to this Agreement, including all sales, use, value-added, and similar Taxes, but excluding any Taxes based on the Provider's income. Notwithstanding anything to the contrary in the previous sentence or elsewhere in this Agreement, the Recipient shall be entitled to withhold from any payments to the Provider any such Taxes that the Recipient is required by applicable Law to withhold and shall pay such Taxes to the applicable Tax Authority.

Section 4.04. No Set-Off. Except as mutually agreed to in writing by Johnson Controls and Adient, no Party or any of its Affiliates shall have any right of set-off or other similar rights with respect to (a) any amounts received pursuant to this Agreement or (b) any other amounts claimed to be owed to the other Party or any of its Subsidiaries arising out of this Agreement.

Section 4.05. Billing Disputes. The Recipient's payment of Charges for Services pursuant to this Article IV shall not be deemed to waive the Recipient's right to dispute in good faith the accuracy or amount of any such Charge or any such payment. Any such Dispute regarding Charges, and any refund or reimbursement of Charges paid by the Recipient, shall be resolved in accordance with the terms of Section 9.16.

## ARTICLE V TERM AND TERMINATION

Section 5.01. Term. This Agreement shall commence at the Effective Time and shall be in effect until terminated in accordance with this Article V (the "Term"). This Agreement shall terminate upon the earlier to occur of (a) the last date on which either Party is obligated to provide any individual Service to the other Party in accordance with the terms of this Agreement; (b) the mutual written agreement of the Parties to terminate this Agreement in its entirety; or (c) the date that is the twenty-four (24)-month anniversary of the Distribution Date. Unless otherwise terminated pursuant to Section 5.02, this Agreement shall terminate with respect to each Service as of the close of business on the last day of the Service Period for such Service.

### Section 5.02. Early Termination.

(a) Without prejudice to the Recipient's rights with respect to Force Majeure, the Recipient may from time to time terminate this Agreement with respect to the entirety of any individual Service but not a portion thereof:

(i) for any reason or no reason, upon the giving of at least thirty (30) days' prior written notice to the Provider of such Service; provided, that if a Schedule hereto sets forth a different notice period, then the Recipient shall comply with such different notice periods; provided, further, that any such termination shall be subject to the obligation to pay any applicable Early Termination Charges pursuant to Section 5.04; or

(ii) if the Provider of such Service has failed to perform any of its material obligations under this Agreement with respect to such Service, and such failure shall continue to be uncured for a period of at least thirty (30) days after receipt by the Provider of written notice of such failure (the "Notice of Breach") from the Recipient; provided, that the Recipient shall not be entitled to terminate this Agreement with respect to the applicable Service if, as of the end of such period, there remains a good-faith Dispute between the Parties (undertaken in accordance with the terms of Section 9.16) as to whether the Provider has breached this Agreement or cured the applicable breach.

(b) The Provider may terminate this Agreement with respect to any individual Service, but not a portion thereof, at any time upon prior written notice to the Recipient, if the

Recipient has failed to perform any of its material obligations under this Agreement relating to such Service, including making payment of Charges for such Service when due, and such failure shall continue to be uncured for a period of at least thirty (30) days after receipt by the Recipient of the Notice of Breach from the Provider; provided, that the Provider shall not be entitled to terminate this Agreement with respect to the applicable Service if, as of the end of such period, there remains a good-faith Dispute between the Parties (undertaken in accordance with the terms of Section 9.16) as to whether the Recipient materially breached this Agreement or has cured the applicable breach.

- (c) The Schedules hereto shall be updated to reflect any terminated Service.

Section 5.03. Interdependencies. The Parties acknowledge and agree that (a) there may be interdependencies among the Services being provided under this Agreement; (b) upon the request of either Party, the Parties shall cooperate and act in good faith to determine whether (i) any such interdependencies exist with respect to the particular Service that a Party is seeking to terminate pursuant to Section 5.02 (the “To-be-Terminated Service”) and (ii) in the case of such termination, the Provider’s ability to provide a particular Service in accordance with this Agreement would be materially and adversely affected by such termination of another Service (the “Adversely Affected Service”); and (c) in the event that the Parties have determined that such interdependencies exist and such termination would materially and adversely affect the Provider’s ability to provide a particular Service in accordance with this Agreement, the Parties shall negotiate in good faith to amend the Schedules hereto with respect to such Adversely Affected Service, which amendment shall be consistent with the terms of comparable Services. If, after such negotiations, the Parties are unable to agree on an amendment with respect to the Adversely Affected Service, the Dispute between the Parties shall be resolved in accordance with the terms of Section 9.16, and the Provider’s obligation to provide, and the Recipient’s obligation to pay for, the To-be-Terminated Service and the Adversely Affected Service shall continue until the resolution of such Dispute.

Section 5.04. Effect of Termination. Upon the termination of any Service pursuant to this Agreement, the Provider of the terminated Service shall have no further obligation to provide the terminated Service, and the Recipient of such Service shall have no obligation to pay any future Charges relating to such Service; provided, that the Recipient shall remain obligated to the Provider for (a) the Charges owed and payable in respect of Services provided prior to the effective date of termination for such Service, and (b) any applicable Early Termination Charges (which, in the case of each of clauses (a) and (b), shall be payable only in the event that the Recipient terminates any Service pursuant to Section 5.02(a)(i)) (it being understood that the Parties shall use their commercially reasonable efforts to mitigate any such Early Termination Charges). Any Dispute regarding Charges and Early Termination Charges, and any refund or reimbursement of Charges or Early Termination Charges paid by the Recipient, shall be resolved in accordance with the terms of Section 9.16. In connection with the termination of any Service, the provisions of this Agreement not relating solely to such terminated Service shall survive any such termination, and in connection with a termination of this Agreement, Article I, this Article V, Article VII and Article IX, all confidentiality obligations under this Agreement and Liability for all due and unpaid Charges, and Early Termination Charges shall continue to survive.

Section 5.05. Information Transmission. The Provider, on behalf of itself and its respective Subsidiaries, shall use commercially reasonable efforts to provide or make available, or cause to be provided or made available, to the Recipient, in accordance with Section 6.1 of the Separation and Distribution Agreement, any Information received or computed by the Provider for the benefit of the Recipient concerning the relevant Service during the Service Period; provided, that, except as otherwise agreed to in writing by the Parties, (a) the Provider shall not have any obligation to provide, or cause to be provided, Information in any non-standard format, (b) the Provider and its Subsidiaries shall be reimbursed for their reasonable costs in accordance with Section 6.3 of the Separation and Distribution Agreement for creating, gathering, copying, transporting and otherwise providing such Information, and (c) the Provider shall use commercially reasonable efforts to maintain any such Information in accordance with Section 6.4 of the Separation and Distribution Agreement.

## ARTICLE VI CONFIDENTIALITY; PROTECTIVE ARRANGEMENTS

Section 6.01. Johnson Controls and Adient Obligations. Subject to Section 6.04, until the seven (7)-year anniversary of the end of the Term, each of Johnson Controls and Adient, on behalf of itself and each of its Subsidiaries, agrees to hold, and to cause its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to Johnson Controls' Confidential Information pursuant to policies in effect as of the Effective Time, all Confidential Information concerning the other Party or its Subsidiaries or their respective businesses that is either in its possession (including Confidential Information in its possession prior to the date hereof) or furnished by any such other Party or such other Party's Subsidiaries or their respective Representatives at any time pursuant to this Agreement, and shall not use any such Confidential Information of the other Party other than for such purposes as shall be expressly permitted hereunder, except, in each case, to the extent that such Confidential Information is or was (a) in the public domain or generally available to the public, other than as a result of a disclosure by such Party or any of its Subsidiaries or any of their respective Representatives in violation of this Agreement; (b) later lawfully acquired from other sources by such Party or any of its Subsidiaries, which sources are not themselves bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality with respect to such Confidential Information; or (c) independently developed or generated without reference to or use of the Confidential Information of the other Party or any of its Subsidiaries. If any Confidential Information of a Party or any of its Subsidiaries is disclosed to the other Party or any of its Subsidiaries in connection with providing the Services, then such disclosed Confidential Information shall be used by the receiving Party only as required to perform such Services.

Section 6.02. No Release; Return or Destruction. Each Party agrees (a) not to release or disclose, or permit to be released or disclosed, any Confidential Information of the other Party addressed in Section 6.01 to any other Person, except its Representatives who need to know such Confidential Information in their capacities as such (who shall be advised of and have acknowledged in writing their obligations hereunder with respect to such Confidential Information) and except in compliance with Section 6.04, and (b) to use commercially reasonable efforts to maintain such Confidential Information in accordance with Section 6.4 of the Separation and Distribution Agreement. Without limiting the foregoing, when any such Confidential Information is no longer needed for the purposes contemplated by the Separation and Distribution

Agreement, this Agreement or any other Ancillary Agreements, each Party will promptly after request of the other Party either return to the other Party all such Confidential Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or notify the other Party in writing that it has destroyed such information (and such copies thereof and such notes, extracts or summaries based thereon); provided, that such Party's Representatives may retain one (1) copy of such information to the extent required by applicable Law or professional standards, and shall not be required to destroy any such information located in back-up, archival electronic storage.

Section 6.03. Privacy and Data Protection Laws; Residual Information. Each Party shall comply with all applicable state, federal and foreign privacy and data protection Laws that are or that may in the future be applicable to the provision of the Services under this Agreement. Notwithstanding anything to the contrary herein, each Party and its Subsidiaries shall be free to use for any purpose the Residual Information resulting from access Representatives of such Party or its Subsidiaries have had to confidential and proprietary information concerning the other Party or its Subsidiaries. The Parties acknowledge and understand that the foregoing does not constitute a license under any patents or copyrights, nor does it confer any other rights or interests in either Parties' Intellectual Property.

Section 6.04. Protective Arrangements. In the event that a Party or any of its Subsidiaries either determines on the advice of its counsel that it is required to disclose any information pursuant to applicable Law or receives any request or demand under lawful process or from any Governmental Authority to disclose or provide information of the other Party (or any of its Subsidiaries) that is subject to the confidentiality provisions hereof, such Party shall notify the other Party (to the extent legally permitted) as promptly as practicable under the circumstances prior to disclosing or providing such information and shall cooperate, at the expense of the other Party, in seeking any appropriate protective order requested by the other Party. In the event that such other Party fails to receive such appropriate protective order in a timely manner and the Party receiving the request or demand reasonably determines that its failure to disclose or provide such information shall actually prejudice the Party receiving the request or demand, then the Party that received such request or demand may thereafter disclose or provide information to the extent required by such Law (as so advised by its counsel) or by lawful process or such Governmental Authority, and the disclosing Party shall promptly provide the other Party with a copy of the information so disclosed, in the same form and format so disclosed, together with a list of all Persons to whom such information was disclosed, in each case to the extent legally permitted.

## ARTICLE VII LIMITED LIABILITY AND INDEMNIFICATION

### Section 7.01. Limitations on Liability.

(a) THE CUMULATIVE AGGREGATE LIABILITIES OF THE PROVIDER AND ITS SUBSIDIARIES AND THEIR RESPECTIVE REPRESENTATIVES, COLLECTIVELY, UNDER THIS AGREEMENT FOR ANY ACT OR FAILURE TO ACT IN CONNECTION HERewith (INCLUDING THE PERFORMANCE OR BREACH OF THIS AGREEMENT), OR FROM THE SALE, DELIVERY, PROVISION OR USE OF ANY SERVICES PROVIDED UNDER OR CONTEMPLATED BY THIS AGREEMENT,



WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR OTHERWISE, SHALL NOT EXCEED: (X) IF THE SERVICES WERE PERFORMED BY SUCH PROVIDER FOR LESS THAN SIX (6) MONTHS, THE AGGREGATE CHARGES PAID OR THAT OTHERWISE WOULD HAVE BEEN PAYABLE TO SUCH PROVIDER BY THE RECIPIENT PURSUANT TO THIS AGREEMENT DURING THE SIX (6)-MONTH PERIOD FOLLOWING THE EFFECTIVE TIME OF THIS AGREEMENT, (Y) IF THE SERVICES WERE PERFORMED BY SUCH PROVIDER FOR SIX (6) MONTHS OR LONGER, THE AGGREGATE CHARGES PAID AND PAYABLE TO SUCH PROVIDER BY THE RECIPIENT PURSUANT TO THIS AGREEMENT DURING THE SIX (6)-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO SUCH LIABILITIES.

(b) IN NO EVENT SHALL EITHER PARTY, ITS SUBSIDIARIES OR THEIR RESPECTIVE REPRESENTATIVES BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, EXEMPLARY, REMOTE, SPECULATIVE OR SIMILAR DAMAGES IN EXCESS OF COMPENSATORY DAMAGES OF THE OTHER PARTY (INCLUDING LOST PROFITS OR LOST REVENUES) IN CONNECTION WITH THE SALE, DELIVERY, PROVISION OR USE OF ANY SERVICES PROVIDED UNDER OR CONTEMPLATED BY THIS AGREEMENT (OTHER THAN ANY SUCH LIABILITY WITH RESPECT TO A THIRD-PARTY CLAIM), AND EACH PARTY HEREBY WAIVES ON BEHALF OF ITSELF, ITS SUBSIDIARIES AND ITS REPRESENTATIVES ANY CLAIM FOR SUCH DAMAGES, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE.

(c) The limitations in Section 7.01(a) shall not apply in respect of any Liability arising out of or in connection with (i) either Party's Liability for breaches of confidentiality under Article VI, (ii) either Party's obligations under Section 7.02 or Section 7.03, or (iii) the gross negligence, willful misconduct or fraud of or by the Party to be charged.

(d) The limitations in Section 7.01(b) shall not apply in respect of any Liability arising out of or in connection with (i) either Party's obligations under Section 7.02, or (ii) the gross negligence, willful misconduct, or fraud of or by the Party to be charged.

Section 7.02. Third Party Claims. In addition to (but not in duplication of) its other indemnification obligations (if any) under the Separation and Distribution Agreement, this Agreement or any other Ancillary Agreement, the Recipient shall indemnify, defend and hold harmless the Provider, its Subsidiaries and each of their respective Representatives, and each of the successors and assigns of any of the foregoing (collectively, the "Provider Indemnitees"), from and against any and all claims of Third Parties relating to, arising out of or resulting from the sale, delivery, provision or use of the Services by the Recipient, except to the extent that such claims relate to, arise out of or result from (a) the Provider's breaches of confidentiality under Article VI or (b) Third Party Claims arising out of the gross negligence, willful misconduct or fraud of any Provider Indemnitee.

Section 7.03. Provider Indemnity. In addition to (but not in duplication of) its other indemnification obligations (if any) under the Separation and Distribution Agreement, this Agreement or any other Ancillary Agreement, the Provider shall indemnify, defend and hold

harmless the Recipient, its Subsidiaries and each of their respective Representatives, and each of the successors and assigns of any of the foregoing, from and against any and all Liabilities relating to, arising out of or resulting from the sale, delivery, provision or use of any Services provided by such Provider hereunder, but only to the extent that such Liability relates to, arises out of or results from (a) the Provider's breaches of confidentiality under Article VI or (b) the gross negligence, willful misconduct or fraud of any Provider.

Section 7.04. Indemnification Procedures. The procedures for indemnification set forth in Sections 4.5, 4.6 and 4.7 of the Separation and Distribution Agreement shall govern any and all claims for indemnification under this Agreement.

## ARTICLE VIII TRANSITION COMMITTEE

Section 8.01. Establishment. Pursuant to the Separation and Distribution Agreement, a Transition Committee is to be established by Johnson Controls and Adient to, among other things, monitor and manage matters arising out of or resulting from this Agreement. Without limiting the generality of the foregoing, each Party shall cause each member of the Transition Committee who is an employee, agent or other Representative of such Party to work in good faith to resolve any Dispute arising out of or relating in any way to this Agreement.

## ARTICLE IX MISCELLANEOUS

Section 9.01. Mutual Cooperation. Each Party shall, and shall cause its Subsidiaries to, cooperate with the other Party and its Subsidiaries in connection with the performance of the Services hereunder; provided, that such cooperation shall not unreasonably disrupt the normal operations of such Party or its Subsidiaries; and, provided, further, that this Section 9.01 shall not require such Party to incur any out-of-pocket costs or expenses, unless and except as expressly provided in this Agreement or otherwise agreed to in writing by the Parties.

Section 9.02. Further Assurances. Subject to the terms of this Agreement, each Party shall take, or cause to be taken, any and all reasonable actions, including the execution, acknowledgment, filing and delivery of any and all documents and instruments that any other Party may reasonably request in order to effect the intent and purpose of this Agreement and the transactions contemplated hereby.

Section 9.03. Audit Assistance. Each of the Parties and their respective Subsidiaries are or may be subject to regulation and audit by a Governmental Authority (including a Tax Authority), standards organizations, customers or other parties to contracts with such Parties or their respective Subsidiaries under applicable Law, standards or contract provisions. If a Governmental Authority, standards organization, customer or other party to a contract with a Party or its Subsidiary exercises its right to examine or audit such Party's or its Subsidiary's books, records, documents or accounting practices and procedures pursuant to such applicable Law, standards or contract provisions, and such examination or audit relates to the Services, then the other Party shall provide, at the sole cost and expense of the requesting Party, all assistance

reasonably requested by the Party that is subject to the examination or audit in responding to such examination or audit or requests for Information, to the extent that such assistance or Information is within the reasonable control of the cooperating Party and is related to the Services.

Section 9.04. Title to Intellectual Property. Except as expressly provided for under the terms of this Agreement, the other Ancillary Agreements or the Separation and Distribution Agreement, the Recipient acknowledges that it shall acquire no right, title or interest (including any license rights or rights of use) in any Intellectual Property which is owned or licensed by the Provider, by reason of the provision of the Services hereunder. The Recipient shall not remove or alter any copyright, trademark, confidentiality or other proprietary notices that appear on any Intellectual Property owned or licensed by the Provider, and the Recipient shall reproduce any such notices on any and all copies thereof. The Recipient shall not attempt to decompile, transform, reverse engineer or make excessive copies of any Intellectual Property owned or licensed by the Provider, and the Recipient shall promptly notify the Provider of any such attempt, regardless of whether by the Recipient or any Third Party, of which the Recipient becomes aware.

Section 9.05. Independent Contractors. The Parties each acknowledge and agree that they are separate entities, each of which has entered into this Agreement for its own independent business reasons. The relationships of the Parties hereunder are those of independent contractors and nothing contained herein shall be deemed to create a joint venture, partnership or any other relationship between the Parties. Employees performing Services hereunder do so on behalf of, under the direction of, and as employees of, the Provider, and the Recipient shall have no right, power or authority to direct such employees, unless otherwise specified with respect to a particular Service on the Schedules hereto.

Section 9.06. Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

(b) This Agreement, the Separation and Distribution Agreement and the other Ancillary Agreements and the exhibits, schedules and appendices hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein.

(c) Johnson Controls represents on behalf of itself and, to the extent applicable, each of its Subsidiaries, and Adient represents on behalf of itself and, to the extent applicable, each of its Subsidiaries, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms hereof.

(d) Each Party acknowledges and agrees that delivery of an executed counterpart of a signature page to this Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by email in portable document format (PDF) shall be effective as delivery of such executed counterpart of this Agreement. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by email in portable document format (PDF)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Party at any time, it will as promptly as reasonably practicable cause this Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.

Section 9.07. Governing Law. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any Party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of New York irrespective of the choice of laws principles of the State of New York (other than Section 5-1401 and Section 5-1402 of the General Obligations Law of the State of New York) including all matters of validity, construction, effect, enforceability, performance and remedies. Each of Johnson Controls and Adient, on behalf of itself and the members of its Group, hereby irrevocably (a) agrees that any Dispute shall be subject to the exclusive jurisdiction of any federal court sitting in the Borough of Manhattan in The City of New York (or, only if such court lacks subject matter jurisdiction, in any New York State court sitting in the Borough of Manhattan in The City of New York), (b) waives any claims of forum non conveniens, and agrees to submit to the jurisdiction of such courts, as provided in New York General Obligations Law § 5-1402, (c) agrees that service of any process, summons, notice or document by United States registered mail to its respective address set forth in Section 9.10 shall be effective service of process for any litigation brought against it in any such court or for the taking of any other acts as may be necessary or appropriate in order to effectuate any judgment of said courts and (d) UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN CONNECTION WITH ANY DISPUTE.

Section 9.08. Assignability.

(a) This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, that neither Party may assign its rights or delegate its obligations under this Agreement by operation of law or otherwise

without the express prior written consent of the other Party. Notwithstanding the foregoing, no such consent shall be required for the assignment of a Party's rights and obligations under the Separation and Distribution Agreement, this Agreement and the other Ancillary Agreements in whole (i.e., the assignment of a Party's rights and obligations under the Separation and Distribution Agreement, this Agreement and all the other Ancillary Agreements all at the same time) in connection with a change of control of a Party so long as the resulting, surviving or transferee Person assumes all of the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party. Nothing herein is intended to, or shall be construed to, prohibit either Party or any of its Subsidiaries from being party to or undertaking a change of control.

(b) If there occurs a divestiture or other disposition of any Subsidiary, division or business that is a Recipient or Provider of Services (a "Divested Business"), the Party that is divesting or disposing of such Divested Business shall assign all of its rights and obligations under this Agreement, in respect of the Divested Business, to the Person that acquired control of such Divested Business (such Person, the "Divested Business Acquirer"), without any requirement to obtain the consent of the other Party, and the Party that is divesting or disposing of the Divested Business shall cause the Divested Business Acquirer to accept in writing the terms of this Agreement and the applicable Services with respect to such Divested Business and, to the extent that the Divested Business is a Provider of Services, assume the applicable obligations of the Provider under this Agreement.

Section 9.09. Third-Party Beneficiaries. Except as provided in Article VII with respect to the Provider Indemnitees in their capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer upon any other Person (except the Parties) any rights or remedies hereunder; and (b) there are no other third-party beneficiaries of this Agreement and this Agreement shall not provide any other Third Party with any remedy, claim, Liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

Section 9.10. Notices. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 9.10):

If to Johnson Controls, to:

Johnson Controls plc  
5757 North Green Bay Avenue  
Milwaukee, Wisconsin 53209  
Attn: General Counsel  
Facsimile: 414-524-2299  
E-mail: CO-General.Counsel@jci.com

If to Adient, to:

Adient plc  
833 East Michigan Street  
Milwaukee, Wisconsin 53202  
Attn: General Counsel  
Facsimile: [•]  
E-mail: [•]

Any Party may, by notice to the other Party, change the address to which such notices are to be given.

Section 9.11. Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

Section 9.12. Force Majeure. No Party shall be deemed in default of this Agreement for any delay or failure to fulfill any obligation hereunder (other than the obligation to pay money for Charges and Early Termination Charges, if any, incurred) so long as and to the extent to which any delay or failure in the fulfillment of such obligations is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance (other than the obligation to pay money for Charges and Early Termination Charges, if any, incurred) shall be extended for a period equal to the time lost by reason of the delay unless this Agreement has previously been terminated under Article V. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such Force Majeure, (a) provide written notice to the other Party of the nature and extent of any such Force Majeure; and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement as soon as reasonably practicable (and in no event later than the date that the affected Party resumes providing analogous services to, or otherwise resumes analogous performance under any other agreement for, itself, its Affiliates or any Third Party), unless this Agreement has previously been terminated under Article V. The Recipient shall be relieved of the obligation to pay Charges for the affected Service(s) throughout the duration of such Force Majeure. If any Force Majeure prevents, hinders, or delays the performance by the Provider, the Recipient may procure the affected Services from an alternate source, including the Recipient's personnel (with the Provider reimbursing the Recipient for the cost of procuring the affected Services from such alternate source) throughout the duration of such Force Majeure, and the Provider shall cooperate in good faith with, provide any required Information to, and take such other action as may be reasonable required to enable such alternate source to provide the affected Services.

Section 9.13. Headings. The Article, Section and Paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 9.14. Survival of Covenants. Except as expressly set forth in this Agreement, the covenants, representations and warranties and other agreements contained in this Agreement, and Liability for the breach of any obligations contained herein, shall survive the Effective Time and shall remain in full force and effect thereafter.

Section 9.15. Waivers of Default. Waiver by any Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the waiving Party. No failure or delay by any Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 9.16. Dispute Resolution.

(a) In the event of any controversy, dispute or claim arising out of or relating to any Party's rights or obligations under this Agreement (whether arising in contract, tort or otherwise), calculation or allocation of the costs of any Service or otherwise arising out of or relating in any way to this Agreement (including the interpretation or validity of this Agreement) (a "Dispute") and (ii) is not resolved by the Transition Committee after a reasonable period of time, such Dispute shall be resolved in accordance with the dispute resolution process referred to in Article VII of the Separation and Distribution Agreement.

(b) In any Dispute regarding the amount of a Charge or an Early Termination Charge, if such Dispute is finally resolved by the Transition Committee or pursuant to the dispute resolution process set forth or referred to in Section 9.16(a) and it is determined that the Charge or the Early Termination Charge, as applicable, that the Provider has invoiced the Recipient, and that the Recipient has paid to the Provider, is greater or less than the amount that the Charge or the Early Termination Charge, as applicable, should have been, then (i) if it is determined that the Recipient has overpaid the Charge or the Early Termination Charge, as applicable, the Provider shall within thirty (30) business days after such determination reimburse the Recipient an amount of cash equal to such overpayment, plus the Interest Payment, accruing from the date of payment by the Recipient to the time of reimbursement by the Provider; and (ii) if it is determined that the Recipient has underpaid the Charge or the Early Termination Charge, as applicable, the Recipient shall within thirty (30) business days after such determination reimburse the Provider an amount of cash equal to such underpayment, plus the Interest Payment, accruing from the date such payment originally should have been made by the Recipient to the time of payment by the Recipient.

Section 9.17. Specific Performance. Subject to Section 9.16, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief (on an interim or permanent basis) in respect of its rights or their rights under this Agreement, in addition to any and all other rights

and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, may be inadequate compensation for any loss and that any defense in any Action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are hereby waived by each of the Parties. Unless otherwise agreed to in writing, the Parties shall continue to provide Services and honor all other commitments under this Agreement during the course of dispute resolution pursuant to the provisions of Section 9.16 and this Section 9.17 with respect to all matters not subject to such Dispute; provided, that this obligation shall only exist during the term of this Agreement.

Section 9.18. Amendments. No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment (including any extension of the term of any Service), supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

Section 9.19. Precedence of Schedules. Each Schedule attached to or referenced in this Agreement is hereby incorporated into and shall form an integral part of this Agreement; provided, that the terms contained in such Schedule shall only apply with respect to the Services provided under that Schedule. In the event of a conflict between the terms contained in an individual Schedule and the terms in the body of this Agreement, the terms in the Schedules shall take precedence with respect to the Services under such Schedule only. No terms contained in individual Schedules shall otherwise modify the terms of this Agreement.

Section 9.20. Interpretation. In this Agreement, (a) words in the singular shall be deemed to include the plural and vice versa and words of one gender shall be deemed to include the other genders as the context requires; (b) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules, Annexes and Exhibits hereto) and not to any particular provision of this Agreement; (c) Article, Section, Exhibit, Annex and Schedule references are to the Articles, Sections, Exhibits, Annexes and Schedules to this Agreement unless otherwise specified; (d) unless otherwise stated, all references to any agreement shall be deemed to include the exhibits, schedules and annexes to such agreement; (e) the word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless otherwise specified; (f) the word “or” shall not be exclusive; (g) unless otherwise specified in a particular case, the word “days” refers to calendar days; (h) references to “business day” shall mean any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by law to close in Ireland, the United States or the United Kingdom; (i) references herein to this Agreement or any other agreement contemplated herein shall be deemed to refer to this Agreement or such other agreement as of the date on which it is executed and as it may be amended, modified or supplemented thereafter, unless otherwise specified; and (j) unless expressly stated to the contrary in this Agreement, all references to “the date hereof,” “the date of this Agreement,” “hereby” and “hereupon” and words of similar import shall all be references to [●], 2016.



Section 9.21. Mutual Drafting. This Agreement shall be deemed to be the joint work product of the Parties and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable to this Agreement.

*[Remainder of page intentionally left blank]*

representatives. IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized

JOHNSON CONTROLS PLC

By: \_\_\_\_\_  
Name:  
Title:

ADIENT PLC

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Transition Services Agreement]*

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**TAX MATTERS AGREEMENT**

**DATED AS OF [•]**

**BY AND BETWEEN**

**JOHNSON CONTROLS PLC**

**AND**

**ADIANT PLC**

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## TAX MATTERS AGREEMENT

This TAX MATTERS AGREEMENT (this “Agreement”) is entered into as of [●], by and between Johnson Controls plc, an Irish public limited company (“Johnson Controls”), and Adient plc, a company organized under the laws of England and Wales (“Adient”) (collectively, the “Companies” and each, a “Company”).

### RECITALS

WHEREAS, Johnson Controls and Adient have entered into a Separation and Distribution Agreement, dated as of [●] (the “Separation and Distribution Agreement”), providing for the separation of the Johnson Controls Group from the Adient Group;

WHEREAS, pursuant to the terms of the Separation and Distribution Agreement and the Separation Step Plan, Old Johnson Controls has and will, among other things, (i) contribute, sell or otherwise transfer (or cause to be contributed, sold or otherwise transferred) the Adient Assets to Jersey SpinCo and its Subsidiaries, (ii) cause Jersey SpinCo and its Subsidiaries to assume the Adient Liabilities, and (iii) [sell all of the outstanding Jersey SpinCo Shares to TIFSA in exchange for a short-term note] (the “Old Johnson Controls Jersey SpinCo Sale”);

WHEREAS, [following the Old Johnson Controls Jersey SpinCo Sale, TIFSA will sell all of the outstanding Jersey SpinCo Shares to Johnson Controls in exchange for a note] (the “TIFSA Jersey SpinCo Sale”);

WHEREAS, following the TIFSA Jersey SpinCo Sale, pursuant to the terms of the Separation and Distribution Agreement, Johnson Controls will (and will cause Adient to) effect the Distribution;

WHEREAS, Johnson Controls and its Subsidiaries have engaged in certain restructuring transactions to facilitate the Distribution, including the Old Johnson Controls Internal Contributions, the Old Johnson Controls Internal Distributions, the Old Johnson Controls Jersey SpinCo Sale, the TIFSA Jersey SpinCo Sale and the other transactions set forth in the Separation Step Plan;

WHEREAS, for U.S. Federal Income Tax purposes, it is intended that each of the Old Johnson Controls Internal Distributions shall qualify as a transaction that is generally tax-free pursuant to Sections 355(a) and 368(a)(1)(D) of the Code or Section 355(a) of the Code, as applicable; and

WHEREAS, the parties desire to provide for and agree upon the allocation between the parties of liabilities for Taxes arising prior to, as a result of, and subsequent to the Distribution, and to provide for and agree upon other matters relating to Taxes.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereby agree as follows:

**Section 1. Definition of Terms.** For purposes of this Agreement (including the recitals hereof), the following terms have the following meanings, and capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Separation and Distribution Agreement:

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“Active Trade or Business” means, with respect to any Old Johnson Controls Internal Distributing and any Old Johnson Controls Internal Controlled, the active conduct (as defined in Section 355(b)(2) of the Code and the regulations thereunder) by such entity and its “separate affiliated group” (as defined in Section 355(b)(3)(B) of the Code) of the trade or business relied upon to satisfy Section 355(b) of the Code with respect to the relevant Old Johnson Controls Internal Distribution immediately prior to such Old Johnson Controls Internal Distribution.

“Actually Realized” or “Actually Realizes” means, for purposes of determining the timing of the incurrence of any Tax Liability or the realization of a Refund (or any related Tax cost or Tax Benefit), whether by receipt or as a credit or other offset to Taxes otherwise payable, by a Person in respect of any payment, transaction, occurrence or event, the time at which the amount of Taxes paid (or Refund realized) by such Person is increased above (or reduced below) the amount of Taxes that such Person would have been required to pay (or Refund that such Person would have realized) but for such payment, transaction, occurrence or event.

“Adient” has the meaning set forth in the Preamble, and references herein to Adient shall include any entity treated as a successor to Adient.

“Adient Business” has the meaning set forth in the Separation and Distribution Agreement.

“Adient Capital Stock” means all classes or series of capital stock of Adient, including (i) the Adient Shares, (ii) all options, warrants and other rights to acquire such capital stock, and (iii) all instruments properly treated as stock in Adient for Federal Income Tax purposes.

“Adient Carryback Item” means any net operating loss, net capital loss, excess tax credit or other similar Tax item of any member of the Adient Group which may or must be carried from any Post-Distribution Period to any Pre-Distribution Period under the Code or other applicable Tax Law.

“Adient Group” means Adient and its Affiliates, as determined immediately after the Distribution.

“Adient Group Employees” has the meaning set forth in the Employee Matters Agreement.

“Adient Group Relief” means, without duplication, (i) any Relief of any member of the Adient Group as of immediately after the Distribution and (ii) any Relief generated by, or attributable or arising to, any member of the Adient Group in a Post-Distribution Period.

“Adient Return” has the meaning set forth in Section 3.02.

“Adient Separate Return” means any Separate Return of Adient or any member of the Adient Group.

“Adient Shares” has the meaning set forth in the Separation and Distribution Agreement.

“Adjusted Company” has the meaning set forth in Section 9.02(c).

“Adjustment Request” means any formal or informal claim or request filed with any Tax Authority, or with any administrative agency or court, for the adjustment, Refund, or credit of Taxes,



including (a) any amended Tax Return claiming adjustment to the Taxes as reported on the Tax Return or, if applicable, as previously adjusted, (b) any claim for equitable recoupment or other offset, and (c) any claim for Refund of Taxes previously paid.

“Affiliate” has the meaning set forth in the Separation and Distribution Agreement.

“Agreement” means this Tax Matters Agreement.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by Law to close in Ireland, the United States or the United Kingdom.

“Check-the-Box Election” has the meaning set forth in Section 6.05(b).

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Combined Return” means a consolidated, affiliated, combined, unitary, group or other similar Tax Return (including a Tax Return with respect to a profit and/or loss sharing group (*e.g.*, UK group relief), group payment or similar group or fiscal unity) that actually includes, by election or otherwise, one or more members of the Johnson Controls Group together with one or more members of the Adient Group (including, for the avoidance of doubt, any such Tax Return that is an Old Johnson Controls Federal Consolidated Income Tax Return).

“Companies” or “Company” has the meaning set forth in the Preamble.

“Compensatory Equity Interests” has the meaning set forth in Section 5.02.

“Competent Authority Proceeding” means any proceeding pursuant to the mutual assistance or mutual agreement provisions of any tax treaty or any similar proceeding before any Competent Authority (or other body similar to a Competent Authority established pursuant to any tax treaty).

“Distribution” means the distribution by Johnson Controls of all of the Jersey SpinCo Shares *pro rata* to holders of Johnson Controls common stock, which will be effected by way of a transfer of all of the Jersey SpinCo Shares by Johnson Controls to Adient in exchange for Adient’s issuance of Adient Shares to holders of Johnson Controls common stock for no consideration, *pro rata* in accordance with such holders’ respective holdings of Johnson Controls common stock.

“Distribution Date” has the meaning set forth in the Separation and Distribution Agreement.

“Effective Time” has the meaning set forth in the Separation and Distribution Agreement.

“Electronics Business” means the “Business,” as defined in that certain Purchase Agreement, dated as of January 12, 2014, by and between Johnson Controls, Inc. and Visteon Corporation, and the “Business,” as defined in that certain Asset Purchase Agreement, dated as of July 18, 2013, by and between Johnson Controls, Inc. and Gentex Corporation.

“Electronics Business Tax” means any Tax Liability imposed on the Electronics Entity and attributable to the Electronics Business (determined on a “with and without” basis).

“Electronics Business Tax Attribute” means any Tax Attribute of the Electronics Entity attributable to the Electronics Business, as determined by Johnson Controls in good faith.

“Electronics Entity” means Johnson Controls Automotive Electronics do Brasil Ltda. (formerly SAGEM Do Brasil), and any successor thereto.

“Employee Matters Agreement” means the Employee Matters Agreement, dated as of [•], by and between Johnson Controls and Adient.

“Federal Income Tax” means any Tax imposed by Subtitle A of the Code.

“Federal Other Tax” means any Tax imposed by the federal government of the United States of America other than any Federal Income Taxes.

“Fifty-Percent or Greater Interest” has the meaning ascribed to such term for purposes of Sections 355(d) and (e) of the Code and the Treasury Regulations Thereunder.

“Filing Date” has the meaning set forth in Section 6.04(d).

“Final Determination” means the final resolution of liability for any Tax, which resolution may be for a specific issue or adjustment or for a Tax Period, (a) by IRS Form 870 or 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the taxpayer, or by a comparable form under the Laws of a State, local or foreign taxing jurisdiction, except that a Form 870 or 870-AD or comparable form shall not constitute a Final Determination to the extent that it reserves (whether by its terms or by operation of Law) the right of the taxpayer to file a claim for Refund or the right of the Tax Authority to assert a further deficiency in respect of such issue or adjustment or for such Tax Period (as the case may be); (b) by a decision, judgment, decree or other order by a court of competent jurisdiction, which has become final and unappealable; (c) by a closing agreement or accepted offer in compromise under Section 7121 or 7122 of the Code, or a comparable agreement under the Laws of a State, local or foreign taxing jurisdiction; (d) by any allowance of a Refund in respect of an overpayment of Tax, but only after the expiration of all periods during which such Refund may be recovered (including by way of offset) by the jurisdiction imposing such Tax; (e) by a final settlement resulting from a Competent Authority Proceeding or determination; or (f) by any other final disposition, including by reason of the expiration of the applicable statute of limitations or by mutual agreement of the parties hereto.

“Foreign Corporation Status” means the status of Adient as a foreign corporation (within the meaning of Sections 7701(a)(3) and 7701(a)(5) of the Code) for U.S. federal tax purposes as of immediately after the Distribution.

“Foreign Income Tax” means any Tax imposed by any foreign country or any possession of the United States, or by any political subdivision of any foreign country or United States possession, which is an income tax as defined in Treasury Regulations Section 1.901-2.

“Foreign Other Tax” means any Tax imposed by any foreign country or any possession of the United States, or by any political subdivision of any foreign country or United States possession, other than any Foreign Income Taxes.

“Former Adient Group Employees” has the meaning provided in the Employee Matters Agreement.

“Former Johnson Controls Group Employee” has the meaning provided in the Employee Matters Agreement.

“Group” means the Johnson Controls Group or the Adient Group, or both, as the context requires.

“High-Level Dispute” means any dispute or disagreement (a) relating to liability under Section 6.04 or (b) in which the amount of liability in dispute exceeds \$10 million.

“Income Tax” means any Federal Income Tax, State Income Tax or Foreign Income Tax.

“Indemnatee” has the meaning set forth in Section 12.03.

“Indemnitor” has the meaning set forth in Section 12.03.

“IRS” means the United States Internal Revenue Service.

“Jersey SpinCo” means [•], a Jersey public limited company and a direct wholly owned Subsidiary of Adient immediately following the Distribution.

“Jersey SpinCo Shares” means the ordinary shares, par value £[•] per share, of Jersey SpinCo.

“Johnson Controls” has the meaning set forth in the Preamble.

“Johnson Controls Business” has the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls Group” means Johnson Controls and its Affiliates, excluding any entity that is a member of the Adient Group.

“Johnson Controls Group Employees” has the meaning set forth in the Employee Matters Agreement.

“Johnson Controls Group Relief” means, without duplication, (i) any Relief of any member of the Johnson Controls Group as of immediately after the Distribution and (ii) any Relief generated by, or attributable or arising to, any member of the Johnson Controls Group in a Post-Distribution Period.

“Johnson Controls Return” has the meaning set forth in Section 3.01(a).

“Johnson Controls Separate Return” means any Separate Return of Johnson Controls or any member of the Johnson Controls Group.

“Law” has the meaning set forth in the Separation and Distribution Agreement.

“Loss” has the meaning set forth in Section 5.01(b).

“Non-Recoverable Transaction Tax Return” has the meaning set forth in Section 3.01(a).

“Non-Recoverable Transaction Taxes” has the meaning set forth in Section 2.03(a).

“Notified Action” has the meaning set forth in Section 6.03(a).

“Old Johnson Controls” means Johnson Controls, Inc., a Wisconsin corporation.

“Old Johnson Controls Affiliated Group” has the meaning set forth in the definition of “Old Johnson Controls Federal Consolidated Income Tax Return.”

“Old Johnson Controls Federal Consolidated Income Tax Return” means any U.S. federal income Tax Return for the affiliated group (as that term is defined in Section 1504 of the Code and the regulations thereunder) of which Old Johnson Controls is the common parent (the “Old Johnson Controls Affiliated Group”).

“Old Johnson Controls Internal Contribution” means the contribution of specified assets to an Old Johnson Controls Internal Controlled pursuant to the Separation and Distribution Agreement and the Separation Step Plan.

“Old Johnson Controls Internal Controlled” means [each of Recaro Mexico and EDIASA].

“Old Johnson Controls Internal Controlled Capital Stock” means, with respect to any Old Johnson Controls Internal Controlled, all classes or series of capital stock of such Old Johnson Controls Internal Controlled, including (i) any class of common stock, preferred stock or other capital stock, (ii) all options, warrants and other rights to acquire such capital stock, and (iii) all instruments properly treated as stock in such Old Johnson Controls Internal Controlled for Federal Income Tax purposes.

“Old Johnson Controls Internal Distributing” means [JC Enterprises Mexico SRL].

“Old Johnson Controls Internal Distributing Capital Stock” means, with respect to any Old Johnson Controls Internal Distributing, all classes or series of capital stock of any Old Johnson Controls Internal Distributing, including (i) any class of common stock, preferred stock or other capital stock, (ii) all options, warrants and other rights to acquire such capital stock, and (iii) all instruments properly treated as stock in such Old Johnson Controls Internal Distributing for Federal Income Tax purposes.

“Old Johnson Controls Internal Distribution” means the distribution by one or more Old Johnson Controls Internal Distributing(s) of all the common stock of the applicable Old Johnson Controls Internal Controlled to Johnson Controls or another member of the Johnson Controls Group in a transaction intended to qualify as a distribution that is generally tax-free pursuant to Sections 355(a) and 368(a)(1)(D) of the Code or Section 355(a) of the Code, as applicable.

“Old Johnson Controls Jersey SpinCo Sale” has the meaning set forth in the Recitals.

“Other Tax” means any Federal Other Tax, State Other Tax or Foreign Other Tax.

“Past Practices” has the meaning set forth in Section 3.03(a).

“Payment Date” means (i) with respect to any Old Johnson Controls Federal Consolidated Income Tax Return, the due date for any required installment of estimated taxes determined under Section 6655 of the Code, the due date (determined without regard to extensions) for filing the return determined under Section 6072 of the Code, and the date the return is filed, and (ii) with respect to any other Tax Return, the corresponding or similar dates determined under the applicable Tax Law.

“Person” means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or a governmental entity or any department, agency or political subdivision thereof, without regard to whether any entity is treated as disregarded for Federal Income Tax purposes.

“Permitted Adient Carryback” has the meaning set forth in Section 5.01(d).

“Post-Distribution Period” means any Tax Period beginning after the Distribution Date, and, in the case of any Straddle Period, the portion of such Straddle Period beginning the day after the Distribution Date.

“Pre-Distribution Period” means any Tax Period ending on or before the Distribution Date, and, in the case of any Straddle Period, the portion of such Straddle Period ending on the Distribution Date.

“Prime Rate” has the meaning set forth in the Separation and Distribution Agreement.

“Privilege” means any privilege that may be asserted under applicable Law, including any privilege arising under or relating to the attorney-client relationship (including the attorney-client and work product privileges), the accountant-client privilege and any privilege relating to internal evaluation processes.

“Proposed Acquisition Transaction” means a transaction or series of transactions (or any agreement, understanding or arrangement, within the meaning of Section 355(e) of the Code and Treasury Regulations Section 1.355-7, or any other regulations promulgated thereunder, to enter into a transaction or series of transactions), whether such transaction is supported by Adient management or shareholders, is a hostile acquisition, or otherwise, as a result of which Adient would merge or consolidate with any other Person or as a result of which any Person or Persons would (directly or indirectly) acquire, or have the right to acquire, from Adient and/or one or more holders of Adient Capital Stock, a number of shares of Adient Capital Stock that would, when combined with any other changes in ownership of Adient Capital Stock pertinent for purposes of Section 355(e) of the Code, comprise 40% or more of (A) the value of all outstanding shares of stock of Adient as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series, or (B) the total combined voting power of all outstanding shares of voting stock of Adient as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series. Notwithstanding the foregoing, a Proposed Acquisition Transaction shall not include (A) the adoption by Adient of a shareholder

rights plan or (B) issuances by Adient that satisfy Safe Harbor VIII (relating to acquisitions in connection with a person's performance of services) or Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulations Section 1.355-7(d). For purposes of determining whether a transaction constitutes an indirect acquisition, any recapitalization resulting in a shift of voting power or any redemption of shares of stock shall be treated as an indirect acquisition of shares of stock by the non-exchanging shareholders. This definition and the application thereof are intended to monitor compliance with Section 355(e) of the Code and shall be interpreted accordingly. Any clarification of, or change in, the statute or regulations promulgated under Section 355(e) of the Code shall be incorporated into this definition and its interpretation.

"Recipient" means, with respect to the transfers occurring pursuant to any of the Separation Transactions, the Person receiving assets and/or liabilities.

"Refund" means any refund of Taxes, including any refund or reduction in Tax Liabilities by means of a credit or offset.

"Relief" means any relief, loss allowance, exemption, set-off, Refund, deduction, credit or Tax Attribute utilized in computing, or against, taxable income or Tax Liability.

"Responsible Company" means, with respect to any Tax Return, the Company having responsibility for preparing such Tax Return under this Agreement.

"Restriction Period" means the period beginning on the date hereof and ending on (and including) the two-year anniversary of the Distribution Date.

"Retention Date" has the meaning set forth in Section 8.01.

"Section 336(e) Election" has the meaning set forth in Section 6.05(a).

"Separate Return" means (a) in the case of any Tax Return of any member of the Adient Group (including any consolidated, affiliated, combined, unitary, group or other similar Tax Return (including a Tax Return with respect to a profit and/or loss sharing group (e.g., UK group relief), group payment or similar group or fiscal unity)), any such Tax Return that does not include any member of the Johnson Controls Group and (b) in the case of any Tax Return of any member of the Johnson Controls Group (including any consolidated, affiliated, combined, unitary, group or other similar Tax Return (including a Tax Return with respect to a profit and/or loss sharing group (e.g., UK group relief), group payment or similar group or fiscal unity)), any such Tax Return that does not include any member of the Adient Group.

"Separation" means the separation of the Adient Business from the Johnson Controls Business.

"Separation and Distribution Agreement" has the meaning set forth in the Recitals.

"Separation Related Tax Contest" means any Tax Contest in which the IRS, another Tax Authority or any other party asserts a position that could reasonably be expected to adversely affect, jeopardize or prevent (a) the Tax-Free Status of any of the Old Johnson Controls Internal Distributions (and, where applicable, the related Old Johnson Controls Internal Contribution), (b) a

Separation Transaction (other than a Separation Transaction described in clause (a)) to have the tax-free or other tax treatment described in the Tax Treatment Schedule or the Separation Step Plan, or (c) the Unrestricted Inversion Status of the Tyco Merger.

“Separation Step Plan” means the global step plan setting forth the specific transactions undertaken in anticipation and furtherance of the Separation, attached as Exhibit [•] to the Separation and Distribution Agreement.

“Separation Tax Losses” means (i) all Taxes imposed pursuant to (or any reduction in a Refund resulting from) any settlement, Final Determination, judgment or otherwise; (ii) all third-party accounting, legal and other professional fees and court costs incurred in connection with such Taxes (or reduction in a Refund), as well as any other out-of-pocket costs incurred in connection with such Taxes; and (iii) all third-party costs, expenses and damages associated with any stockholder litigation or other controversy and any amount required to be paid by Johnson Controls (or any Johnson Controls Affiliate) or Adient (or any Adient Affiliate) in respect of any liability of or to shareholders, whether paid to shareholders or to the IRS or any other Tax Authority, in each case, resulting from (x) the failure of any of the Old Johnson Controls Internal Contributions or Old Johnson Controls Internal Distributions to have Tax-Free Status (including, for the avoidance of doubt, any Taxes imposed on income or gain recognized pursuant to any “gain recognition agreement” within the meaning of Treasury Regulations Section 1.367(a)-8 previously entered into in connection with any other transaction that results from or is attributable to the failure of any of the Old Johnson Controls Internal Contributions or Old Johnson Controls Internal Distributions to have Tax-Free Status), (y) the failure of a Separation Transaction (other than a Separation Transaction described in clause (x)) to have the tax-free or other tax treatment described in the Tax Treatment Schedule or the Separation Step Plan, or (z) the failure of the Tyco Merger to have Unrestricted Inversion Status; *provided* that amounts shall be treated as having been required to be paid for purposes of clause (iii) of this definition to the extent they are paid in a good-faith compromise or settlement of an asserted claim. For the avoidance of doubt, except as expressly provided to the contrary in this Agreement, the amount of Taxes that are Separation Tax Losses for which Johnson Controls and Adient, as applicable, are liable pursuant to this Agreement shall be calculated without taking into account the utilization of any Adient Group Relief or Johnson Controls Group Relief, respectively.

“Separation Transactions” means the Distribution and the other transactions contemplated by the Separation and Distribution Agreement and the Separation Step Plan in furtherance of the Separation (including the Old Johnson Controls Internal Contributions, the Old Johnson Controls Internal Distributions, the Old Johnson Controls Jersey SpinCo Sale and the TIFSA Jersey SpinCo Sale).

“State Income Tax” means any Tax imposed by any State of the United States or by any political subdivision of any such State or the District of Columbia that is imposed on or measured by net income, including state and local franchise or similar Taxes measured by net income.

“State Other Tax” means any Tax imposed by any State of the United States or by any political subdivision of any such State or the District of Columbia, other than any State Income Taxes.

“Straddle Combined Return” means any Combined Return for a Straddle Period that is, under applicable Law, required to include a member of the Adient Group in the portion of such Straddle Period that is a Post-Distribution Period.

“Straddle Period” means any Tax Period that begins on or before and ends after the Distribution Date.

“Tax” or “Taxes” means any taxes, fees, assessments, duties or other similar charges imposed by any Tax Authority, including, without limitation, income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers’ compensation, unemployment, disability, property, *ad valorem*, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value-added, alternative minimum, estimated or other tax (including any fee, assessment, duty, or other charge in the nature of or in lieu of any tax), and any interest, penalties, additions to tax or additional amounts in respect of the foregoing. For the avoidance of doubt, Tax includes any increase in Tax as a result of a Final Determination.

“Tax Advisor” means tax counsel or accountant of recognized national standing.

“Tax Advisor Dispute” has the meaning set forth in Section 13.01.

“Tax Attribute” or “Attribute” means a net operating loss, net capital loss, unused investment credit, unused foreign tax credit, excess charitable contribution, general business credit or any other Tax Item that could reduce a Tax or create a Tax Benefit.

“Tax Authority” means, with respect to any Tax, the governmental entity or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such entity or subdivision or otherwise having jurisdiction with respect to such Tax.

“Tax Benefit” means any loss, deduction, refund, credit, offset or other Tax item reducing Taxes paid or payable. For purposes of this Agreement, the amount of any Tax Benefit Actually Realized by a Person as a result of any such Tax item shall be determined on a “with and without basis” as the excess of (a) the hypothetical liability of such Person for the relevant Tax for the relevant Tax Period, calculated as if such Tax item had not been utilized but with all other facts unchanged, over (b) the actual liability of such Person for such Tax for such Tax Period, calculated taking into account such Tax item (and, for this purpose, treating a Refund as a reduction in liability for Tax).

“Tax Contest” means an audit, review, examination or any other administrative or judicial proceeding with the purpose or effect of redetermining Taxes (including any administrative or judicial review of any claim for any Refund).

“Tax-Free Status” means, with respect to each Old Johnson Controls Internal Distribution (where relevant, taken together with the related Old Johnson Controls Internal Contribution), the qualification thereof (a) as a transaction described in Sections 355(a) and 368(a)(1)(D) of the Code or Section 355(a) of the Code, as applicable, (b) as a transaction in which the stock distributed thereby is “qualified property” for purposes of Sections 355(c)(2) and 361(c)(2) of the Code, and (c) as a transaction in which Johnson Controls, Adient and the members of their respective Groups recognize no income or gain for U.S. federal income tax purposes pursuant to Sections



355, 361 and 1032 of the Code, other than intercompany items or excess loss accounts taken into account pursuant to the Treasury Regulations promulgated pursuant to Section 1502 of the Code.

“Tax Item” means, with respect to any Income Tax, any item of income, gain, loss, deduction, or credit.

“Tax Law” means the Law of any governmental entity or political subdivision thereof relating to any Tax.

“Tax Liability” means any liability or obligation for Taxes.

“Tax Period” means, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable Tax Law.

“Tax Records” means any Tax Returns, Tax Return workpapers, documentation relating to any Tax Contest, and any other books of account or records (whether or not in written, electronic or other tangible or intangible forms and whether or not stored on electronic or any other medium) maintained or required to be maintained under the Code or other applicable Tax Laws or under any record retention agreement with any Tax Authority.

“Tax Return” or “Return” means any report of Taxes due, any claim for Refund of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration, or document filed or required to be filed under the Code or other Tax Law, including any attachments, exhibits or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

“Tax Treatment Schedule” means the schedule setting forth the intended tax treatment of certain of the Separation Transactions, attached as Exhibit [I] to this Agreement.

“TIFSA” means Tyco International Finance S.A., a Luxembourg company and an indirect wholly owned subsidiary of Johnson Controls.

“TIFSA Jersey SpinCo Sale” has the meaning set forth in the Recitals.

“Transaction Taxes” means any value-added, goods and services, sales, use, consumption, excise, service, transfer, stamp, documentary, filing, recordation Taxes or similar Taxes.

“Transferor” means, with respect to the transfers occurring pursuant to any of the Separations Transactions, the Person transferring assets and/or liabilities.

“Treasury Regulations” means the regulations promulgated from time to time under the Code as in effect for the relevant Tax Period.

“Tyco Merger” means the merger of an indirect subsidiary of Tyco International, plc with and into Old Johnson Controls effected on [●].

“Unrestricted Inversion Status” means, with respect to the Tyco Merger, the failure of the ownership threshold of Section 7874(a)(2)(B)(ii) of the Code to be met.

“Unqualified Tax Opinion” means an unqualified opinion of a Tax Advisor on which Johnson Controls may rely to the effect that a transaction will not adversely affect (i) the Tax-Free Status

of any of the Old Johnson Controls Internal Distributions and any of the Old Johnson Controls Internal Contributions and (ii) the Unrestricted Inversion Status of the Tyco Merger; *provided* that any tax opinion obtained in connection with a proposed acquisition of Adient Capital Stock or any Old Johnson Controls Internal Controlled Capital Stock entered into during the Restriction Period shall not qualify as an Unqualified Tax Opinion unless such tax opinion concludes that such proposed acquisition will not be treated as “part of a plan (or series of related transactions),” within the meaning of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder, that includes the Old Johnson Controls Internal Distribution involving such Old Johnson Controls Internal Controlled. Any such opinion must assume that (i) each of the Old Johnson Controls Internal Distributions and Old Johnson Controls Internal Contributions would have qualified for Tax-Free Status if the transaction in question did not occur and (ii) the Tyco Merger would have had Unrestricted Inversion Status if the transaction in question did not occur.

## **Section 2. Allocation of Tax Liabilities.**

### **Section 2.01 General Rule.**

(a) *Johnson Controls Liability.* Johnson Controls shall be liable for, and shall indemnify and hold harmless the Adient Group from and against any liability for, any Taxes for which Johnson Controls is responsible, or which are allocated to Johnson Controls, pursuant to this Section 2 or Section 3.

(b) *Adient Liability.* Adient shall be liable for, and shall indemnify and hold harmless the Johnson Controls Group from and against any liability for, any Taxes for which Adient is responsible, or which are allocated to Adient, pursuant to this Section 2 or Section 3.

(c) *Costs and Expenses.* The amounts for which Johnson Controls or Adient, as applicable, is liable pursuant to Sections 2.01(a) and (b), respectively, shall include all accounting, legal and other professional fees, and court costs incurred in connection with the relevant Taxes.

(d) *Relief.* For the avoidance of doubt, except as expressly provided to the contrary herein, the amount of Taxes for which Johnson Controls or Adient, as applicable, is liable pursuant to this Section 2, Section 3 or otherwise under this Agreement shall be calculated without taking into account the utilization of any Adient Group Relief or Johnson Controls Group Relief, respectively.

**Section 2.02 Allocation of Taxes.** Except as otherwise provided in Section 2.03(a), (b) or (c), Taxes shall be allocated as follows:

#### **(a) Taxes Relating to Combined Returns for Pre-Distribution Periods.**

(i) Johnson Controls shall be responsible for any and all Taxes due with respect to, attributable to or required to be reported on any Combined Return that are allocable to Pre-Distribution Periods (including, for the avoidance of doubt, any such Taxes imposed or payable as a result of a Final Determination).

(ii) For the avoidance of doubt, for purposes of this Agreement, any and all Taxes due with respect to, attributable to or required to be reported on any Combined Return that does not include any member of the Adient Group in any Post-Distribution Period shall be allocable to a Pre-Distribution Period.

(b) *Taxes Relating to Combined Returns for Post-Distribution Periods.*

(i) Johnson Controls shall be responsible for any and all Taxes due with respect to, attributable to or required to be reported on any Combined Return that are allocable to Post-Distribution Periods (including any increase in such Taxes as a result of a Final Determination) to the extent such Taxes are attributable to the Johnson Controls Business. Adient shall be responsible for any and all Taxes due with respect to, attributable to or required to be reported on any Combined Return that are allocable to Post-Distribution Periods (including any increase in such Taxes as a result of a Final Determination) to the extent such Taxes are attributable to the Adient Business.

(ii) For purposes of this Agreement, in the case of any Taxes for any Straddle Period, the amount of Taxes allocable to the portion of the Straddle Period ending on the Distribution Date shall be deemed to be (i) in the case of Taxes imposed on a periodic basis (such as real or personal property Taxes), the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period) multiplied by a fraction, the numerator of which is the number of calendar days in the Straddle Period ending on and including the Distribution Date and the denominator of which is the number of calendar days in the entire relevant Straddle Period; and (ii) in the case of Taxes not described in clause (i) above (such as Income Taxes or Taxes based upon occupancy or imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible)), the amount of any such Taxes shall be determined as if such taxable period ended as of the close of business on the Distribution Date, with exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions) to be allocated between the period ending on and including the Distribution Date and the period beginning after the Distribution Date in proportion to the number of days in each period.

(c) *Taxes Relating to Separate Returns.*

(i) Johnson Controls shall be responsible for any and all Taxes due with respect to, attributable to or required to be reported on any Johnson Controls Separate Return for any Tax Period (including, for the avoidance of doubt, any such Taxes imposed or payable as a result of a Final Determination).

(ii) Adient shall be responsible for any and all Taxes due with respect to, attributable to or required to be reported on any Adient Separate Return for any Tax Period (including, for the avoidance of doubt, any such Taxes imposed or payable as a result of a Final Determination); *provided*, that Johnson Controls shall be responsible for any such Taxes that are Electronics Business Taxes (including, for the avoidance of doubt, any such Taxes imposed or payable as a result of a Final Determination).

(d) *Penalties and Interest.* Any penalties or interest imposed in connection with any Taxes described in Section 2.02(a), (b) or (c) shall be the responsibility of the Company that is responsible for the underlying Tax, unless such penalties or interest are the result of an action or failure to act by the other Company or any of its Affiliates.

Section 2.03 *Certain Transaction and Other Taxes.*

(a) *Transaction Taxes.*

(i) All charges in respect of the transfers occurring pursuant to the Separation Transactions, and related transaction costs, shall be exclusive of any Transaction Taxes. Without limiting any provision of this Agreement, (a) in the case of any Transaction Taxes that are non-recoverable under applicable Law (whether by way of credit, offset, Refund, input VAT or otherwise, and such Taxes, "Non-Recoverable Transaction Taxes"), Johnson Controls shall be responsible for any such Non-Recoverable Transaction Taxes, unless any such Non-Recoverable Transaction Taxes become non-recoverable as a result of an action or failure to act by Adient or any of its Affiliates, in which case Adient shall be responsible for such Transaction Taxes and (b) in the case of any Transaction Taxes that are recoverable under applicable Law (whether by way of credit, offset, Refund, input VAT or otherwise), the Recipient (or, if not the Recipient, such other Person that is entitled to a recovery of such Transaction Taxes under applicable Law) shall be responsible for any such recoverable Transaction Taxes, unless any such recoverable Transaction Taxes become non-recoverable as a result of an action or failure to act by the Transferor or any of its Affiliates, in which case the Transferor shall be responsible for such Transaction Taxes. Notwithstanding anything to the contrary in this Agreement, to the extent a Company (or any of its Affiliates) recovers (whether by way of credit, offset, Refund, input VAT or otherwise) any Transaction Taxes that were paid or otherwise borne by the other Company (or any of its Affiliates), the Company that received (or the Affiliate of which received) such recovery shall, without duplication of any other amounts payable pursuant to this Agreement, promptly pay over to such other Company the amount of such recovery. The Transferor shall promptly issue proper and timely invoices usable by the Recipient to recover (by way of credit or Refund) any Transaction Taxes in jurisdictions where they are recoverable. The Transferor and the Recipient shall cooperate to minimize any Transaction Taxes and in obtaining any Refund, return or rebate of Transaction Taxes, or applying an exemption or zero-rating for goods or services giving rise to any Transaction Taxes, including by filing any exemption or other similar forms or providing valid tax identification numbers or other relevant registration numbers, certificates or other documents. The Recipient and the Transferor shall cooperate regarding any requests for information, audits or similar requests by any Tax Authority concerning Transaction Taxes payable with respect to the transfers occurring pursuant to the Separation Transactions.

(ii) The Recipient shall be entitled to deduct and withhold Tax required by applicable Law to be withheld on payments made to the Transferor pursuant to the Separation Transactions. To the extent any amounts are so withheld, the Recipient shall timely remit such deducted and withheld amounts to the relevant Tax Authority and promptly provide the Transferor with evidence of such payment. The Transferor agrees to complete and provide to the Recipient or, if required, to the relevant Tax Authority, at least

ten (10) days prior to the payment due date, such forms, certifications or other documents as may be reasonably requested by the Recipient, in order to reduce or exempt the withholding of any Tax with respect to payments made to the Transferor when and where applicable by Law. The Recipient and the Transferor shall reasonably cooperate (A) to minimize and obtain any reduction of or relief from deduction or withholding and (B) cooperate regarding any requests for information, audits or similar requests by any Tax Authority concerning the withholding of any Tax payable with respect to the Separation Transactions.

(iii) Any penalties or interest imposed in connection with any Transaction Taxes described in Section 2.03(a)(i) or Tax described in Section 2.03(a)(ii) shall be the responsibility of the Company that is responsible for the underlying Tax, unless such penalties or interest are the result of an action or failure to act by the other Company or any of its Affiliates.

(b) *Adient Liability.* Adient shall be liable for, and shall indemnify and hold harmless the Johnson Controls Group from and against any liability for:

(i) any Tax resulting from a breach by Adient of any representation or covenant in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement; and

(ii) any Separation Tax Losses for which Adient is responsible pursuant to Section 6.04.

(c) *Johnson Controls Liability.* Johnson Controls shall be liable for, and shall indemnify and hold harmless the Adient Group from and against any liability for:

(i) any Tax resulting from a breach by Johnson Controls of any representation or covenant in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement; and

(ii) any Separation Tax Losses for which Johnson Controls is responsible pursuant to Section 6.04.

### **Section 3. Preparation and Filing of Tax Returns.**

#### **Section 3.01 Johnson Controls Returns.**

(a) Except as provided in Section 3.02, Johnson Controls shall prepare or cause to be prepared (i) all Old Johnson Controls Federal Consolidated Income Tax Returns, (ii) all other Combined Returns, (iii) all Johnson Controls Separate Returns and (iv) all Tax Returns required to be filed with respect to any Non-Recoverable Transaction Taxes (a "Non-Recoverable Transaction Tax Return," and any return described in clause (i), (ii), (iii) or (iv), a "Johnson Controls Return"). Except as provided in Section 3.01(b), Johnson Controls shall file or cause to be filed all Johnson Controls Returns and shall pay or cause to be paid all Taxes shown to be due on any such Johnson Controls Return to the relevant Tax Authority and Adient shall make any payments

to Johnson Controls required pursuant to Section 4.01 in respect of any such Johnson Controls Return.

(b) In the event that Adient or a member of the Adient Group (or an authorized representative of Adient or a member of the Adient Group) is obligated to sign and file a Johnson Controls Return under applicable Tax Law, Johnson Controls shall deliver such Johnson Controls Return to Adient and pay to Adient the amount of Taxes due on such Johnson Controls Return prior to the due date for filing such Johnson Controls Return (taking into account extensions), and Adient shall timely file or cause to be timely filed such Johnson Controls Return (taking into account extensions). Adient shall pay or cause to be paid all Taxes shown to be due on any Johnson Controls Return required to be filed by Adient pursuant to this Section 3.01(b).

Section 3.02 *Adient Returns.* Adient shall prepare and timely file, or cause to be prepared and timely filed (in each case, taking into account extensions), all Adient Separate Returns and any other Tax Return required to be filed by or with respect to a member of the Adient Group other than any Tax Return which Johnson Controls is required to prepare pursuant to Section 3.01(a) (each, a “Adient Return”). Adient shall file or cause to be filed all Adient Returns and shall pay or cause to be paid all Taxes shown to be due on any such Adient Return to the relevant Tax Authority and Johnson Controls shall make any payments to Adient required pursuant to Section 4.01 in respect of any such Adient Return.

Section 3.03 *Tax Reporting Practices.*

(a) Except as otherwise provided in Section 3.03(c), with respect to any Tax Return that Adient has the obligation and right to prepare and file, or cause to be prepared and filed, under Section 3.02 for any Pre-Distribution Period or any Straddle Period (or, to the extent relating to any Taxes or Tax Items of the Electronics Entity attributable to the Electronics Business), such Tax Return shall be prepared in accordance with past practices, accounting methods, elections and conventions (“Past Practices”) used with respect to the Tax Returns in question, and, to the extent there is no Past Practice with respect to such item, in accordance with reasonable Tax accounting or other practices selected by Adient and reasonably acceptable to Johnson Controls; *provided* that, except to the extent relating to any Taxes or Tax Items of the Electronics Entity attributable to the Electronics Business, Adient may determine in good faith to prepare and file, or cause to be prepared and filed, any such Tax Return in a manner that deviates from Past Practices; *provided, however*, that if any such Tax Return is prepared or filed in a manner that deviates from Past Practices, Adient shall be responsible for any additional Taxes imposed on or payable by Johnson Controls or any of its Affiliates (including pursuant to the terms of this Agreement) as a result of any such deviation (other than any such deviation that was previously consented to by Johnson Controls (including in connection with the review, if any, by Johnson Controls of the relevant Tax Return pursuant to the procedures set forth in Section 3.05(a))).

(b) Except as otherwise provided in Section 3.03(c), with respect to any Straddle Combined Return to the extent relating to the Post-Distribution Period or any Combined Return for any taxable period beginning on or after the Distribution Date, in each case, that Johnson Controls has the obligation and right to prepare and file, or cause to be prepared and filed, under Section 3.01, such Tax Return (or such portion thereof) shall be prepared in accordance with Past Practices used with respect to the Tax Returns in question, and, to the extent there is no Past Practice with respect to such item, in accordance with reasonable Tax accounting or other practices

selected by Johnson Controls and reasonably acceptable to Adient; *provided* that Johnson Controls may determine in good faith to prepare and file, or cause to be prepared and filed, any such Tax Return in a manner that deviates from Past Practices; *provided, however*, that if any such Tax Return is prepared or filed in a manner that deviates from Past Practices, Johnson Controls shall be responsible for any additional Taxes imposed on or payable by Adient or any of its Affiliates (including pursuant to the terms of this Agreement) as a result of any such deviation (other than any such deviation that was previously consented to by Adient (including in connection with the review, if any, by Adient of the relevant Tax Return pursuant to the procedures set forth in Section 3.05(a))).

(c) Except to the extent otherwise required by applicable Law or as a result of a Final Determination, (A) neither Johnson Controls nor Adient shall, and neither shall permit or cause any member of its respective Group to, take any position that is inconsistent with the treatment of (i) each of the Old Johnson Controls Internal Distributions (where applicable, taken together with the relevant Old Johnson Controls Internal Contribution) as having Tax-Free Status (or analogous status under state or local Law), (ii) any of the Separation Transactions as having the tax-free or other tax treatment indicated on the Tax Treatment Schedule or the Separation Step Plan, (iii) the Tyco Merger as having Unrestricted Inversion Status or (iv) Adient as having Foreign Corporation Status as of immediately after the Distribution and (B) Adient shall not, and shall not permit or cause any member of the Adient Group to, take any position with respect to an item of income, deduction, gain, loss or credit on a Tax Return, or otherwise treat such item in a manner that is inconsistent with the manner such item is reported on a Tax Return required to be prepared or filed by Johnson Controls pursuant to Section 3.01 hereof (including, without limitation, the claiming of a deduction previously claimed on any such Tax Return), except with the prior consent of Johnson Controls.

#### Section 3.04 Consolidated or Combined Tax Returns.

(a) Except to the extent otherwise required pursuant to clause (A) of Section 3.03(c), Johnson Controls shall determine in its good faith sole discretion whether to file a Tax Return for any Tax Period as a Combined Return and the entities to be included in any Combined Return, and Johnson Controls shall (and shall be entitled to) make or revoke any Tax elections, adopt or change any Tax accounting methods, and determine any other position taken on or in respect of any Combined Return; *provided* that any Combined Return prepared and filed by Johnson Controls pursuant to this Agreement shall, to the extent relating to Adient or the Adient Group, be prepared in good faith; and *provided further* that a Combined Return shall not include any member of the Adient Group in a Post-Distribution Period except to the extent required by applicable Law. Adient will elect and join (and take any other action necessary to give effect to such election), and will cause its respective Affiliates to elect and join (and take any other action necessary to give effect to such election), in filing any Combined Returns (including any Old Johnson Controls Federal Consolidated Income Tax Returns) that Johnson Controls determines in good faith are required by applicable Law to be filed (or that Johnson Controls chooses in good faith to file) by the Companies or any of their Affiliates for Tax Periods ending on, before or after the Distribution Date. With respect to any Adient Separate Returns relating to any Pre-Distribution Period, Adient will elect and join, and will cause its Affiliates to elect and join, in filing any consolidated, affiliated, combined, unitary, group or other similar Tax Return (including a Tax Return with respect to a profit and/or loss sharing group (*e.g.*, UK group relief), group payment or

similar group or fiscal unity), to the extent each entity is eligible to join in such Tax Returns, if Johnson Controls reasonably determines that the filing of such Tax Returns is consistent with past reporting practices, or, in the absence of applicable past practices, is reasonably determined to result in the minimization of the net present value of the aggregate Tax to the entities eligible to join in such Tax Returns or is otherwise reasonably acceptable to Johnson Controls.

(b) At Johnson Controls's request, Adient shall, and shall cause each member of the Adient Group to, as promptly as practicable (and in no event later than ninety (90) days after such request) prepare and submit to Johnson Controls, at Adient's cost and expense, all information that Johnson Controls shall reasonably request, in such form as Johnson Controls shall reasonably request, to enable Johnson Controls to prepare or cause to be prepared any Johnson Controls Return.

Section 3.05 *Right to Review Tax Returns.*

(a) *General.* The Responsible Company with respect to any material Tax Return shall make such Tax Return (or the relevant portions thereof), related workpapers and other supporting documents available for review by the other Company, to the extent (i) such Tax Return relates to Taxes for which such other Company is or would reasonably be expected to be liable, (ii) such other Company is or would reasonably be expected to be liable, in whole or in part, for any additional Taxes owing as a result of adjustments to the amount of Taxes reported on such Tax Return, (iii) such Tax Return relates to Taxes for which the other party would reasonably be expected to have a claim for Tax Benefits under this Agreement, (iv) such Tax Return is a Combined Return that would reasonably be expected to be binding and to have a material adverse effect on Adient in a Post-Distribution Period, (v) such other Company or an Affiliate thereof (or an authorized representative of either) is obligated to sign and file such Tax Return under applicable Law, or (vi) reasonably necessary for the other party to confirm compliance with the terms of this Agreement. With respect to any Tax Return described in clauses (i) through (iv) of the immediately preceding sentence, the Responsible Company shall (i) consult with the other Company with respect to the preparation of, and positions taken on, such Tax Return (to the extent relating to any matters described in clauses (i) through (iv) of the immediately preceding sentence), (ii) use reasonable efforts to make such Tax Return (or the relevant portions thereof), workpapers and other supporting documents available for review as required under this paragraph promptly once such Tax Return is materially complete, such that the other party has an opportunity to review and comment on such Tax Return prior to the timely filing thereof (taking into account extensions), and (iii) shall consider in good faith any comments (to the extent relating to any matters described in clauses (i) through (iv) of the immediately preceding sentence) provided by the other Company on such Tax Return reasonably in advance of the due date for filing such Tax Return (taking into account extensions). Johnson Controls and Adient shall attempt in good faith to resolve any disagreement arising out of the review of any Tax Return pursuant to this Section 3.05(a). For the avoidance of doubt, any dispute among the Companies with respect to a Company's compliance with the requirements of this Section 3.05(a) shall be resolved in accordance with the disagreement resolution provisions of Section 13 as promptly as practicable.

(b) *Executing Returns.* In the case of any Tax Return which is required to be prepared and filed by one Company under this Agreement and which is required by Law to be signed by the other Company (or by its authorized representative), the Company which is legally



required to sign such Tax Return shall not be required to sign such Tax Return under this Agreement unless there is at least a greater than 50% likelihood of prevailing on the merits for the Tax treatment of each material item reported on the Tax Return. For the avoidance of doubt, any dispute among the Companies with respect to the likelihood of any Tax treatment prevailing on the merits shall be resolved in accordance with the disagreement resolution provisions of Section 13 as promptly as practicable.

(c) *Certain Amended Returns.* Adient shall not amend, or permit any of its Affiliates to amend, any Tax Return required to be filed by or with respect to the Electronic Entity to the extent relating to any Taxes or Tax Items of the Electronics Business without the prior written consent of Johnson Controls (not to be unreasonably withheld, conditioned or delayed).

Section 3.06 *Adient Carryback Items and Claims for Refund.* Unless Johnson Controls otherwise consents in writing (such consent not to be unreasonably withheld, conditioned or delayed, taking into account (x) all tax planning undertaken by Johnson Controls (including, without limitation, any tax planning in connection with the Tyco Merger or the Separation) and (y) the Tax Attributes of Johnson Controls and its Affiliates and the expected utilization thereof), Adient shall (and shall cause each member of the Adient Group to) (i) not file any Adjustment Request with respect to any Combined Return (or any other Tax Return reflecting Taxes for which Johnson Controls is responsible under Section 2), (ii) make any available election to relinquish, waive or otherwise forgo a carry back of any Adient Carryback Item arising in a Post-Distribution Period to any Combined Return, and (iii) not make any affirmative election to claim any such Adient Carryback Item if such election would result in a carryback of such Adient Carryback Item to any Combined Return.

Section 3.07 *Apportionment of Earnings and Profits and Tax Attributes.*

(a) If the Old Johnson Controls Affiliated Group has a Tax Attribute, the portion, if any, of such Tax Attribute required to be apportioned to Adient or the members of the Adient Group and treated as a carryover to the first Post-Distribution Period of Adient (or such member) shall be determined in good faith by Johnson Controls in accordance with Treasury Regulations Sections 1.1502-21, 1.1502-21T, 1.1502-22, 1.1502-79 and, if applicable, 1.1502-79A.

(b) No Tax Attribute with respect to consolidated Federal Income Tax of the Old Johnson Controls Affiliated Group, other than those described in Section 3.07(a), and no Tax Attribute with respect to consolidated, combined or unitary state, local or foreign Income Tax, in each case, arising in respect of a Combined Return shall be apportioned to Adient or any member of the Adient Group, except as Johnson Controls (or such member of the Johnson Controls Group as Johnson Controls shall designate) determines in good faith is otherwise required under applicable Law.

(c) Johnson Controls (or its designee) shall determine in good faith and at its own cost and expense the portion, if any, of any Tax Attribute which must (absent a Final Determination to the contrary) be apportioned to Adient or any member of the Adient Group in accordance with this Section 3.07 and applicable Law and the amount of tax basis and earnings and profits to be apportioned to Adient or any member of the Adient Group in accordance with applicable Law, and shall provide written notice of the calculation thereof (including any related workpapers and other supporting documentation) to Adient as soon as reasonably practicable

after the information necessary to make such calculation becomes available to Johnson Controls (and in any event no later than six (6) months after the close of the Tax Period in which the Distribution occurs). In the event of any subsequent adjustment to the apportionment of Tax Attributes, tax basis and/or earnings and profits reflected on such written notice, Johnson Controls shall promptly notify Adient in writing of any such adjustment and provide any related workpapers and other supporting documentation). In the case of any particular Tax Attribute not addressed in such written notice or any subsequent adjustment, Adient may request that Johnson Controls undertake a determination, of the portion, if any, of such particular Tax Attribute to be allocated or apportioned to the Adient Group under applicable Law. To the extent that Johnson Controls determines, in its sole discretion, not to undertake such determination, or does not otherwise advise Adient of its intention to undertake such determination within twenty (20) Business Days of the receipt of such request, Adient shall be permitted to undertake such determination at its own cost and expense and shall notify Johnson Controls of its determination, which determination shall not be binding on Johnson Controls. For the absence of doubt, Johnson Controls shall not be liable to Adient or any member of the Adient Group for any failure of any determination under this Section 3.07 to be accurate under applicable Law.

(d) The written notice delivered by Johnson Controls pursuant to Section 3.07(c) shall be binding on Adient and each member of the Adient Group and shall not be subject to dispute resolution. Except to the extent otherwise required by applicable Law or pursuant to a Final Determination, Adient shall not (and shall cause its Affiliates not to) take any position (whether on a Tax Return or otherwise) that is inconsistent with the information contained in such written notice provided that there is at least “substantial authority” within the meaning of Treasury Regulations Section 1.6662-4(d)(2) (or any similar provision of state, local or foreign Law) for the relevant position contained in such written notice.

#### **Section 4. Payments.**

Section 4.01 *Payment of Taxes.* In the case of any Tax Return reflecting Taxes for which the Company that is not the Responsible Company is responsible under Section 2, the Responsible Company shall pay any Taxes required to be paid to the applicable Tax Authority on or before the relevant Payment Date (and provide notice and proof of payment to the other Company). The Responsible Company shall compute the amount of such Taxes allocable to the other Company under the provisions of Section 2 or Section 3 as promptly as practicable (but in no event less than fifteen (15) Business Days prior to the relevant Payment Date) and shall provide written notice and demand for payment of such amount, accompanied by a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto, to the other Company. The other Company shall pay to the Responsible Company the amount of such Taxes allocable to the other Company under the provisions of Section 2 or Section 3 within ten (10) Business Days of the date of receipt of such written notice and demand; *provided* that no such payment shall be required to be made earlier than ten (10) Business Days prior to the relevant Payment Date.

Section 4.02 *Adjustments Resulting in Underpayments.* In the case of any adjustment pursuant to a Final Determination with respect to any Tax Return, the Responsible Company shall pay to the applicable Tax Authority when due any additional Taxes due with respect to such Tax Return required to be paid as a result of such adjustment. The Responsible Company shall compute the amount of such Taxes allocable to the other Company under the provisions of

Section 2 or Section 3 as promptly as practicable (but in no event less than fifteen (15) Business Days prior to the relevant Payment Date) and shall provide written notice and demand for payment of such amount, accompanied by a statement detailing the Taxes paid and describing in reasonable detail the particular relating thereto, to the other Company. The other Company shall pay to the Responsible Company the amount of such Taxes allocable to the other Company under the provisions of Section 2 within ten (10) Business Days of the date of receipt of such written notice and demand; *provided* that no such payment shall be required to be made earlier than ten (10) Business Days prior to the date the additional Tax is required to be paid to the applicable Tax Authority.

Section 4.03 *Indemnification Payments.* Unless otherwise specified in this Agreement, all indemnification payments required to be made under this Agreement shall be made within ten (10) Business Days of the date of receipt by the indemnifying party of written notice from the indemnified party of the amount owed, together with reasonable documentation showing the basis for the calculation of such amount and evidence of payment of such amounts by the indemnified party to the relevant Tax Authority or other recipient.

Section 4.04 *Payors; Payees; Treatment.* All payments made under this Agreement shall be made by Johnson Controls directly to Adient and by Adient directly to Johnson Controls; *provided, however*, that if the Companies mutually agree with respect to any such payment, any member of the Johnson Controls Group, on the one hand, may make such indemnification payment to any member of the Adient Group, on the other hand, and vice versa (for the avoidance of doubt, if a Company makes a request to the other Company to the effect that any payment required to be made by it to the other Company or received by it from the other Company, in each case, pursuant to this Agreement, be made or received by a member of the relevant Company's Group other than a Company, the other Company's consent to such request shall not be unreasonably withheld, conditioned or delayed). All payments made pursuant to this Agreement shall be treated in the manner described in Section 12.

## **Section 5. Tax Benefits.**

### **Section 5.01 Tax Benefits.**

(a) Except as set forth below, (i) Johnson Controls shall be entitled to any Refund (and any interest thereon received from the applicable Tax Authority) of (x) any Taxes actually paid prior to the Distribution Date (except (A) to the extent such Refund was reflected as an asset on Adient's opening standalone balance sheet dated as of the date of Distribution or (B) such Taxes were actually paid by a member of the Adient Group prior to the Distribution Date and the payment of such Taxes is not taken into account for purposes of determining the amount of the adjustment payment, if any, required to be made pursuant to Section 2.12(c) of the Separation and Distribution Agreement) and (y) any Taxes for which Johnson Controls is liable hereunder and (ii) Adient shall be entitled to any Refund (and any interest thereon received from the applicable Tax Authority) of any Taxes for which Adient is liable hereunder (other than any Refund to which Johnson Controls is entitled pursuant to clause (i) above). The Company receiving a Refund to which another Company is entitled hereunder, in whole or in part, shall pay over the amount of such Refund (or portion thereof) (and any interest on such amount received from the applicable Tax Authority) to such other Company within ten (10) Business Days after the receipt of such Refund or application of such Refund against Taxes otherwise

payable. To the extent that any Refund (or portion thereof) in respect of which any amounts were paid over pursuant to the immediately preceding sentence is subsequently disallowed by the applicable Tax Authority, the Company that received such amounts shall promptly repay such amounts (together with any penalties, interest or other charges imposed by the relevant Tax Authority) to the other Company.

(b) If (i) a member of the Adient Group Actually Realizes any Tax Benefit as a result of (A) an adjustment pursuant to a Final Determination that increases Taxes for which a member of the Johnson Controls Group is liable hereunder or otherwise (or reduces any Tax Attribute of a member of the Johnson Controls Group or any other Johnson Controls Group Relief), (B) any liability, obligation, loss or payment (each, a “Loss”) for which a member of the Johnson Controls Group is required to indemnify any member of the Adient Group pursuant to this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement (in each case, without duplication of any amounts payable or taken into account under this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement), (C) any Section 336(e) Election (including, for the avoidance of doubt, any Tax Benefit Actually Realized by the Adient Group as a result of any step-up in asset basis for U.S. federal income tax purposes resulting from such Section 336(e) Election), except to the extent any such Tax Benefit is directly attributable to Taxes imposed on Johnson Controls as a result of such Section 336(e) Election and for which Adient has actually indemnified Johnson Controls pursuant to this Agreement, or (D) the utilization of any Electronics Business Tax Attribute, and, in each case, such Tax Benefit would not have arisen but for such adjustment, Loss or election (determined on a “with and without” basis), or (ii) if a member of the Johnson Controls Group Actually Realizes any Tax Benefit as a result of (A) an adjustment pursuant to a Final Determination that increases Taxes for which a member of the Adient Group is liable hereunder or otherwise (or reduces any Tax Attribute of a member of the Adient Group or any other Adient Group Relief), or (B) any Loss for which a member of the Adient Group is required to indemnify any member of the Johnson Controls Group pursuant to this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement (in each case, without duplication of any amounts payable or taken into account under this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement), and, in each case, such Tax Benefit would not have arisen but for such adjustment or Loss (determined on a “with and without” basis), Adient or Johnson Controls, as the case may be, shall make a payment to the other Company in an amount equal to the amount of such Actually Realized Tax Benefit in cash within ten (10) Business Days of Actually Realizing such Tax Benefit. To the extent that any Tax Benefit (or portion thereof) in respect of which any amounts were paid over pursuant to the foregoing provisions of this Section 5.01(b) is subsequently disallowed by the applicable Tax Authority, the Company that received such amounts shall promptly repay such amounts (together with any penalties, interest or other charges imposed by the relevant Tax Authority) to the other Company.

(c) No later than ten (10) Business Days after a Tax Benefit described in Section 5.01(b) is Actually Realized by a member of the Johnson Controls Group or a member of the Adient Group, Johnson Controls or Adient, as the case may be, shall provide the other Company with a written calculation of the amount payable to such other Company pursuant to Section 5.01(b). In the event that Johnson Controls or Adient, as the case may be, disagrees with any such calculation described in this Section 5.01(c), Johnson Controls or Adient shall so notify the other Company in writing within twenty (20) Business Days of receiving such written

calculation. Johnson Controls and Adient shall endeavor in good faith to resolve such disagreement, and, failing that, the amount payable under this Section 5 shall be determined in accordance with the disagreement resolution provisions of Section 13 as promptly as practicable.

(d) Adient shall be entitled to any Refund that is attributable to, and would not have arisen but for, an Adient Carryback Item that is required to be carried back to a Pre-Distribution Period under applicable Law and is carried back pursuant to and in accordance with Section 3.06 (a “Permitted Adient Carryback”); *provided, however*, that Adient shall indemnify and hold the members of the Johnson Controls Group harmless from and against any and all collateral Tax consequences resulting from or caused by any such Permitted Adient Carryback, including (but not limited to) the loss or postponement of any benefit from the use of any Tax Attribute of any member of the Johnson Controls Group, any Tax Attribute generated by a member of the Johnson Controls Group or an Affiliate thereof or any other Johnson Controls Group Relief (each, a “Johnson Controls Group Tax Attribute”) if (x) such Tax Attribute expires unutilized, but would have been utilized but for such Permitted Adient Carryback, or (y) the use of such Tax Attribute is postponed to a later Tax Period than the Tax Period in which such Tax Attribute would have been utilized but for such Permitted Adient Carryback. Any such payment of the amount of such Refund made by Johnson Controls to Adient pursuant to this Section 5.01(d) shall be recalculated in light of any Final Determination (or any other facts that may arise or come to light after such payment is made, such as a carryback of a Johnson Controls Group Tax Attribute to a Tax Period in respect of which such Refund is received) that would affect the amount to which Adient is entitled, and an appropriate adjusting payment shall be made by Adient to Johnson Controls such that the aggregate amount paid pursuant to this Section 5.01(d) equals such recalculated amount. To the extent that any Refund (or portion thereof) in respect of which any amounts were paid over by Johnson Controls to Adient pursuant to the foregoing provisions of this Section 5.01(d) is subsequently disallowed by the applicable Tax Authority, Adient shall promptly repay such amounts (together with any penalties, interest or other charges imposed by the relevant Tax Authority) to Johnson Controls.

**Section 5.02      *Johnson Controls and Adient Income Tax Deductions in Respect of Certain Equity Awards and Incentive Compensation.***

(a) To the extent permitted by applicable Law, any and all Income Tax deductions arising by reason of exercises of options to acquire Johnson Controls or Adient stock, vesting of “restricted” Johnson Controls stock or Adient stock, or settlement of stock appreciation rights, restricted stock awards, restricted stock units or performance share units, in each case, following the Distribution, with respect to Johnson Controls stock or Adient stock (such options, stock appreciation rights restricted stock, restricted stock units, performance share units and deferred stock units, collectively, “Compensatory Equity Interests”) held by any Person shall be claimed (i) in the case of a Johnson Controls Group Employee, Former Johnson Controls Group Employee, or any Johnson Controls non-employee director who served on the Johnson Controls Board immediately prior to the Effective Time, solely by the Johnson Controls Group, and (ii) in the case of an Adient Group Employee, Former Adient Group Employee or Transferred Director, solely by the Adient Group.

(b) Tax reporting and withholding with respect to Compensatory Equity Interests shall be governed by the Employee Matters Agreement.

## **Section 6. Transaction Status.**

### **Section 6.01      *Restrictions on Adient.***

(a) Adient hereby represents and warrants that (i) it has no plan or intention of taking any action, or failing to take any action, or causing or permitting any of its Affiliates to take or fail to take any action, or knows of any circumstance, in each case, that could reasonably be expected to (A) adversely affect, jeopardize or prevent Tax-Free Status, (B) adversely affect, jeopardize or prevent any of the Separation Transactions (other than the Old Johnson Controls Internal Contributions or Old Johnson Controls Internal Distributions) to have the tax-free or other tax treatment described in the Tax Treatment Schedule or the Separation Step Plan, (C) adversely affect, jeopardize or prevent Unrestricted Inversion Status, or (D) cause any representation or factual statement made in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement to be untrue; and (ii) during the period beginning two years before the date of the first Old Johnson Controls Internal Distribution and ending on the Distribution Date, there was no “agreement, understanding, arrangement, substantial negotiations or discussions” (as such terms are defined in Treasury Regulations Section 1.355-7(h)) by any one or more officers or directors of any member of the Adient Group or by any other person or persons with the implicit or explicit permission of one or more of such officers or directors regarding an acquisition of all or a significant portion of the Adient Capital Stock or of the Old Johnson Controls Internal Controlled Capital Stock of any Old Johnson Controls Internal Controlled (and any predecessor of any of them); *provided* that no representation or warranty is made by Adient regarding any “agreement, understanding, arrangement, substantial negotiations or discussions” (as such terms are defined in Treasury Regulations Section 1.355-7(h)) by any one or more officers or directors of Johnson Controls (or another person with the implicit or explicit permission of one or more of such persons).

(b) Adient shall not take or fail to take, or cause or permit any Adient Affiliate to take or fail to take, any action if such action or failure to act (i) would be inconsistent with or cause to be untrue any statement, information, covenant or representation in this Agreement, the Separation and Distribution Agreement or any of the Ancillary Agreements, (ii) would reasonably be expected to adversely affect, jeopardize or prevent Tax-Free Status, (iii) would reasonably be expected to adversely affect, jeopardize or prevent any of the Separation Transactions (other than the Old Johnson Controls Internal Contributions or Old Johnson Controls Internal Distributions) to have the tax-free or other tax treatment described in the Tax Treatment Schedule or the Separation Step Plan, or (iv) would or would reasonably be expected to (taking into account any change or proposed change in Law or IRS guidance, or any change or proposed change in official judicial or administrative interpretation of applicable Law or IRS guidance) adversely affect, jeopardize or prevent Unrestricted Inversion Status (for the avoidance of doubt, other than any action or failure to act requested by Johnson Controls). It is agreed and understood that in determining whether any action or failure to act is prohibited by reason of any proposed change in Law or IRS guidance (or official judicial or administrative interpretation of Law or IRS guidance) described in clause (iv) above, the likelihood that such proposed change shall be adopted, enacted or otherwise occur shall be taken into account. For the avoidance of doubt, in the event that a proposed change in Law or IRS guidance (or official judicial or administrative interpretation of Law or IRS guidance) does not prohibit an action or failure to act pursuant to the immediately preceding sentence, but such proposed change in Law or IRS

guidance (or official judicial or administrative interpretation of Law or IRS guidance) is subsequently adopted, enacted or otherwise occurs, any action or failure to act that would be prohibited pursuant to clause (iv) above following such adoption, enactment or other occurrence shall, for all purposes of this Agreement (including Section 6.04) be deemed to have been prohibited at all times under this Section 6.01 even if such action or failure to act occurred prior to such adoption, enactment or other occurrence.

(c) From the date hereof until the first day after the Restriction Period, Adient will cause each Old Johnson Controls Internal Controlled to (i) maintain its status as a company engaged in its Active Trade or Business for purposes of Section 355(b)(2) of the Code and (ii) not engage in any transaction that would result in it ceasing to be a company engaged in its Active Trade or Business for purposes of Section 355(b)(2) of the Code.

(d) From the date hereof until the first day after the Restriction Period,

(i) Adient will not (x) enter into any Proposed Acquisition Transaction or, to the extent Adient has the right to prohibit any Proposed Acquisition Transaction, permit any Proposed Acquisition Transaction to occur or (y) dispose of, or permit any of its Affiliates to dispose of, directly or indirectly, any interest in any Old Johnson Controls Internal Controlled;

(ii) Adient will not cause or permit any Old Johnson Controls Internal Controlled to (or to enter into any agreement, understanding, arrangement or substantial negotiations to):

(A) in a single transaction or series of transactions sell or transfer (other than sales or transfers of inventory in the ordinary course of business) all or substantially all of its assets (as of immediately prior to the relevant Old Johnson Controls Internal Controlled Distribution) or sell or transfer 50% or more of the gross assets of any Active Trade or Business or 30% or more of the consolidated gross assets of any Old Johnson Controls Internal Controlled and its Subsidiaries (such percentages to be measured based on fair market value as of the Distribution Date);

(B) redeem or otherwise repurchase (directly or through an Affiliate) any of its stock, or rights to acquire stock; or

(C) merge or consolidate with any other Person or liquidate or partially liquidate; and

(iii) Adient will not and will not cause or permit any Old Johnson Controls Internal Controlled to:

(A) amend its certificate of incorporation (or other organizational documents), or take any other action, whether through a stockholder vote or otherwise, affecting the voting rights of its Old Johnson Controls Internal Controlled Capital Stock (including, without limitation, through the conversion of one class

of its Old Johnson Controls Internal Controlled Capital Stock into another class of its Old Johnson Controls Internal Controlled Capital Stock); or

(B) take any other action or actions which in the aggregate (and taking into account any other transactions described in this subparagraph (d)) would be reasonably likely to have the effect of causing or permitting one or more Persons to acquire, directly or indirectly, stock representing a Fifty-Percent or Greater Interest in Adient, any Old Johnson Controls Internal Controlled or otherwise jeopardize, adversely affect or prevent Tax-Free Status;

unless, in each case, prior to taking any such action set forth in the foregoing clauses (i) through (iii), (x) Adient shall have requested that Johnson Controls obtain a private letter ruling (or, if applicable, a supplemental private letter ruling) from the IRS and/or any other applicable Tax Authority (a “Ruling”) in accordance with Sections 6.03(b) and (d) to the effect that such transaction will not affect the Tax-Free Status or the Unrestricted Inversion Status and Johnson Controls shall have received such a Ruling in form and substance satisfactory to Johnson Controls in its sole good faith discretion (and in determining whether a private letter ruling is satisfactory, Johnson Controls may consider, among other factors, the appropriateness of any underlying assumptions and management’s representations made in connection with such Ruling), (y) Adient shall provide Johnson Controls with an Unqualified Tax Opinion in form and substance satisfactory to Johnson Controls in its sole good faith discretion (and in determining whether an opinion is satisfactory, Johnson Controls may consider, among other factors, the appropriateness of any underlying assumptions and management’s representations if used as a basis for the opinion and Johnson Controls may determine that no opinion would be acceptable to Johnson Controls), or (z) Johnson Controls shall have waived the requirement to obtain such Ruling or Unqualified Tax Opinion.

(e) With respect to any member of the Adient Group that is characterized as a foreign corporation for Federal Income Tax purposes, from the Distribution Date through the end of the Tax Period of such entity that includes the Distribution Date, Adient shall not, and shall cause its respective Affiliates (including any such member of the Adient Group) not to, enter into any extraordinary transaction or otherwise take any action or enter into any transaction that would be considered under the Code to constitute the payment of an actual or deemed dividend by such member of the Adient Group, including pursuant to Section 304 of the Code, or that would otherwise result in a diminution of foreign tax credits that, absent such transaction, may be claimed by Johnson Controls or any of its Affiliates.

Section 6.02 *Restrictions on Johnson Controls.* Johnson Controls agrees that it will not take or fail to take, or cause or permit any member of the Johnson Controls Group to take or fail to take, any action where such action or failure to act would be inconsistent with or cause to be untrue any statement, information, covenant or representation in this Agreement, the Separation and Distribution Agreement, any of the Ancillary Agreements.

Section 6.03 *Procedures Regarding Opinions and Rulings.*

(a) If Adient notifies Johnson Controls that it desires to take one of the actions described in Section 6.01(d) (a “Notified Action”) during the Restricted Period, Johnson Controls and Adient shall reasonably cooperate to attempt to obtain the Ruling or Unqualified



Tax Opinion referred to in Section 6.01(d), unless Johnson Controls shall have waived the requirement to obtain such Ruling or Unqualified Tax Opinion.

(b) Unless Johnson Controls shall have waived the requirement to obtain such Ruling or Unqualified Tax Opinion, at the reasonable request of Adient pursuant to Section 6.01(d), Johnson Controls shall cooperate with Adient and use commercially reasonable efforts to seek to obtain, as expeditiously as possible, a Ruling or an Unqualified Tax Opinion for the purpose of permitting Adient or Old Johnson Controls Internal Controlled, as applicable, to take the Notified Action. Notwithstanding the foregoing, in no event shall Johnson Controls be required to file or cooperate in connection with the filing of any request for a Ruling under this Section 6.03(b) unless Adient represents that (A) it has reviewed such request for a Ruling, and (B) all statements, information and representations relating to any member of the Adient Group contained in such request for a Ruling are (subject to any qualifications therein) true, correct and complete. Adient shall reimburse Johnson Controls for all reasonable costs and expenses, including out-of-pocket expenses and expenses relating to the utilization of Johnson Controls personnel, incurred by the Johnson Controls Group in obtaining a Ruling or Unqualified Tax Opinion requested by Adient within ten (10) Business Days after receiving an invoice from Johnson Controls therefor.

(c) Johnson Controls shall have the right to obtain a Ruling or an Unqualified Tax Opinion at any time in its sole and absolute discretion. If Johnson Controls determines to obtain a Ruling or an Unqualified Tax Opinion, Adient shall (and shall cause each Affiliate of Adient to) cooperate with Johnson Controls and take any and all actions reasonably requested by Johnson Controls in connection with obtaining the Ruling or Unqualified Tax Opinion (including, without limitation, by making any representation or covenant or providing any materials or information requested by the IRS or other applicable Tax Authority, or Tax Advisor; *provided* that Adient shall not be required to make (or cause any Affiliate of Adient to make) any representation or covenant that is inconsistent with historical facts or as to future matters or events over which it has no control). Johnson Controls shall reimburse Adient for all reasonable costs and expenses, including out-of-pocket expenses and expenses relating to the utilization of Adient personnel, incurred by the Adient Group in connection with such cooperation requested by Johnson Controls within ten (10) Business Days after receiving an invoice from Adient therefor.

(d) Johnson Controls shall have sole and exclusive control over the process of obtaining any Ruling, and only Johnson Controls shall apply for a Ruling. In connection with obtaining a Ruling, (A) Johnson Controls shall keep Adient informed in a timely manner of all material actions taken or proposed to be taken by Johnson Controls in connection therewith; (B) Johnson Controls shall (1) reasonably in advance of the submission of any request for a Ruling provide Adient with a draft copy thereof, (2) reasonably consider Adient's comments on such draft copy, and (3) provide Adient with a final copy; and (C) Johnson Controls shall provide Adient with notice reasonably in advance of, and Adient shall have the right to attend, any formally scheduled meetings with the IRS or other applicable Tax Authority (subject to the approval of the IRS or other applicable Tax Authority) that relate to such Ruling. Neither Adient nor any Adient Affiliate directly or indirectly controlled by Adient shall seek any guidance from the IRS or any other Tax Authority (whether written, verbal or otherwise) at any time concerning

any of the Separation Transactions (including the impact of any transaction on any of the Separation Transactions).

Section 6.04      *Liability for Separation Tax Losses.*

(a) Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary (and, in each case, regardless of whether a Ruling, Unqualified Tax Opinion or waiver described in clause (z) of Section 6.01(d) may have been obtained or provided), subject to Section 6.04(c), Adient shall be responsible for, and shall indemnify and hold harmless Johnson Controls and its Affiliates and each of their respective officers, directors and employees from and against any Separation Tax Losses that are attributable to or result from any one or more of the following: (A) the acquisition (other than pursuant to the Separation Transactions) of all or a portion of the stock or assets of Adient, any Old Johnson Controls Internal Controlled or any of their respective subsidiaries (including any Adient Capital Stock or any Old Johnson Controls Internal Controlled Capital Stock) by any means whatsoever by any Person, (B) the acquisition (other than pursuant to the Separation Transactions) by Adient or any of its Affiliates of all or a portion of the stock or assets of any "domestic corporation" (within the meaning of Sections 7701(a)(3) and 7701(a)(4) of the Code) or any issuance of stock by Adient or any Old Johnson Controls Internal Controlled, (C) any negotiations, understandings, agreements or arrangements by Adient or any of its Affiliates with respect to transactions or events (including, without limitation, stock issuances pursuant to the exercise of stock options or otherwise, option grants, capital contributions or acquisitions, amendments or a series of such transactions or events) that cause any of the Old Johnson Controls Internal Distributions to be treated as part of a plan pursuant to which one or more Persons acquire, directly or indirectly, a Fifty-Percent or Greater Interest in any Old Johnson Controls Internal Controlled, (D) any action or failure to act by Adient after the Distribution (including, without limitation, any amendment to Adient's or any Old Johnson Controls Internal Controlled's certificate of incorporation (or other organizational documents), whether through a stockholder vote or otherwise) affecting the voting rights of the stock of Adient or any Old Johnson Controls Internal Controlled (including, without limitation, through the conversion of one class of stock into another class of stock), or (E) any act or failure to act by Adient or any Adient Affiliate described in Section 6.01 (regardless whether such act or failure to act is covered by a private letter ruling, Unqualified Tax Opinion or waiver described in clause (z) of Section 6.01(d) and regardless of whether such act or failure to act may have been permitted at the time it was taken (or not taken) pursuant to the penultimate sentence of Section 6.01(b)).

(b) Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary, subject to Section 6.04(c), Johnson Controls shall be responsible for, and shall indemnify and hold harmless Adient and its Affiliates and each of their respective officers, directors and employees from and against any Separation Tax Losses that are attributable to, or result from, any one or more of the following: (A) the acquisition (other than pursuant to the Separation Transactions or the Tyco Merger) of all or a portion of the stock or assets of Johnson Controls or any of its Affiliates (including any Old Johnson Controls Internal Distributing Capital Stock) by any means whatsoever by any Person, (B) any negotiations, understandings, agreements or arrangements by Johnson Controls or any of its Affiliates with respect to transactions or events (including, without limitation, stock issuances pursuant to the exercise of stock options or otherwise, option grants, capital contributions or acquisitions, amendments or a series

of such transactions or events) that cause any of the Old Johnson Controls Internal Distributions to be treated as part of a plan pursuant to which one or more Persons acquire, directly or indirectly, a Fifty-Percent or Greater Interest in any Old Johnson Controls Internal Distributing, or (C) any act or failure to act by Johnson Controls or a member of the Johnson Controls Group described in Section 6.02.

(c) To the extent that any Separation Tax Loss is subject to indemnity under both Sections 6.04(a) and (b), responsibility for such Separation Tax Loss shall be shared by Johnson Controls and Adient according to relative fault as determined by Johnson Controls in good faith.

(d) Adient shall pay Johnson Controls the amount of any Separation Tax Losses for which Adient is responsible under this Section 6.04: (A) in the case of Separation Tax Losses described in clause (i) of the definition of Separation Tax Losses, no later than two Business Days prior to the date Johnson Controls files, or causes to be filed, the applicable Tax Return (the “Filing Date”) (or, if such Separation Tax Losses arise pursuant to a Final Determination described in clause (a), (b) or (c) of the definition of “Final Determination,” then Adient shall pay Johnson Controls no later than two Business Days prior to the due date for making payment with respect to such Final Determination) and (B) in the case of Separation Tax Losses described in clause (ii) or (iii) of the definition of “Separation Tax Losses,” no later than two Business Days after the date Johnson Controls pays such Separation Tax Losses. Johnson Controls shall pay Adient the amount of any Separation Tax Losses (described in clause (ii) or (iii) of the definition of “Separation Tax Losses”) for which Johnson Controls is responsible under this Section 6.04 no later than two Business Days after the date Adient pays such Separation Tax Losses. Each Company shall have the right to review the calculation of any Separation Tax Losses prepared by the other Company, including any related workpapers and other supporting documentation.

#### Section 6.05 *Certain Elections.*

(a) If Johnson Controls determines, in its sole discretion, that a protective election under Section 336(e) of the Code (a “Section 336(e) Election”) shall be made with respect to any Old Johnson Controls Internal Distribution, Adient shall (and shall cause the relevant member of the Adient Group to) join with Johnson Controls or the relevant member of the Johnson Controls Group in the making of such election and shall take any action reasonably requested by Johnson Controls or that is otherwise necessary to give effect to such election (including making any other related election permitted by applicable Law); *provided, however*, that Johnson Controls shall reimburse Adient (and any relevant member of the Adient Group) for all reasonable costs and expenses incurred by Adient (or any relevant member of the Adient Group) to amend any Tax Returns or amend or file any other governmental filings related to such Section 336(e) Election. If a Section 336(e) Election is made with respect to any Old Johnson Controls Internal Distribution, then this Agreement shall be amended in such a manner, if any, as is determined by Johnson Controls in good faith to take into account such Section 336(e) Election.

(b) If Johnson Controls determines, in its sole discretion, that an entity classification election pursuant to Treasury Regulations Section 301.7701-3(c) (a “Check-the-Box Election”) shall be made with respect to any member of the Adient Group effective as of, or before, the Distribution Date, Adient shall (and shall cause all relevant members of the Adient Group to) make such election effective as of such date and shall take any action reasonably requested by Johnson

Controls or that is otherwise necessary to give effect to such election (including making any other related election). If Johnson Controls requires any member of the Adient Group to file for relief with the IRS to make a late Check-the-Box Election, Johnson Controls shall reimburse Adient (and any relevant member of the Adient Group) for all reasonable costs and expenses incurred by Adient (or any relevant member of the Adient Group) in connection with filing for such relief.

## **Section 7. Assistance and Cooperation.**

### **Section 7.01 Assistance and Cooperation.**

(a) The Companies shall cooperate (and cause their respective Affiliates to cooperate) with each other and with each other's agents, including accounting firms and legal counsel, in connection with Tax matters relating to the Companies, including (i) preparing and filing Tax Returns, (ii) determining the liability for and amount of any Taxes due (including estimated Taxes) or the right to and amount of any Refund or any Tax Benefit, in each case, pursuant to this Agreement or otherwise, (iii) examinations of Tax Returns and (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed. Such cooperation shall include making available, upon reasonable notice, all information and documents in their possession relating to the other Company and its Affiliates as provided in Section 8. Each of the Companies shall also make available to the other, as reasonably requested and available, personnel (including employees and agents of the Companies or their respective Affiliates) responsible for preparing, maintaining and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any administrative or judicial proceeding relating to Taxes.

(b) Any information or documents provided under this Section 7 or Section 8 shall be kept confidential by the Company receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes. Notwithstanding any other provision in this Agreement to the contrary, (i) neither Johnson Controls nor any of its Affiliates shall be required to provide Adient or any of its Affiliates or any other Person access to or copies of any information, documents or procedures (including the proceedings of any Tax Contest) other than information, documents or procedures that relate to Adient or any other member of the Adient Group, the business or assets of Adient or any other member of the Adient Group and (ii) in no event shall either of the Companies or any of its respective Affiliates be required to provide the other Company or any of its respective Affiliates or any other Person access to or copies of any information if such action could reasonably be expected to result in the waiver of any Privilege. In addition, in the event that either Company determines that the provision of any information to the other Company or its Affiliates could be commercially detrimental, violate any Law or agreement or waive any Privilege, the parties shall use reasonable best efforts to permit compliance with its obligations under this Section 7 or Section 8 in a manner that avoids any such harm or consequence.

**Section 7.02 Tax Return Information.** Adient and Johnson Controls acknowledge that time is of the essence in relation to any request for information, assistance or cooperation made by Johnson Controls or Adient pursuant to this Agreement. Adient and Johnson Controls acknowledge that failure to conform to the deadlines set forth herein or reasonable deadlines

otherwise set by Johnson Controls or Adient could cause irreparable harm. Each Company shall provide to the other Company information and documents relating to its Group required by the other Company to prepare Tax Returns. Any information or documents the Responsible Company requires to prepare such Tax Returns shall be provided in such form as the Responsible Company reasonably requests and in sufficient time for the Responsible Company to file such Tax Returns on a timely basis (but in no event later than ninety (90) days after such request).

**Section 7.03**      *Reliance by Johnson Controls.* If any member of the Adient Group supplies information to a member of the Johnson Controls Group in connection with Taxes and an officer of a member of the Johnson Controls Group signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then upon the written request of such member of the Johnson Controls Group identifying the information being so relied upon, the chief financial officer of Adient (or any officer of Adient as designated by the chief financial officer of Adient) shall certify in writing that to his or her knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. Adient agrees to indemnify and hold harmless each member of the Johnson Controls Group and its directors, officers and employees from and against any fine, penalty or other cost or expense of any kind attributable to a member of the Adient Group having supplied, pursuant to this Section 7, a member of the Johnson Controls Group with inaccurate or incomplete information in connection with a Tax Liability.

**Section 7.04**      *Reliance by Adient.* If any member of the Johnson Controls Group supplies information to a member of the Adient Group in connection with a Tax Liability and an officer of a member of the Adient Group signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then upon the written request of such member of the Adient Group identifying the information being so relied upon, the chief financial officer of Johnson Controls (or any officer of Johnson Controls as designated by the chief financial officer of Johnson Controls) shall certify in writing that to his or her knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. Johnson Controls agrees to indemnify and hold harmless each member of the Adient Group and its directors, officers and employees from and against any fine, penalty, or other cost or expense of any kind attributable to a member of the Johnson Controls Group having supplied, pursuant to this Section 7, a member of the Adient Group with inaccurate or incomplete information in connection with a Tax Liability.

## **Section 8.            Tax Records.**

**Section 8.01**      *Retention of Tax Records.* Each Company shall preserve and keep all Tax Records (including emails and other digitally stored materials and related workpapers and other documentation) in its possession as of the date hereof or relating to Taxes of the Groups for Pre-Distribution Periods or Taxes or Tax matters that are the subject of this Agreement, in each case, for so long as the contents thereof may become material in the administration of any matter under the Code or other applicable Tax Law, but in any event until the later of (i) 90 days after the expiration of any applicable statutes of limitations (taking into account any extensions), or (ii) seven years after the Distribution Date (such later date, the “Retention Date”). After the Retention Date, each Company may dispose of such Tax Records upon 90 days’ prior written notice to the other Company. If, prior to the Retention Date, a Company reasonably determines that any Tax Records which it would otherwise be required to preserve and keep under this Section 8

are no longer material in the administration of any matter under the Code or other applicable Tax Law and the other Company agrees, then such first Company may dispose of such Tax Records upon 90 days' prior notice to the other Company. Any notice of an intent to dispose given pursuant to this Section 8.01 shall include a list of the Tax Records to be disposed of describing in reasonable detail each file, book or other record accumulation being disposed. The notified Company shall have the opportunity, at its cost and expense, to copy or remove, within such 90-day period, all or any part of such Tax Records, and the other Company will then dispose of the same Tax Records.

Section 8.02 *Access to Tax Records.* The Companies and their respective Affiliates shall make available to each other for inspection and copying during normal business hours upon reasonable notice all Tax Records (and, for the avoidance of doubt, any pertinent underlying data accessed or stored on any computer program or information technology system) to the extent reasonably required by the other Company in connection with the preparation of financial accounting statements, audits, litigation, the preparation of Tax Returns or the resolution of items under this Agreement.

Section 8.03 *Preservation of Privilege.* The parties hereto agree to cooperate and use commercially reasonable efforts to maintain Privilege with respect to any documentation relating to Taxes existing prior to the Distribution Date or Separation Tax Losses to which Privilege may reasonably be asserted (any such documentation, "Privileged Documentation"). No member of the Adient Group shall provide access to or copies of, or otherwise disclose to any Person, any Privileged Documentation without the prior written consent of Johnson Controls, such consent not to be unreasonably withheld, conditioned or delayed. No member of the Johnson Controls Group shall provide access to or copies of, or otherwise disclose to any Person, any Privileged Documentation without the prior written consent of Adient, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding any of the foregoing, (x) in the event that any governmental authority requests, outside of normal working hours, that either Company (or any of its Affiliates) provide to such governmental authority access to or copies of, or otherwise disclose, any Privileged Documentation, (y) immediate compliance with such request is required under applicable Law, and (z) such Company attempts in good faith to obtain the prior written consent of the other Company but it is not able to do so, then, such Company shall be permitted to comply with such request by such governmental authority without obtaining the prior written consent of the other Company and shall as promptly as practicable inform the other Company of such request and the access and/or disclosure provided pursuant thereto.

## **Section 9. Tax Contests.**

Section 9.01 *Notice.* Each of the Companies shall provide prompt notice to the other Company of any written communication from a Tax Authority regarding any pending or threatened Tax audit, assessment or proceeding or other Tax Contest relating to Taxes, Refunds or Tax Benefits for which it may be entitled to indemnification by the other Company hereunder or for which it may be required to indemnify the other Company hereunder. Such notice shall include copies of the pertinent portion of any written communication from a Tax Authority and contain factual information (to the extent known) describing any asserted Tax Liability and/or other relevant Tax matters in reasonable detail. The failure of one Company to notify the other of such communication in accordance with the immediately preceding sentences shall not relieve such other Company of any liability or obligation to pay such Tax or make indemnification payments

under this Agreement, except to the extent that the failure timely to provide such notification actually prejudices the ability of such other Company to contest such Tax Liability (or contest any determination in respect of any Refund or Tax Benefit) or increases the amount of such Tax Liability (or reduces the amount of such Refund or Tax Benefit).

Section 9.02      *Control of Tax Contests.*

(a)      *Separate Returns.* Except in the case of any Competent Authority Proceeding (which shall be governed by Section 9.02(c)):

(i) In the case of any Tax Contest with respect to any Johnson Controls Separate Return, Johnson Controls shall have exclusive control over such Tax Contest, including exclusive authority with respect to any settlement of such Tax Contest, subject to Section 9.02(b) and Section 9.02(d).

(ii) In the case of any Tax Contest with respect to any Adient Separate Return, Adient shall have exclusive control over such Tax Contest, including exclusive authority with respect to any settlement of such Tax Contest, subject to Section 9.02(b) and Sections 9.02(e) and (f).

(b)      *Combined Returns and Non-Recoverable Transaction Tax Returns.* Except in the case of any Competent Authority Proceeding (which shall be governed by Section 9.02(c)), in the case of any Tax Contest with respect to any Combined Return or Non-Recoverable Transaction Tax Return, Johnson Controls shall have exclusive control over such Tax Contest, including exclusive authority with respect to any settlement of such Tax Contest, subject to Section 9.02(b) and Section 9.02(d).

(c)      *Competent Authority Proceedings.* In the event that a Tax Authority proposes an adjustment with respect to a Tax Return of a Company (the “Adjusted Company”) or a member of its Group, and, in connection with such adjustment, a corresponding adjustment or other relief may be available to the other Company or a member of its Group pursuant to a Competent Authority Proceeding, the Adjusted Company shall promptly notify the other Company of such adjustment and the Companies shall cooperate in good faith to determine whether to initiate a Competent Authority Proceeding to request such corresponding adjustment or other relief. If the Companies initiate any such Competent Authority Proceeding, the Adjusted Company shall have the right to control such Competent Authority Proceeding; *provided that* (i) the Adjusted Company shall keep the other Company reasonably informed in a timely manner of all significant developments in respect of such Competent Authority Proceeding, and all significant actions taken or proposed to be taken by the Adjusted Company with respect to such Tax Contest, (ii) the Adjusted Company shall timely provide the other Company with copies of any written materials prepared, furnished or received in connection with such Competent Authority Proceeding, (iii) the Adjusted Company shall consult with the other Company reasonably in advance of taking any significant action in connection with such Competent Authority Proceeding, (iv) the Adjusted Company shall consult with the other Company and offer the other Company a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Competent Authority Proceeding and shall consider the other Company’s comments in good faith, (v) the Adjusted Company shall conduct such Competent Authority Proceeding diligently and in good faith as if it were the only party in interest in connection with such

Competent Authority Proceeding, and (vi) the Adjusted Company shall not settle, compromise or abandon any such Competent Authority Proceeding without the prior written consent of the other Company, which consent shall not be unreasonably withheld, conditioned or delayed. The other Company shall cooperate with the Adjusted Company (including by providing any necessary information reasonably requested by the Adjusted Company) with respect to the conduct of any such Competent Authority Proceeding. In making any decisions in connection with any Competent Authority Proceeding described in this Section 9.02(c) (including the determination whether to initiate such Competent Authority Proceeding, relief to be sought pursuant to such Competent Authority Proceeding and actions to be taken in connection with such Competent Authority Proceeding), the Companies shall seek to minimize the aggregate Tax Liability of the Johnson Controls Group and the Adient Group.

(d) *Adient Rights.* In the case of any Tax Contest described in Section 9.02(a)(i) or (b) (other than, in each case, any Tax Contest described in Section 9.02(f)), if (x) as a result of such Tax Contest, Adient could reasonably be expected to (A) become liable to make any indemnification payment to Johnson Controls hereunder in excess of \$1 million or (B) not have Foreign Corporation Status as of immediately after the Distribution and (y) Johnson Controls has control of such Tax Contest pursuant to Section 9.02(a)(i) or (b), as applicable, then (i) Johnson Controls shall keep Adient reasonably informed in a timely manner of all significant developments in respect of such Tax Contest and all significant actions taken or proposed to be taken by Johnson Controls with respect to such Tax Contest, (ii) Johnson Controls shall timely provide Adient with copies of any written materials prepared, furnished or received in connection with such Tax Contest, (iii) Johnson Controls shall consult with Adient reasonably in advance of taking any significant action in connection with such Tax Contest, (iv) Johnson Controls shall consult with Adient, offer Adient a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Tax Contest and shall consider Adient's comments in good faith, (v) Johnson Controls shall defend such Tax Contest diligently and in good faith as if it were the only party in interest in connection with such Tax Contest, and (vi) Johnson Controls shall not settle, compromise or abandon any such Tax Contest in a manner that would disproportionately disadvantage Adient and, in determining whether to settle, compromise or abandon any such Tax Contest, Johnson Controls shall otherwise make such determination in good faith as if it were the only party in interest in connection with such Tax Contest.

(e) *Johnson Controls Rights.* In the case of any Tax Contest described in Section 9.02(a)(ii), if (x) as a result of such Tax Contest, Johnson Controls could reasonably be expected to become liable to make any indemnification payment to Adient hereunder in excess of \$1 million and (y) Adient has the right to control such Tax Contest pursuant to Section 9.02(a)(ii), then (i) Adient shall keep Johnson Controls reasonably informed in a timely manner of all significant developments in respect of such Tax Contest and all significant actions taken or proposed to be taken by Adient with respect to such Tax Contest, (ii) Adient shall timely provide Johnson Controls with copies of any written materials prepared, furnished or received in connection with such Tax Contest, (iii) Adient shall consult with Johnson Controls reasonably in advance of taking any significant action in connection with such Tax Contest, (iv) Adient shall consult with Johnson Controls and offer Johnson Controls a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Tax Contest and shall consider Johnson Controls's comments in good faith, (v) Adient shall defend such Tax Contest diligently and in good faith as if it were the only party in interest in connection with such Tax Contest,



and (vi) Adient shall not settle, compromise or abandon any such Tax Contest without obtaining the prior written consent of Johnson Controls, which consent shall not be unreasonably withheld, conditioned or delayed; *provided*, that, in the case of any Tax Contest with respect to the Electronics Entity, to the extent such Tax Contest involves a claim that could reasonably be expected to result in Electronics Business Taxes and Taxes that are not Electronics Business Taxes (an “Electronics Tax Contest”), (A) the Companies shall cooperate to separate such Electronics Tax Contest into two Tax Contests, one Tax Contest relating exclusively to Electronics Business Taxes (over which Tax Contest Johnson Controls shall have exclusive control, including exclusive authority with respect to any settlement, subject to Section 9.02(b) and Section 9.02(d)) and the other Tax Contest relating to all other Taxes of the Electronics Entity (over which Tax Contest Adient shall have exclusive control, including exclusive authority with respect to any settlement, subject to this Section 9.02(e) (other than this proviso)) and (B) if it is not possible to separate such Tax Contest in the manner set forth in clause (A), the Controlling Party shall have the right to control such Tax Contest, *provided* that the foregoing provisions of this Section 9.02(e) (other than this proviso) shall apply to such Tax Contest (for this purpose, substituting the term “Controlling Party,” for the term “Adient” and substituting the term “Non-Controlling Party” for the term “Johnson Controls”). For purposes of this Section 9.02(e), in the case of any Electronics Tax Contest, the Controlling Party shall be whichever of Adient or Johnson Controls would be reasonably expected to bear the greater Tax Liability in connection with such Electronics Tax Contest, and the Non-Controlling Party shall be whichever Company is not the Controlling Party with respect to such Electronics Tax Contest.

(f) *Separation Related Tax Contests.* Johnson Controls shall have exclusive control over any Separation Related Tax Contest, including exclusive authority with respect to any settlement of such Tax Contest, subject to the following provisions of this Section 9.02(f). In the event of any Separation Related Tax Contest as a result of which Adient could reasonably be expected to (x) become liable for any Separation Tax Losses or (y) not have Foreign Corporation Status as of immediately after the Distribution, (A) Johnson Controls shall keep Adient reasonably informed in a timely manner of all significant developments in respect of such Tax Contest and all significant actions taken or proposed to be taken by Johnson Controls with respect to such Tax Contest, (B) Johnson Controls shall timely provide Adient with copies of any written materials prepared, furnished or received in connection with such Tax Contest, (C) Johnson Controls shall consult with Adient reasonably in advance of taking any significant action in connection with such Tax Contest, and (D) Johnson Controls shall offer Adient a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Tax Contest. Notwithstanding anything in the preceding sentence to the contrary, the final determination of the positions taken, including with respect to settlement or other disposition, in any Separation Related Tax Contest shall be made in the sole discretion of Johnson Controls and shall be final and not subject to the dispute resolution provisions of Section 13 of this Agreement or Article VII of the Separation and Distribution Agreement.

(g) *Power of Attorney.*

(i) Each member of the Adient Group shall execute and deliver to Johnson Controls (or such member of the Johnson Controls Group as Johnson Controls shall designate) any power of attorney or other similar document reasonably requested by Johnson

Controls (or such designee) in connection with any Tax Contest controlled by Johnson Controls that is described in this Section 9.

(ii) Each member of the Johnson Controls Group shall execute and deliver to Adient (or such member of the Adient Group as Adient shall designate) any power of attorney or other similar document reasonably requested by Adient (or such designee) in connection with any Tax Contest controlled by Adient that is described in this Section 9.

**Section 10. Effective Date; Termination of Prior Intercompany Tax Allocation Agreements.**

This Agreement shall be effective as of the Effective Time. To the knowledge of the parties hereto, there are no prior intercompany Tax allocation agreements or arrangements solely between or among Johnson Controls and/or any of its Subsidiaries, on the one hand, and Adient and/or any of its Subsidiaries, on the other hand and no termination of any such arrangement or agreement, or any settlement of amounts owing in respect of any such arrangement or agreement should be required. To the extent that, contrary to the expectation of the parties, there is any such intercompany arrangement or agreement in place as of immediately prior to the Effective Time, (i) such arrangement or agreement shall be deemed terminated with effect as of the Effective Time, and (ii) amounts due under such agreements as of the date on which the Effective Time occurs shall be settled as promptly as practicable. Upon such settlement, no further payments by or to Johnson Controls or any of its Subsidiaries or by or to Adient or any of its Subsidiaries with respect to such agreements shall be made, and all other rights and obligations resulting from such agreements between the Companies and their Affiliates shall cease at such time. Any payments pursuant to such agreements shall be disregarded for purposes of computing amounts due under this Agreement.

**Section 11. Survival of Obligations.** The representations, warranties, covenants and agreements set forth in this Agreement shall be unconditional and absolute and shall remain in effect without limitation as to time.

**Section 12. Treatment of Payments; Tax Gross-Up.**

Section 12.01 *Treatment of Tax Indemnity and Tax Benefit Payments.* In the absence of any change in Tax treatment under the Code or other applicable Tax Law and except as otherwise agreed between the Companies, for all Income Tax purposes, the Companies agree to treat, and to cause their respective Affiliates to treat, (i) any indemnity payment required by this Agreement or by the Separation and Distribution Agreement, as applicable (in the case of each of clauses (A), (B) and (C), subject to clause (D)), (A) in the case of an indemnity payment attributable to the Distribution, a contribution by Johnson Controls to Adient or a distribution by Adient to Johnson Controls, as the case may be, occurring immediately prior to the Distribution (but only to the extent the payment does not relate to a Tax allocated to the payor in accordance with Section 1552 of the Code or the Treasury Regulations thereunder or Treasury Regulation Section 1.1502-33(d) (or under corresponding principles of other applicable Tax Laws)), (B) in the case of an indemnity payment attributable to an Old Johnson Controls Internal Distribution or Old Johnson Controls Internal Contribution, a contribution by the relevant Old Johnson Controls Internal Distributing to the relevant Old Johnson Controls Internal Controlled or a distribution by the relevant Old Johnson Controls Internal Controlled to the relevant Old Johnson Controls Internal Distributing, as the case may be, occurring immediately prior to the relevant Old Johnson Controls Internal Distribution, (C) in the case of an indemnity payment attributable to the Old

Johnson Controls Jersey SpinCo Sale or the TIFSA Jersey SpinCo Sale or any sale of the Adient Assets or assumption of the Adient Liabilities pursuant to the Separation Transactions, an adjustment to the purchase price, or (D) in the case of an indemnity payment attributable to a transfer of Adient Assets or assumption of Adient Liabilities (other than pursuant to a sale), or in any other case described in clauses (A), (B) or (C) above to the extent appropriate, as payments of an assumed or retained liability; and (ii) any payment of interest or State Income Taxes by or to a Tax Authority, as taxable or deductible, as the case may be, to the Company entitled under this Agreement to retain such payment or required under this Agreement to make such payment.

Section 12.02 *Tax Gross-Up.* If notwithstanding the manner in which payments described in clause (i) of Section 12.01 were reported, there is an adjustment to the Tax Liability of a Company as a result of its receipt of a payment pursuant to this Agreement or the Separation and Distribution Agreement, such payment shall be appropriately adjusted so that the amount of such payment, reduced by the amount of all Income Taxes payable with respect to the receipt thereof (but taking into account all correlative Tax Benefits resulting from the payment of such Income Taxes), shall equal the amount of the payment which the Company receiving such payment would otherwise be entitled to receive.

Section 12.03 *Interest.* Anything herein to the contrary notwithstanding, to the extent one Company (“Indemnitor”) makes a payment of interest to another Company (“Indemnitee”) under this Agreement with respect to the period from the date that the Indemnitee made a payment of Tax to a Tax Authority to the date that the Indemnitor reimbursed the Indemnitee for such Tax payment, the interest payment shall be treated as interest expense to the Indemnitor (deductible to the extent provided by Law) and as interest income by the Indemnitee (includible in income to the extent provided by Law). The amount of the payment shall not be adjusted to take into account any associated Tax Benefit to the Indemnitor or increase in Tax to the Indemnitee.

### **Section 13. Disagreements.**

Section 13.01 *Dispute Resolution.* The Companies desire that collaboration will continue between them. Accordingly, they will try, and they will cause their respective Group members to try, to resolve in good faith all disagreements regarding their respective rights and obligations under this Agreement, including any amendments hereto. In furtherance thereof, in the event of any dispute or disagreement (other than a High-Level Dispute) (a “Tax Advisor Dispute”) between any member of the Johnson Controls Group and any member of the Adient Group as to the interpretation of any provision of this Agreement or the performance of obligations hereunder, the Tax departments of the Companies shall negotiate in good faith to resolve the Tax Advisor Dispute. If such good faith negotiations do not resolve the Tax Advisor Dispute, then the matter will be referred to a Tax Advisor acceptable to each of the Companies. The Tax Advisor may, in its discretion, obtain the services of any third-party appraiser, accounting firm or consultant that the Tax Advisor deems necessary to assist it in resolving such disagreement. The Tax Advisor shall furnish written notice to the Companies of its resolution of any such Tax Advisor Dispute as soon as practicable, but in any event no later than forty-five (45) days after its acceptance of the matter for resolution. Any such resolution by the Tax Advisor shall be consistent with the terms of this Agreement, and if so consistent, shall be conclusive and binding on the Companies. Following receipt of the Tax Advisor’s written notice to the Companies of its resolution of the Tax Advisor Dispute, the Companies shall each take or cause to be taken any

action necessary to implement such resolution of the Tax Advisor. In accordance with Section 15, each Company shall pay its own fees and expenses (including the fees and expenses of its representatives) incurred in connection with the referral of the matter to the Tax Advisor. All fees and expenses of the Tax Advisor in connection with such referral shall be shared equally by the Companies. Any High-Level Dispute shall be resolved pursuant to the procedures set forth in Article VII of the Separation and Distribution Agreement.

**Section 13.02** *Injunctive Relief.* Nothing in this Section 13 will prevent either Company from seeking injunctive relief if reasonably necessary to avoid irreparable harm. Notwithstanding anything to the contrary in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement, Johnson Controls and Adient are the only members of their respective Groups entitled to commence a dispute resolution procedure under this Agreement, and each of Johnson Controls and Adient will cause its respective Group members not to commence any dispute resolution procedure other than through such party as provided in this Section 13.

**Section 14. Late Payments.** Any amount owed by one party to another party under this Agreement which is not paid when due shall bear interest at the Prime Rate plus two percent (2%), compounded semiannually, from the due date of the payment to the date paid. To the extent interest required to be paid under this Section 14 duplicates interest required to be paid under any other provision of this Agreement, interest shall be computed at the higher of the interest rate provided under this Section 14 or the interest rate provided under such other provision.

**Section 15. Expenses.** Except as otherwise provided in this Agreement, each party and its Affiliates shall bear their own expenses incurred in connection with preparation of Tax Returns, Tax Contests, and other matters related to Taxes under the provisions of this Agreement.

**Section 16. General Provisions.**

**Section 16.01** *Addresses and Notices.* All notices, requests, claims, demands or other communications under this Agreement shall be in writing, together with a copy by electronic mail (which shall not constitute notice), and shall be given or made (and shall be deemed to have been duly given or made upon acknowledgment of receipt) by delivery in person, by overnight courier service or by registered or certified mail (postage prepaid, return receipt requested) to the respective Companies at the following addresses (or at such other address for a Company as shall be specified in a notice given in accordance with this Section 16.01):

If to Johnson Controls:

Johnson Controls plc  
5757 North Green Bay Avenue  
Milwaukee, Wisconsin 53209  
Attention: General Counsel  
Email: CO-General.Counsel@jci.com

If to Adient:

Adient plc  
833 East Michigan Street  
Milwaukee, Wisconsin 53202  
Attention: General Counsel  
Email: [ ]

A Company may, by notice to the other Company, change the address to which such notices are to be given.

Section 16.02 *Assignability*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns; *provided* that neither Company nor any such party thereto may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Company hereto. Notwithstanding the foregoing, no such consent shall be required for the assignment of a party's rights and obligations under this Agreement and the Ancillary Agreements (except as may be otherwise provided in any such Ancillary Agreement) in whole (*i.e.*, the assignment of a party's rights and obligations under this Agreement and all Ancillary Agreements all at the same time) in connection with a change of control of a Company so long as the resulting, surviving or transferee Person assumes all the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Company. Nothing in this Section 16.02 is intended to, or shall be construed to, prohibit either Company or any member of its Group from being party to or undertaking a change of control.

Section 16.03 *Waiver*. Waiver by a Company of any default by the other Company of any provision of this Agreement shall not be deemed a waiver by the waiving Company of any subsequent or other default, nor shall it prejudice the rights of the other Company. No failure or delay by a Company in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 16.04 *Severability*. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Companies shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Companies.

Section 16.05 *Authority*. Johnson Controls represents on behalf of itself and each other member of the Johnson Controls Group, and Adient represents on behalf of itself and each other member of the Adient Group, as follows: (i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby;

and (ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

Section 16.06 *Further Action.* The parties shall execute and deliver all documents, provide all information, and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement, including the execution and delivery to the other parties and their Affiliates and representatives of such powers of attorney or other authorizing documentation as is reasonably necessary or appropriate in connection with Tax Contests (or portions thereof) under the control of such other parties in accordance with Section 9.

Section 16.07 *Integration.* This Agreement, the Ancillary Agreements and the Exhibits, Schedules and appendices hereto and thereto contain the entire agreement between the Companies with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Companies other than those set forth or referred to herein or therein. In the event of any inconsistency between this Agreement, the Separation and Distribution Agreement, any other agreements relating to the transactions contemplated by the Separation and Distribution Agreement, or the Tax Allocation Agreement, with respect to matters addressed herein, the provisions of this Agreement shall control.

Section 16.08 *Construction.* The language in all parts of this Agreement shall in all cases be construed according to its fair meaning and shall not be strictly construed for or against any party. The captions, titles and headings included in this Agreement are for convenience only, and do not affect this Agreement's construction or interpretation. Unless otherwise indicated, all "Section" references in this Agreement are to sections of this Agreement.

Section 16.09 *No Double Recovery.* No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages, or other amounts for which the damaged party has been fully compensated under any other provision of this Agreement or under any other agreement or action at Law or equity. Unless expressly required in this Agreement, a party shall not be required to exhaust all remedies available under other agreements or at Law or equity before recovering under the remedies provided in this Agreement.

Section 16.10 *Currency.* All amounts payable pursuant to this Agreement shall be payable in U.S. dollars, based on the conversion rate used at the time that the obligation to pay arises in the financial reporting systems of the party receiving such payment.

Section 16.11 *Counterparts.* This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Companies and delivered to the other Company. Each Company acknowledges that it and each other Company is executing certain of the Ancillary Agreements by facsimile, stamp or mechanical signature, and that delivery of an executed counterpart of a signature page to this Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by email in portable document format (.pdf) shall be effective as delivery of such executed counterpart of this Agreement. Each Company expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by email in portable document

format (.pdf)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Company to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Company at any time, it will as promptly as reasonably practicable cause this Agreement to be manually executed (such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.

Section 16.12 *Governing Law.* This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common Law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of New York irrespective of the choice of laws principles of the State of New York including all matters of validity, construction, effect, enforceability, performance and remedies.

Section 16.13 *Jurisdiction.* If any dispute arises out of or in connection with this Agreement, except as expressly contemplated by another provision of this Agreement, the parties irrevocably (and the parties will cause each other member of their respective Group to irrevocably) (a) consent and submit to the exclusive jurisdiction of any federal court sitting in the Borough of Manhattan in The City of New York (or, only if such court lacks subject matter jurisdiction, in any New York State court sitting in the Borough of Manhattan in The City of New York), (b) waive any claims of forum non conveniens, and agree to submit to the jurisdiction of such courts, as provided in New York General Obligations Law § 5-1402, (c) agree that service of any process, summons, notice or document by United States registered mail to each Company's respective address set forth in Section 16.01 shall be effective service of process for any litigation brought against it in any such court or for the taking of any other acts as may be necessary or appropriate in order to effectuate any judgment of said courts and (d) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO TRIAL OR ADJUDICATION BY JURY.

Section 16.14 *Amendment.* No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by a Company, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Company against whom it is sought to enforce such waiver, amendment, supplement or modification.

Section 16.15 *Adient Subsidiaries.* If, at any time, Adient acquires or creates one or more subsidiaries that are includable in the Adient Group, they shall be subject to this Agreement and all references to the Adient Group herein shall thereafter include a reference to such subsidiaries.

Section 16.16 *Successors.* This Agreement shall be binding on and inure to the benefit of any successor by merger, acquisition of assets, or otherwise, to any of the parties hereto (including, but not limited to, any successor of Johnson Controls or Adient succeeding to the Tax attributes of either under Section 381 of the Code), to the same extent as if such successor had been an original party to this Agreement.

Section 16.17 *Injunctions.* Subject to the provisions of Section 13, the parties acknowledge that irreparable damage would occur in the event that any of the provisions of this

Agreement were not performed in accordance with its specific terms or were otherwise breached. The parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court having jurisdiction, such remedy being in addition to any other remedy to which they may be entitled at Law or in equity.



IN WITNESS WHEREOF, each party has caused this Agreement to be executed on its behalf by a duly authorized officer on the date first set forth above.

JOHNSON CONTROLS PLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ADIANT PLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*[Signature Page to Tax Matters Agreement]*

EMPLOYEE MATTERS AGREEMENT

BY AND BETWEEN

JOHNSON CONTROLS PLC

AND

ADIENT PLC

DATED AS OF [•], 2016

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## EMPLOYEE MATTERS AGREEMENT

THIS EMPLOYEE MATTERS AGREEMENT, dated as of [●], 2016 (this “Agreement”), is by and between Johnson Controls plc, a public limited company organized under the laws of Ireland (“Johnson Controls”), and Adient plc, a public limited corporation organized under the laws of England and Wales (“Adient”). Capitalized terms used in this Agreement but not otherwise defined herein shall have the meanings set forth in Article I or ascribed to them in the Separation and Distribution Agreement.

### RECITALS

WHEREAS, the board of directors of Johnson Controls (the “Johnson Controls Board”) has determined that it is in the best interests of Johnson Controls and its shareholders to create a new publicly traded company that shall operate the Adient Business;

WHEREAS, in furtherance of the foregoing, the Johnson Controls Board has determined that it is appropriate and desirable to separate the Adient Business from the Johnson Controls Business (the “Separation”) and, following the Separation, for Adient to issue ordinary shares to holders of Johnson Controls Shares on the Record Date, pro rata to their respective holdings (the “Distribution”);

WHEREAS, in order to effectuate the Separation and the Distribution, Johnson Controls and Adient have entered into that certain Separation and Distribution Agreement, dated as of [●], 2016 (the “Separation and Distribution Agreement”); and

WHEREAS, in addition to the matters addressed by the Separation and Distribution Agreement, the Parties desire to enter into this Agreement to set forth the terms and conditions of certain employment, compensation, and benefit matters.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

### ARTICLE I DEFINITIONS

Section 1.01. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below.

“Adient” shall have the meaning set forth in the preamble to this Agreement.

“Adient Awards” shall mean, collectively, Adient Options, Adient Stock Appreciation Rights, and Adient Restricted Stock Unit Awards.

“Adient Benefit Plan” shall mean any Benefit Plan established, sponsored, maintained, or contributed to by a member of the Adient Group as of or after the Effective Time.

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“Adient Board” shall mean the Board of Directors of Adient.

“Adient Business” shall have the meaning set forth in the Separation and Distribution Agreement.

“Adient Designees” shall have the meaning set forth in the Separation and Distribution Agreement.

“Adient Equity Plan” shall mean the Adient 2016 Omnibus Incentive Plan.

“Adient Executive Deferred Compensation Plan” shall mean the Adient US LLC Executive Deferred Compensation Plan.

“Adient German Pension Plan Carve-Out” shall have the meaning set forth in Section 7.02(b).

“Adient Group” shall have the meaning set forth in the Separation and Distribution Agreement.

“Adient Group Employee” shall mean (a) each individual who is primarily dedicated to the Adient Business as of immediately prior to the Effective Time (including any such individual who is not actively working as of the Effective Time as a result of an illness, injury, or leave of absence), and (b) each individual who is identified on Schedule 1.01(a)(i)(A) hereto, but excluding (c) each individual who is identified on Schedule 1.01(a)(i)(B) hereto.

“Adient HSA” shall have the meaning set forth in Section 6.01(c).

“Adient Indemnified Party” shall have the meaning set forth in the Separation and Distribution Agreement.

“Adient Joint Venture Savings Plans” shall mean, collectively, the Bridgewater LLC Savings and Investment (401k) Plan and the Avanzar Interiors LLC Savings and Investment (401k) Plan.

“Adient Liabilities” shall have the meaning set forth in the Separation and Distribution Agreement.

“Adient Long-Term Incentive Award” shall mean a long-term incentive cash award granted by Adient pursuant to the Adient Equity Plan in accordance with Section 4.04(b).

“Adient Nonqualified Plans” shall mean the Adient Retirement Restoration Plan and the Adient Executive Deferred Compensation Plan.

“Adient Non-U.S. Pension Plans” shall mean, collectively, the plans listed on Schedule 1.01(b) hereto.

“Adient Non-U.S. Welfare Plans” shall mean the Welfare Plans established, sponsored, maintained, or contributed to by any member of the Adient Group for the benefit of Adient Group Employees and Former Adient Group Employees who are Non-U.S. Employees and Former Non-U.S. Employees, respectively, including the Welfare Plans listed in Schedule 1.01(c) hereto.

“Adient Option” shall mean an option to purchase Adient Shares granted by Adient pursuant to the Adient Equity Plan in accordance with Section 4.02(a).

“Adient Ratio” shall mean the quotient obtained by dividing the Johnson Controls Pre-Distribution Stock Value by the Adient Stock Value.

“Adient Restricted Stock Unit Award” shall mean a restricted stock unit award in respect of Adient Shares granted pursuant to the Adient Equity Plan in accordance with Section 4.02(c).

“Adient Retirement Restoration Plan” shall mean the Adient US LLC Retirement Restoration Plan.

“Adient Share Fund” shall have the meaning set forth in Section 5.03(d).

“Adient Shares” shall have the meaning set forth in the Separation and Distribution Agreement.

“Adient Short-Term Incentive Plans” shall mean any annual or short-term incentive cash compensation plan sponsored or maintained by Adient immediately following the Effective Time, including the plans listed in Schedule 1.01(d) hereto.

“Adient Stock Appreciation Right” shall mean a stock appreciation right in respect of Adient Shares granted by Adient pursuant to the Adient Equity Plan in accordance with Section 4.02(b).

“Adient Stock Value” shall mean [•].

“Adient U.S. Pension Plans” shall mean, collectively, the Johnson Controls Automotive Experience Production Employees Pension Plan and the JCIM US, LLC Pension Plan for Bryan, Ohio Union Employees.

“Adient U.S. Retiree Medical Plan” shall mean the Adient US LLC Non-Union Retiree Medical Plan.

“Adient U.S. Savings Plan” shall mean the Adient US LLC Savings and Investment (401k) Plan.

“Adient U.S. Savings Plan Trust” shall mean the master trust for U.S. defined contribution plans to be established by Adient.

“Adient U.S. VEBA” shall mean the Adient US LLC Non-Union Retiree Medical Trust Agreement.

“Adient U.S. Welfare Plans” shall mean the Welfare Plans established, sponsored, maintained, or contributed to by any member of the Adient Group for the benefit of Adient Group Employees and Former Adient Group Employees who are U.S. Employees and Former U.S. Employees, respectively, including the Welfare Plans listed in Schedule 1.01(e) hereto.



“Adient Welfare Plans” shall mean the Adient U.S. Welfare Plans and the Adient Non-U.S. Welfare Plans.

“Adjusted Johnson Controls Awards” shall mean, collectively, Adjusted Johnson Controls Options, Adjusted Johnson Controls Stock Appreciation Rights, and Adjusted Johnson Controls Restricted Stock Unit Awards.

“Adjusted Johnson Controls Option” shall mean a Johnson Controls Option, adjusted as of the Effective Time in accordance with Section 4.02(a).

“Adjusted Johnson Controls Restricted Stock Unit Award” shall mean a Johnson Controls Restricted Stock Unit Award, adjusted as of the Effective Time in accordance with Section 4.02(c).

“Adjusted Johnson Controls Stock Appreciation Right” shall mean a Johnson Controls Stock Appreciation Right, adjusted as of the Effective Time in accordance with Section 4.02(b).

“AE Savings Plan” shall mean the Johnson Controls Automotive Experience Production Employees Savings and Investment (401k) Plan.

“Affiliate” shall have the meaning set forth in the Separation and Distribution Agreement.

“Agreement” shall have the meaning set forth in the preamble to this Agreement and shall include all Schedules hereto and all amendments, modifications, and changes hereto entered into pursuant to Section 8.18.

“Ancillary Agreement” shall have the meaning set forth in the Separation and Distribution Agreement.

“Assets” shall have the meaning set forth in the Separation and Distribution Agreement.

“Benefit Plan” shall mean any contract, agreement, policy, practice, program, plan, trust, commitment or arrangement providing for benefits, perquisites or compensation of any nature from an employer to any Employee, or to any family member, dependent, or beneficiary of any such Employee, including pension plans, superannuation plans, thrift plans, supplemental pension plans, and welfare plans, and contracts, agreements, policies, practices, programs, plans, trusts, commitments, and arrangements providing for terms of employment, fringe benefits, severance benefits, termination indemnities, change in control protections or benefits, travel and accident, life, accidental death and dismemberment, disability and accident insurance, tuition reimbursement, travel reimbursement, vacation, sick, personal or bereavement days, leaves of absences, and holidays; provided, however, that the term “Benefit Plan” shall not include any government-sponsored benefits, such as workers’ compensation, unemployment, or any similar plans, programs, or policies.

“COBRA” shall mean the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as codified in Section 601 *et seq.* of ERISA and in Section 4980B of the Code.

“Code” shall have the meaning set forth in the Separation and Distribution Agreement.

“Dispute” shall have the meaning set forth in the Separation and Distribution Agreement.

“Distribution” shall have the meaning set forth in the recitals to this Agreement.

“Distribution Date” shall have the meaning set forth in the Separation and Distribution Agreement.

“Distribution Ratio” shall have the meaning set forth in the Separation and Distribution Agreement.

“Effective Time” shall have the meaning set forth in the Separation and Distribution Agreement.

“Employee” shall mean any Johnson Controls Group Employee or Adient Group Employee.

“ERISA” shall mean the U.S. Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“Exchange Act” shall have the meaning set forth in the Separation and Distribution Agreement.

“FICA” shall have the meaning set forth in Section 3.01(e).

“Force Majeure” shall have the meaning set forth in the Separation and Distribution Agreement.

“Former Adient Group Employee” shall mean (a) each individual who is a former employee of Johnson Controls or any of its former Subsidiaries as of the Effective Time whose most recent employment with Johnson Controls was primarily dedicated to the Adient Business, and (b) each individual who is identified on Schedule 1.01(a)(ii)(A) hereto, but excluding (c) each individual who is identified on Schedule 1.01(a)(ii)(B) hereto.

“Former Employees” shall mean Former Johnson Controls Group Employees and Former Adient Group Employees.

“Former Johnson Controls Group Employee” shall mean any individual who is a former employee of the Johnson Controls Group as of the Effective Time and who is not a Former Adient Group Employee.

“Former Non-U.S. Employee” shall mean any Former Employee other than a Former U.S. Employee.

“Former U.S. Employee” shall mean any Former Employee who was assigned primarily to operations in the United States during his or her employment with the Johnson Controls Group.

“FUTA” shall have the meaning set forth in Section 3.01(e).

“Governmental Authority” shall have the meaning set forth in the Separation and Distribution Agreement.

“HIPAA” shall mean the U.S. Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder.

“Incurred Claims” shall mean a Liability related to services or benefits provided under a Benefit Plan, and shall be deemed to be incurred: (a) with respect to medical, dental, vision, and prescription drug benefits, upon the rendering of services giving rise to such Liability; (b) with respect to death benefits, life insurance, accidental death and dismemberment insurance, and business travel accident insurance, upon the occurrence of the event giving rise to such Liability; (c) with respect to disability benefits, upon the date of disability, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such Liability; (d) with respect to a period of continuous hospitalization, upon the date of admission to the hospital; and (e) with respect to tuition reimbursement or adoption assistance, upon completion of the requirements for such reimbursement or assistance, whichever is applicable.

“Individual Agreement” shall mean any individual (a) employment contract, (b) retention, severance, or change of control agreement, (c) expatriate (including any international assignee) contract or agreement (including agreements and obligations regarding repatriation, relocation, equalization of taxes, and living standards in the host country), (d) intellectual property assignment agreements, or (e) other agreement containing restrictive covenants (including confidentiality, noncompetition, and nonsolicitation provisions) between a member of the Johnson Controls Group or the Adient Group, on the one hand, and an Adient Group Employee or Former Adient Group Employee, on the other hand, as in effect immediately prior to the Effective Time, including each agreement listed in Schedule 1.01(f) hereto.

“IRS” shall have the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls” shall have the meaning set forth in the preamble to this Agreement.

“Johnson Controls Awards” shall mean, collectively, Johnson Controls Options, Johnson Controls Stock Appreciation Rights, and Johnson Controls Restricted Stock Unit Awards.

“Johnson Controls Benefit Plan” shall mean any Benefit Plan established, sponsored, maintained or contributed to by Johnson Controls or any of its Subsidiaries immediately prior to the Effective Time, excluding any Adient Benefit Plan.

“Johnson Controls Board” shall have the meaning set forth in the recitals to this Agreement.

“Johnson Controls Business” shall have the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls Compensation Committee” shall mean the Compensation Committee of the Johnson Controls Board.

“Johnson Controls Director Deferred Compensation Plan” shall mean the Johnson Controls, Inc. Deferred Compensation Plan for Certain Directors.

“Johnson Controls Equity Plan” shall mean any equity compensation plan sponsored or maintained by Johnson Controls immediately prior to the Effective Time, including the Johnson Controls, Inc. 2012 Omnibus Incentive Plan, the Johnson Controls, Inc. Director Share Unit Plan, the Johnson Controls, Inc. 2007 Stock Option Plan, the Johnson Controls, Inc. 2003 Stock Plan for Outside Directors, and the Johnson Controls, Inc. 2000 Stock Option Plan.

“Johnson Controls Executive Deferred Compensation Plan” shall mean the Johnson Controls, Inc. Executive Deferred Compensation Plan.

“Johnson Controls Group” shall have the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls Group Employee” shall mean any individual employed by the Johnson Controls Group as of the Effective Time (including any such individual who is not actively working as of the Effective Time as a result of an illness, injury, or leave of absence) who is not an Adient Group Employee.

“Johnson Controls Indemnified Party” shall have the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls HSA” shall have the meaning set forth in Section 6.01(c).

“Johnson Controls Liabilities” shall have the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls Long-Term Incentive Award” shall mean any long-term incentive cash award granted pursuant to a Johnson Controls Equity Plan that is outstanding as of immediately prior to the Effective Time.

“Johnson Controls Nonqualified Plans” shall mean the Johnson Controls Retirement Restoration Plan, the Johnson Controls Executive Deferred Compensation Plan, and the Johnson Controls Director Deferred Compensation Plan.

“Johnson Controls Non-U.S. Pension Plan” shall mean the Johnson Controls K. K. Defined Benefit Corporate Pension Plan.

“Johnson Controls Non-U.S. Welfare Plan” shall mean any Welfare Plan established, sponsored, maintained, or contributed to by Johnson Controls or any of its Subsidiaries for the benefit of Non-U.S. Employees or Former Non-U.S. Employees, excluding any Adient Non-U.S. Welfare Plan.

“Johnson Controls Option” shall mean an option to purchase Johnson Controls Shares granted pursuant to a Johnson Controls Equity Plan that is outstanding as of immediately prior to the Effective Time.

“Johnson Controls Post-Distribution Stock Value” shall mean [●].

“Johnson Controls Pre-Distribution Stock Value” shall mean [●].

“Johnson Controls Ratio” shall mean the quotient obtained by dividing the Johnson Controls Pre-Distribution Stock Value by the Johnson Controls Post-Distribution Stock Value.

“Johnson Controls Restricted Stock Unit Award” shall mean a restricted stock unit award in respect of Johnson Controls Shares granted pursuant to a Johnson Controls Equity Plan that is outstanding as of immediately prior to the Effective Time.

“Johnson Controls Retiree Welfare Plan” shall mean the Johnson Controls, Inc. Retiree Welfare Program.

“Johnson Controls Retirement Restoration Plan” shall mean the Johnson Controls, Inc. Retirement Restoration Plan.

“Johnson Controls Share Fund” shall have the meaning set forth in Section 5.03(b).

“Johnson Controls Shares” shall have the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls Short-Term Incentive Plans” shall mean any annual or short-term incentive cash compensation plan sponsored or maintained by Johnson Controls immediately prior to the Effective Time, including the plans listed in Schedule 1.01(g) hereto, other than any Adient Short-Term Incentive Plans.

“Johnson Controls Stock Appreciation Right” shall mean a stock appreciation right in respect of Johnson Controls Shares granted pursuant to a Johnson Controls Equity Plan that is outstanding as of immediately prior to the Effective Time.

“Johnson Controls U.S. Pension Plans” shall mean, collectively, the Johnson Controls Pension Plan and the Johnson Controls Production Employees Pension Plan.

“Johnson Controls U.S. Savings Plan” shall mean the Johnson Controls Savings and Investment (401k) Plan.

“Johnson Controls U.S. Savings Plan Trust” shall mean the master trust for U.S. defined contribution plans maintained by Johnson Controls.

“Johnson Controls U.S. Welfare Plan” shall mean any Welfare Plan established, sponsored, maintained, or contributed to by Johnson Controls or any of its Subsidiaries for the benefit of U.S. Employees or Former U.S. Employees, excluding any Adient U.S. Welfare Plan.

“Johnson Controls U.S. VEBA” shall mean the Johnson Controls, Inc. Retiree Welfare Trust Agreement.

“Johnson Controls Welfare Plans” shall mean the Johnson Controls U.S. Welfare Plans and the Johnson Controls Non-U.S. Welfare Plans.

“Law” shall have the meaning set forth in the Separation and Distribution Agreement.

“Liability” or “Liabilities” shall have the meaning set forth in the Separation and Distribution Agreement.

“Merger” shall have the meaning set forth in that certain Agreement and Plan of Merger, dated as of January 24, 2016, by and among Johnson Controls (f/k/a Tyco International plc), Johnson Controls, Inc., a Wisconsin corporation, and Jagara Merger Sub, LLC, a Wisconsin limited liability company.

“Non-U.S. Employee” shall mean any Employee other than a U.S. Employee.

“NYSE” shall have the meaning set forth in the Separation and Distribution Agreement.

“Parties” shall mean the parties to this Agreement.

“Person” shall have the meaning set forth in the Separation and Distribution Agreement.

“Privileged Information” shall have the meaning set forth in the Separation and Distribution Agreement.

“Record Date” shall have the meaning set forth in the Separation and Distribution Agreement.

“Restricted Period” shall have the meaning set forth in Section 3.02(a).

“Retained Adient German Pension Plan Liabilities” shall have the meaning set forth in Section 7.02(b).

“Retained Adient German Pension Plans” shall mean any contract, agreement, policy, practice, program, plan, trust, commitment or arrangement established, sponsored, maintained, or contributed to by Johnson Controls or any of its Subsidiaries for the benefit of any Adient Group Employee or Former Adient Group Employee primarily dedicated to the Adient Business in Germany, or to any family member, dependent, or beneficiary of any such Employee and providing benefits to such beneficiaries upon or in connection with the retirement, disability or death of such Employee, which is not completely transferred to a member of the Adient Group by the Effective Time, including, but not limited to those listed on Schedule 1.01(h) hereto.

“Savings Supplemental Accounts” shall have the meaning set forth in Section 5.06(b).

“Securities Act” shall mean the U.S. Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

“Separation” shall have the meaning set forth in the recitals to this Agreement.

“Separation and Distribution Agreement” shall have the meaning set forth in the recitals to this Agreement.

“Stock Plan Administrator” shall mean [•].

“Subsidiary” shall have the meaning set forth in the Separation and Distribution Agreement.

“Transferred Director” shall mean any Adient non-employee director as of the Effective Time who served on the Johnson Controls Board immediately prior to the Effective Time.

“Transferred FSA Balances” shall have the meaning set forth in Section 6.01(d).

“Transition Services Agreement” shall have the meaning set forth in the Separation and Distribution Agreement.

“U.S.” shall mean the United States of America.

“U.S. Employees” shall mean Employees who are assigned primarily to operations in the United States.

“Value Factor” shall mean the quotient of (a) the Johnson Controls Pre-Distribution Stock Value *divided by* (b) the sum of (i) the Johnson Controls Post-Distribution Stock Value *plus* (ii) the product of (A) the Adient Stock Value *multiplied by* (B) the Distribution Ratio.

“Welfare Plan” shall mean any “welfare plan” (as defined in Section 3(1) of ERISA) or a “cafeteria plan” under Section 125 of the Code, and any benefits offered thereunder, and any other plan offering health benefits (including medical, prescription drug, dental, vision, mental health, substance abuse, and retiree health), disability benefits, or life, accidental death and dismemberment, and business travel insurance, pre-tax premium conversion benefits, dependent care assistance programs, employee assistance programs, paid time-off programs, contribution funding toward a health savings account, flexible spending accounts, or cashable credits.

Section 1.02. Interpretation. Section 10.16 of the Separation and Distribution Agreement is hereby incorporated by reference.

## ARTICLE II GENERAL PRINCIPLES FOR ALLOCATION OF LIABILITIES

Section 2.01. General Principles.

(a) *Acceptance and Assumption of Adient Liabilities.* Except as otherwise specifically provided herein, as of the Effective Time, Adient and the applicable Adient Designees accept, assume, and agree to faithfully perform, discharge, and fulfill all of the following Liabilities in accordance with their respective terms (each of which shall be considered an Adient Liability), regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the Effective Time, regardless of where or against whom such Liabilities are asserted or determined (including any Liabilities arising out of

claims made by Johnson Controls' or Adient's respective directors, officers, Employees, Former Employees, agents, Subsidiaries, or Affiliates against any member of the Johnson Controls Group or the Adient Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud, or misrepresentation by any member of the Johnson Controls Group or the Adient Group, or any of their respective directors, officers, Employees, Former Employees, agents, Subsidiaries, or Affiliates:

(i) any and all wages, salaries, incentive compensation (as the same may be modified by this Agreement), equity compensation (as the same may be modified by this Agreement), commissions, bonuses, and any other employee compensation or benefits payable to or on behalf of any Adient Group Employees and Former Adient Group Employees after the Effective Time, without regard to when such wages, salaries, incentive compensation, equity compensation, commissions, bonuses, or other employee compensation or benefits are or may have been awarded or earned;

(ii) any and all Liabilities whatsoever with respect to claims made by or with respect to any Adient Group Employees or Former Adient Group Employees in connection with any Benefit Plan not retained or assumed by any member of the Johnson Controls Group pursuant to this Agreement, the Separation and Distribution Agreement, or any other Ancillary Agreement;

(iii) any and all other Liabilities with respect to any Adient Group Employees or Former Adient Group Employees; and

(iv) any and all Liabilities expressly assumed or retained by any member of the Adient Group pursuant to this Agreement.

(b) *Acceptance and Assumption of Johnson Controls Liabilities.* Except as otherwise specifically provided herein, as of the Effective Time, Johnson Controls and certain members of the Johnson Controls Group designated by Johnson Controls accept, assume, and agree to faithfully perform, discharge, and fulfill all of the following Liabilities held by Adient or any Adient Designee and Johnson Controls and the applicable members of the Johnson Controls Group shall be responsible for such Liabilities in accordance with their respective terms (each of which shall be considered a Johnson Controls Liability), regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the Effective Time, regardless of where or against whom such Liabilities are asserted or determined (including any Liabilities arising out of claims made by Johnson Controls' or Adient's respective directors, officers, Employees, Former Employees, agents, Subsidiaries, or Affiliates against any member of the Johnson Controls Group or the Adient Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud, or misrepresentation by any member of the Johnson Controls Group or the Adient Group, or any of their respective directors, officers, Employees, Former Employees, agents, Subsidiaries, or Affiliates:

(i) any and all wages, salaries, incentive compensation (as the same may be modified by this Agreement), equity compensation (as the same may be modified by this



Agreement), commissions, bonuses, and any other employee compensation or benefits payable to or on behalf of any Johnson Controls Group Employees and Former Johnson Controls Group Employees after the Effective Time, without regard to when such wages, salaries, incentive compensation, equity compensation, commissions, bonuses, or other employee compensation or benefits are or may have been awarded or earned;

(ii) any and all Liabilities whatsoever with respect to claims made by or with respect to any Johnson Controls Group Employees or Former Johnson Controls Group Employees in connection with any Benefit Plan not retained or assumed by any member of the Adient Group pursuant to this Agreement, the Separation and Distribution Agreement, or any other Ancillary Agreement;

(iii) any and all other Liabilities with respect to any Johnson Controls Group Employees or Former Johnson Controls Group Employees; and

(iv) any and all Liabilities expressly assumed or retained by any member of the Johnson Controls Group pursuant to this Agreement.

(c) *Unaddressed Liabilities.* To the extent that this Agreement does not address particular Liabilities under any Benefit Plan and the Parties later determine that they should be allocated in connection with the Distribution, the Parties shall agree in good faith on the allocation, taking into account the handling of comparable Liabilities under this Agreement.

Section 2.02. Service Credit. The Adient Benefit Plans shall, and Adient shall cause each member of the Adient Group to, recognize each Adient Group Employee's and each Former Adient Group Employee's full service with Johnson Controls or any of its Subsidiaries or predecessor entities at or before the Effective Time, to the same extent that such service was credited by Johnson Controls for similar purposes prior to the Effective Time as if such full service had been performed for a member of the Adient Group, for purposes of eligibility, vesting, and determination of level of benefits under any such Adient Benefit Plan; provided, however, that the foregoing service recognition shall not apply to the extent it would result in duplication of benefits for the same period of services.

Section 2.03. Benefit Plans.

(a) *Establishment of Plans.* Except as otherwise explicitly provided in this Agreement, before the Effective Time, Adient shall, or shall cause an applicable member of the Adient Group to, adopt Benefit Plans (and related trusts, if applicable), with terms that are in the aggregate comparable (or such other standard as is specified in this Agreement with respect to any particular Benefit Plan) to those of the corresponding Johnson Controls Benefit Plans; provided, however, that Adient may limit participation in any such Adient Benefit Plan to Adient Group Employees and Former Adient Group Employees who participated in the corresponding Johnson Controls Benefit Plan immediately prior to the date of establishment of such plan.

(b) *No Duplication or Acceleration of Benefits.* Notwithstanding anything to the contrary in this Agreement, the Separation and Distribution Agreement, or any other Ancillary Agreement, no participant in any Adient Benefit Plan shall receive service credit or benefits to the extent that receipt of such service credit or benefits would result in duplication of benefits provided

to such participant by the corresponding Johnson Controls Benefit Plan or any other plan, program, or arrangement sponsored or maintained by a member of the Johnson Controls Group. Furthermore, unless expressly provided for in this Agreement, in the Separation and Distribution Agreement, or in any other Ancillary Agreement, or required by applicable Law, no provision in this Agreement shall be construed to create any right to accelerate vesting or entitlements under any compensation or Benefit Plan, program, or arrangement sponsored or maintained by a member of the Johnson Controls Group or member of the Adient Group on the part of any Employee or Former Employee.

(c) *Transition Services.* The Parties acknowledge that the Johnson Controls Group or the Adient Group may provide administrative services for certain of the other Party's compensation and benefit programs for a transitional period under the terms of the Transition Services Agreement. The Parties agree to negotiate in good faith a business associate agreement (if required by HIPAA or other applicable health information privacy Laws) in connection with such Transition Services Agreement.

(d) *Beneficiaries.* References to Johnson Controls Group Employees, Former Johnson Controls Group Employees, Adient Group Employees, Former Adient Group Employees, and non-employee directors of either Johnson Controls or Adient (including Transferred Directors), shall, where the context clearly contemplates, be deemed to refer to their beneficiaries, dependents, survivors, and alternate payees, as applicable.

Section 2.04. Individual Agreements.

(a) *Assignment by Johnson Controls.* Except as otherwise set forth on Schedule 2.04 hereto, to the extent necessary, Johnson Controls shall assign, or cause an applicable member of the Johnson Controls Group to assign, to Adient or another member of the Adient Group, as designated by Adient, all Individual Agreements, with such assignment to be effective as of or prior to the Effective Time; provided, however, that to the extent that assignment of any such Individual Agreement is not permitted by the terms of such agreement or by applicable Law, effective as of or prior to the Effective Time, each member of the Adient Group shall be considered to be a successor to each member of the Johnson Controls Group for purposes of, and a third-party beneficiary with respect to, such Individual Agreement, such that each member of the Adient Group shall enjoy all of the rights and benefits under such agreement (including rights and benefits as a third-party beneficiary), with respect to the business operations of the Adient Group; and provided, further, that, on and after the Effective Time, Johnson Controls shall not be permitted to enforce any Individual Agreement (including any agreement containing noncompetition or nonsolicitation covenants) against an Adient Group Employee or Former Adient Group Employee for action taken in such individual's capacity as an Adient Group Employee or Former Adient Group Employee.

(b) *Assumption by Adient.* Except as otherwise set forth on Schedule 2.04 hereto, effective as of or prior to the Effective Time, Adient shall assume and honor, or shall cause a member of the Adient Group to assume and honor, all Individual Agreements.

Section 2.05. Collective Bargaining. Effective no later than immediately prior to the Effective Time, to the extent necessary, Adient shall cause the appropriate member of the

Adient Group to (a) assume all collective bargaining, works council, or similar agreements (including any national, sector, or local collective bargaining agreement) that cover Adient Group Employees or Former Adient Group Employees and the Liabilities arising under any such agreements, and (b) join any industrial, employer, or similar association or federation if membership is required for the relevant collective bargaining agreement to continue to apply.

Section 2.06. Non-U.S. Regulatory Compliance. Johnson Controls shall have the authority to adjust the treatment described in this Agreement with respect to Adient Group Employees or Former Adient Group Employees who are located outside of the United States in order to ensure compliance with the applicable laws or regulations of countries outside of the United States or to preserve the tax benefits provided under local tax law or regulation before the Distribution.

### ARTICLE III ASSIGNMENT OF EMPLOYEES

#### Section 3.01. Active Employees.

(a) *Assignment and Transfer of Employees.* Effective no later than immediately prior to the Effective Time and except as otherwise agreed by the Parties or as required by applicable Law, (i) the applicable member of the Johnson Controls Group or the Adient Group shall have taken such actions as are necessary to ensure that each Adient Group Employee is employed by a member of the Adient Group as of the Effective Time, and (ii) the applicable member of the Johnson Controls Group or the Adient Group shall have taken such actions as are necessary to ensure that each individual who is a Johnson Controls Group Employee is employed by a member of the Johnson Controls Group as of the Effective Time. Each of the Parties agrees to execute, and to seek to have the applicable Employees execute, such documentation, if any, as may be necessary to reflect such assignment and/or transfer.

(b) *At-Will Status.* Nothing in this Agreement shall create any obligation on the part of any member of the Johnson Controls Group or any member of the Adient Group to (i) continue the employment of any Employee or permit the return of any Employee from a leave of absence for any period after the date of this Agreement (except as required by applicable Law) or (ii) change the employment status of any Employee from “at-will,” to the extent that such Employee is an “at-will” employee under applicable Law.

(c) *Severance.* The Parties acknowledge and agree that the Distribution and the assignment, transfer, or continuation of the employment of Employees as contemplated by this Section 3.01 shall not be deemed an involuntary termination of employment entitling any Adient Group Employee or Johnson Controls Group Employee to severance payments or benefits, except as required by applicable Law or as otherwise agreed between the Parties. Notwithstanding Section 6.05 or anything to the contrary contained in any business transfer agreement entered into between a member of the Johnson Controls Group and a member of the Adient Group, Johnson Controls (or a member of the Johnson Controls Group designated by Johnson Controls) shall retain (or assume or reimburse to the extent necessary), and agrees to faithfully perform, discharge, and fulfill any Liabilities in respect of any severance payments or benefits that become payable

pursuant to applicable Law to any Adient Group Employee as a result of the transfer of such Adient Group Employee to a member of the Adient Group as contemplated by Section 3.01(a).

(d) *No Change of Control or Change in Control.* The Parties acknowledge and agree that neither the consummation of the Distribution nor any transaction contemplated by this Agreement, the Separation and Distribution Agreement, or any other Ancillary Agreement shall be deemed a “change of control,” “change in control,” or term of similar import for purposes of any Benefit Plan sponsored or maintained by any member of the Johnson Controls Group or member of the Adient Group, except as required by applicable Law.

(e) *U.S. Payroll and Related Taxes.* With respect to any Adient Group Employee or group of Adient Group Employees located in the United States, the Parties shall, or shall cause their respective Subsidiaries to, (i) treat Adient (or the applicable member of the Adient Group) as a “successor employer” and Johnson Controls (or the applicable member of the Johnson Controls Group) as a “predecessor,” within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code, for purposes of taxes imposed under the United States Federal Insurance Contributions Act, as amended (“FICA”), or the United States Federal Unemployment Tax Act, as amended (“FUTA”), (ii) cooperate with each other to avoid, to the extent possible, the restart of FICA and FUTA upon or following the Effective Time with respect to each such Adient Group Employee for the tax year during which the Effective Time occurs, and (iii) use commercially reasonable efforts to implement the alternate procedure described in Section 5 of Revenue Procedure 2004-53; provided, however, that, to the extent that Adient (or the applicable member of the Adient Group) cannot be treated as a “successor employer” to Johnson Controls (or the applicable member of the Johnson Controls Group) within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code with respect to any Adient Group Employee or group of Adient Group Employees, (A) with respect to the portion of the tax year commencing on January 1, 2016 and ending on the Distribution Date, Johnson Controls shall (x) be responsible for all payroll obligations, tax withholding, and reporting obligations for such Adient Group Employees and (y) furnish a Form W-2 or similar earnings statement to all such Adient Group Employees for such period, and (B) with respect to the remaining portion of such tax year, Adient shall (x) be responsible for all payroll obligations, tax withholding, and reporting obligations regarding such Adient Group Employees and (y) furnish a Form W-2 or similar earnings statement to all such Adient Group Employees.

Section 3.02. No-Hire and Nonsolicitation.

(a) *No-Hire.* Each Party agrees that, for a period of 24 months following the Distribution Date (the “Restricted Period”), such Party shall not, and shall cause its Subsidiaries and Affiliates not to, without the prior written consent of the Chief Human Resources Officer of the other Party, directly or indirectly hire as an employee or an independent contractor any individual who is a Johnson Controls Group Employee at Grade 180 (or any equivalent level established following the Separation) or above, in the case of Adient, or an Adient Group Employee at Grade 180 (or any equivalent level established following the Separation) or above, in the case of Johnson Controls.

(b) *Nonsolicitation.* Each Party agrees that, during the Restricted Period, such Party shall not, and shall cause its Subsidiaries and Affiliates not to, without prior written consent

of the Chief Human Resources Officer of the other Party, either directly or indirectly and whether on its own behalf or in service or on behalf of others, solicit, aid, induce, or encourage any individual who is a Johnson Controls Group Employee at Grade 180 (or any equivalent level established following the Separation) or above, in the case of Adient, or an Adient Group Employee at Grade 180 (or any equivalent level established following the Separation) or above, in the case of Johnson Controls, to leave his or her employment.

(c) *Limited Exceptions.* Notwithstanding Section 3.02(a) and Section 3.02(b), this Section 3.02 shall not prohibit (i) generalized solicitations that are not directed to specific Persons or Employees of the other Party, (ii) the solicitation and hiring of a Person whose employment was involuntarily terminated by the other Party, or (iii) the solicitation and hiring of a Person after receipt by the soliciting Party (in advance of any solicitation or, in the case of a response to a general solicitation as permitted under clause (i) above, in advance of any subsequent solicitation in connection with the recruiting process) of the express written consent of the Party that employs the Person who is to be solicited and/or hired. Except as provided in clause (ii) above with respect to involuntary terminations, without regard to the use of the term "Employee" or "employs," the restrictions under this Section 3.02 shall be applicable to (A) any Johnson Controls Group Employee whose employment terminates after the Effective Time, and (B) any Adient Group Employee whose employment terminates after the Effective Time, in each case, until the date that is six months after such Employee's last date of employment with Johnson Controls or Adient, as applicable. The restrictions under this Section 3.02 shall not apply to any Former Johnson Controls Group Employee or Former Adient Group Employee whose most recent employment with Johnson Controls and its Subsidiaries was terminated prior to the Effective Time.

#### ARTICLE IV EQUITY, CASH, AND EXECUTIVE COMPENSATION

Section 4.01. *Generally.* Each Johnson Controls Award granted that is outstanding as of immediately prior to the Effective Time shall be adjusted as described below; provided, however, that, effective immediately prior to the Effective Time, the Johnson Controls Compensation Committee may provide for different adjustments with respect to some or all Johnson Controls Awards to the extent that the Johnson Controls Compensation Committee deems such adjustments necessary and appropriate. Any adjustments made by the Johnson Controls Compensation Committee pursuant to the foregoing sentence shall be deemed incorporated by reference herein as if fully set forth below and shall be binding on the Parties and their respective Affiliates. Before the Effective Time, the Adient Equity Plan shall be established, with such terms as are necessary to permit the implementation of the provisions of Section 4.02.

##### Section 4.02. Equity Awards.

(a) *Stock Options.* Each Johnson Controls Option that is outstanding immediately prior to the Effective Time shall be converted as of the Effective Time into either or both an Adjusted Johnson Controls Option and an Adient Option as described below:

(i) *Stock Options Held by Johnson Controls Group Employees and Former Employees.* Each Johnson Controls Option that is outstanding immediately prior to the

Effective Time and that is held by a Johnson Controls Group Employee or a Former Employee shall be converted as of the Effective Time into an Adjusted Johnson Controls Option, and shall be subject to the same terms and conditions (including with respect to vesting and expiration) after the Effective Time as were applicable to such Johnson Controls Option immediately prior to the Effective Time (except as otherwise provided herein, including in this Section 4.02(a)(i) and Section 4.02(d)); provided, however, that from and after the Effective Time:

(A) the number of Johnson Controls Shares subject to such Adjusted Johnson Controls Option, rounded down to the nearest whole share, shall be equal to the product of (1) the number of Johnson Controls Shares subject to the corresponding Johnson Controls Option immediately prior to the Effective Time *multiplied by* (2) the Johnson Controls Ratio; and

(B) the per share exercise price of such Adjusted Johnson Controls Option, rounded up to the nearest whole cent, shall be equal to the quotient of (1) the per share exercise price of the corresponding Johnson Controls Option immediately prior to the Effective Time *divided by* (2) the Johnson Controls Ratio.

Notwithstanding anything to the contrary in this Section 4.02(a)(i), the exercise price, the number of Johnson Controls Shares subject to each Adjusted Johnson Controls Option, and the terms and conditions of exercise of such options shall be determined in a manner consistent with the requirements of Section 409A of the Code. In addition, in the case of any Johnson Controls Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code as of immediately prior to the Effective Time, the exercise price, the number of Johnson Controls Shares subject to such option, and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 424(a) of the Code.

(ii) *Stock Options Held by Adient Group Employees.* Each Johnson Controls Option that is outstanding immediately prior to the Effective Time and that is held by an Adient Group Employee shall be converted as of the Effective Time into both an Adjusted Johnson Controls Option and an Adient Option, and each such Adjusted Johnson Controls Option and Adient Option shall be subject to the same terms and conditions (including with respect to vesting and expiration) after the Effective Time as were applicable to such Johnson Controls Option immediately prior to the Effective Time (except as otherwise provided herein, including in this Section 4.02(a)(ii) and Section 4.02(d)); provided, however, that from and after the Effective Time:

(A) the number of Johnson Controls Shares subject to such Adjusted Johnson Controls Option, rounded down to the nearest whole share, shall be equal to the product of (1) the number of Johnson Controls Shares subject to the corresponding Johnson Controls Option immediately prior to the Effective Time *multiplied by* (2) the Value Factor;

(B) the number of Adient Shares subject to such Adient Option, rounded down to the nearest whole share, shall be equal to the product of (1) the

number of Johnson Controls Shares subject to the corresponding Johnson Controls Option immediately prior to the Effective Time *multiplied by* (2) the Distribution Ratio *multiplied by* (3) the Value Factor;

(C) the per share exercise price of such Adjusted Johnson Controls Option, rounded up to the nearest cent, shall be equal to the quotient of (1) the per share exercise price of the corresponding Johnson Controls Option immediately prior to the Effective Time *divided by* (2) the Johnson Controls Ratio; and

(D) the per share exercise price of such Adient Option, rounded up to the nearest cent, shall be equal to the quotient of (1) the per share exercise price of the corresponding Johnson Controls Option immediately prior to the Effective Time *divided by* (2) the Adient Ratio.

Notwithstanding anything to the contrary in this Section 4.02(a)(ii), the exercise price, the number of Johnson Controls Shares and Adient Shares subject to each Adjusted Johnson Controls Option and Adient Option, respectively, and the terms and conditions of exercise of such options shall be determined in a manner consistent with the requirements of Section 409A of the Code. In addition, in the case of any Johnson Controls Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code as of immediately prior to the Effective Time, the exercise price, the number of Johnson Controls Shares and Adient Shares subject to such option, and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 424(a) of the Code.

(b) *Stock Appreciation Rights.* Each Johnson Controls Stock Appreciation Right that is outstanding immediately prior to the Effective Time shall be converted as of the Effective Time into either or both an Adjusted Johnson Controls Stock Appreciation Right and an Adient Stock Appreciation Right as described below:

(i) *Stock Appreciation Rights Held by Johnson Controls Group Employees and Former Employees.* Each Johnson Controls Stock Appreciation Right that is outstanding immediately prior to the Effective Time and that is held by a Johnson Controls Group Employee or a Former Employee shall be converted as of the Effective Time into an Adjusted Johnson Controls Stock Appreciation Right, and shall be subject to the same terms and conditions (including with respect to vesting and expiration) after the Effective Time as were applicable to such Johnson Controls Stock Appreciation Right immediately prior to the Effective Time (except as otherwise provided herein, including in this Section 4.02(b)(i) and Section 4.02(d)); provided, however, that from and after the Effective Time:

(A) the number of Johnson Controls Shares subject to such Adjusted Johnson Controls Stock Appreciation Right, rounded down to the nearest whole share, shall be equal to the product of (1) the number of Johnson Controls Shares subject to the corresponding Johnson Controls Stock Appreciation Right immediately prior to the Effective Time *multiplied by* (2) the Johnson Controls Ratio; and

(B) the per share exercise price of such Adjusted Johnson Controls Stock Appreciation Right, rounded up to the nearest whole cent, shall be equal to the quotient of (1) the per share exercise price of the corresponding Johnson Controls Stock Appreciation Right immediately prior to the Effective Time *divided by* (2) the Johnson Controls Ratio.

Notwithstanding anything to the contrary in this Section 4.02(b)(i), the exercise price, the number of Johnson Controls Shares subject to each Adjusted Johnson Controls Stock Appreciation Right, and the terms and conditions of exercise of such stock appreciation rights shall be determined in a manner consistent with the requirements of Section 409A of the Code.

(ii) *Stock Appreciation Rights Held by Adient Group Employees.* Each Johnson Controls Stock Appreciation Right that is outstanding immediately prior to the Effective Time and that is held by an Adient Group Employee shall be converted as of the Effective Time into both an Adjusted Johnson Controls Stock Appreciation Right and an Adient Stock Appreciation Right, and each such Adjusted Johnson Controls Stock Appreciation Right and Adient Stock Appreciation Right shall be subject to the same terms and conditions (including with respect to vesting and expiration) after the Effective Time as were applicable to such Johnson Controls Stock Appreciation Right immediately prior to the Effective Time (except as otherwise provided herein, including in this Section 4.02(b)(ii) and Section 4.02(d)); provided, however, that from and after the Effective Time:

(A) the number of Johnson Controls Shares subject to such Adjusted Johnson Controls Stock Appreciation Right, rounded down to the nearest whole share, shall be equal to the product of (1) the number of Johnson Controls Shares subject to the corresponding Johnson Controls Stock Appreciation Right immediately prior to the Effective Time *multiplied by* (2) the Value Factor;

(B) the number of Adient Shares subject to such Adient Stock Appreciation Right, rounded down to the nearest whole share, shall be equal to the product of (1) the number of Johnson Controls Shares subject to the corresponding Johnson Controls Stock Appreciation Right immediately prior to the Effective Time *multiplied by* (2) the Distribution Ratio *multiplied by* (3) the Value Factor;

(C) the per share exercise price of such Adjusted Johnson Controls Stock Appreciation Right, rounded up to the nearest cent, shall be equal to the quotient of (1) the per share exercise price of the corresponding Johnson Controls Stock Appreciation Right immediately prior to the Effective Time *divided by* (2) the Johnson Controls Ratio; and

(D) the per share exercise price of such Adient Stock Appreciation Right, rounded up to the nearest cent, shall be equal to the quotient of (1) the per share exercise price of the corresponding Johnson Controls Stock Appreciation Right immediately prior to the Effective Time *divided by* (2) the Adient Ratio.



Notwithstanding anything to the contrary in this Section 4.02(b)(ii), the exercise price, the number of Johnson Controls Shares and Adient Shares subject to each Adjusted Johnson Controls Stock Appreciation Right and Adient Stock Appreciation Right, respectively, and the terms and conditions of exercise of such stock appreciation rights shall be determined in a manner consistent with the requirements of Section 409A of the Code.

(c) *Restricted Stock Unit Awards.* Each Johnson Controls Restricted Stock Unit Award that is outstanding immediately prior to the Effective Time shall be converted as of the Effective Time into either or both an Adjusted Johnson Controls Restricted Stock Unit Award and an Adient Restricted Stock Unit Award as described below:

(i) *Restricted Stock Unit Awards Held by Johnson Controls Group Employees and Former Employees.* Each Johnson Controls Restricted Stock Unit Award that is outstanding immediately prior to the Effective Time and that is held by a Johnson Controls Group Employee or a Former Employee shall be converted as of the Effective Time into an Adjusted Johnson Controls Restricted Stock Unit Award, and shall be subject to the same terms and conditions (including with respect to vesting) after the Effective Time as were applicable to such Johnson Controls Restricted Stock Unit Award immediately prior to the Effective Time (except as otherwise provided herein, including in this Section 4.02(c)(i) and Section 4.02(d)); provided, however, that from and after the Effective Time the number of shares subject to such Adjusted Johnson Controls Restricted Stock Unit Award shall be equal to the product of (A) the number of Johnson Controls Shares subject to the corresponding Johnson Controls Restricted Stock Unit Award immediately prior to the Effective Time *multiplied by* (B) the Johnson Controls Ratio, rounded to the nearest whole share.

(ii) *Restricted Stock Unit Awards Held by Adient Group Employees.* Each Johnson Controls Restricted Stock Unit Award that is outstanding immediately prior to the Effective Time and that is held by an Adient Group Employee shall be converted as of the Effective Time into both an Adjusted Johnson Controls Restricted Stock Unit Award and an Adient Restricted Stock Unit Award, and each such Adjusted Johnson Controls Restricted Stock Unit Award and Adient Restricted Stock Unit Award shall be subject to the same terms and conditions after the Effective Time as were applicable to such Johnson Controls Restricted Stock Unit Award prior to the Effective Time (except as otherwise provided herein, including in this Section 4.02(c)(ii) and Section 4.02(d)); provided, however, that:

(A) payment, if any, shall be made in Johnson Controls Shares (with respect to Adjusted Johnson Controls Restricted Stock Unit Awards) and Adient Shares (with respect to Adient Restricted Stock Unit Awards) with respect to any such Johnson Controls Restricted Stock Unit Award that is stock settled;

(B) the number of shares subject to such Adjusted Johnson Controls Restricted Stock Unit Award shall be equal to the number of Johnson Controls Shares subject to the corresponding Johnson Controls Restricted Stock Unit Award immediately prior to the Effective Time; and

(C) the number of shares subject to such Adient Restricted Stock Unit Award shall be equal to the product of (A) the number of Johnson Controls

Shares subject to the Johnson Controls Restricted Stock Unit Award immediately prior to the Effective Time *multiplied by* (B) the Distribution Ratio, rounded down to the nearest whole share.

(d) *Miscellaneous Award Terms.* With respect to Adjusted Johnson Controls Awards held by Adient Group Employees, employment with the Adient Group shall be treated as employment with Johnson Controls. In addition, none of the Separation, the Distribution, or any employment transfer described in Section 3.01 shall constitute a termination of employment for any Employee for purposes of any Adjusted Johnson Controls Award or any Adient Award. After the Effective Time, for any award adjusted under this Section 4.02, any reference to a “change in control,” “change of control,” or similar definition in an award agreement, employment agreement, or Johnson Controls Equity Plan applicable to such award (A) with respect to Adjusted Johnson Controls Awards, shall be deemed to refer to a “change in control,” “change of control,” or similar definition as set forth in the applicable Johnson Controls Equity Plan (and shall, if held by an Adient Group Employee, additionally be deemed to refer to a “Change in Control” as defined in the Adient Equity Plan), and (B) with respect to Adient Awards, shall be deemed to refer to a “Change in Control” as defined in the Adient Equity Plan.

(e) *Settlement; Tax Reporting; and Withholding.*

(i) Except as otherwise provided in this Section 4.02(e), after the Effective Time, (A) stock-settled Adjusted Johnson Controls Awards, regardless of by whom held, shall be settled by Johnson Controls, and stock-settled Adient Awards, regardless of by whom held, shall be settled by Adient, and (B) cash-settled Adjusted Johnson Controls Awards held by Johnson Controls Group Employees and Former Employees shall be settled by Johnson Controls, and cash-settled Adjusted Johnson Controls Awards and cash-settled Adient Awards held by Adient Group Employees shall be settled by Adient.

(ii) Upon the vesting or settlement of any cash-settled Adjusted Johnson Controls Awards held by Adient Group Employees and any Adient Awards, Adient shall be solely responsible for ensuring the satisfaction of all applicable tax withholding requirements on behalf of each Adient Group Employee. Upon the vesting or settlement of any cash-settled Adjusted Johnson Controls Awards held by Johnson Controls Group Employees and Former Employees and any stock-settled Adjusted Johnson Controls Awards (regardless of by whom held), Johnson Controls shall be solely responsible for ensuring the satisfaction of all applicable tax withholding requirements on behalf of each Johnson Controls Group Employee or Former Employee and for ensuring the collection and remittance in cash of employee withholding taxes to the Adient Group with respect to each Adient Group Employee (with Adient Group being responsible for remittance of the applicable employee taxes and payment and remittance of the applicable employer taxes relating to Adient Group Employees to the applicable Governmental Authority). Following the Effective Time, Johnson Controls shall be responsible for all income tax reporting in respect of Adjusted Johnson Controls Awards held by Johnson Controls Group Employees and Former Employees, and Adient shall be responsible for all income tax reporting in respect of Adjusted Johnson Controls Awards and Adient Awards held by Adient Group Employees.

(iii) Adient shall be responsible for the settlement of cash dividend equivalents on any Adjusted Johnson Controls Awards or Adient Awards held by an Adient Group

Employee. Prior to the date any such settlement is due, Johnson Controls shall pay Adient in cash amounts required to settle (A) any dividend equivalents with respect to any stock-settled Adjusted Johnson Controls Awards held by Adient Group Employees and (B) any dividend equivalents accrued prior to the Effective Time with respect to any stock-settled Adient Awards held by Adient Group Employees. Johnson Controls shall be responsible for the settlement of cash dividend equivalents on any Adjusted Johnson Controls Awards held by a Johnson Controls Group Employee or Former Employee.

(iv) Following the Effective Time, if any stock-settled Adjusted Johnson Controls Award held by an Adient Group Employee shall fail to become vested, such Adjusted Johnson Controls Award shall be forfeited to Johnson Controls.

(f) *Cooperation.* Each of the Parties shall establish an appropriate administration system to administer, in an orderly manner, (i) exercises of vested Adjusted Johnson Controls Options, Adient Options, Adjusted Johnson Controls Stock Appreciation Rights, and Adient Stock Appreciation Rights, (ii) the vesting and forfeiture of unvested Adjusted Johnson Controls Awards and Adient Awards, and (iii) the withholding and reporting requirements with respect to all awards. Each of the Parties shall work together to unify and consolidate all indicative data and payroll and employment information on regular timetables and make certain that each applicable Person's data and records in respect of such awards are correct and updated on a timely basis. The foregoing shall include employment status and information required for vesting and forfeiture of awards and tax withholding/remittance, compliance with trading windows, and compliance with the requirements of the Exchange Act and other applicable Laws. Without limiting the foregoing provisions of this Section 4.02(f), each Party agrees that, without the written consent of the other Party, such Party shall, during the three-year period commencing on the Distribution Date, continue to engage the Stock Plan Administrator as its third-party administrator for Johnson Controls Awards, in the case of Johnson Controls, and Adient Awards, in the case of Adient.

(g) *Registration and Other Regulatory Requirements.* Adient agrees to file Forms S-1, S-3, and S-8 registration statements with respect to, and to cause to be registered pursuant to the Securities Act, the Adient Shares authorized for issuance under the Adient Equity Plan, as required pursuant to the Securities Act, before the date of issuance of any Adient Shares pursuant to the Adient Equity Plan. Johnson Controls agrees to facilitate the adoption and approval of the Adient Equity Plan consistent with the requirements of Treasury Regulations Section 1.162-27(f)(4)(iii).

(h) *Equity Awards in Certain Non-U.S. Jurisdictions.* Notwithstanding the foregoing provisions of this Section 4.02, the Parties may mutually agree, in their sole discretion, not to adjust certain outstanding Johnson Controls Awards pursuant to the foregoing provisions of this Section 4.02 where those actions would create or trigger adverse legal, accounting, or tax consequences for Johnson Controls, Adient, and/or the affected non-U.S. award holder. In such circumstances, Johnson Controls and/or Adient may take any action necessary or advisable to prevent any such adverse legal, accounting, or tax consequences, including agreeing that the outstanding Johnson Controls Awards of the affected non-U.S. award holders shall terminate in accordance with the terms of the Johnson Controls Equity Plan and the underlying award agreements, in which case Adient or Johnson Controls, as applicable, shall equitably compensate

the affected non-U.S. award holders in an alternate manner determined by Adient or Johnson Controls, as applicable, in its sole discretion, or apply an alternate adjustment method. Where and to the extent required by applicable Law or tax considerations outside the United States, the adjustments described in this Section 4.02 shall be deemed to have been effectuated immediately prior to the Distribution Date.

Section 4.03. Short-Term Incentive Plans.

(a) *Establishment of Adient Short-Term Incentive Plans.* Before the Effective Time, Adient shall, or shall cause another member of the Adient Group to, establish the Adient Short-Term Incentive Plans. The Adient Short-Term Incentive Plans shall govern incentives to be paid for periods commencing after the 2016 fiscal year of Johnson Controls. In no event shall any Adient Group Employee or Former Adient Group Employee be entitled to any payments under the Johnson Controls Short-Term Incentive Plans for any period after the 2016 fiscal year of Johnson Controls.

(b) *Fiscal Year 2016 Annual Bonus.* Effective as of the Effective Time, the Liability in respect of bonus awards allocable to Adient Group Employees and Former Adient Group Employees under the Johnson Controls Short-Term Incentive Plans in respect of the 2016 fiscal year shall be assumed by the Adient Group based on the accrual for such Employees as of immediately prior to the Effective Time. Upon the determination of the actual amount of the bonuses for the Adient Group Employees and Former Adient Group Employees by Johnson Controls following the Effective Time, Adient shall pay the amounts awarded to the Adient Group Employees and Former Adient Group Employees.

(c) *Allocation of Liabilities.* Except as otherwise provided in this Agreement, (i) the Johnson Controls Group shall be solely responsible for funding, paying, and discharging all obligations relating to any annual incentive bonus awards under any Johnson Controls Short-Term Incentive Plan with respect to payments earned before, as of, or after the Effective Time to Johnson Controls Group Employees or Former Johnson Controls Group Employees, and no member of the Adient Group shall have any obligations with respect thereto; and (ii) the Adient Group shall be solely responsible for funding, paying, and discharging all obligations relating to any annual incentive bonus awards under any Adient Short-Term Incentive Plan with respect to payments made after the Effective Time to Adient Group Employees or Former Adient Group Employees, and no member of the Johnson Controls Group shall have any obligations with respect thereto.

Section 4.04. Long-Term Incentive Awards.

(a) *Long-Term Incentive Awards Held by Johnson Controls Group Employees and Former Johnson Controls Group Employees.* Each Johnson Controls Long-Term Incentive Award that is outstanding immediately prior to the Effective Time and that is held by a Johnson Controls Group Employee or a Former Johnson Controls Group Employee shall be retained by Johnson Controls, and each such award shall be subject to the same terms and conditions after the Effective Time as were applicable to such Johnson Controls Long-Term Incentive Award prior to the Effective Time.

(b) *Long-Term Incentive Awards Held by Adient Group Employees and Former Adient Group Employees.* Each Johnson Controls Long-Term Incentive Award that is outstanding immediately prior to the Effective Time and that is held by an Adient Group Employee or a Former Adient Group Employee shall be converted as of the Effective Time into an Adient Long-Term Incentive Award, and each such award shall be subject to the same terms and conditions after the Effective Time as were applicable to such Johnson Controls Long-Term Incentive Award prior to the Effective Time.

(c) *Allocation of Liabilities.* Except as otherwise provided in this Agreement, (i) the Johnson Controls Group shall be solely responsible for funding, paying, and discharging all obligations relating to any Johnson Controls Long-Term Incentive Awards, and no member of the Adient Group shall have any obligations with respect thereto; and (ii) the Adient Group shall be solely responsible for funding, paying, and discharging all obligations relating to any Adient Long-Term Incentive Awards, and no member of the Johnson Controls Group shall have any obligations with respect thereto. Without limiting the foregoing, as of the Effective Time, Adient will assume the accrual with respect to any Adient Long-Term Incentive Awards.

Section 4.05. Director Compensation.

(a) *Establishment of Adient Compensation Program for Non-Employee Directors.* Before the Effective Time, Adient shall establish the Adient compensation program for non-employee directors.

(b) *Allocation of Directors' Compensation.* Johnson Controls shall be responsible for the payment of any fees for service on the Johnson Controls Board that are earned at, before, or after the Effective Time, and Adient shall not have any responsibility for any such payments. With respect to any Adient non-employee director, Adient shall be responsible for the payment of any fees for service on the Adient Board that are earned at any time after the Effective Time and Johnson Controls shall not have any responsibility for any such payments. Notwithstanding the foregoing, Adient shall commence paying quarterly cash retainers to Adient non-employee directors in respect of the quarter in which the Effective Time occurs; provided that (i) if Johnson Controls has already paid such quarter's cash retainers to Johnson Controls non-employee directors prior to the Effective Time, then within 30 days after the end of the fiscal quarter in which the Distribution Date occurs, Adient shall pay Johnson Controls an amount equal to the portion of such payment that is attributable to Transferred Directors' service to Adient after the Distribution Date, and (ii) if Johnson Controls has not yet paid such quarter's cash retainers to Johnson Controls non-employee directors prior to the Effective Time, then within 30 days after the end of the fiscal quarter in which the Distribution Date occurs, Johnson Controls shall pay Adient an amount equal to the portion of such payment that is attributable to Transferred Directors' service to Johnson Controls on and prior to the Distribution Date.

ARTICLE V  
U.S. RETIREMENT PLANS

Section 5.01.      Johnson Controls U.S. Pension Plans.

(a)      *Retention of Plan.* As of the Effective Time, the Johnson Controls Group shall retain (or assume to the extent necessary) sponsorship of each Johnson Controls U.S. Pension Plan, and, from and after the Effective Time, all Assets and Liabilities thereunder shall be Assets and Liabilities of the Johnson Controls Group.

(b)      *Eligibility of Adient Employees.* Prior to the Effective Time, Johnson Controls shall take such actions as are necessary (including amending each Johnson Controls U.S. Pension Plan) to provide that, for purposes of vesting and eligibility for the early retirement subsidy under each Johnson Controls U.S. Pension Plan, the service (which includes any increase in age) of any Adient Group Employee that is a participant in such Johnson Controls U.S. Pension Plan as of immediately prior to the Effective Time with the Adient Group on or after the Effective Time shall be credited under such Johnson Controls U.S. Pension Plan until the earlier of such Adient Group Employee's termination of employment from the Adient Group or annuity starting date under the Johnson Controls U.S. Pension Plan.

(c)      *Plan Fiduciaries.* For all periods after the Effective Time, the Parties agree that the applicable fiduciaries of each Johnson Controls U.S. Pension Plan shall have the authority with respect to such Johnson Controls U.S. Pension Plan to determine the plan investments and such other matters as are within the scope of their duties under ERISA and the terms of the applicable plan documents.

Section 5.02.      Adient U.S. Pension Plans. As of the Effective Time, the Adient Group shall retain (or assume to the extent necessary) sponsorship of the Adient U.S. Pension Plans, and, from and after the Effective Time, all Assets and Liabilities thereunder shall be the Assets and Liabilities of the Adient Group. No later than the Effective Time, the Adient Group shall have established a master pension trust that is intended to be exempt under Section 501(a) of the Code for purposes of holding the assets of the Adient U.S. Pension Plans, and Johnson Controls shall have caused the Johnson Controls, Inc. Master Pension Trust to transfer the assets and liabilities of such plans (in cash or in kind as the parties agree) to such newly established trust.

Section 5.03.      Adient U.S. Savings Plan.

(a)      *Establishment of Adient U.S. Savings Plan.* Before the Effective Time, Adient shall establish the Adient U.S. Savings Plan, and the Adient U.S. Savings Plan Trust. Before the Effective Time, Adient shall provide Johnson Controls with (i) a copy of the Adient U.S. Savings Plan and Adient U.S. Savings Plan Trust; (ii) a copy of certified resolutions of the Adient Board (or its authorized committee or other delegate) evidencing adoption of the Adient U.S. Savings Plan and the Adient U.S. Savings Plan Trust and the assumption by the Adient U.S. Savings Plan of the Liabilities described in Section 5.03(b); and (iii) an opinion of counsel, which counsel and opinion are reasonably satisfactory to Johnson Controls, with respect to the qualified status of the Adient U.S. Savings Plan under Section 401(a) of the Code and the tax-exempt status of the Adient U.S. Savings Plan Trust under Section 501(a) of the Code.

(b) *Transfer of Account Balances.* No later than the Effective Time, Johnson Controls shall cause the trustee of the Johnson Controls U.S. Savings Plan to transfer from Johnson Controls U.S. Savings Plan Trust to the Adient U.S. Savings Plan Trust the account balances of the Adient Group Employees under the Johnson Controls U.S. Savings Plan, determined as of the date of the transfer. Such transfers shall be made in kind, including promissory notes evidencing the transfer of outstanding loans, and, with respect to unitized investments in the stock fund for Johnson Controls Shares (the “Johnson Controls Share Fund”), Johnson Controls Shares. Any Asset and Liability transfers pursuant to this Section 5.03(b) shall comply in all respects with Sections 414(l) and 411(d)(6) of the Code.

(c) *Employer Contributions.* Effective as of the establishment of the Adient U.S. Savings Plan, Adient shall assume all Liabilities with respect to any matching contributions and retirement income contributions to be made to the Adient U.S. Savings Plan in respect of the 2016 calendar year, and the Johnson Controls Group shall be relieved of all such Liabilities. Adient shall be responsible for making any such matching contributions and retirement income contributions to the Adient U.S. Savings Plan following the end of the 2016 calendar year.

(d) *Adient Share Fund in Adient U.S. Savings Plan.* The Adient U.S. Savings Plan will provide, effective as of the Effective Time: (i) for the establishment of a share fund for Adient Shares (the “Adient Share Fund”); (ii) that such Adient Share Fund shall receive a transfer of and hold all Adient Shares distributed in connection with the Distribution in respect of Johnson Controls Shares held in the Adient U.S. Savings Plan accounts; and (iii) that, following the Effective Time, contributions made by or on behalf of such participants shall be allocated to the Adient Share Fund, if so directed in accordance with the terms of the Adient U.S. Savings Plan.

(e) *Johnson Controls Share Fund in Adient U.S. Savings Plan.* Participants in the Adient U.S. Savings Plan shall be prohibited from increasing their holdings in the Johnson Controls Share Fund under the Adient U.S. Savings Plan and may elect to liquidate their holdings in the Johnson Controls Share Fund and invest those monies in any other investment fund offered under the Adient U.S. Savings Plan, all in accordance with the terms of the Adient U.S. Savings Plan.

(f) *Adient Share Fund in Johnson Controls U.S. Savings Plan.* Adient Shares distributed in connection with the Distribution in respect of Johnson Controls Shares held in Johnson Controls U.S. Savings Plan accounts of Johnson Controls Group Employees or Former Employees who participate in the Johnson Controls U.S. Savings Plan shall be deposited in an Adient Share Fund under the Johnson Controls U.S. Savings Plan, and such participants in the Johnson Controls U.S. Savings Plan shall be prohibited from increasing their holdings in such Adient Share Fund under the Johnson Controls U.S. Savings Plan and may elect to liquidate their holdings in such Adient Share Fund and invest those monies in any other investment fund offered under the Johnson Controls U.S. Savings Plan, all in accordance with the terms of the Johnson Controls U.S. Savings Plan.

(g) *Adient U.S. Savings Plan Provisions.* The Adient U.S. Savings Plan shall provide that:

(i) Adient Group Employees shall (A) be eligible to participate in the Adient U.S. Savings Plan as of the Effective Time (or, if earlier, the date on which the Adient U.S. Savings Plan is established) to the extent that they were eligible to participate in the Johnson Controls U.S. Savings Plan as of immediately prior to the Effective Time (or, if earlier, the date on which the Adient U.S. Savings Plan is established), and (B) receive credit for all service credited for that purpose under the Johnson Controls U.S. Savings Plan as of immediately prior to the Distribution as if that service had been rendered to Adient; and

(ii) the account balance of each Adient Group Employee under the Johnson Controls U.S. Savings Plan as of the date of the transfer of Assets from the Johnson Controls U.S. Savings Plan (including any outstanding promissory notes) shall be credited to such individual's account balance under the Adient U.S. Savings Plan.

(h) *Determination Letter Request.* If permitted by the IRS, Adient shall submit an application to the IRS as soon as practicable after the Effective Time (but no later than the last day of the applicable remedial amendment period as defined in applicable Code provisions) requesting a determination letter regarding the qualified status of the Adient U.S. Savings Plan under Sections 401(a) and 401(k) of the Code and the tax-exempt status of its related trust under Section 501(a) of the Code and shall make any amendments reasonably requested by the IRS to receive such a favorable determination letter.

(i) *Johnson Controls U.S. Savings Plan After Effective Time.* From and after the Effective Time, (i) the Johnson Controls U.S. Savings Plan shall continue to be responsible for Liabilities in respect of Johnson Controls Group Employees and Former Employees with accounts under such plans, and (ii) no Adient Group Employees shall accrue any benefits under the Johnson Controls U.S. Savings Plan. Without limiting the generality of the foregoing, Adient Group Employees shall cease to be participants in the Johnson Controls U.S. Savings Plan effective as of the Effective Time (or, if earlier, the date on which the Adient U.S. Savings Plan is established).

(j) *Plan Fiduciaries.* For all periods after the Effective Time, the Parties agree that the applicable fiduciaries of each of the Johnson Controls U.S. Savings Plan and the Adient U.S. Savings Plan, respectively, shall have the authority with respect to the Johnson Controls U.S. Savings Plan and the Adient U.S. Savings Plan, respectively, to determine the investment alternatives, the terms and conditions with respect to those investment alternatives, and such other matters as are within the scope of their duties under ERISA and the terms of the applicable plan documents.

(k) *No Loss of Unvested Benefits; No Distributions.* The transfer of any Adient Group Employee's employment to the Adient Group shall not result in loss of that Adient Group Employee's unvested benefits (if any) under the Johnson Controls U.S. Savings Plan, which benefit Liability will be assumed under the Adient U.S. Savings Plan as provided herein. No Adient Group Employee shall be entitled to a distribution of his or her benefit under the Johnson Controls U.S. Savings Plan or Adient U.S. Savings Plan as a result of such transfer of employment.



Section 5.04. AE Savings Plan.

(a) *Retention of Plan.* As of the Effective Time, the Adient Group shall retain (or assume to the extent necessary) sponsorship of the AE Savings Plan, and, from and after the Effective Time, all Assets and Liabilities thereunder shall be the Assets and Liabilities of the Adient Group. No later than the Effective Time, the Adient Group shall have established a trust (which may include the Adient U.S. Savings Plan Trust) that is intended to be exempt under Section 501(a) of the Code for purposes of holding the assets of the AE Savings Plan, and Johnson Controls shall cause the trustee of the Johnson Controls U.S. Savings Plan Trust to transfer the account balances of the participants under the AE Savings Plan, determined as of the date of the transfer, to such newly established trust.

(b) *Employer Contribution.* Effective as of the Effective Time, Adient shall assume all Liabilities with respect to any matching contributions and retirement income contributions to be made to the AE Savings Plan in respect of the 2016 calendar year, and the Johnson Controls Group shall be relieved of all such Liabilities. Adient shall be responsible for making any such matching contributions and retirement income contributions to the AE Savings Plan following the end of the 2016 calendar year.

(c) *Adient Share Fund in AE Savings Plan.* The AE Savings Plan will provide, effective as of the Effective Time: (i) for the establishment of an Adient Share Fund; (ii) that such Adient Share Fund shall receive a transfer of and hold all Adient Shares distributed in connection with the Distribution in respect of Johnson Controls Shares held in the AE Savings Plan accounts; and (iii) that, following the Effective Time, contributions made by or on behalf of such participants shall be allocated to the Adient Share Fund, if so directed in accordance with the terms of the AE Savings Plan.

(d) *Johnson Controls Share Fund in AE Savings Plan.* Participants in the AE Savings Plan shall be prohibited from increasing their holdings in the Johnson Controls Share Fund under the AE Savings Plan and may elect to liquidate their holdings in the Johnson Controls Share Fund and invest those monies in any other investment fund offered under the AE Savings Plan, all in accordance with the terms of the AE Savings Plan, as applicable.

Section 5.05. Pension Plan Supplemental Benefits under the Johnson Controls Retirement Restoration Plan. As of the Effective Time, the Johnson Controls Group shall retain sponsorship of the Johnson Controls Retirement Restoration Plan, and, except as otherwise provided in Section 5.06, from and after the Effective Time, all Assets and Liabilities thereunder shall be the Assets and Liabilities of the Johnson Controls Group.

Section 5.06. Savings Supplemental Accounts under the Adient Retirement Restoration Plan.

(a) *Establishment of the Adient Retirement Restoration Plan.* Before the Effective Time, Adient shall establish the Adient Retirement Restoration Plan.

(b) *Assumption of Liabilities from Johnson Controls.* As of the Effective Time, Adient shall, and shall cause the Adient Retirement Restoration Plan to, assume all Liabilities under the Johnson Controls Retirement Restoration Plan with respect to the Savings Supplemental

Accounts (as defined in the Johnson Controls Retirement Restoration Plan) of Adient Group Employees that relate to deferrals following the closing of the Merger, determined as of immediately prior to the Effective Time, and the Johnson Controls Group and the Johnson Controls Retirement Restoration Plan shall be relieved of all Liabilities for those Savings Supplemental Accounts. Johnson Controls shall retain all Liabilities under the Johnson Controls Retirement Restoration Plan for the Savings Supplemental Accounts of Johnson Controls Group Employees and Former Employees and for Liabilities under the Johnson Controls Retirement Restoration Plan for Savings Supplemental Accounts of Adient Group Employees that relate to deferrals prior to or as of the closing of the Merger. From and after the Effective Time, Adient Group Employees shall cease to have Savings Supplemental Accounts in the Johnson Controls Retirement Restoration Plan. The deferral elections in effect for the Adient Group Employees under the Johnson Controls Retirement Restoration Plan as of the Effective Time shall continue to apply under the Adient Retirement Restoration Plan immediately after the Effective Time without interruption through December 31, 2016.

Section 5.07. Adient Executive Deferred Compensation Plan.

(a) *Establishment of the Adient Executive Deferred Compensation Plan.* Before the Effective Time, Adient shall establish the Adient Executive Deferred Compensation Plan.

(b) *Assumption of Liabilities from Johnson Controls.* As of the Effective Time, Adient shall, and shall cause the Adient Executive Deferred Compensation Plan to, assume all Liabilities under the Johnson Controls Executive Deferred Compensation Plan of Adient Group Employees that relate to deferrals following the closing of the Merger, determined as of the Effective Time, and the Johnson Controls Group and the Johnson Controls Executive Deferred Compensation Plan shall be relieved of all such Liabilities. Johnson Controls shall retain all Liabilities under the Johnson Controls Executive Deferred Compensation Plan for Johnson Controls Group Employees and Former Employees and all Liabilities under the Johnson Controls Executive Deferred Compensation Plan for Adient Group Employees that relate to deferrals prior to or as of the closing of the Merger. From and after the Effective Time, Adient Group Employees shall cease to participate in the Johnson Controls Executive Deferred Compensation Plan. The deferral elections in effect for the Adient Group Employees under the Johnson Controls Executive Deferred Compensation Plan as of the Effective Time shall continue to apply under the Adient Executive Deferred Compensation Plan immediately after the Effective Time without interruption through December 31, 2016.

Section 5.08. Johnson Controls Director Deferred Compensation Plan. Johnson Controls shall retain all Liabilities under the Johnson Controls Director Deferred Compensation Plan. From and after the Effective Time, Transferred Directors shall cease to participate in the Johnson Controls Director Deferred Compensation Plan.

Section 5.09. Nonqualified Plan Participation; Distributions. The Parties acknowledge that none of the transactions contemplated by this Agreement, the Separation and Distribution Agreement, or any other Ancillary Agreement will trigger a payment or distribution of compensation under any of the Johnson Controls Nonqualified Plans or Adient Nonqualified Plans for any participant and, consequently, that the payment or distribution of any compensation

to which such participant is entitled under any of the Johnson Controls Nonqualified Plans or Adient Nonqualified Plans will occur upon such participant's separation from service from the Adient Group or at such other time as provided in the applicable Adient Nonqualified Plan or participant's deferral election.

Section 5.10. Joint Venture Retirement Plans.

(a) *Assumption of Plans.* Effective as of the Effective Time, Adient shall assume responsibility for plan administration of the retirement plans sponsored or maintained by certain joint ventures primarily related to the Adient Business as set forth in Schedule 5.10 hereto.

(b) *Adient Share Fund in Adient Joint Venture Savings Plans.* Prior to the Effective Time, each Adient Joint Venture Savings Plan shall be amended to provide, effective as of the Effective Time: (i) for the establishment of an Adient Share Fund; (ii) that such Adient Share Fund shall receive a transfer of and hold all Adient Shares distributed in connection with the Distribution in respect of Johnson Controls Shares held in the Adient Joint Venture Savings Plan accounts; and (iii) that, following the Effective Time, contributions made by or on behalf of such participants shall be allocated to the Adient Share Fund, if so directed in accordance with the terms of the applicable Adient Joint Venture Savings Plan.

(c) *Johnson Controls Share Fund in Adient Joint Venture Savings Plans.* Participants in the Adient Joint Venture Savings Plans shall be prohibited from increasing their holdings in the Johnson Controls Share Fund under the Adient Joint Venture Savings Plans and may elect to liquidate their holdings in the Johnson Controls Share Fund and invest those monies in any other investment fund offered under the applicable Adient Joint Venture Savings Plan, all in accordance with the terms of the applicable Adient Joint Venture Savings Plan.

ARTICLE VI  
GLOBAL AND U.S. WELFARE BENEFIT PLANS

Section 6.01. U.S. Welfare Plans.

(a) *Establishment of Adient U.S. Welfare Plans.* Before the Effective Time, Adient shall, or shall cause the applicable member of the Adient Group to, establish the Adient U.S. Welfare Plans. Except as specifically provided herein, it is anticipated that Adient Group Employees who are U.S. Employees shall cease active participation in the Johnson Controls U.S. Welfare Plans as of the Effective Time (or, if earlier, the date on which the Adient U.S. Welfare Plans are established) and commence such participation in the Adient U.S. Welfare Plans on the Distribution Date (or, if earlier, the date on which the Adient U.S. Welfare Plans are established).

(b) *Waiver of Conditions; Benefit Maximums.* Adient shall use commercially reasonable efforts to cause the Adient U.S. Welfare Plans and any Welfare Plans that provide leave benefits, as applicable, to:

(i) with respect to initial enrollment as of the Effective Time (or, if earlier, the date on which the applicable Welfare Plan is established), waive (A) all limitations as to preexisting conditions, exclusions, and service conditions with respect to participation and coverage requirements applicable to any Adient Group Employee or Former Adient Group

Employee who are U.S. Employees, or any covered dependents thereof, other than limitations that were in effect with respect to such Adient Group Employee, Former Adient Group Employee, or covered dependent under the applicable Johnson Controls U.S. Welfare Plan as of immediately prior to the Effective Time (or, if earlier, the date on which the applicable Welfare Plan is established), and (B) any waiting period limitation or evidence of insurability requirement applicable to such Adient Group Employee, Former Adient Group Employee, or any covered dependents thereof, other than limitations or requirements that were in effect with respect to such Adient Group Employee, Former Adient Group Employee, or covered dependent under the applicable Johnson Controls U.S. Welfare Plans as of immediately prior to the Effective Time (or, if earlier, the date on which the applicable Welfare Plan is established); and

(ii) take into account (A) with respect to aggregate annual, lifetime, or similar maximum benefits available under the Adient U.S. Welfare Plans, such Adient Group Employee's, Former Adient Group Employee's, or any covered dependents' prior claim experience under the Johnson Controls U.S. Welfare Plans and any Benefit Plan that provides leave benefits; and (B) any eligible expenses incurred by such Adient Group Employee or Former Adient Group Employee and his or her covered dependents during the portion of the plan year of the applicable Johnson Controls U.S. Welfare Plan ending as of the Effective Time (or, if earlier, the date on which the applicable Welfare Plan is established) to be taken into account under such Adient U.S. Welfare Plan for purposes of satisfying all deductible, coinsurance, and maximum out-of-pocket requirements applicable to such Adient Group Employee or Former Adient Group Employee and his or her covered dependents for the applicable plan year to the same extent as such expenses were taken into account by Johnson Controls for similar purposes prior to the Effective Time (or, if earlier, the date on which the applicable Welfare Plan is established) as if such amounts had been paid in accordance with such Adient U.S. Welfare Plan.

(c) *Health Savings Accounts.* Without limiting Section 6.01(a), before the Effective Time, Adient shall, or shall cause a member of the Adient Group to, establish an Adient U.S. Welfare Plan that will provide health savings account benefits to Adient Group Employees who are U.S. Employees on and after the Effective Time (or, if earlier, the date on which the applicable Welfare Plan is established) (a "Adient HSA"). It is the intention of the Parties that all activity under such an Adient Group Employee's health savings account under a Johnson Controls Welfare Plan (a "Johnson Controls HSA") for the year in which the Effective Time occurs be treated instead as activity under the corresponding account under the Adient HSA, such that (i) any period of participation by such Adient Group Employee in a Johnson Controls HSA during the year in which the Effective Time occurs will be deemed a period when such Adient Group Employee participated in the corresponding Adient HSA; (ii) all expenses incurred during such period will be deemed incurred while such Adient Group Employee's coverage was in effect under the corresponding Adient HSA; and (iii) all elections and reimbursements made with respect to such period under the Johnson Controls HSA will be deemed to have been made with respect to the corresponding Adient HSA.

(d) *Flexible Spending Accounts.* The Parties shall use commercially reasonable efforts to ensure that any health or dependent care flexible spending accounts of Adient Group Employees who are U.S. Employees (whether positive or negative) (the "Transferred FSA Balances") under Johnson Controls U.S. Welfare Plans that are health or dependent care flexible spending account plans are transferred, as soon as practicable after the Effective Time (or, if

earlier, the date on which the corresponding Adient U.S. Welfare Plans are established), from the Johnson Controls U.S. Welfare Plans to the corresponding Adient U.S. Welfare Plans. Such Adient U.S. Welfare Plans shall assume responsibility as of the Effective Time (or, if earlier, the date on which such Adient U.S. Welfare Plans are established) for all outstanding health or dependent care claims under the corresponding Johnson Controls U.S. Welfare Plans of each such Adient Group Employee for the year in which the Effective Time occurs and shall assume and agree to perform the obligations of the corresponding Johnson Controls U.S. Welfare Plans from and after the Effective Time. As soon as practicable after the Effective Time (calculated as of the Effective Time), and in any event within 30 days after the amount of the Transferred FSA Balances is determined or such later date as mutually agreed upon by the Parties, Adient shall pay Johnson Controls the net aggregate amount of the Transferred FSA Balances (calculated as of the Effective Time), if such amount is positive, and Johnson Controls shall pay Adient the net aggregate amount of the Transferred FSA Balances (calculated as of the Effective Time), if such amount is negative.

(e) *Allocation of Welfare Assets and Liabilities.* Effective as of the Effective Time, except as otherwise specifically provided herein, the Johnson Controls Group shall retain all Liabilities relating to Incurred Claims under the Johnson Controls U.S. Welfare Plans, and shall also retain Assets (including, without limitation, Medicare reimbursements, pharmaceutical rebates, and similar items) associated with such Incurred Claims. The Adient Group shall be responsible for all Liabilities relating to Incurred Claims under any Adient U.S. Welfare Plan and shall also retain Assets (including, without limitation, Medicare reimbursements, pharmaceutical rebates, and similar items) associated with such Incurred Claims.

(f) *Determination of Adient Group Employees.* For purposes of this Section 6.01, it is contemplated that some or all of the Adient U.S. Welfare Plans or Benefit Plans providing leave benefits may be established prior to the Effective Time. In such event, all references to “Adient Group Employees” in this Section 6.01 shall mean and refer to individuals employed by a member of the Adient Group as of immediately prior to the date of establishment of such plan.

Section 6.02. Adient U.S. Retiree Medical Plan.

(a) *Establishment of the Adient U.S. Retiree Medical Plan.* Before the Effective Time, Adient shall establish the Adient U.S. Retiree Medical Plan and the Adient U.S. VEBA.

(b) *Assumption of Liabilities from Johnson Controls.* As of the Effective Time (or, if earlier, the date on which the Adient U.S. Retiree Medical Plan is established), Adient shall, and shall cause the Adient U.S. Retiree Medical Plan to, assume all retiree medical Liabilities under the Johnson Controls Retiree Welfare Plan of the non-union Adient Group Employees and non-union Former Adient Group Employees, determined as of immediately prior to the Effective Time (or, if earlier, the date on which the Adient U.S. Retiree Medical Plan is established), and the Johnson Controls Group and the Johnson Controls Retiree Welfare Plan shall be relieved of all such Liabilities. In connection therewith, no later than the Effective Time, Johnson Controls shall cause the Johnson Controls U.S. VEBA to transfer to the Adient U.S. VEBA an amount of assets (in cash and/or in kind as the Parties agree) equal in value to the amount reasonably determined by

the actuary of the Johnson Controls U.S. VEBA to be the value of the assets of the Johnson Controls U.S. VEBA attributable to non-union Adient Group Employees and non-union Former Adient Group Employees, determined as of the date of such transfer. Johnson Controls shall retain all Liabilities under the Johnson Controls Retiree Welfare Plan for Johnson Controls Group Employees and Former Johnson Controls Group Employees. From and after the Effective Time (or, if earlier, the date on which the Adient U.S. Retiree Medical Plan is established), Adient Group Employees and Former Adient Group Employees shall cease to participate in the Johnson Controls Retiree Welfare Plan. Adient shall file the Adient U.S. VEBA with the IRS for a determination of its tax-exempt status as soon as practicable after the Adient U.S. VEBA is established and shall provide a copy of such determination to Johnson Controls upon the request of Johnson Controls.

Section 6.03. COBRA. The Johnson Controls Group shall continue to be responsible for complying with, and providing coverage pursuant to, the health care continuation requirements of COBRA and the corresponding provisions of the Johnson Controls U.S. Welfare Plans with respect to any Johnson Controls Group Employee and any Former Johnson Controls Group Employee who is a U.S. Employee (and his or her covered dependents) who incur a qualifying event under COBRA before, as of, or after the Effective Time. Effective as of the Effective Time (or, if earlier, the date on which the Adient U.S. Retiree Medical Plan is established), the Adient Group shall assume responsibility for complying with, and providing coverage pursuant to, the health care continuation requirements of COBRA, the certificate of creditable coverage requirements of HIPAA, and the corresponding provisions of the Adient U.S. Welfare Plans with respect to any Adient Group Employee or Former Adient Group Employee who is a U.S. Employee (and his or her covered dependents) who incurs a qualifying event or loss of coverage under the Johnson Controls U.S. Welfare Plans and/or the Adient U.S. Welfare Plans before, as of, or after the Effective Time. The Parties agree that the consummation of the transactions contemplated by the Separation and Distribution Agreement shall not constitute a COBRA qualifying event for any purpose of COBRA.

Section 6.04. Vacation, Holidays and Leaves of Absence. Effective as of no later than the Effective Time, the Adient Group shall assume all Liabilities of the Johnson Controls Group with respect to vacation, holiday, annual leave, or other leave of absence, and required payments related thereto, for each Adient Group Employee who is a U.S. Employee. The Johnson Controls Group shall retain all Liabilities with respect to vacation, holiday, annual leave or other leave of absence, and required payments related thereto, for each Johnson Controls Group Employee who is a U.S. Employee.

Section 6.05. Severance and Unemployment Compensation. Except as otherwise provided in Section 3.01(c), effective as of the Effective Time, the Adient Group shall assume any and all Liabilities to, or relating to, Adient Group Employees and Former Adient Group Employees in respect of severance and unemployment compensation, regardless of whether the event giving rise to the Liability occurred before, at, or after the Effective Time. The Johnson Controls Group shall be responsible for any and all Liabilities to, or relating to, Johnson Controls Group Employees and Former Johnson Controls Group Employees in respect of severance and unemployment compensation, regardless of whether the event giving rise to the Liability occurred before, at or after the Effective Time.

Section 6.06. Workers' Compensation. With respect to claims for workers' compensation in the U.S., (a) the Adient Group shall be responsible for claims in respect of Adient Group Employees and Former Adient Group Employees, whether occurring before, at, or after the Effective Time, and (b) the Johnson Controls Group shall be responsible for all claims in respect of Johnson Controls Group Employees and Former Johnson Controls Group Employees, whether occurring before, at, or after the Effective Time. The treatment of workers' compensation claims by Adient with respect to Johnson Controls insurance policies shall be governed by Section 5.1 of the Separation and Distribution Agreement.

Section 6.07. Insurance Contracts. To the extent that any Johnson Controls Welfare Plan is funded through the purchase of an insurance contract or is subject to any stop-loss contract, the Parties shall cooperate and use their commercially reasonable efforts to replicate such insurance contracts for Adient (except to the extent that changes are required under applicable state insurance Laws or filings by the respective insurers) and to maintain any pricing discounts or other preferential terms for both Johnson Controls and Adient for a reasonable term. Neither Party shall be liable for failure to obtain such insurance contracts, pricing discounts, or other preferential terms for the other Party. Each Party shall be responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this Section 6.07.

Section 6.08. Third-Party Vendors. Except as provided below, to the extent that any Johnson Controls Welfare Plan is administered by a third-party vendor, the Parties shall cooperate and use their commercially reasonable efforts to replicate any contract with such third-party vendor for Adient and to maintain any pricing discounts or other preferential terms for both Johnson Controls and Adient for a reasonable term. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party. Each Party shall be responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this Section 6.08.

Section 6.09. Joint Venture Welfare Plans. Effective as of the Effective Time, Adient shall assume responsibility for plan administration of the employee benefit plans sponsored or maintained by certain joint ventures primarily related to the Adient Business as set forth in Schedule 6.09 hereto.

## ARTICLE VII NON-U.S. EMPLOYEES AND BENEFIT PLANS

Section 7.01. Non-U.S. Employees. Unless otherwise agreed by the Parties, Adient Group Employees and Former Adient Group Employees who are Non-U.S. Employees or who otherwise are subject to non-U.S. Law and their related benefits and Liabilities shall be treated in the same manner as the Adient Group Employees and Former Adient Group Employees, respectively, who are U.S. Employees and who are not subject to non-U.S. Law. Notwithstanding anything to the contrary in this Agreement, all actions taken with respect to Non-U.S. Employees or U.S. Employees working in non-U.S. jurisdictions shall be subject to and accomplished in accordance with applicable Law and the custom of the applicable jurisdictions.

Section 7.02. Adient Non-U.S. Pension Plans.

(a) *Generally.* As of the Effective Time, the Adient Group shall retain (or establish or assume to the extent necessary) sponsorship of the Adient Non-U.S. Pension Plans, and, from and after the Effective Time, all Assets and Liabilities thereunder shall be the Assets and Liabilities of the Adient Group.

(b) *Retained Adient German Pension Plans.* The Parties acknowledge and agree that the Johnson Controls Group will, by operation of Law, retain certain Liabilities under the Retained Adient German Pension Plans that would otherwise have been assumed by the Adient Group in connection with the Separation and Distribution (the “Retained Adient German Pension Plan Liabilities”). Following the Effective Time, Johnson Controls and Adient shall take, and cause their respective Affiliates to take, all actions and measures and make all declarations necessary to split-off (*abspalten*), within the meaning of sections 123 *et seq.* of the German Transformation Act, to such members of the Adient Group incorporated under German law as designated by Adient (i) the Retained Adient German Pension Plan Liabilities and (ii) the Assets in respect of such Retained Adient German Pension Plan Liabilities, with effect as of October 1, 2016, based upon carve-out documentation to be agreed between the Parties in good faith (the “Adient German Pension Plan Carve-Out”). Adient shall defend, indemnify, and hold harmless the Johnson Controls Group against any and all claims and Liabilities in connection with the Retained Adient German Pension Plan Liabilities, including all payments made by any of member of the Johnson Controls Group to settle claims in relation to Retained Adient German Pension Plan Liabilities for which it is liable pursuant to section 133 para 3 sentence 2 of the German Transformation Act.

Section 7.03. Adient Non-U.S. Welfare Plans. As of the Effective Time, the Adient Group shall retain (or establish or assume to the extent necessary) sponsorship of the Adient Non-U.S. Welfare Plans, and, from and after the Effective Time, all Assets and Liabilities thereunder shall be the Assets and Liabilities of the Adient Group.

Section 7.04. Johnson Controls Non-U.S. Pension Plan. As of the Effective Time, the Johnson Controls Group shall retain (or establish or assume to the extent necessary) sponsorship of the Johnson Controls Non-U.S. Pension Plan, and, from and after the Effective Time, all Assets and Liabilities thereunder shall be the Assets and Liabilities of the Johnson Controls Group.

ARTICLE VIII  
MISCELLANEOUS

Section 8.01. Employee Records.

(a) *Sharing of Information.* Subject to any limitations imposed by applicable Law, Johnson Controls and Adient (acting directly or through members of the Johnson Controls Group or the Adient Group, respectively) shall provide to the other Party and their respective authorized agents and vendors all information necessary for the Parties to perform their respective duties under this Agreement.

(b) *Transfer of Personnel Records and Authorization.* Subject to any limitation imposed by applicable Law and to the extent that it has not done so before the Effective Time, each



Party shall transfer to the other Party any and all employment records set forth on Schedule 8.01(b) hereto. Such transfer of records generally shall occur as soon as administratively practicable at or after the Effective Time. Each Party will permit the other Party reasonable access to Employee records to the extent reasonably necessary for such accessing Party to carry out its obligations hereunder.

(c) *Access to Records.* To the extent not inconsistent with this Agreement, the Separation and Distribution Agreement, or any applicable privacy protection Laws or regulations, reasonable access to Employee-related records after the Effective Time will be provided to members of the Johnson Controls Group and members of the Adient Group pursuant to the terms and conditions of Article VI of the Separation and Distribution Agreement.

(d) *Maintenance of Records.* With respect to retaining, destroying, transferring, sharing, copying, and permitting access to all Employee-related information, Johnson Controls and Adient shall comply with all applicable Laws, regulations, and internal policies, and shall indemnify and hold harmless each other from and against any and all Liability, claims, actions, and damages that arise from a failure (by the indemnifying Party or its Subsidiaries or their respective agents) to so comply with all applicable Laws, regulations, and internal policies applicable to such information. At least ten business days prior to destroying any Employee-related information, the Party seeking to destroy such information shall give written notice to the other Party, which notice shall specify in reasonable detail the information to be destroyed, and, if elected by the Party to whom such notice was delivered within 10 business days following receipt of such notice, the Party delivering such notice shall transfer such information to such other Party.

(e) *Cooperation.* Each Party shall use commercially reasonable efforts to cooperate and work together to unify, consolidate, and share (to the extent permissible under applicable privacy/data protection laws) all relevant documents, resolutions, government filings, data, payroll, employment, and benefit plan information on regular timetables and cooperate as needed with respect to (i) any litigation with respect to any employee benefit plan, policy, or arrangement contemplated by this Agreement, (ii) efforts to seek a determination letter, private letter ruling, or advisory opinion from the IRS, U.S. Department of Labor, or ruling from any other Governmental Authority on behalf of any employee benefit plan, policy, or arrangement contemplated by this Agreement, and (iii) any filings that are required to be made or supplemented to the IRS, U.S. Pension Benefit Guaranty Corporation, U.S. Department of Labor, or any other Governmental Authority; provided, however, that requests for cooperation must be reasonable and not interfere with daily business operations.

(f) *Confidentiality.* Notwithstanding anything to the contrary in this Agreement, all confidential records and data relating to Employees to be shared or transferred pursuant to this Agreement shall be subject to Section 6.9 of the Separation and Distribution Agreement and the requirements of applicable Law.

(g) *Compensation for Providing Information.* The Party requesting information under this Section 8.01 agrees to reimburse the other Party for the reasonable costs, if any, of gathering, copying, transporting, and otherwise complying with the request with respect to such information (including any reasonable costs and expenses incurred in any review of

information for purposes of protecting the Privileged Information of the providing Party or in connection with the restoration of backup media for purposes of providing the requested information).

Section 8.02. Preservation of Rights to Amend. The rights of each member of the Johnson Controls Group and each member of the Adient Group to amend, waive, or terminate any plan, arrangement, agreement, program, or policy referred to herein shall not be limited in any way by this Agreement.

Section 8.03. Fiduciary Matters. Johnson Controls and Adient each acknowledge that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable Law, and no Party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination (as supported by advice from counsel experienced in such matters) that to do so would violate such a fiduciary duty or standard. Each Party shall be responsible for taking such actions as are deemed necessary and appropriate to comply with its own fiduciary responsibilities and shall fully release and indemnify the other Party for any Liabilities caused by the failure to satisfy any such responsibility.

Section 8.04. Further Assurances. Each Party hereto shall take, or cause to be taken, any and all reasonable actions, including the execution, acknowledgment, filing, and delivery of any and all documents and instruments that any other Party hereto may reasonably request in order to effect the intent and purpose of this Agreement and the transactions contemplated hereby.

Section 8.05. Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

(b) This Agreement, the Separation and Distribution Agreement, and the Ancillary Agreements and the Exhibits, Schedules, and Appendices hereto and thereto contain the entire agreement among the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings among the Parties other than those set forth or referred to herein or therein. Johnson Controls represents on behalf of itself and each other member of the Johnson Controls Group, and Adient represents on behalf of itself and each other member of the Adient Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms hereof.

(c) Each Party acknowledges that it and each other Party is executing this Agreement by facsimile, stamp, or mechanical signature, and that delivery of an executed counterpart of a signature page to this Agreement (whether executed by manual, stamp, or mechanical signature) by facsimile or by email in portable document format (PDF) shall be effective as delivery of such executed counterpart of this Agreement. Each Party expressly adopts and confirms each such facsimile, stamp, or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile, or by email in portable document format (PDF)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Party at any time, it will as promptly as reasonably practicable cause this Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail, or by courier.

Section 8.06. Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of New York irrespective of the choice of laws principles of the State of New York (other than Section 5-1401 and Section 5-1402 of the General Obligations Law of the State of New York) including all matters of validity, construction, effect, enforceability, performance and remedies. Each of Johnson Controls and Adient, on behalf of itself and the members of its Group, hereby irrevocably (a) agrees that any Dispute shall be subject to the exclusive jurisdiction of any federal court sitting in the Borough of Manhattan in The City of New York (or, only if such court lacks subject matter jurisdiction, in any New York State court sitting in the Borough of Manhattan in The City of New York), (b) waives any claims of forum non conveniens, and agrees to submit to the jurisdiction of such courts, as provided in New York General Obligations Law § 5-1402, (c) agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in Section 8.09 shall be effective service of process for any litigation brought against it in any such court or for the taking of any other acts as may be necessary or appropriate in order to effectuate any judgment of said courts and (d) UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN CONNECTION WITH ANY DISPUTE.

Section 8.07. Assignability. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided that neither Party may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party hereto. Notwithstanding the foregoing, no such consent shall be required for the assignment of a party's rights and obligations under this Agreement in whole in connection with a change of control of a Party so long as the resulting, surviving or transferee Person assumes all the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party. Nothing herein is intended to, or shall be construed to, prohibit either Party or any member of its Group from being party to or undertaking a change of control.

Section 8.08. Third-Party Beneficiaries. Except for the indemnification rights under this Agreement of any Johnson Controls Indemnified Party or Adient Indemnified Party in their respective capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no third-party beneficiaries of this Agreement and neither this Agreement shall provide any third person with any remedy, claim, Liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

Section 8.09. Notices. All notices, requests, claims, demands, or other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon acknowledgment of receipt) by delivery in person, by overnight courier service, or by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 8.09):

If to Johnson Controls, to:

Johnson Controls plc  
5757 N. Green Bay Avenue  
Milwaukee, Wisconsin 53029  
Attn: General Counsel  
Facsimile: (414) 524-2299  
Email: CO-General.Counsel@jci.com

with a copy to:

Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, New York 10019  
Attention: Andrew R. Brownstein  
David K. Lam  
Facsimile: (212) 403-2000

If to Adient, to:

Adient plc  
833 East Michigan Street  
Milwaukee, Wisconsin 53202  
Attn: General Counsel  
Facsimile: [•]  
Email: [•]

with a copy to:

Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, New York 10019  
Attention: Andrew R. Brownstein  
David K. Lam  
Facsimile: (212) 403-2000

A Party may, by notice to the other Party, change the address to which such notices are to be given.

Section 8.10. Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

Section 8.11. Force Majeure. No Party shall be deemed in default of this Agreement or, unless otherwise expressly provided therein, any other Ancillary Agreement for any delay or failure to fulfill any obligation (other than a payment obligation) hereunder or thereunder so long as and to the extent to which any delay or failure in the fulfillment of such obligation is prevented, frustrated, hindered, or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance of such obligations (other than a payment obligation) shall be extended for a period equal to the time lost by reason of the delay. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) provide written notice to the other Party of the nature and extent of any such Force Majeure condition, and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement and the other Ancillary Agreements, as applicable, as soon as reasonably practicable.

Section 8.12. No Set-Off. Except as otherwise mutually agreed to in writing by the Parties, neither Party nor any other member of such Party's Group shall have any right of set-off or other similar rights with respect to (a) any amounts received pursuant to this Agreement or any other Ancillary Agreement or (b) any other amounts claimed to be owed to the other Party or any member of its Group arising out of this Agreement.

Section 8.13. Headings. The article, section, and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.14. Survival of Covenants. Except as expressly set forth in this Agreement, the covenants, representations, and warranties contained in this Agreement, and Liability for the breach of any obligations contained herein, shall survive the Separation and the Distribution and shall remain in full force and effect.

Section 8.15. Waivers of Default. Waiver by a Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by any Party in exercising any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power, or privilege.

Section 8.16. Dispute Resolution. The dispute resolution procedures set forth in Article VII of the Separation and Distribution Agreement shall apply to any dispute, controversy or claim arising out of or relating to this Agreement.

Section 8.17. Specific Performance. Subject to Article VII of the Separation and Distribution Agreement, in the event of any actual or threatened default in, or breach of, any of the terms, conditions, and provisions of this Agreement, the Party who is, or is to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.

Section 8.18. Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented, or modified by a Party, unless such waiver, amendment, supplement, or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement, or modification.

Section 8.19. Mutual Drafting. This Agreement shall be deemed to be the joint work product of the Parties and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

JOHNSON CONTROLS PLC

By: \_\_\_\_\_  
Name:  
Title:

ADIENT PLC

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Employee Matters Agreement]*

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TRANSITIONAL TRADEMARK LICENSE AGREEMENT

BY AND BETWEEN

JOHNSON CONTROLS PLC

AND

ADIENT PLC

DATED AS OF [•], 2016

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## TRANSITIONAL TRADEMARK LICENSE AGREEMENT

This TRANSITIONAL TRADEMARK LICENSE AGREEMENT (this “Agreement”), dated as of [●], 2016, by and between JOHNSON CONTROLS PLC, a public limited company organized under the laws of Ireland (“Johnson Controls”), and ADIENT PLC, a public limited company organized under the laws of England and Wales (“Adient” and together with Johnson Controls, the “Parties”).

WHEREAS, the board of directors of Johnson Controls (the “Johnson Controls Board”) has determined that it is in the best interests of Johnson Controls and its shareholders to create a new publicly traded company that shall operate the Adient Business;

WHEREAS, in furtherance of the foregoing, the Johnson Controls Board has determined that it is appropriate and desirable to separate the Adient Business from the Johnson Controls Business (the “Separation”) and, following the Separation, for Adient to issue ordinary shares to holders of Johnson Controls Shares on the Record Date, pro rata to their respective holdings (the “Distribution”);

WHEREAS, in order to effectuate the Separation and Distribution, Johnson Controls and Adient have entered into a Separation and Distribution Agreement, dated as of [●], 2016 (the “Separation and Distribution Agreement”);

WHEREAS, Johnson Controls or other members of the Johnson Controls Group are the owners of the trademarks set forth on Schedule A to this Agreement (in block letters or otherwise) and all other trademarks incorporating the trademarks set forth on Schedule A, as well as any and all translations and transliterations of these trademarks (collectively, the “Johnson Controls Marks”); and

WHEREAS, Adient and the other members of the Adient Group desire to receive (and Johnson Controls is willing to grant the Adient Group) certain rights under the Johnson Controls Marks for a transitional period beginning as of the Effective Time, on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the promises and of the mutual covenants and agreements herein contained, and for good and valuable consideration, including that recited in the Separation and Distribution Agreement, the receipt and adequacy of which is acknowledged by the Parties, the Parties agree as follows:

### ARTICLE 1 — DEFINITIONS

Section 1.1      Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Acceptable Use Guidelines” has the meaning set forth in Section 3.1.

“Action” has the meaning set forth in the Separation and Distribution Agreement.

“Adient” has the meaning set forth in the Preamble.

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“Adient Business” has the meaning set forth in the Separation and Distribution Agreement.

“Adient Website” has the meaning set forth in Section 2.1(b).

“Affiliate” has the meaning set forth in the Separation and Distribution Agreement.

“Agreement” has the meaning set forth in the Preamble.

“Ancillary Agreements” has the meaning set forth in the Separation and Distribution Agreement.

“Branded Materials” has the meaning set forth in Section 2.1(c).

“Dispute” has the meaning set forth in the Separation and Distribution Agreement.

“Distribution” has the meaning set forth in the Recitals.

“Effective Time” has the meaning set forth in the Separation and Distribution Agreement.

“Group” has the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls” has the meaning set forth in the Preamble.

“Johnson Controls Board” has the meaning set forth in the Recitals.

“Johnson Controls Business” has the meaning set forth in the Separation and Distribution Agreement.

“Johnson Controls Marks” has the meaning set forth in the Recitals.

“Law” has the meaning set forth in the Separation and Distribution Agreement.

“Legacy Entity Name” has the meaning set forth in Section 2.1(a).

“Party” or “Parties” shall mean the parties to this Agreement.

“Person” has the meaning set forth in the Separation and Distribution Agreement.

“Pre-Existing Affiliate Contract” has the meaning set forth in Section 6.4.

“Record Date” has the meaning set forth in the Separation and Distribution Agreement.

“Separation” has the meaning set forth in the Recitals.

“Separation and Distribution Agreement” has the meaning set forth in the Recitals.

“Subsidiary” or “Subsidiaries” has the meaning set forth in the Separation and Distribution Agreement.

“Term” has the meaning set forth in Section 4.1.

“Third Party” shall mean any Person other than the Parties or any of their Affiliates.

“Third Party Claim” shall mean any claim asserted or any Action commenced by any Third Party against any Party or any of its Affiliates.

“Transition Committee” has the meaning set forth in the Separation and Distribution Agreement.

## **ARTICLE 2 — GRANT OF LICENSE**

Section 2.1 Grant of License. Subject to the terms and conditions herein, Johnson Controls, on behalf of itself and the other members of the Johnson Controls Group, grants to Adient and the Adient Affiliates a non-exclusive, worldwide, fully paid-up, non-assignable (subject to Section 6.1), and non-sublicenseable license to use the Johnson Controls Marks solely in connection with the operation, advertisement, marketing, promotion and support of the Adient Business in a manner consistent with Adient and the Adient Affiliates’ use of the Johnson Controls Marks as of the Effective Time, solely as follows and solely for the time periods below:

(a) Adient Affiliates must remove (or cause to be removed) all uses of Johnson Controls Marks from their corporate or entity names (a “Legacy Entity Name”) within one hundred and eighty (180) days after the Effective Time; provided, that if an Adient Affiliate is (i) unable to obtain the requisite consents or approvals required under applicable Law, such Affiliate’s organizational documents or any contract with a Third Party necessary to change its Legacy Entity Name in a jurisdiction to a new corporate or entity name that does not include the Johnson Controls Marks, or (ii) is unable for regulatory reasons to adopt in a jurisdiction a new corporate or entity name that does not include the Johnson Controls Marks, such Affiliate shall be permitted to continue its then-current use of its Legacy Entity Name until the earlier of (i) the date the requisite consents or approvals are obtained; and (ii) the date that is two (2) years after the Effective Time; provided, that such Affiliate complies, in good faith, with the obligations contained in this Agreement;

(b) Adient and its Affiliates must remove (or cause to be removed) all uses of Johnson Controls Marks from (i) *www.adient.com* within thirty (30) days after the Effective Time and (ii) any other websites and social media site that are promoted to third parties and under Adient’s or its Affiliates’ possession or control (each website or social media sites described in clause (i) or (ii), an “Adient Website”) within one hundred and eighty (180) days after any Adient employee with the title of “Vice President” or above becomes aware of the use of Johnson Controls Marks on such Adient Website (or such longer period required by applicable

Law, if the Adient Website is operated by an Adient Affiliate that is continuing to use a Legacy Entity Name in accordance with this Agreement);

(c) After the Effective Time, Adient and its Affiliates must (i) not create any new personal property, consumable materials, product packaging or other similar items (“Branded Materials”) bearing the Johnson Controls Marks; and (ii) cease commercial use of any such Branded Materials within Adient’s or its Affiliates’ possession and in existence as of the Effective Time within the time periods set forth in Schedule B to this Agreement corresponding to each item on such Schedule (in each case of clauses (i) and (ii), except as required by applicable Law, if the Branded Materials include the name of an Adient Affiliate that is continuing to use a Legacy Entity Name in accordance with this Agreement);

(d) Adient and its Affiliates must remove (or cause to be removed) all Johnson Controls Marks from: (i) substantially permanent building signage (including etched glass, engraved marble and the like) that is visible to third parties and (A) under Adient’s or its Subsidiaries’ possession or control within one hundred and eighty (180) days after the Effective Time, or (B) under the possession or control of an Adient Affiliate that is not a member of the Adient Group, within two (2) years after the Effective Time; (ii) uniforms that are visible to third parties and under Adient’s or its Affiliates’ possession or control within one hundred and eighty (180) days after the Effective Time; and (iii) any substantially permanent building signage that is not visible to third parties and any other items set forth on Schedule B that are identified as “Other Items” on such Schedule and are under Adient’s or its Affiliates’ possession or control when such items are replaced in the ordinary course of business; and

(e) Adient and its Affiliates must cease all other uses of the Johnson Controls Marks (i) on items that are visible to third parties within two (2) years after the Effective Time and (ii) items that are not visible to third parties when such items are replaced in the ordinary course of business (or, in each case, as otherwise mutually agreed in writing by the Parties).

The Parties agree that notwithstanding the foregoing or any other provision of this Agreement, nothing in this Agreement shall constitute a grant of a license to use the Johnson Controls Marks by any Adient Affiliate that (x) is not a member of the Adient Group, and (y) does not have a license or other right to use the Johnson Controls Marks as of immediately prior to the Effective Time.

Section 2.2 Disclaimer. Adient and its Affiliates shall post a disclaimer in the form set forth on Schedule C on (a) www.adient.com within thirty (30) days after the Effective Time; and (b) all other Adient Websites within one hundred and eighty (180) days after Adient becomes aware of the use of Johnson Controls Marks on such Adient Website, informing such third parties that as of the Effective Time and thereafter, Adient, and not Johnson Controls, is responsible for the operation of the Adient Business, including such Adient Website. Each disclaimer may be removed from an Adient Website at the time that the Johnson Controls Marks are removed from such Adient Website.

Section 2.3 Transitional License. Adient, on behalf of itself and its Affiliates, acknowledges that the licenses in Section 2.1 are transitional in nature, and that Adient and its

Affiliates shall use commercially reasonable efforts to transition away from all uses of the Johnson Controls Marks promptly after the Effective Time.

Section 2.4 Fair Use. Notwithstanding anything in this Agreement to the contrary, Adient and its Affiliates may (a) use the Johnson Controls Marks at all times after the Effective Time (i) in a neutral, non-trademark use to describe the history of their business (including any nominations, awards or similar recognition received by such business); and (ii) as required or permitted by applicable Law, and (b) use the Johnson Controls Marks on (i) archival copies of legal documents, business correspondence and similar items; and (ii) hard copy corporate documents and other materials describing the operations of Adient and its Affiliates' businesses; provided, that such materials shall not reasonably suggest or convey that Adient or its Affiliates is offering goods or services under the Johnson Controls Marks.

Section 2.5 Reservation of Rights. All rights in the Johnson Controls Marks not expressly granted to Adient or its Affiliates pursuant to this Agreement are reserved to Johnson Controls.

### **ARTICLE 3 — QUALITY CONTROL/OWNERSHIP**

Section 3.1 Quality Control. Adient shall use the Johnson Controls Marks solely in accordance with the style and trademark usage guidelines for the Johnson Controls Marks in effect as of the Effective Time (the "Acceptable Use Guidelines"). It is agreed that Adient's use of the Johnson Controls Marks as of the Effective Time shall be deemed to comply with the Acceptable Use Guidelines. After the Effective Time, Adient shall not take any action that materially harms or jeopardizes (or could reasonably be expected to materially harm or jeopardize) the value, validity, reputation or goodwill of the Johnson Controls Marks.

Section 3.2 Compliance with Laws. Adient shall (a) comply in all material respects with all Laws applicable to it in the performance of its obligations under this Agreement wherever it uses any Johnson Controls Marks; and (b) use all notices and legends required by applicable Law (as communicated by Johnson Controls to Adient from time to time) or that are otherwise reasonably requested by Johnson Controls so as to preserve and maintain the validity of and Johnson Controls' and its Affiliates' rights in the Johnson Controls Marks; provided, that any notice requirements requested by Johnson Controls shall not (x) impose any burdens or expenses upon Adient or Adient's Affiliates that are materially inconsistent with or materially disproportionate to those burdens or expenses imposed upon Johnson Controls and its own Affiliates; (y) confuse consumers as to the Parties' non-affiliation after the Effective Time; or (z) be inconsistent with any applicable Law. Johnson Controls shall be permitted to engage an independent third party if Johnson Controls has a good faith basis to believe that Adient materially breached subsections (a) or (b) above, at Johnson Controls' expense and upon one (1) month's prior written notice, to inspect and audit Adient's and its Affiliates' relevant records and systems during regular business hours, as necessary, to determine Adient's and its Affiliates' compliance with subsections (a) and (b) above; provided, that no such inspection or audit shall unreasonably interfere with Adient's or its Affiliates' business.

Section 3.3 Ownership/No Contest. Adient acknowledges and agrees that, as between the Parties, Johnson Controls and its Affiliates own all rights, title and interests in the Johnson

Controls Marks. Adient will not challenge or contest such ownership or the validity of any Johnson Controls Marks, including in any Action (it being understood that nothing in this Agreement shall prohibit Adient from defending or taking any action to defend itself against any Third Party Claim arising from Adient's use of the Johnson Controls Marks). Adient and its Affiliates shall each be considered a "related company" under Section 5 of the U.S. Lanham Act, 15 U.S.C. § 1055, such that their use of the Johnson Controls Marks and the goodwill generated thereby shall inure to the sole benefit of Johnson Controls and its applicable Affiliates. Notwithstanding the foregoing, to the extent Adient or any of its Affiliates is deemed to have any ownership rights in the Johnson Controls Marks, at Johnson Controls' request, Adient shall cause such rights to be assigned to Johnson Controls or its designee for no consideration.

Section 3.4 Enforcement. Adient agrees that it shall promptly advise Johnson Controls if Adient becomes aware of any unauthorized third-party use of any Johnson Controls Marks; provided, that the failure to notify Johnson Controls of such use shall not constitute a breach of this Agreement. Adient shall not take any steps to contact any such third party without Johnson Controls' prior written permission. Johnson Controls shall have the sole discretion to determine whether, and in what manner, to respond to any such unauthorized third-party use and shall be exclusively entitled to any remedies, including monetary damages, related thereto or resulting therefrom. In the event that Johnson Controls decides to initiate any claim against any third party, Adient shall use commercially reasonable efforts to cooperate, in good faith, with Johnson Controls (including by assisting Johnson Controls to claim that the Johnson Controls Marks are famous or distinctive in Johnson Controls' territory, based upon use in Adient's territory) at Johnson Controls' cost and expense.

Section 3.5 Cooperation. During the Term and for a period of five (5) years thereafter, Adient shall, upon the request of Johnson Controls, use commercially reasonable efforts to provide, at Johnson Controls' expense and without undue delay, evidence of use of the Johnson Controls Marks, in Adient's possession that may be reasonably required to support the maintenance or renewal of relevant trademark registrations and/or defend Johnson Controls Marks against challenges for lack of use (*e.g.*, copies of sales and marketing material, customer invoices and shipping documents); provided, that if Adient no longer desires to store such materials for a product line after the Term, it may notify Johnson Controls of the same and deliver (at Johnson Controls' cost) electronic media samples of such materials to Johnson Controls and upon acknowledgment by Johnson Controls of receipt of such materials, and the obligations of this Section 3.5 for this product line shall cease thereafter.

#### **ARTICLE 4 — TERM AND TERMINATION/SURVIVAL**

Section 4.1 Term. The term of each license in Section 2.1 commences upon the Effective Time and ends upon the date specified therein. The term of this Agreement ("Term") commences at the Effective Time, and continues until the earlier to occur of (a) the last deadline set forth in Section 2.1 expires; and (b) the mutual written agreement of the Parties to terminate this Agreement in its entirety.

Section 4.2 Termination. Johnson Controls has the right to terminate this Agreement, effective upon notice to Adient, if Adient commits a material breach of this Agreement that materially harms the goodwill of the Johnson Controls Marks, and such breach shall continue to

be uncured for a period of at least thirty (30) days after receipt by Adient of written notice of such breach from Johnson Controls; provided, that Johnson Controls shall not be entitled to terminate this Agreement if, as of the end of such period, there remains a good-faith Dispute between the Parties (undertaken in accordance with the terms of Section 6.3) as to whether Adient has materially breached this Agreement or cured the applicable breach.

Section 4.3 Survival. Upon the termination of this Agreement, Johnson Controls shall have no further obligation to license the Johnson Controls Marks to Adient. Section 2.4, Section 2.5, Section 3.3, Section 3.4, Section 3.5 (to the extent set forth therein), Article 4, and Article 6 shall survive the termination of this Agreement.

## **ARTICLE 5 — REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION**

Section 5.1 By Each Party. Each Party represents and warrants to the other Party that: (a) the warranting Party has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement; and (b) this Agreement has been duly executed and delivered by the warranting Party and, assuming the due execution and delivery of this Agreement by both Parties, constitutes a valid and binding agreement of the warranting Party enforceable against the warranting Party in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally and general equitable principles.

Section 5.2 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN SECTION 5.1, THE LICENSES IN SECTION 2.1 ARE GRANTED TO ADIENT ON AN "AS IS," "WHERE IS" BASIS, AND ADIENT ASSUMES ALL RISK AND LIABILITY ARISING FROM OR RELATING TO ITS USE OF AND RELIANCE UPON THE LICENSES, AND THAT NEITHER PARTY MAKES ANY OTHER REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, WITH RESPECT TO THE LICENSES OR TO ANY OTHER MATTERS SET FORTH IN THIS AGREEMENT. EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, WITH RESPECT THERETO, INCLUDING ANY WARRANTY OF TITLE, OWNERSHIP, VALUE, QUALITY, MERCHANTABILITY, SUITABILITY, CONDITION, OR FITNESS FOR A PARTICULAR USE OR PURPOSE, FITNESS FOR USE OR NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

## **ARTICLE 6 — MISCELLANEOUS**

Section 6.1 Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, that except as set forth in this Section 6.1, neither Party may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party. No such consent shall be required for the assignment of a Party's rights and obligations under the Separation and Distribution Agreement, this Agreement and the other Ancillary Agreements in whole (*i.e.*, the assignment of a Party's rights and obligations under the Separation and



Distribution Agreement, this Agreement and all the other Ancillary Agreements all at the same time) in connection with a change of control of a Party so long as the resulting, surviving or transferee Person assumes all the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party; provided, that in the event of a change of control of Adient in which the party acquiring control is a direct competitor of Johnson Controls, Johnson Controls may terminate this Agreement upon the occurrence of such change of control. Without limiting the foregoing, (a) Johnson Controls may assign this Agreement in whole or in part to any of its Affiliates or to any Person who acquires any or all of the Johnson Controls Marks so long as the acquiring Person assumes in writing all of Johnson Controls' obligations under this Agreement with respect to the acquired Johnson Controls Marks; and (b) each Party may assume this Agreement in bankruptcy and may assign this Agreement to an Affiliate as part of an internal reorganization for tax or administrative purposes. If the assigning Party assigns this Agreement and its rights to a third Person in accordance with this Agreement, this Agreement shall no longer bind the assigning Party or the other members of its Group, but it shall not release the assigning Party or the other members of its Group from any breach of the Agreement obligations preceding the date of the assignment to the permitted assignee.

Section 6.2        Notices. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon acknowledgment of receipt) by delivery in person, by overnight courier service, or by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 6.2):

if to Johnson Controls, to:

Johnson Controls plc  
5757 North Green Bay Avenue  
Milwaukee, Wisconsin 53209  
Attn: General Counsel  
Facsimile: (414) 524-2299  
Email: CO-General.Counsel@jci.com

if to Adient, to:

Adient plc  
833 East Michigan Street  
Milwaukee, Wisconsin 53202  
Attn: General Counsel  
Facsimile: [•]  
Email: [•]

A Party may, by notice to the other Party, change the address to which such notices are to be given.

Section 6.3 Dispute Resolution. In the event of any Dispute that is not resolved by the Transition Committee after a reasonable period of time, such Dispute shall be resolved in accordance with the dispute resolution process referred to in Article VII of the Separation and Distribution Agreement.

Section 6.4 Performance. Without limiting Section 10.18 of the Separation and Distribution Agreement, (a) Johnson Controls will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by any Affiliate of Johnson Controls and any member of the Johnson Controls Group; and (b) Adient will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by any Affiliate of Adient and any member of the Adient Group. For purposes of this Section 6.4, all covenants and agreements in Article III that are to be performed by Adient shall also be required to be performed by each of the Affiliates of Adient and each other member of the Adient Group, to the extent applicable. Each Party (including its permitted successors and assigns) further agrees that it will (i) give timely notice of the terms, conditions and continuing obligations contained in this Agreement to its Affiliates and all of the other members of its Group; and (ii) cause its Affiliates and all of the other members of its Group not to take any action or fail to take any such action inconsistent with such Party's obligations under this Agreement or the transactions contemplated hereby or thereby. Notwithstanding anything to the contrary, (x) if any Affiliate is not, directly or indirectly, controlled by a Party, such Party's obligations under this Section 6.4 to take an action or not to take an action shall only apply to the extent such Party shall have the right to consent or withhold consent to such action pursuant to the organizational documents or other governance arrangements of such Affiliate, (y) if the consent or approval of a Third Party (other than a Governmental Authority acting in such capacity) is required for any Party's Affiliate to change its Legacy Entity Name, then such Party's obligations under this Section 6.4 to cause such Affiliate to comply with Section 2.1(a) shall be limited to notifying each applicable Third Party of such Affiliate's obligations under Section 2.1(a), requesting the requisite consents or approvals of such Third Party in writing and using commercially reasonable efforts to obtain such consents and approvals promptly after the Effective Date, and (z) Johnson Controls agrees, on behalf of itself and each of its Affiliates, that the use of the Johnson Controls Marks after the expiration of the time periods set forth in Section 2.1 by an Adient Affiliate described in clause (x) or (y) shall not constitute a breach of this Agreement by Adient or the other members of the Adient Group (other than such Affiliate, if it is a member of the Adient Group). Without limiting the foregoing, if there is a conflict between the rights and obligations applicable to any Affiliate described in clause (x) or (y) of the immediately preceding sentence under this Agreement and any rights or obligations applicable to such Affiliate under a contract or agreement between such Affiliate and the other Party or a member of the other Party's Group that grants such Affiliate rights to use or license the Johnson Controls Marks, was entered into prior to the Effective Time and continues to be in full force and effect following the Effective Time (a "Pre-Existing Affiliate Contract"), then the terms of the Pre-Existing Affiliate Contract shall prevail.

Section 6.5 Amendments. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification. If the Parties have

each determined that it is necessary or advisable to amend this Agreement, but cannot agree on the terms of such amendment, the Parties shall resolve the dispute pursuant to Section 6.3.

Section 6.6      Incorporation by Reference. Sections 10.1(a), 10.1(d), 10.2, 10.4, 10.6, 10.7, 10.9 through 10.14, 10.16, 10.17 and 10.19 of the Separation and Distribution Agreement are incorporated by reference into this Agreement, *mutatis mutandis*, except that each reference to “this Agreement,” “any Ancillary Agreement” or “each Ancillary Agreement” in the Separation and Distribution Agreement shall be deemed to refer to this Agreement.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first written above.

JOHNSON CONTROLS PLC

By: \_\_\_\_\_  
Name:  
Title:

ADIENT PLC

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Transitional Trademark License Agreement]*

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