

3rd 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)

February 3, 2021

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
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 Scheduled date for submitting financial statements : February 12, 2021
 Scheduled date for dividend payment : –
 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 Nine Months Ended December 31, 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	%
Nine months ended Dec. 31, 2020	281,359	(10.0)	18,726	(17.3)	20,223	(16.7)	11,234	141.7
Nine months ended Dec. 31, 2019	312,791	(12.4)	22,641	(49.5)	24,277	(49.4)	4,647	(86.0)

(Note) Comprehensive income: 21,974 millions of yen [165.5%] for the nine months ended December 31, 2020 and 8,275 millions of yen [(73.5%)] for the nine months ended December 31, 2019

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended Dec. 31, 2020	37.10	–
Nine months ended Dec. 31, 2019	14.36	–

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Dec. 31, 2020	609,932	221,760	35.3	713.74
As of Mar. 31, 2020	597,992	392,583	60.6	1,166.56

(Reference) Shareholders' equity: 215,072 millions of yen as of December 31, 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	388,000	(6.0)	28,000	(5.5)	29,500	(7.2)	18,000	261.5	59.73

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

*Notes

- (1) Changes in significant subsidiaries during the nine months ended Dec. 31, 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 Dec. 31, 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 Dec. 31, 2020	1,609,552 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)	Nine months ended Dec. 31, 2020	302,813,263 shares	Nine months ended Dec. 31, 2019	323,574,146 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 third quarter of the consolidated fiscal year ending March 2021 (nine months ended December 31, 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 sales and profits decreased year on year (excluding quarterly net income attributable to owners of the parent) due to the impact of sluggish demand in various industries at the beginning of the fiscal year. However, the Group has been working on thorough cost reductions, steadily seizing sales opportunities due to recovery in demand such as automobile production, and recovering business performance over the course of the period.

As a result, sales revenue for the third quarter of the consolidated fiscal year under review totaled ¥281,359 million (down 10.0% year-on-year). On the income front, operating income amounted to ¥18,726 million (down 17.3% year-on-year), and ordinary income was ¥20,223 million (down 16.7% year-on-year). Net income attributable to owners of the parent was ¥11,234 million (up 141.7% year-on-year), partly due to the recording of an extraordinary loss related to the structural reform in mobility business in the same period of the previous year and also Polyplastics becoming a wholly owned subsidiary of Daicel on October 2020.

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 demand recovery in China, the healthcare business decreased in sales revenue due to market decline resulting from a drop in demand in other regions.

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

The overall segment sales came to ¥11,964 million (up 3.1% year-on-year). Operating income dropped to ¥1,221 million (down 8.1% year-on-year) due to a decrease in sales price.

[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 steady demand in the semiconductor market, resulting in higher sales.

The overall segment sales fell to ¥17,573 million (down 8.1% year-on-year). Operating income also dropped to ¥2,080 million (down 26.2% 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 drop in sales volume resulting from a slump in automobile production.

Consequently, overall segment sales came to ¥46,698 million (down 19.5% year-on-year). Operating income also dropped to ¥564 million (down 81.2% year-on-year) due to a utilization rate decline from a decrease in sales volume.

[Materials]

Acetic acid posted a decrease in sales revenue due to a downward trend in the market and decline in demand.

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 remained flat due to procurement of 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.

Although demand recovered for some applications, Caprolactone derivatives and alicyclic-epoxy-resin posted a decline due to a decrease in sales volume resulting from the continuously low demand in the European market and for FRP applications.

Consequently, overall segment sales fell to ¥74,901 million (down 8.0 % year-on-year). Operating income also dropped to ¥10,864 million (down 0.8% year-on-year), due to the decrease in sales volume and other factors.

[Engineering Plastics]

Although demand for next-generation communication applications increased, 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 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 ¥121,161 million (down 9.9% year-on-year). Operating income was ¥14,044 million (down 12.3% 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 ¥9,061 million (up 10.8% year-on-year). Operating income amounted to ¥1,287 million (up 204.3% year-on-year).

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

Total assets as of December 31, 2020 were ¥609,932 million, an increase of ¥11,940 million from March 31, 2020, due to increases in notes and accounts receivable, property, plant, and equipment despite a decrease in inventory and other factors.

Total liabilities were ¥388,172 million, an increase of ¥182,764 million from March 31, 2020 due primarily to an increase in a corporate bond and short-term bond.

Total net assets were ¥ 221,760 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥215,072 million. Shareholders' equity ratio was 35.3%.

(3) Explanation regarding forward looking statements of consolidated financial results

During the nine months of the current fiscal year under review, our consolidated operating results have exceeded targets in each segment due to an increase in sales volume from demand recovery mainly for automobile production, and an execution of thorough cost reduction. The fourth quarter situation remains uncertain due to the rebound of Covid-19 and the effect of a semiconductor supply shortage on automobile production. However, following the operating results during the first three quarters of the current consolidated period and revision of demand forecast and sales price, we have revised the consolidated forecasts upward for the fiscal year ending March 31, 2021 announced on 6th November 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)	368,000	22,000	23,000	14,000	46.46
This announcement (B)	388,000	28,000	29,500	18,000	59.73
Change (B-A)	20,000	6,000	6,500	4,000	
% of change	5.4	27.3	28.3	28.6	
(Reference data) Year ended Mar. 31, 2020	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\$300/ton, Dubai crude oil price of US\$48/bbl. and domestic naphtha price of ¥32,000/kl from the fourth quarter of the FY ending March 2021.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2020	As of Dec. 31, 2020
Assets		
Current assets		
Cash and deposits	80,751	78,417
Notes and accounts receivable – trade	79,499	90,143
Securities	629	1,019
Inventories	117,414	102,754
Other	19,812	18,254
Allowance for doubtful accounts	(66)	(36)
Total current assets	298,040	290,552
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	61,064	60,161
Machinery, equipment and vehicles, net	65,559	66,445
Land	30,132	30,105
Construction in progress	42,354	53,269
Other, net	5,235	4,807
Total property, plant and equipment	204,346	214,790
Intangible assets		
Goodwill	5,194	4,422
Other	8,183	7,877
Total intangible assets	13,378	12,299
Investments and other assets		
Investment securities	61,813	71,012
Other	20,468	21,330
Allowance for doubtful accounts	(54)	(53)
Total investments and other assets	82,227	92,289
Total non-current assets	299,952	319,379
Total assets	597,992	609,932

(Unit: Millions of Yen)

	As of Mar. 31, 2020	As of Dec. 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable – trade	45,007	41,637
Short-term borrowings	6,902	75,485
Current portion of long-term borrowings	10,336	10,391
Income taxes payable	2,240	2,147
Provision for repairs	–	2,405
Current portion of Asset retirement obligations	1,725	1,596
Other	40,014	36,750
Total current liabilities	106,226	170,413
Non-current liabilities		
Bonds payable	40,003	140,003
Long-term borrowings	32,197	49,790
Deferred tax liabilities	7,861	11,600
Provision for retirement benefits for directors	62	75
Provision for repairs	1,167	–
Provision for environmental measures	547	287
Net defined benefit liability	10,992	10,521
Asset retirement obligations	1,229	1,211
Other	5,119	4,267
Total non-current liabilities	99,182	217,758
Total liabilities	205,408	388,172
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	31,692	–
Retained earnings	271,762	144,289
Treasury shares	(5,050)	(1,446)
Total shareholders' equity	334,679	179,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,582	32,956
Deferred gains or losses on hedges	(69)	(40)
Foreign currency translation adjustment	(656)	1,060
Remeasurements of defined benefit plans	2,009	1,978
Total accumulated other comprehensive income	27,865	35,954
Non-controlling interests	30,038	6,687
Total net assets	392,583	221,760
Total liabilities and net assets	597,992	609,932

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020
Net sales	312,791	281,359
Cost of sales	229,113	204,728
Gross profit	83,678	76,631
Selling, general and administrative expenses	61,036	57,904
Operating profit	22,641	18,726
Non-operating income		
Interest income	334	171
Dividend income	1,351	1,389
Share of profit of entities accounted for using equity method	1,309	1,383
Other	981	1,209
Total non-operating income	3,976	4,154
Non-operating expenses		
Interest expenses	908	835
Foreign exchange losses	865	624
Bond issuance costs	-	457
Other	566	741
Total non-operating expenses	2,340	2,658
Ordinary profit	24,277	20,223
Extraordinary income		
Gain on disposal of non-current assets	42	58
Gain on sales of investment securities	2,520	1,345
Total extraordinary income	2,563	1,404
Extraordinary losses		
Loss on retirement of non-current assets	979	737
Impairment loss	13,679	1,755
Total extraordinary losses	14,658	2,492
Profit before income taxes	12,182	19,134
Income taxes		
Income taxes - current	3,130	3,899
Income taxes - deferred	(467)	1,423
Total income taxes	2,663	5,323
Profit	9,519	13,811
Profit attributable to non-controlling interests	4,871	2,576
Profit attributable to owners of parent	4,647	11,234

(3) Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2019	Nine months ended Dec. 31, 2020
Profit	9,519	13,811
Other comprehensive income		
Valuation difference on available-for-sale securities	1,172	6,430
Deferred gains or losses on hedges	(68)	33
Foreign currency translation adjustment	(2,315)	1,253
Remeasurements of defined benefit plans, net of tax	301	(7)
Share of other comprehensive income of entities accounted for using equity method	(333)	452
Total other comprehensive income	(1,243)	8,162
Comprehensive income	8,275	21,974
Comprehensive income attributable to		
owners of parent	3,862	19,323
non-controlling interests	4,413	2,650

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. However, in the third quarter of the fiscal year ending March 31, 2021, COVID-19 impacts continued, demand recovered more than expected. We assume this trend will continue in the fourth quarter of the fiscal year ending March 31, 2021.

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 nine months ended December 31, 2020. On October 9, 2020, Daicel Corporation additionally acquired 45% of the shares of the consolidated subsidiary, Polyplastics Co., Ltd., at a cost of ¥166,918 million. Due to this acquisition, Daicel Corporation has raised its voting rights of Polyplastics Co., Ltd. to 100%, "Capital surplus" decreased by ¥31,572 million, and "Retained earnings" decreased by ¥116,527 million.

(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 on the following asset groups.

Nine months ended Dec. 31, 2019

(Unit: Millions of Yen)

Location	Use	Classification	Amount
Japan (Tatsuno-shi, Hyogo)	Manufacturing facilities for automobile airbag inflators and gas generants	Buildings and structures	1,447
		Machinery, equipment and vehicles	1,599
		Tools, furniture and fixtures	368
		Construction in progress	1,098
		Intangible assets and others	512
	Manufacturing facilities for defense-related products	Buildings and structures	307
		Machinery, equipment and vehicles	70
		Tools, furniture and fixtures	13
		Construction in progress	33
		Intangible assets and others	66
	Shared assets	Land	409
		Buildings and structures	431
		Machinery, equipment and vehicles	157
		Tools, furniture and fixtures	30
		Construction in progress	111
Japan (Himeji-shi, Hyogo)	Manufacturing facilities for defense-related products	Buildings and structures	58
		Machinery, equipment and vehicles	32
		Tools, furniture and fixtures	2
United States of America	Manufacturing facilities for automobile airbag inflators and gas generants	Buildings and structures	1,462
		Machinery, equipment and vehicles	1,743
		Tools, furniture and fixtures	158
		Construction in progress	3,543
Total			13,679

(Asset grouping method)

Assets are grouped by the in-house company or the division as a minimum unit.

(Circumstances causing impairment loss)

1. It was considered difficult to recover the investment amounts due to the decline in the profitability of the inflator business in Japan and the U.S.A. Accordingly, we have written down the book value of the assets stated above at Harima Plant or in the U.S.A. to their recoverable value, and recorded the decreased amounts as "Impairment loss" under extraordinary losses.
2. It was considered difficult to recover the investment amounts due to the decline in the profitability of the defense-related products business. Accordingly, we have written down the book value of the assets stated above at Harima Plant or Aboshi Plant to their recoverable value, and recorded the decreased amounts as "Impairment loss" under extraordinary losses.

(Calculation method of recoverable value)

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

Nine months ended Dec. 31, 2020

(Unit: Millions of Yen)

Location	Use	Classification	Amount
Japan (Tatsuno-shi, Hyogo)	Manufacturing facilities for automobile airbag inflators and gas generants	Buildings and structures	2
		Machinery, equipment and vehicles	15
		Tools, furniture and fixtures	20
		Construction in progress	1,105
		Intangible assets and others	52
United States of America	Manufacturing facilities for automobile airbag inflators and gas generants	Construction in progress	559
Total			1,755

(Asset grouping method)

Assets are grouped by the in-house company, SBU, or BU as a minimum unit.

(Circumstances causing impairment loss)

It was considered difficult to recover the investment amounts due to the decline in the profitability of the inflator business in Japan and the U.S.A. Accordingly, we have written down the book value of the assets stated above at Harima Plant or in the U.S.A. to their recoverable value, and recorded the decreased amounts as "Impairment loss" under extraordinary losses.

(Calculation method of recoverable value)

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

7. Segment Information

Nine months ended Dec. 31, 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	11,604	19,128	57,984	81,425	134,470	8,178	312,791	-	312,791
Intersegment sales	144	134	-	8,180	708	11,779	20,946	(20,946)	-
Total	11,749	19,262	57,984	89,605	135,179	19,957	333,738	(20,946)	312,791
Operating profit	1,328	2,819	2,993	10,947	16,022	423	34,534	(11,892)	22,641

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	-	-	12,913	-	-	766	-	13,679

Nine months ended Dec. 31, 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	11,964	17,573	46,698	74,901	121,161	9,061	281,359	-	281,359
Intersegment sales	194	112	-	6,347	759	9,505	16,919	(16,919)	-
Total	12,158	17,685	46,698	81,248	121,920	18,566	298,278	(16,919)	281,359
Operating profit	1,221	2,080	564	10,864	14,044	1,287	30,063	(11,336)	18,726

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	-	-	1,755	-	-	-	-	1,755

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 nine months ended Dec. 31, 2019 has been reclassified and presented above based on the reporting segments after the organizational change.

8. Business combinations

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

Capital surplus: ¥31,572 million

Retained earnings: ¥116,527 million