

2nd Quarter Consolidated Financial Results for the Year Ending March 31, 2021

(All financial information has been prepared in accordance with Generally Accepted Accounting Principles in Japan)

November 6, 2020

Company name	: DAICEL CORPORATION
Stock Exchange on which the shares are listed	: Tokyo Stock Exchange in Japan
Code number	: 4202
URL	: https://www.daicel.com
Representative	: Yoshimi Ogawa, President and CEO
Contact person	: Masahiko Hirokawa, General Manager–Investor Relations & Corporate Communications Phone +81-3-6711-8121
Scheduled date for submitting financial statements	: November 12, 2020
Scheduled date for dividend payment	: December 2, 2020
The additional materials of the Financial Results	: Yes
The briefing session of the Financial Results	: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results (% of change from previous year)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended Sep. 30, 2020	175,346	(16.8)	9,107	(49.0)	10,166	(45.5)	3,273	(72.0)
Six months ended Sep. 30, 2019	210,681	(10.4)	17,858	(39.5)	18,658	(42.1)	11,683	(47.8)

(Note) Comprehensive income: 7,737 millions of yen [(14.5%)] for the six months ended September 30, 2020 and 6,758 millions of yen [(77.0%)] for the six months ended September 30, 2019

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended Sep. 30, 2020	10.78	-
Six months ended Sep. 30, 2019	35.96	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Sep. 30, 2020	589,186	380,977	60.1	1,174.84
As of Mar. 31, 2020	597,992	392,583	60.6	1,166.56

(Reference) Shareholders' equity: 354,019 millions of yen as of September 30, 2020 and 362,545 millions of yen as of March 31, 2020

2. Dividends

(Reference data)	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2020	-	16.00	-	18.00	34.00
Year ending Mar. 31, 2021	-	16.00	-	-	-
Year ending Mar. 31, 2021 (Forecast)	-	-	-	16.00	32.00

(Note) Revisions to the latest announced dividend forecast: Not applicable

Breakdown of the year-end dividend for the year ended March 31, 2020: ordinary dividend 16.00 yen and commemorative dividend 2.00 yen (100th-anniversary commemoration)

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2021

(% of change from same period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending Mar. 31, 2021	368,000	(10.9)	22,000	(25.8)	23,000	(27.6)	14,000	181.2	46.46

(Note) Revisions to the latest announced forecast of consolidated financial results: Applicable

*Notes

- (1) Changes in significant subsidiaries during the six months ended Sep. 30, 2020: Not applicable
(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation
- (2) Adoption of specific accounting methods for presenting quarterly financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- i Changes in accounting policies due to revisions of accounting standards: Not applicable
 - ii Changes in accounting policies other than (3)-i: Not applicable
 - iii Changes in accounting estimates: Not applicable
 - iv Retrospective restatements: Not applicable

(4) Number of shares issued (common share)

i Number of shares issued at the end of each period (including treasury shares)	As of Sep. 30, 2020	302,942,682 shares	As of Mar. 31, 2020	315,942,682 shares
ii Number of treasury shares at the end of each period	As of Sep. 30, 2020	1,609,367 shares	As of Mar. 31, 2020	5,160,966 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Six months ended Sep. 30, 2020	303,557,332 shares	Six months ended Sep. 30, 2019	324,950,291 shares

*This Quarter Consolidated Financial Results report is not subject to quarterly review.

*Explanations or other special matters to appropriate use of the forecast of consolidated financial results

The forecast of consolidated financial results and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections.

4. Overview of the operating results

(1) Overview of the operating results for the quarter under review

Looking at world trends during the second quarter of the consolidated fiscal year ending March 2021 (six months until September 30, 2020), the stagnation of economic activity due to the spread of COVID-19 has partially recovered, but the world economy still remains in a difficult and uncertain situation.

Amid such circumstances, the Group has been working hard to improve business performance by reducing costs. However, demand has declined in various industries, including a decrease in automobile production.

As a result, sales revenue for the second quarter of the consolidated fiscal year under review totaled ¥175,346 million (down 16.8% year-on-year). On the income front, operating income amounted to ¥9,107 million (down 49.0% year-on-year), ordinary income was ¥10,166 million (down 45.5% year-on-year) and net income attributable to owners of the parent was ¥3,273 million (down 72.0% year-on-year).

Segment information is summarized as follows.

We have changed the segmentation reporting as of the current consolidated fiscal year.

[Medical / Healthcare]

Although the sales volume of cosmetic ingredients increased under the influence of anticipated overseas demand, the healthcare business decreased in sales revenue due to the market decline.

The chiral separation business increased in sales revenue due to favorable transition of business in China and India, and increased sales volume of optical resolution columns.

The overall segment sales fell to ¥7,784 million (down 0.8 % year-on-year).

Operating income also dropped to ¥816 million (down 21.8% year-on-year), due to falling selling prices and other factors.

[Smart]

The display business, such as cellulose acetate for optical films and high-performance films, posted a decline in sales revenue due to sluggish demand, resulting in lower sales.

The IC/Semiconductor business, such as solvents for printed electronics and resist materials registered growth in sales revenue due to a firm transition of semiconductor market demand, resulting in higher sales.

The overall segment sales fell to ¥10,316 million (down 20.0% year-on-year). Operating income also dropped to ¥1,036 million (down 55.0% year-on-year), due to a decrease in the sales volume and other factors.

[Safety]

The automobile airbag inflator (gas-generating device) and other mobility business, posted a decrease in sales revenue due to a decrease in sales volume resulting from a slump in automobile production.

Consequently, overall segment sales came to ¥27,187 million (down 31.8% year-on-year).

On the income front, we posted an operating loss of ¥1,668 million (operating income of ¥2,351 million in the same period of the previous year), due to a utilization rate decline from a decrease in sales volume and other factors.

[Materials]

Acetic acid posted a decrease in sales revenue due mainly to a downward trend in the market.

Sales revenue of acetic acid derivatives decreased due to lower selling prices from the decline in the acetic acid market despite an increase in sales volume due to increased demand for some products.

The sales volume of acetate tow for cigarette filters remained flat due to movement to secure raw materials by major overseas customers, however, the sales price decreased under the influence of exchange rates and the overall business decreased in sales revenue.

Caprolactone derivatives and alicyclic-epoxy-resin posted a decline due to a decrease in sales volume resulting from the fall of demand in the European market and for LED applications.

Consequently, overall segment sales fell to ¥49,285 million (down 10.5 % year-on-year). Operating income also dropped to ¥7,485 million (down 5.6% year-on-year), due to the decrease in sales volume and other factors.

[Engineering Plastics]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) resin and liquid crystal polymers (LCP), registered a decline in sales revenue, adversely affected by sluggish demand for automobiles, smartphones, etc.

Decline in sales revenue was also recorded by the plastic compound business, centering on ABS resin and engineering plastic alloy resin, due to a decrease in sales volume resulting from the slowdown in automobile production and number of housing starts.

As for the plastic processing business, including molded containers and films, sales decreased due to the slowdown of sales revenue in packaging film and other factors.

Consequently, overall segment sales amounted to ¥74,671 million (down 16.9% year-on-year). Operating income was ¥8,228 million (down 31.6% year-on-year) due mainly to a decrease in sales volume.

[Other Businesses]

Sales revenue of other businesses increased due mainly to higher sales volume of the defense-related business.

Consequently, overall segment sales increased to ¥6,101 million (up 17.7% year-on-year). Operating income amounted to ¥936 million (up 179.47% year-on-year).

(2) Overview of financial position for the fiscal year under review

Total assets as of September 30, 2020 were ¥589,186 million, a decrease of ¥8,806 million from March 31, 2020, due primarily to decreases in notes and accounts receivable and inventory despite an increase in property, plant, and equipment.

Total liabilities were ¥208,209 million, an increase of ¥2,801 million from March 31, 2020 due primarily to an increase in long-term loans despite a decrease in notes and accounts payable.

Total net assets were ¥ 380,977 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥354,019 million. Shareholders' equity ratio was 60.1%.

(3) Overview of cash flow for the period under review

Cash flow from operating activities

Cash flow from operating activities during the period under review was ¥21,861 million (vs. ¥35,299 million in the same period last year). The increase in funds was mainly attributable to ¥8,397 million of net profit before income taxes and ¥12,660 million of depreciation. Meanwhile, the main factors for the decrease in funds were an increase of ¥9,770 million in notes and accounts payable.

Cash flow from investment activities

Cash flow from investment activities during the period under review was -¥18,112 million (vs. -¥29,173 million in the same period last year). The main factor for the decrease in funds was expenditures of ¥15,671 million for the purchase of property, plant, and equipment.

Cash flow from financing activities

Cash flow from financing activities during the period under review was -¥4,302 million (vs. -¥18,202 million in the same period last year). The increase in funds was mainly attributable to ¥16,118 million from long-term borrowing. Meanwhile, the main factors for the decrease in funds were expenditures for ¥8,285 million in the purchase of treasury shares, ¥5,594 million in cash dividend payments and ¥5,225 million in dividends paid to non-controlling interests.

As a result of the above, cash and cash equivalents on September 30, 2020 totaled ¥80,281 million.

(4) Explanation regarding future forecast information of consolidated financial results

During the six months of the current fiscal year under review, our consolidated operating results were almost in line with our forecast, but we recorded an operating income that exceeded the forecast due to steady implementation of cost reduction and management cutbacks in response to COVID-19.

Based on the operating results for the second quarter of the consolidated fiscal year, a review of the business environment from the second half onwards, efforts to secure the benefits of lower raw material prices by maintaining and correcting selling prices, actions to improve earnings through cost reductions, and the acquisition of Polyplastics as a wholly owned subsidiary, the Daicel Group revised its consolidated earnings forecast for the fiscal year ending March 2021 from those announced on May 27, 2020, as shown in the following table.

<Forecast of the FY ending March 2021 consolidated performance>

(Unit: Millions of Yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent company	Net income per share (Yen)
Previous announcement (A)	386,000	17,500	19,500	10,000	32.18
This announcement (B)	368,000	22,000	23,000	14,000	46.46
Change (B-A)	-8,000	4,500	3,500	4,000	
% of change	-4.7	25.7	17.9	40.0	
(Reference data) Year ended Mar. 31, 2019	412,826	29,644	31,781	4,978	15.49

* 1. The above business forecast is based on the information available at the time of writing. There are many uncertain factors inherent in projections, and there may be cases in which actual results materially differ from projections of this material.

* 2. For forecasts of this announcement, we assume an exchange rate (US\$/¥) of ¥105, (Asian spot) methanol price of US\$200/ton, Dubai crude oil price of US\$45/bbl. and domestic naphtha price of ¥30,000/kl from the second half of the fiscal year ending March 2021.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2020	As of Sep. 30, 2020
Assets		
Current assets		
Cash and deposits	80,751	80,357
Notes and accounts receivable – trade	79,499	73,015
Securities	629	917
Inventories	117,414	110,095
Other	19,812	19,165
Allowance for doubtful accounts	(66)	(44)
Total current assets	298,040	283,507
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	61,064	60,293
Machinery, equipment and vehicles, net	65,559	64,774
Land	30,132	30,103
Construction in progress	42,354	46,728
Other, net	5,235	4,946
Total property, plant and equipment	204,346	206,845
Intangible assets		
Goodwill	5,194	4,678
Other	8,183	7,843
Total intangible assets	13,378	12,522
Investments and other assets		
Investment securities	61,813	64,188
Other	20,468	22,177
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	82,227	86,310
Total non-current assets	299,952	305,678
Total assets	597,992	589,186

(Unit: Millions of Yen)

	As of Mar. 31, 2020	As of Sep. 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable – trade	45,007	35,222
Short-term borrowings	6,902	9,112
Current portion of long-term borrowings	10,336	9,646
Income taxes payable	2,240	2,570
Provision for repairs	–	1,272
Provision for environmental measures	1,725	1,596
Other	40,014	36,552
Total current liabilities	106,226	95,972
Non-current liabilities		
Bonds payable	40,003	40,003
Long-term borrowings	32,197	46,048
Deferred tax liabilities	7,861	8,888
Provision for retirement benefits for directors	62	71
Provision for repairs	1,167	744
Provision for environmental measures	547	289
Net defined benefit liability	10,992	10,602
Asset retirement obligations	1,229	1,246
Other	5,119	4,343
Total non-current liabilities	99,182	112,237
Total liabilities	205,408	208,209
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	31,692	31,572
Retained earnings	271,762	257,725
Treasury shares	(5,050)	(1,446)
Total shareholders' equity	334,679	324,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,582	28,356
Deferred gains or losses on hedges	(69)	(60)
Foreign currency translation adjustment	(656)	(385)
Remeasurements of defined benefit plans	2,009	1,982
Total accumulated other comprehensive income	27,865	29,892
Non-controlling interests	30,038	26,957
Total net assets	392,583	380,977
Total liabilities and net assets	597,992	589,186

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020
Net sales	210,681	175,346
Cost of sales	152,037	127,957
Gross income	58,644	47,388
Selling, general and administrative expenses	40,785	38,281
Operating profit	17,858	9,107
Non-operating income		
Interest income	239	124
Dividend income	802	845
Share of profit of entities accounted for using equity method	965	1,000
Other	655	762
Total non-operating income	2,662	2,733
Non-operating expenses		
Interest expenses	627	488
Foreign exchange losses	884	584
Other	350	602
Total non-operating expenses	1,862	1,674
Ordinary profit	18,658	10,166
Extraordinary income		
Gain on disposal of non-current assets	39	27
Gain on sales of investment securities	2,380	-
Total extraordinary income	2,420	27
Extraordinary losses		
Loss on retirement of non-current assets	643	265
Impairment loss	-	1,530
Total extraordinary losses	643	1,795
Profit before income taxes	20,434	8,397
Income taxes		
Income taxes - current	3,193	2,485
Income taxes - deferred	1,775	199
Total income taxes	4,969	2,684
Profit	15,465	5,713
Profit attributable to non-controlling interests	3,781	2,440
Profit attributable to owners of parent	11,683	3,273

(3) Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020
Profit	15,465	5,713
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,160)	1,829
Deferred gains or losses on hedges	(79)	13
Foreign currency translation adjustment	(6,282)	72
Remeasurements of defined benefit plans, net of tax	400	(4)
Share of other comprehensive income of entities accounted for using equity method	(584)	112
Total other comprehensive income	(8,707)	2,023
Comprehensive income	6,758	7,737
Comprehensive income attributable to		
owners of parent	4,250	5,300
non-controlling interests	2,507	2,436

(4) Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020
Cash flows from operating activities		
Profit before income taxes	20,434	8,397
Depreciation	14,517	12,660
Impairment loss	–	1,530
Amortization of goodwill	362	541
Interest and dividend income	(1,041)	(970)
Interest expenses	627	488
Share of (profit) loss of entities accounted for using equity method	(965)	(1,000)
Loss (gain) on sales and retirement of non-current assets	603	238
Loss (gain) on sales of investment securities	(2,380)	–
Decrease (increase) in trade receivables	11,171	6,438
Decrease (increase) in inventories	5,761	7,214
Increase (decrease) in trade payables	(8,091)	(9,770)
Other, net	830	1,835
Subtotal	41,831	27,603
Interest and dividends received	1,344	1,024
Interest paid	(653)	(485)
Income taxes paid	(7,222)	(6,281)
Net cash provided by (used in) operating activities	35,299	21,861
Cash flows from investing activities		
Purchase of property, plant and equipment	(28,425)	(15,671)
Proceeds from sales of property, plant and equipment	79	12
Purchase of intangible assets	(1,230)	(883)
Purchase of investment securities	(258)	(203)
Proceeds from sales and redemption of investment securities	3,248	313
Loan advances	(435)	(18)
Collection of loans receivable	43	56
Other, net	(2,195)	(1,717)
Net cash provided by (used in) investing activities	(29,173)	(18,112)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,108)	2,178
Proceeds from long-term borrowings	2,161	16,118
Repayments of long-term borrowings	(1,762)	(2,524)
Purchase of treasury shares	(6,100)	(8,285)
Dividends paid	(5,250)	(5,594)
Dividends paid to non-controlling interests	(2,833)	(5,225)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(411)
Repayments of lease liabilities	(308)	(556)
Net cash provided by (used in) financing activities	(18,202)	(4,302)
Effect of exchange rate change on cash and cash equivalents	(2,256)	160
Net increase (decrease) in cash and cash equivalents	(14,333)	(392)
Cash and cash equivalents at beginning of period	120,016	80,674
Cash and cash equivalents at the end of period	105,683	80,281

6. Notes to Consolidated Financial Statements

(Additional Information)

(Impact of COVID-19 on Accounting Estimates)

Daicel group is facing negative impacts mainly of demand decrease for automobile airbag inflators and engineering plastics and others due to COVID-19.

Daicel group's domestic and overseas economic activities were constrained in the first half of the year ending March 31, 2021, but we assume gradual recovery in the second half, as initially expected.

Under this assumption, we assessed the recoverability of deferred tax assets and made accounting estimates for tangible and intangible assets. While the prediction of infection spread and containment of COVID-19 is difficult, the assessment was carefully implemented based on information currently available. However, there may be an effect on the valuation of deferred tax assets and other assets, on the impairment of tangible and intangible assets, and on other aspects, in case the conditions changed, such as COVID-19 impacts are more prolonged than assumed.

(Notes in Case of Significant Change in Shareholders' Equity)

Daicel Corporation canceled 13,000,000 treasury shares on September 14, 2020, based on the resolution of Board of Directors' meeting held on August 21, 2020. As a result, "Retained earnings" and "Treasury shares" decreased by ¥11,681 million each for the six months ended September 30, 2020, and recorded ¥257,725 million of the "Retained earnings" and ¥(1,446) million of the "Treasury shares" as of September 30, 2020.

(Changes in Scope of Consolidation or Scope of Equity Method Application)

(Significant Changes in Scope of Consolidation)

Sales departments of resins (general applications), long fiber (general application), and sheets business of Daicel Polymer Ltd. were split off to Daicel Miraizu Ltd. Automobile related business and production departments of Daicel Polymer Ltd. were absorbed into Daicel Corporation. Due to above, Daicel Polymer Ltd. ceased to exist and Daicel Polymer Ltd. was excluded from the scope of consolidation during the second quarter of fiscal year ending March 31, 2021.

(Notes to Consolidated Statements of Income)

(Impairment Loss)

Daicel group has recognized impairment loss for the six months ended September 30, 2020, on the manufacturing facilities for automobile airbag inflators and others at Daicel Corporation (Japan) and Daicel Safety Systems Americas, Inc. (USA), grouping the assets by in-house company, SBU, and BU as a minimum unit.

Since it was considered difficult to recover the investment amounts, we have written down the book value of the asset groups to their recoverable value, and recorded the decreased amounts as "Impairment loss" (Japan: ¥2 million of buildings and structures, ¥15 million of machinery and equipment, ¥20 million of tools, furniture and fixtures, ¥938 million of construction in progress, ¥41 million of others, USA: ¥20 million of buildings and structures, ¥7 million of machinery, ¥5 million of tools, furniture and fixtures, ¥477 million of construction in progress) under extraordinary losses.

The recoverable values were measured at the net selling price which was based on the appraisal value of the real estate.

7. Segment Information

I Six months ended Sep. 30, 2019

1. Sales and Profit (Loss) by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	7,845	12,895	39,843	55,051	89,859	5,185	210,681	-	210,681
Intersegment sales	78	100	-	5,850	459	7,958	14,448	(14,448)	-
Total	7,924	12,996	39,843	60,902	90,318	13,144	225,129	(14,448)	210,681
Operating profit	1,044	2,304	2,351	7,929	12,037	335	26,003	(8,145)	17,858

2. Information on Impairment Loss of Non-Current Assets by Reportable Segment

Not applicable.

II Six months ended Sep. 30, 2020

1. Sales and Profit (Loss) by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	7,784	10,316	27,187	49,285	74,671	6,101	175,346	-	175,346
Intersegment sales	144	72	-	4,070	568	6,636	11,492	(11,492)	-
Total	7,929	10,388	27,187	53,356	75,239	12,738	186,839	(11,492)	175,346
Operating profit (loss)	816	1,036	(1,668)	7,485	8,228	936	16,834	(7,727)	9,107

2. Information on Impairment Loss of Non-Current Assets by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Corporate and eliminations	Total
Impairment loss	-	-	1,530	-	-	-	-	1,530

3. Changes in Reportable Segments

In accordance with the shift to the organization based on "Strategic Business Units (SBUs)" as of April 1, 2020, we have changed the business segmentation from the previous reportable segments composed of "Cellulosic derivatives," "Organic chemicals," "Plastics," and "Pyrotechnic devices," to new reportable segments composed of "Medical / Healthcare," "Smart," "Safety," "Materials," and "Engineering Plastics."

The segment information of six months ended Sep. 30, 2019 has been reclassified and presented above based on the reporting segments after the organizational change.

8. Significant Events After Reporting Period

(Additional Acquisition of Consolidated Subsidiaries' Stocks)

Daicel Corporation signed a Transaction Agreement to acquire all share of the common stock of Polyplastics Co., Ltd. from a subsidiary of Celanese Corporation and acquired on October 9, 2020.

(1) Summary of the acquisition

a. Name and business of the combined entity

Corporate name: Polyplastics Co., Ltd.

Scope of business: Manufacturing and selling of various types of engineering plastics and polymers

b. Date of the business combination

October 9, 2020

c. Legal form of the business combination

Acquisition of shares from non-controlling shareholders

d. Name of the entity after the business combination

There will be no change.

e. Percentages of voting rights acquired

Voting rights ratio before the acquisition date: 55%

Voting rights ratio after acquisition: 100%

f. Other information

The voting rights of the additional shares acquired are 45% of the total voting rights and the transaction will make Polyplastics Co., Ltd. a wholly-owned subsidiary of Daicel Corporation. This additional acquisition is intended to improve the efficiency of consolidated management and strengthen the group management system.

(2) Outline of accounting procedure to be applied

In accordance with ASBJ Statement No. 21 "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10 "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," it will be treated as a transaction with a non-controlling shareholder among the transactions under common control.

(3) Acquisition of additional common stock

Consideration for the acquisition: Cash and deposits \$1,575 million

Acquisition cost: \$1,575 million

(4) Changes in equity in transactions with non-controlling shareholders

a. Major factor of changes in capital surplus and retained earnings

Acquisition of the share of subsidiary

b. Decrease in capital surplus and retained earnings due to transactions with non-controlling shareholders

Yet to be determined.

(Fundraising by Borrowings)

On October 8, 2020, Daicel Corporation executed the following bridge loan based on the contract of the uncommitted and revolving credit line agreement for the acquisition of additional common stock of Polyplastics Co., Ltd.

- (1) Borrowing institution
Sumitomo Mitsui Banking Corporation
- (2) Contract Date
July 20, 2020
- (3) Borrowing limit
¥200,000 million
- (4) Amount of drawdown
¥167,000 million
- (5) Contract term
Base rate + spread
- (6) Drawdown date
October 8, 2020
- (7) End of contract
March 31, 2021
- (8) Collateral asset or content of guarantee
Not applicable

(Issuance of Unsecured Straight Corporate Bonds)

As part of permanent financing of the bridge loan above, on November 6, 2020, the Board of Directors passed a comprehensive resolution as follows for the issuance of the unsecured straight corporate bonds.

- (1) Total amount of issue
Maximum of ¥100 billion (Multiple issuance within this scope is allowed.)
- (2) Issue price
¥100 or more per amount of ¥100 of each bond
- (3) Issue period
November 9, 2020 to March 24, 2021
(Issuance is allowed if the offering is made by March 24, 2021.)
- (4) Coupon rate
Within 1.0% or less per annum
- (5) Maturity
Within 10 years
- (6) Redemption method
Lump sum redemption at maturity
- (7) Use of funds
Repayment of borrowings
- (8) Special policy condition
Negative pledge clause and other matters necessary for the issuance of bonds can be applicable.
- (9) Others
Each Paragraph of Article 676, the Companies Act of Japan and all other matters necessary for the issuance of bonds shall be left to the representative director within the scope described above.