

1st Quarter Consolidated Financial Results for the Year Ending March 31, 2018

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

August 3, 2017

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 : Misao Fudaba, President and CEO
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 Scheduled date for submitting financial statements : August 10, 2017
 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 Three Months Ended June 30, 2017

(Amounts are rounded down to the nearest million)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Jun. 30, 2017	112,281	8.3	15,759	△ 8.2	16,602	3.9	9,110	△ 13.7
Three months ended Jun. 30, 2016	103,696	△ 8.6	17,161	7.7	15,985	△ 6.5	10,562	△ 9.3

(Note) Comprehensive income : 12,323 millions of yen (-%) for the three months ended June 30, 2017 and △1,868 millions of yen (-%) for the three months ended June 30, 2016

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	26.31	-
Three months ended Jun. 30, 2016	30.35	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Jun. 30, 2017	600,655	399,455	62.3	1,081.04
As of Mar. 31, 2017	599,708	399,429	61.6	1,067.63

(Reference) Shareholders' equity : 374,260 millions of yen as of June 30, 2017 and 369,620 millions of yen as of March 31, 2017

2. Dividends

(Reference data)	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
Year ended Mar. 31, 2017	Yen -	Yen 13.00	Yen -	Yen 17.00	Yen 30.00
Year ending Mar. 31, 2018	-	-	-	-	-
Year ending Mar. 31, 2018 (Forecast)	-	16.00	-	16.00	32.00

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

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2018

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending Sep. 30, 2017	227,500	8.4	30,500	△ 0.3	31,000	5.0	18,000	△ 5.6	51.99
Year ending Mar. 31, 2018	460,000	4.5	61,000	△ 5.1	62,000	△ 6.4	37,000	△ 14.3	106.87

(Note) Revisions to the latest announced forecast of consolidated financial results : Not applicable

*Notes

(1) Changes in significant subsidiaries during the three months ended Jun. 30, 2017 : Not applicable
 (Note) Changes in specified subsidiaries that caused a change in the scope of consolidation

(2) Adoption of specific accounting methods : Not applicable

(3) Changes in accounting principles, procedures, and presentation methods
 i Changes due to revisions to accounting standards : Not applicable
 ii Changes other than (3)-i : Not applicable
 iii Changes accounting estimate : Not applicable
 iv Retrospective restatement : 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 Jun. 30, 2017	349,942,682 shares	As of Mar. 31, 2017	349,942,682 shares
ii Number of treasury shares at the end of each period	As of Jun. 30, 2017	3,738,213 shares	As of Mar. 31, 2017	3,737,941 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2017	346,204,631 shares	Three months ended Jun. 30, 2016	348,030,906 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) Operating results for the quarter under review

Looking at the world trends during the first quarter of FY2017 (three months ended June 30, 2017), the economy remained on a recovery track in the United States and Europe, and there were signs of recovery in the Chinese economy. The Japanese economy also continued to recover at a slow pace.

Amid such circumstances, the Group sales revenue for the three months under review totaled ¥112.281 billion (up 8.3% year-on-year). Operating income amounted to ¥15.759 billion (down 8.2% year-on-year), and ordinary income was ¥16.602 billion (up 3.9% year-on-year). Net income attributable to owners of the parent came to ¥9.110 billion (down 13.7% year-on-year).

Segment information is summarized as follows.

[Cellulosic Derivatives]

Sales revenue of cellulose acetate posted growth. Demand slightly decreased for LCD film applications, however increased for other applications.

As for acetate tow for cigarette filters, even amid the world-wide glut, sales volume remained almost unchanged due to our efforts in strengthening relationships with main customers and finding new customers. However, sales revenue dropped as sales were adversely affected by the softening of the market.

Consequently, overall segment sales revenue amounted to ¥22.140 billion (down 0.7% year-on-year). Operating income fell to ¥5.479 billion (down 13.9% year-on-year), due mainly to the negative impact of the softening of the market on acetate tow for cigarette filters.

[Organic Chemicals]

Acetic acid, our key product, posted a decline in sales volume as the biennial periodical maintenance of our Aboshi Plant was implemented during the period under review. However, there was only a small decline in sales revenue due mainly to an upward trend in the market.

Meanwhile, sales revenue of organic chemicals increased because of an increase in sales volume and other factors.

Performance chemicals also posted an increase in sales revenue thanks to an increase in sales volume for electronic materials and other factors.

Sales revenue of the chiral separation business, such as optical resolution columns, remained flat, due primarily to a decline in filler sales, despite an increase in contract separation service orders received.

Consequently, overall segment sales amounted to ¥19.596 billion (up 3.3% year-on-year). Operating income fell to ¥2.108 billion (down 39.4% year-on-year), due to the impact of rising raw material and fuel procurement prices, increases in R&D and depreciation costs, and other factors.

[Plastics]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), registered growth in sales volume supported by solid automobile production, which pushed up sales revenue as well.

Growth in sales revenue was also recorded by the plastic compound business centering on ABS resins and engineering plastic alloy resins, due to an increase in overseas sales volume, favorable foreign exchange rates and other factors.

As for the plastic processing business, including sheets, molded containers and films, sales revenue decreased due to a decline in sheets sales.

Consequently, overall segment sales amounted to ¥41.171 billion (up 8.8% year-on-year). Operating income was ¥5.741 billion (down 8.7% year-on-year), due to a rise in raw material and fuel procurement prices and other factors, despite an increase in sales volume.

[Pyrotechnic Devices]

The automobile airbag inflator (gas-generating device) and other automobile safety parts business achieved growth in sales revenue, thanks to an increase in inflator sales volume and other factors.

Aerospace & Defense business, which cover defense-related products, saw a decline in sales revenue due to a decline in volume of some products procured by the Ministry of Defense.

Consequently, overall segment sales came to ¥28.041 billion (up 20.4% year-on-year). Operating income rose to ¥6.029 billion (up 47.6% year-on-year), due to an increase in sales volume and other factors.

[Other Businesses]

In the membrane business, including membrane modules for water treatment, sales revenue increased, supported by increased apparatus sales.

Other businesses including the warehousing business also posted increases in sales revenue.

Consequently, overall segment sales amounted to ¥1.331 billion (up 3.7% year-on-year). Operating income was ¥23 million (down 73.9% year-on-year).

(2) Overview of the consolidated financial position for the quarter under review

Changes in assets, liabilities and equity

Total assets amounted to ¥600.655 billion, representing an increase of ¥947 million measured against the end of the previous consolidated fiscal year-end, or March 31, 2017, due primarily to increases in Inventories and investment securities, despite a decrease in notes and accounts receivable.

Total liabilities amounted to ¥201.199 billion, representing an increase of ¥920 million from March 31, 2017, due primarily to an increase in short-term loans payable.

Total net assets were ¥399.455 billion. Total shareholders' equity, which is net assets minus non-controlling interests, was ¥374.260 billion. The shareholders' equity ratio was 62.3%.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Jun. 30, 2017
Assets		
Current assets		
Cash and deposits	96,586	97,311
Notes and accounts receivable – trade	88,307	84,450
Securities	328	513
Inventories	100,657	103,667
Other	21,416	20,524
Allowance for doubtful accounts	(80)	(51)
Total current assets	<u>307,216</u>	<u>306,416</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,285	56,099
Machinery, equipment and vehicles, net	80,214	79,422
Land	26,760	26,767
Construction in progress	19,762	18,430
Other, net	4,158	4,983
Total property, plant and equipment	<u>185,180</u>	<u>185,703</u>
Intangible assets		
Goodwill	2,712	2,482
Other	6,915	7,096
Total intangible assets	<u>9,627</u>	<u>9,578</u>
Investments and other assets		
Investment securities	76,238	78,213
Other	21,606	20,902
Allowance for doubtful accounts	(162)	(159)
Total investments and other assets	<u>97,683</u>	<u>98,955</u>
Total non-current assets	<u>292,491</u>	<u>294,238</u>
Total assets	<u>599,708</u>	<u>600,655</u>

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Jun. 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable – trade	46,575	46,438
Short-term loans payable	7,788	11,655
Current portion of long-term loans payable	4,513	4,439
Income taxes payable	7,432	2,214
Provision for repairs	3,305	869
Other	39,712	42,485
Total current liabilities	109,327	108,104
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	29,983	29,988
Provision for directors' retirement benefits	89	91
Provision for repairs	17	–
Net defined benefit liability	12,159	12,224
Asset retirement obligations	1,036	1,050
Other	17,665	19,739
Total non-current liabilities	90,951	93,095
Total liabilities	200,278	201,199
Net assets		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,867	31,897
Retained earnings	266,462	269,687
Treasury shares	(4,025)	(4,025)
Total shareholders' equity	330,579	333,834
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,978	35,647
Deferred gains or losses on hedges	(16)	(37)
Foreign currency translation adjustment	4,212	4,822
Remeasurements of defined benefit plans	(134)	(6)
Total accumulated other comprehensive income	39,040	40,425
Non-controlling interests	29,809	25,195
Total net assets	399,429	399,455
Total liabilities and net assets	599,708	600,655

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2016	Three months ended Jun. 30, 2017
Net sales	103,696	112,281
Cost of sales	69,408	77,477
Gross profit	34,287	34,803
Selling, general and administrative expenses	17,126	19,043
Operating profit	17,161	15,759
Non-operating income		
Interest income	125	52
Dividend income	597	652
Share of profit of entities accounted for using equity method	141	249
Foreign exchange gains	-	67
Other	213	264
Total non-operating income	1,078	1,285
Non-operating expenses		
Interest expenses	238	279
Foreign exchange losses	1,860	-
Other	155	163
Total non-operating expenses	2,253	443
Ordinary profit	15,985	16,602
Extraordinary income		
Gain on disposal of non-current assets	3	1
Gain on sales of investment securities	892	118
Total extraordinary income	895	119
Extraordinary losses		
Loss on retirement of non-current assets	662	276
Loss on valuation of investment securities	75	-
Total extraordinary losses	738	276
Profit before income taxes	16,142	16,444
Income Taxes		
Income taxes - current	3,230	4,377
Income taxes - deferred	447	1,133
Total income taxes	3,677	5,510
Profit	12,464	10,934
Profit attributable to non-controlling interests	1,901	1,823
Profit attributable to owners of parent	10,562	9,110

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2016	Three months ended Jun. 30, 2017
Profit	12,464	10,934
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,209)	673
Deferred gains or losses on hedges	(21)	(38)
Foreign currency translation adjustment	(9,519)	539
Remeasurements of defined benefit plans, net of tax	103	149
Share of other comprehensive income of entities accounted for using equity method	(685)	64
Total other comprehensive income	(14,333)	1,389
Comprehensive income	(1,868)	12,323
Comprehensive income attributable to		
owners of parent	(1,650)	10,495
non-controlling interests	(217)	1,828

6. Segment Information

Three months ended Jun. 30, 2016

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	22,301	18,964	37,855	23,290	1,284	103,696	-	103,696
Intersegment sales	409	2,752	4	-	2,563	5,730	(5,730)	-
Total	22,710	21,717	37,859	23,290	3,847	109,426	(5,730)	103,696
Operating profit	6,366	3,479	6,291	4,085	88	20,312	(3,151)	17,161

Three months ended Jun. 30, 2017

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	22,140	19,596	41,171	28,041	1,331	112,281	-	112,281
Intersegment sales	420	3,654	2	-	2,600	6,677	(6,677)	-
Total	22,561	23,250	41,173	28,041	3,932	118,958	(6,677)	112,281
Operating profit	5,479	2,108	5,741	6,029	23	19,382	(3,622)	15,759

7. Significant Subsequent Event

On July 18, 2017, a fire accident occurred at our peracetic acid plant of the Ohtake Plant of Daicel Corporation. At this time, it is not possible to make a reasonable estimate of the impact of this incident on the consolidated financial results for the fiscal year ending March 31, 2018. The assets and the opportunity loss due to the plant shutdown are expected to be compensated for by insurance.