

Consolidated Financial Results for the Year Ended March 31, 2018

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

May 10, 2018

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
Contact person	: Masahiko Hirokawa, General Manager–Investor Relations & Corporate communications Phone +81-3-6711-8121
Scheduled date of the general meeting of shareholders	: June 22, 2018
Scheduled date for submitting financial statements	: June 25, 2018
Scheduled date for dividend payment	: June 25, 2018
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 Year Ended March 31, 2018 (Amounts are rounded down to the nearest million)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2018	462,956	5.2	58,932	(8.4)	61,093	(7.7)	37,062	(14.2)
Year ended Mar. 31, 2017	440,061	(2.2)	64,306	(0.1)	66,215	1.2	43,198	7.2

(Note) Comprehensive income: 44,214 millions of yen [(14.9%)] for the Year ended March 31, 2018 and 51,939 millions of yen [72.7%] for the Year ended March 31, 2017

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2018	107.81	–	9.8	9.8	12.7
Year ended Mar. 31, 2017	124.61	–	12.2	11.4	14.6

(Reference) Share of profit of entities accounted for using equity method: 1,336 millions of yen for the Year ended March 31, 2018 and 870 millions of yen for the Year ended March 31, 2017

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2018	644,078	413,541	59.8	1,136.32
Year ended Mar. 31, 2017	599,708	399,429	61.6	1,067.63

(Reference) Shareholders' equity: 384,876 millions of yen as of March 31, 2018 and 369,620 millions of yen as of March 31, 2017

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended Mar. 31, 2018	66,888	(33,189)	(1,962)	128,290
Year ended Mar. 31, 2017	86,168	(34,722)	(19,942)	96,275

2. Dividends

(Reference data)	Cash dividends per share					Dividends in total (Annual)	Dividend payout ratio (Consolidated basis)	Dividends to net assets (Consolidated basis)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended Mar. 31, 2017	–	13.00	–	17.00	30.00	10,386	24.1	2.9
Year ended Mar. 31, 2018	–	16.00	–	16.00	32.00	10,953	29.7	2.9
Year ending Mar. 31, 2019 (Forecast)	–	16.00	–	16.00	32.00		29.3	

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2019

(% of change from same period of previous year)

	Net sales		Operating income		Ordinary income		Net income 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, 2018	235,000	2.6	26,500	(15.9)	27,500	(17.0)	19,000	(3.0)	56.10
Year ending Mar. 31, 2019	478,000	3.2	51,000	(13.5)	53,000	(13.2)	37,000	(0.2)	109.24

*Notes

(1) Changes in significant subsidiaries during the Year ended Mar. 31, 2018: Not applicable

(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation

(2) Changes in accounting principles, procedures, and presentation methods

i Changes due to revisions to accounting standards: Not applicable

ii Changes other than (2)-i: Not applicable

iii Changes accounting estimate: Not applicable

iv Retrospective restatement: Not applicable

(3) Number of shares issued (common share)

i Number of shares issued at the end of each period (Including treasury shares)	As of Mar. 31, 2018	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 Mar. 31, 2018	11,239,478 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)	Year ended Mar. 31, 2018	343,761,655 shares	Year ended Mar. 31, 2017	346,660,483 shares

(Reference) Overview of the Unconsolidated Financial Results

Unconsolidated Financial Results for the Year Ended March 31, 2018

(Amounts are rounded down to the nearest million)

(1) Unconsolidated Operating Results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2018	239,638	4.4	22,075	(20.3)	37,675	(2.4)	27,079	(17.1)
Year ended Mar. 31, 2017	229,544	(2.8)	27,715	(14.5)	38,593	(10.3)	32,681	(4.5)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 31, 2018	78.77	-
Year ended Mar. 31, 2017	94.27	-

(2) Unconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2018	457,476	283,295	61.9	836.41
Year ended Mar. 31, 2017	423,755	279,009	65.8	805.91

(Reference) Shareholders' equity: 283,295 millions of yen as of March 31, 2018 and 279,009 millions of yen as of March 31, 2017

*This Financial Results report is not subject to audit.

*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 operating results for the fiscal year under review

During the fiscal year ended March 31, 2018, a continuing economic recovery was observed in the United States and Europe, along with rallying movement in the Chinese economy, while the Japanese economy continued its recovery at a moderate pace.

In such circumstances, the Daicel Group has been working hard to improve business performance by expanding sales volume while continuously reducing costs. However, rising raw fuel procurement costs, a weakening market for some flagship products, and the fire at the Ohtake Plant have had an effect. These factors have resulted in higher revenue in the consolidated fiscal year, but lower profits.

As a result, sales revenue for the consolidated fiscal year under review totaled ¥462.956 billion (up 5.2% year-on-year). On the income front, operating income amounted to ¥58.932 billion (down 8.4% year-on-year), ordinary income was ¥61.093 billion (down 7.7% year-on-year) and net income attributable to owners of the parent numbered in ¥37.062 billion (down 14.2% year-on-year).

(Unit: Billion Yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent
Year ended March 31, 2018	462.956	58.932	61.093	37.062
Year ended March 31, 2017	440.061	64.306	66.215	43.198
Change from previous year	22.895	-5.374	-5.122	-6.136
% of change	5.2	-8.4	-7.7	-14.2

Capital investment for the fiscal year under review

(Unit: Billion Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(USD/JPY)
Year ended March 31, 2018	29.327	1.491	30.819	30.042	1.677	31.720	18.843	111
Year ended March 31, 2017	38.648	0.880	39.528	27.511	1.519	29.031	16.806	109
Change from previous year	-9.321	0.611	-8.709	2.531	0.158	2.689	2.037	-
% of change	-24.1	69.4	-22.0	9.2	10.4	9.3	12.1	-

(Note) Depreciation and amortization do not include amortization of goodwill.

Information by Segment is summarized as follows.

[Cellulosic Derivatives]

Sales revenue of cellulose acetate remained flat. Demand decreased for LCD film applications, however it increased for other applications.

As for acetate tow for cigarette filters, even amid the world-wide glut, sales volume posted growth due to our efforts in strengthening relationships with main customers and finding new customers, and our business was affected by favorable foreign exchange rates. However, sales revenue slightly decreased as sales were adversely affected by the softening of the market.

Consequently, overall segment sales revenue amounted to ¥89.071 billion (down 0.5% year-on-year). Operating income fell to ¥19.354 billion (down 15.9% year-on-year), due mainly to the negative impact of the softening of the market on acetate tow for cigarette filters and an increase in raw material and fuel prices.

[Organic Chemicals]

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

Sales revenue of organic chemicals also increased because of an increase in sales volume and rising raw material and fuel procurement prices and the subsequent revision of selling prices, and other factors.

Sales revenue of performance chemicals remained flat. While sales volume of peracetic acid derivatives decreased due to a fire that occurred on July 18, 2017 at the Ohtake Plant, sales volume of other products for electronic materials registered an increase, and demand growth for some products in the cosmetics/healthcare was steady.

Sales revenue of the chiral separation business, such as optical resolution columns, increased as it was buoyed by increases in columns and chiral stationary phases (CSPs) sales, as well as the growth of new business in India.

Consequently, overall segment sales amounted to ¥82.043 billion (up 7.7 % year-on-year). Operating income fell to ¥7.918 billion (down 31.4% year-on-year), due to the impact of rising raw material and fuel procurement prices, increases in R&D and depreciation costs, aftereffects of the fire at the Ohtake Plant and other factors.

[Plastics]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), registered growth in sales revenue, supported by increases in demand for automobile parts and smartphones, an increase in sales volume resulting from progress in new parts adoption, rising raw material and fuel procurement prices and the subsequent revision of selling prices, favorable foreign exchange rates and other factors.

Growth in sales revenue was also recorded by the plastic compound business centering on ABS resins and engineering plastic alloy resins, due primarily to rising raw material and fuel procurement prices and the subsequent revision of selling prices, favorable foreign exchange rates and other factors despite an decrease in sales volume in mainly overseas markets.

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

Consequently, overall segment sales amounted to ¥168.260 billion (up 7.2% year-on-year). Despite a rise in raw material and fuel procurement prices, operating income rose to ¥23.253 billion (up 7.9% year-on-year), thanks to an increase in sales volume and other factors.

[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, favorable foreign exchange rates and other factors.

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

Consequently, overall segment sales came to ¥117.186 billion (up 5.4% year-on-year). Operating income also rose to ¥22.173 billion (up 4.2% year-on-year), due to an increase in sales volume and other factors.

[Other Businesses]

Regarding the membrane business, including membrane modules for water treatment, sales revenue remained unchanged.

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

Consequently, overall segment sales amounted to ¥6.394 billion (up 2.4% year-on-year). Operating income was ¥753 million (up 1.6% year-on-year).

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

Total assets as of March 31, 2018 were ¥644.078 billion, an increase of ¥44.37 billion from March 31, 2017, due primarily to increases in cash and deposits, notes and accounts receivable, inventories, and other factors.

Total liabilities were ¥230.536 billion, an increase of ¥30.258 billion from March 31, 2017 due primarily to increases in notes and accounts payable and bonds payable, despite decreases in long-term loans payable and deferred tax liabilities and other factors.

Total net assets were ¥ 413.541 billion. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥384.876 billion. Shareholders' equity ratio was 59.8%.

(3) Overview of cash flow for the fiscal year under review

Cash flow from operating activities

Cash flow from operating activities during the consolidated fiscal year under review increased by ¥66.888 billion (vs. an increase of ¥86.168 billion in the same period last year). The increase in funds was mainly attributable to ¥59.229 billion of net income before income taxes and ¥32.229 billion of depreciation and amortization.

Meanwhile, the main factor for the decrease in funds was a payment of ¥16.607 billion for corporate income taxes.

Cash flow from investment activities

Cash flow from investment activities during the consolidated fiscal year under review decreased by ¥33.189 billion (vs. a decrease of ¥34.722 billion in the same period last year). The main factors for the decrease in funds were expenditures of ¥32.11 billion for the purchase of property, plant, and equipment.

Cash flow from financing activities

Cash flow from operating activities during the consolidated fiscal year under review decreased by ¥1.962 billion (vs. a decrease of ¥19.942 billion in the same period last year). The increase in funds was mainly attributable to ¥29.849 billion of income from bonds. Meanwhile, main factors accounting for the decrease in funds were ¥4.499 billion of repayment of long-term loans, an expenditure of ¥9.979 billion for acquisition of treasury stock, ¥11.412 billion in dividend payments and ¥8.153 billion in dividends paid to non-controlling interests.

As a result of the above, cash and cash equivalents on March 31, 2018 totaled ¥128.29 billion.

Reference: Trends in cash flow indicators

	March 2015	March 2016	March 2017	March 2018
Shareholders' equity per total assets (%)	57.3	60.2	61.6	59.8
Shareholders' equity per total assets on market value basis (%)	89.1	95.9	77.4	61.1
Ratio of interest-bearing liabilities to cash flow (year)	1.5	1.1	0.8	1.5
Interest coverage ratio (times)	40.0	56.3	88.7	56.2

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market value basis: Market capitalization/Total assets

Ratio of interest-bearing debts to cash flow: Interest-bearing debts/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/Interest expenses

1. Each indicator is calculated based on consolidated financial results.
 2. Market capitalization is calculated by multiplying the closing price at year-end by the number of outstanding shares at year-end (excluding treasury stocks).
 3. Cash flow from operating activities is the net cash reported on the consolidated statement of cash flow.
- Interest-bearing debts include all consolidated balance sheet-reported liabilities on which interest is paid. For interest expenses, the amount of interest payment reported on the consolidated statement of cash flow is used.

(4) Outlook

With regard to the world economy looking ahead, a moderate recovery is expected to continue. This will be supported by an increase in corporate profits, a better employment and income environment in developed countries, and abating anxiety over an economic slowdown in emerging countries. Meanwhile, an uncertain business environment is likely to continue, given ongoing concerns with regard to protectionist trade policies and geopolitical risks.

In such circumstances, as the Daicel Group's business grows and our corporate foundations are strengthened, costs are expected to rise, though we will work to expand sales in every segment possible while continuing to reduce costs.

Our anticipated earnings for the fiscal year ending March 31, 2019 are as follows.

Consolidated Earnings Estimates

Sales revenue	¥478.0 billion	(up 3.2% year-on-year)
Operating income	¥51.0 billion	(down 13.5% year-on-year)
Ordinary income	¥53.0 billion	(down 13.2% year-on-year)
Net income attributable to owners of the parent	¥37.0 billion	(down 0.2% year-on-year)

For these forecasts, we assume an exchange rate of ¥110/US dollar, (Asian spot) methanol price of US\$330/ton, Dubai crude oil price of US\$62/bbl and domestic naphtha price of ¥47,000/kl.

The forecasts above are based on currently available information. Actual results may differ from these forecasts due to a number of factors.

Outlook for the fiscal year ending March 31, 2019

(Unit: Billion Yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent
Year ending March 31, 2019	478.000	51.000	53.000	37.000
Year ended March 31, 2018	462.956	58.932	61.093	37.062
Change from previous year	15.044	-7.932	-8.093	-0.062
% change	3.2	-13.5	-13.2	-0.2

Outlook for sales by segment

(Unit: Billion Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Other Businesses
Year ending March 31, 2019	86.600	87.000	183.100	114.000	7.300
Year ended March 31, 2018	89.071	82.043	168.260	117.186	6.394
Change from previous year	-2.471	4.957	14.840	-3.186	0.906
% change	-2.8	6.0	8.8	-2.7	14.2

Outlook for operating income by segment

(Unit: Billion Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Corporate & Eliminations
Year ending March 31, 2019	15.500	12.000	23.700	15.500	0.800	-16.500
Year ended March 31, 2018	19.354	7.918	23.253	22.173	0.753	-14.520
Change from previous year	-3.854	4.082	0.447	-6.673	0.047	-1.980
% change	-19.9	51.6	1.9	-30.1	6.2	-13.6

Outlook for capital investment, etc.

(Unit: Billion Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(USD/JPY)
Year ending March 31, 2019	42.500	1.500	44.000	29.000	1.000	30.000	22.000	110
Year ended March 31, 2018	29.327	1.491	30.819	30.042	1.677	31.720	18.843	111
Change from previous year	13.173	0.009	13.181	-1.042	-0.677	-1.720	3.157	-
% change	44.9	0.6	42.8	-3.5	-40.4	-5.4	16.8	-

Note: Depreciation and amortization do not include amortization of goodwill.

(5) Progress on the mid-term management plan and achievement of target management benchmarks

The Daicel Group has implemented the 3D-III mid-term plan, a three-year plan that extends to FY2019 (ending March 2020), as the final step toward achieving our long-term “Grand Vision 2020.” In the last year of 3D-III (FY2019), we are aiming for ¥500 billion in consolidated group sales with an operating income of ¥70 billion, while striving to keep ROE at 10% or above.

In the consolidated fiscal year under review—the first year of the mid-term plan—we steadily increased sales toward the 3D-III targets (sales of ¥500 billion and operating income of ¥70 billion in FY2019), but operating income dropped due to rising raw fuel procurement costs and such factors as a softening market for acetate tow for cigarette filters and aftereffects of the fire at the Ohtake Plant. Pertaining to the fire, with safety as our top priority we resumed the production of peracetic acid derivatives in December 2017.

The Daicel Group will continue pursuing concrete measures to achieve the targets in the mid-term plan. We plan to adopt “open innovation” methods in the growth fields of medical/health care and electronics to accelerate the creation of new business units.

(6) Basic policy regarding profit distribution and dividends for the current and next fiscal years

Daicel’s basic dividend policy is to distribute profits in a balanced manner, taking fully into consideration a shareholder return that is in line with the Company’s consolidated financial results in each fiscal year, as well as the need to build internal reserves in order to improve medium-to-long-term shareholder value based on a more robust revenue base. The Company will also buy back its treasury stocks in an agile manner as another form of shareholder return intended to complement dividend payments.

As for the number of dividend payments in each fiscal year, we pay dividends twice a year based on the date of record: at the end of the second quarter and at the end of the year.

Internal reserves will be applied to investment in business expansion and reinforcement of highly-profitable business structures, such as R&D for new business development and strengthening of existing businesses, new construction and expansion of facilities, and efficiency improvement measures. Through future business development, we will ensure growing benefits to our shareholders.

In our 3D-III mid-term plan, a three-year plan that started in FY2017 (ended March 2018), we set a target dividend ratio of 30%, and aim to acquire treasury stock in an agile manner.

Based on the policy outlined above, we will hold discussions on the payment of an ordinary year-end dividend of ¥16 per share at the 152nd Annual General Meeting of Shareholders to be held on June 22, 2018. This, together with the interim dividend of ¥16 per share that was already paid in December 2017, will achieve an annual dividend of ¥32 per share for a dividend payout ratio of 29.7% for the year under review. Meanwhile, the Company acquired 7.5 million shares of treasury stock worth approximately ¥10 billion between August 2017 and January 2018.

For the next fiscal year, Daicel currently plans to pay an annual dividend of ¥32 per share (including an interim dividend of ¥16).

5. Management Policy

(1) Basic policy on corporate management

(2) Mid-to-long-term corporate management strategies and target management indices

These sections are omitted since there are no significant changes in the information disclosed in the Consolidated Financial Results for the year ended March 31, 2017 (released on May 10, 2017).

The above-mentioned Consolidated Financial Results are available at the following URL.

Daicel's website:

<https://www.daicel.com/en/ir/library.html>

(3) Issues for the company to address

While maintaining safe operations and assuring product safety and quality as our top priorities—fundamental for any manufacturer—the Daicel Group has worked out a three-year mid-term plan (3D-III) covering FY2017 (ended March 2018) to FY2019 (ending March 2020) to help us achieve “Grand Vision 2020,” our long-term goals.

Under this mid-term plan, we will further expand our initiatives to become a “best solutions” company as set up by the 3D-I and 3D-II plans. We will accelerate the growth of existing businesses along with the creation of new business units through proactive investments, including M&A. In creating new business units, we seek to build businesses that will become pillars of future growth. We will do this by utilizing open innovation to incorporate a broad range of ideas from customers, universities and others outside the Group.

6. Basic concept regarding the selection of accounting standards

The Daicel Group will continue to prepare consolidated financial statements in accordance with Japanese standards, while taking into account the need to compare consolidated financial statements across different accounting periods and companies.

The Daicel Group will adopt International Accounting Standards, as appropriate, in consideration of circumstances in Japan and overseas.

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Mar. 31, 2018
Assets		
Current assets		
Cash and deposits	96,586	125,358
Notes and accounts receivable – trade	88,307	93,256
Securities	328	3,929
Inventories	100,657	109,295
Deferred tax assets	6,631	5,353
Other	14,785	17,418
Allowance for doubtful accounts	(80)	(44)
Total current assets	307,216	354,567
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,285	58,320
Machinery, equipment and vehicles, net	80,214	79,607
Tools, furniture and fixtures, net	4,158	5,305
Land	26,760	26,754
Construction in progress	19,762	14,053
Total property, plant and equipment	185,180	184,041
Intangible assets		
Goodwill	2,712	1,894
Other	6,915	6,694
Total intangible assets	9,627	8,589
Investments and other assets		
Investment securities	76,238	76,390
Deferred tax assets	1,505	1,102
Net defined benefit asset	5,303	5,321
Other	14,797	14,241
Allowance for doubtful accounts	(162)	(174)
Total investments and other assets	97,683	96,880
Total non-current assets	292,491	289,510
Total assets	599,708	644,078

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Mar. 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	46,575	56,213
Short-term loans payable	7,788	10,117
Current portion of bonds	–	10,000
Current portion of long-term loans payable	4,513	3,733
Income taxes payable	7,432	4,271
Provision for repairs	3,305	37
Other	39,712	34,034
Total current liabilities	109,327	118,409
Non-current liabilities		
Bonds payable	30,000	50,000
Long-term loans payable	29,983	25,884
Deferred tax liabilities	16,158	14,634
Net defined benefit liability	12,159	12,279
Provision for directors' retirement benefits	89	39
Provision for repairs	17	869
Provision for environmental measures	–	4,000
Asset retirement obligations	1,036	1,238
Other	1,506	3,180
Total non-current liabilities	90,951	112,126
Total liabilities	200,278	230,536
Net assets		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,867	31,642
Retained earnings	266,462	292,104
Treasury shares	(4,025)	(14,004)
Total shareholders' equity	330,579	346,017
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,978	33,410
Deferred gains or losses on hedges	(16)	58
Foreign currency translation adjustment	4,212	4,805
Remeasurements of defined benefit plans	(134)	583
Total accumulated other comprehensive income	39,040	38,858
Non-controlling interests	29,809	28,665
Total net assets	399,429	413,541
Total liabilities and net assets	599,708	644,078

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2017	Year ended Mar. 31, 2018
Net sales	440,061	462,956
Cost of sales	303,229	325,754
Gross profit	136,832	137,201
Selling, general and administrative expenses	72,526	78,269
Operating income	64,306	58,932
Non-operating income		
Interest income	305	269
Dividend income	1,515	1,500
Share of profit of entities accounted for using equity method	870	1,336
Rent income on non-current assets	529	530
Subsidy income	248	609
Miscellaneous income	1,695	587
Total non-operating income	5,165	4,834
Non-operating expenses		
Interest expenses	958	1,203
Foreign exchange losses	1,599	730
Miscellaneous expenses	698	738
Total non-operating expenses	3,256	2,672
Ordinary income	66,215	61,093
Extraordinary income		
Gain on disposal of non-current assets	70	391
Gain on sales of investment securities	2,513	3,914
Insurance income	-	854
Total extraordinary income	2,584	5,159
Extraordinary losses		
Loss on sales of non-current assets	23	-
Loss on retirement of non-current assets	3,361	2,260
Loss on sales of investment securities	51	-
Claim compensation expenses	989	85
Loss on disaster	-	677
Provision for environmental measures	-	4,000
Total extraordinary losses	4,426	7,023
Income before income taxes	64,373	59,229
Income taxes		
Income taxes - current	15,996	14,537
Income taxes for prior periods	690	-
Income taxes - deferred	(2,439)	225
Total income taxes	14,246	14,763
Net income	50,126	44,466
Net income attributable to non-controlling interests	6,928	7,404
Net income attributable to owners of parent	43,198	37,062

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2017	Year ended Mar. 31, 2018
Net income	50,126	44,466
Other comprehensive income		
Valuation difference on available-for-sale securities	3,546	(1,563)
Deferred gains or losses on hedges	222	113
Foreign currency translation adjustment	(1,340)	91
Remeasurements of defined benefit plans, net of tax	(210)	869
Share of other comprehensive income of entities accounted for using equity method	(404)	236
Total other comprehensive income	1,813	(252)
Comprehensive income	51,939	44,214
Comprehensive income attributable to		
owners of parent	44,937	36,880
non-controlling interests	7,001	7,334

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Mar. 31, 2017	Year ended Mar. 31, 2018
Cash flows from operating activities		
Income before income taxes	64,373	59,229
Depreciation	29,926	32,229
Amortization of goodwill	910	727
Increase (decrease) in provision for environmental measures	-	4,000
Interest and dividend income	(1,821)	(1,770)
Interest expenses	958	1,203
Share of loss (profit) of entities accounted for using equity method	(870)	(1,336)
Loss (gain) on disposal of non-current assets	(47)	(391)
Loss on retirement of non-current assets	3,361	2,260
Loss (gain) on sales of investment securities	(2,461)	(3,914)
Decrease (increase) in notes and accounts receivable - trade	(4,161)	(5,243)
Decrease (increase) in inventories	3,778	(8,624)
Increase (decrease) in notes and accounts payable - trade	(3,165)	9,952
Other, net	9,220	(6,336)
Subtotal	99,999	81,987
Interest and dividend income received	3,412	2,697
Interest expenses paid	(971)	(1,190)
Income taxes paid	(16,272)	(16,607)
Net cash provided by (used in) operating activities	86,168	66,888
Cash flows from investing activities		
Net decrease (increase) in time deposits	468	241
Net decrease (increase) in short-term investment securities	59	(575)
Purchase of property, plant and equipment	(37,201)	(32,110)
Proceeds from sales of property, plant and equipment	521	415
Purchase of intangible assets	(812)	(1,322)
Purchase of investment securities	(524)	(5,103)
Proceeds from sales and redemption of investment securities	5,232	6,641
Payments of loans receivable	(76)	(499)
Collection of loans receivable	51	73
Other, net	(2,440)	(948)
Net cash provided by (used in) investing activities	(34,722)	(33,189)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	831	2,268
Proceeds from long-term loans payable	5,771	513
Repayments of long-term loans payable	(5,318)	(4,499)
Proceeds from issuance of bonds	-	29,849
Purchase of treasury shares	(4,001)	(9,979)
Proceeds from sales of treasury shares	-	0
Cash dividends paid	(9,036)	(11,412)
Dividends paid to non-controlling interests	(6,259)	(8,153)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,930)	(549)
Net cash provided by (used in) financing activities	(19,942)	(1,962)
Effect of exchange rate change on cash and cash equivalents	(465)	278
Net increase (decrease) in cash and cash equivalents	31,037	32,014
Cash and cash equivalents at beginning of period	65,237	96,275
Cash and cash equivalents at the end of period	96,275	128,290

(5) Additional Information

In order to provide for costs possibly arisen by specific measures including soil improvement, we have recorded Provisions for environmental measures for the Year ended March 31, 2018.

Due to formulation of the plant construction plan at Himeji Production Sector/Aboshi Plant, we have decided to implement soil improvement work at planned construction site so as to meet applicable laws and regulations. An estimated improvement cost is 4,000 million yen and is reported as Provisions for environmental measures in Extraordinary Losses.

8. Segment Information

Year ended Mar. 31, 2017

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	89,476	76,193	156,946	111,199	6,244	440,061	-	440,061
Intersegment sales	2,009	12,725	16	-	10,456	25,207	(25,207)	-
Total	91,485	88,919	156,963	111,199	16,701	465,269	(25,207)	440,061
Operating income	23,000	11,538	21,551	21,278	741	78,111	(13,804)	64,306
Assets	112,748	74,563	158,135	111,154	6,598	463,200	136,507	599,708
Other								
Depreciation	9,293	5,364	5,043	7,906	271	27,880	1,151	29,031
Amortization of goodwill	-	-	427	482	-	910	-	910
Investment in equity method investees	6,674	140	2,562	-	-	9,377	-	9,377
Capital expenditure	8,267	9,192	5,145	12,625	368	35,598	3,930	39,528

Year ended Mar. 31, 2018

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	89,071	82,043	168,260	117,186	6,394	462,956	-	462,956
Intersegment sales	2,136	17,735	8	-	10,605	30,486	(30,486)	-
Total	91,207	99,779	168,269	117,186	17,000	493,442	(30,486)	462,956
Operating income	19,354	7,918	23,253	22,173	753	73,452	(14,520)	58,932
Assets	107,392	75,909	159,933	112,894	7,392	463,522	180,555	644,078
Other								
Depreciation	9,545	7,098	4,887	8,453	340	30,326	1,394	31,720
Amortization of goodwill	-	-	233	493	-	727	-	727
Investment in equity method investees	7,201	141	2,718	-	-	10,061	-	10,061
Capital expenditure	4,475	7,815	4,732	11,342	923	29,289	1,529	30,819

9. Related Information

(1) Product and Service Information

Year ended Mar. 31, 2018

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total
Net sales to outside customers	89,071	82,043	168,260	117,186	6,394	462,956

(2) Geographic Information

(i) Net sales

Year ended Mar. 31, 2018

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
216,884	70,902	86,626	88,542	462,956

(ii) Property, plant and equipment

Year ended Mar. 31, 2018

(Unit: Millions of Yen)

Japan	Asia			Other	Total
	China	Malaysia	Other		
117,225	21,197	15,123	14,070	16,424	184,041

10. Information of Goodwill

Year ended Mar. 31, 2018

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Corporate and eliminations	Total
Amortization	-	-	233	493	-	-	727
Final Balance	-	-	-	1,894	-	-	1,894