



FY ended March 2018

Consolidated Financial Results

May 10, 2018

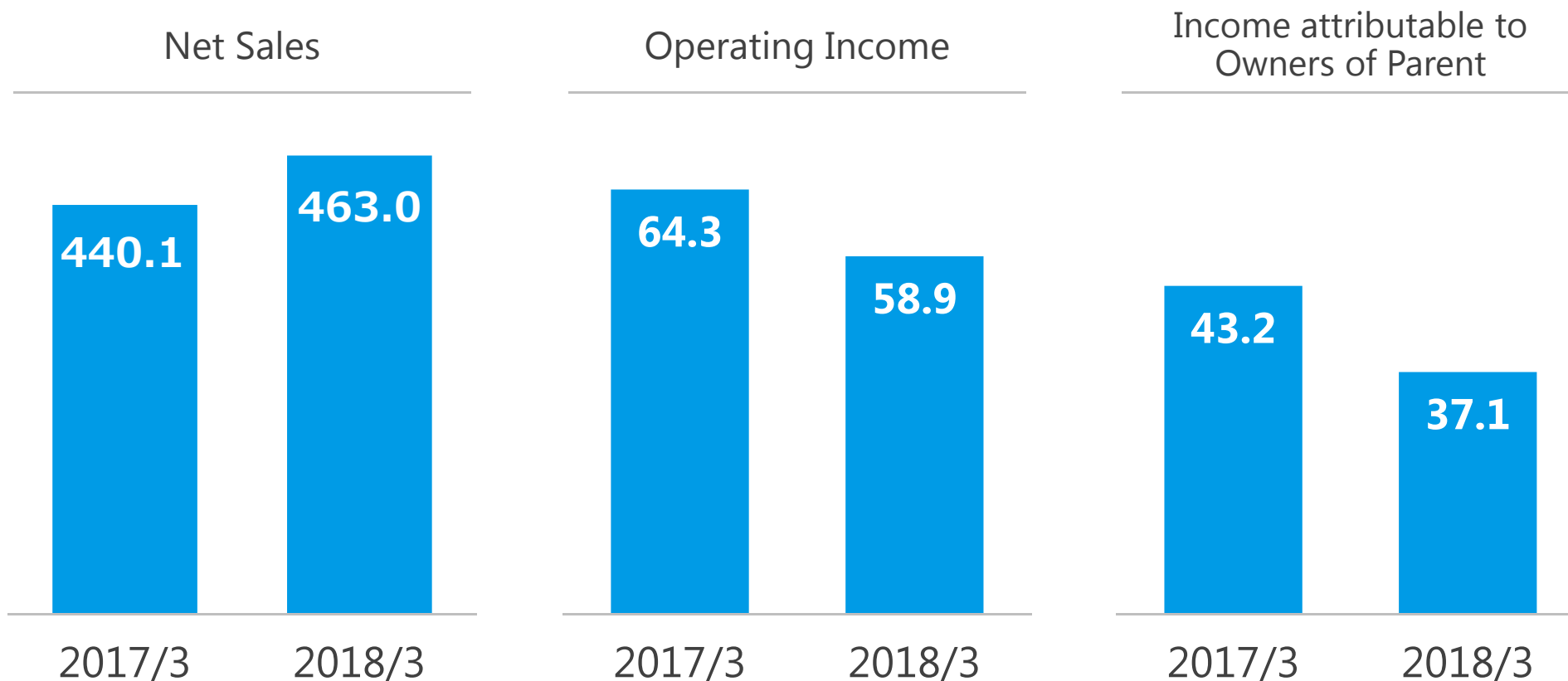
**DAICEL CORPORATION**

## Index

1. Consolidated Financial Results	P. 3
2. Forecast - FY ending March 2019	P. 6
3. Capital Expenditures/ Depreciation and amortization	P. 8
4. Information by Segment	P. 11
5. Return to Shareholders	P. 15
6. References	P. 16

**Highlights**

(billion yen)



- Increase in Net Sales, due mainly to an increase in sales volume of pyrotechnic devices and plastics, as well as the revision of selling prices
- Decrease in Operating Income due mainly to rising raw material and fuel procurement prices and a fire at the Ohtake Plant

## Operating Results

(billion yen)

	2017/3	2018/3	Change	Rate of change
Net sales	440.1	463.0	+22.9	+5.2%
Operating income	64.3	58.9	△5.4	△8.4%
Non-operating income and expenses	1.9	2.2	+0.3	+13.3%
Ordinary income	66.2	61.1	△5.1	△7.7%
Extraordinary income and losses	△1.8	△1.9	△0.0	△1.2%
Income before income taxes	64.4	59.2	△5.1	△8.0%
Income attributable to owners of parent	43.2	37.1	△6.1	△14.2%
ROE	12.2%	9.8%	△2.4%	
Operating income Ratio (%)	14.6%	12.7%	△1.9%	

## Prices of Raw Materials

	2017/3	2018/3
Methanol Asian spot price (USD/ton)	277	338
Crude oil Dubai (USD/bbl)	41	56
Domestic Naphtha (JPY/kl)	34,750	41,950

## Exchange rate

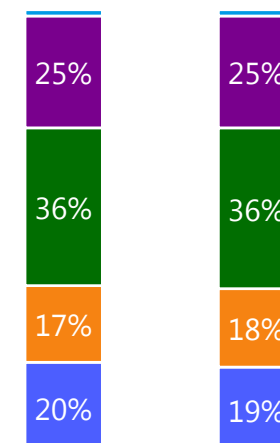
	2017/3	2018/3
USD/JPY	109	111

## Net Sales and Operating Income by Segment

(billion yen)

Net Sales		2017/3	2018/3	Change	Rate of change	Analysis	
						Quantity	Prices
	Cellulosic Derivatives	89.5	89.1	△0.4	△0.5%	+2.3	△2.7
	Organic Chemicals	76.2	82.0	+5.9	+7.7%	△0.2	+6.0
	Plastics	156.9	168.3	+11.3	+7.2%	+5.8	+5.5
	Pyrotechnic Devices	111.2	117.2	+6.0	+5.4%	+2.9	+3.1
	Others	6.2	6.4	+0.2	+2.4%	+0.2	-
	Total	440.1	463.0	+22.9	+5.2%	+11.0	+11.9 <sup>※1</sup>

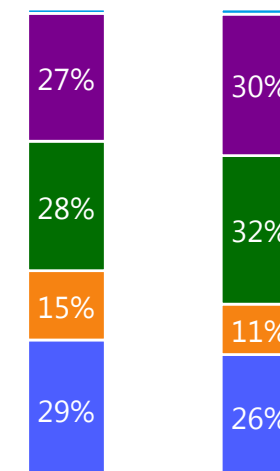
Composition ratio



※1 Including Exchange rate impact +5.5.

Operating Income		2017/3	2018/3	Change	Rate of change	Analysis		
						Quantity	Prices	Other
	Cellulosic Derivatives	23.0	19.4	△3.6	△15.9%	+1.3	△4.5	△0.5
	Organic Chemicals	11.5	7.9	△3.6	△31.4%	+0.7	+1.9	△6.2
	Plastics	21.6	23.3	+1.7	+7.9%	+4.4	△0.8	△2.0
	Pyrotechnic Devices	21.3	22.2	+0.9	+4.2%	+5.6	△0.5	△4.3
	Others	0.7	0.8	+0.0	+1.6%	+0.0	-	-
	Corporate and elimination	△13.8	△14.5	△0.7	△5.2%	-	-	△0.7
	Total	64.3	58.9	△5.4	△8.4%	+12.0	△3.8 <sup>※2</sup>	△13.6

Composition ratio



※2 Including Exchange rate impact +1.5.

 Forecast

(billion yen)

	2018/3 (Results)	2019/3 (Forecast)	Change	Rate of change
Net sales	463.0	478.0	+15.0	+3.2%
Operating income	58.9	51.0	△7.9	△13.5%
Ordinary income	61.1	53.0	△8.1	△13.2%
Income attributable to owners of parent	37.1	37.0	△0.1	△0.2%
Operating income Ratio (%)	12.7%	10.7%	△2.0%	

## Prices of Raw Materials

	2017/3 (Results)	2018/3 (Forecast)
Methanol Asian spot price (USD/ton)	338	330
Crude oil Dubai (USD/bbl)	56	62
Domestic Naphtha (JPY/kl)	41,950	47,000

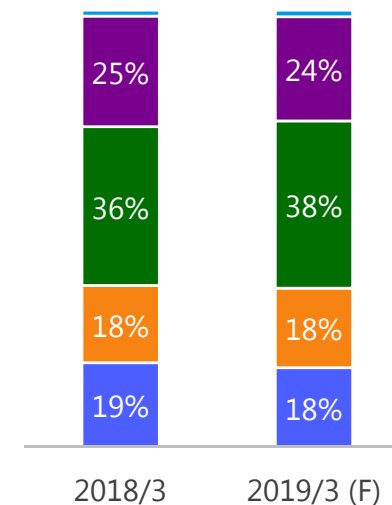
## Exchange rate

	2017/3 (Results)	2018/3 (Forecast)
USD/JPY	111	110

## Forecast - Net Sales and Operating income by Segment - (billion yen)

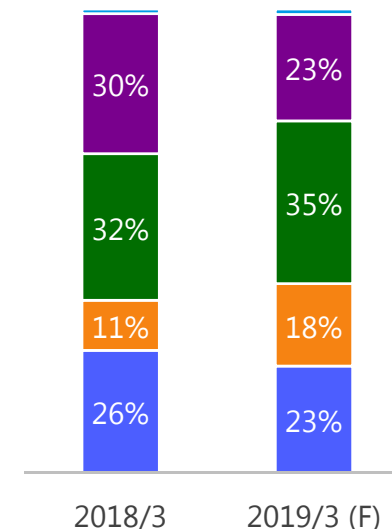
Net Sales		2018/3 (Results)	2019/3 (Forecast)	Change	Rate of change
Cellulosic Derivatives		89.1	86.6	△2.5	△2.8%
Organic Chemicals		82.0	87.0	+5.0	+6.0%
Plastics		168.3	183.1	+14.8	+8.8%
Pyrotechnic Devices		117.2	114.0	△3.2	△2.7%
Others		6.4	7.3	+0.9	+14.2%
<b>Total</b>		<b>463.0</b>	<b>478.0</b>	<b>+15.0</b>	<b>+3.2%</b>

Composition ratio



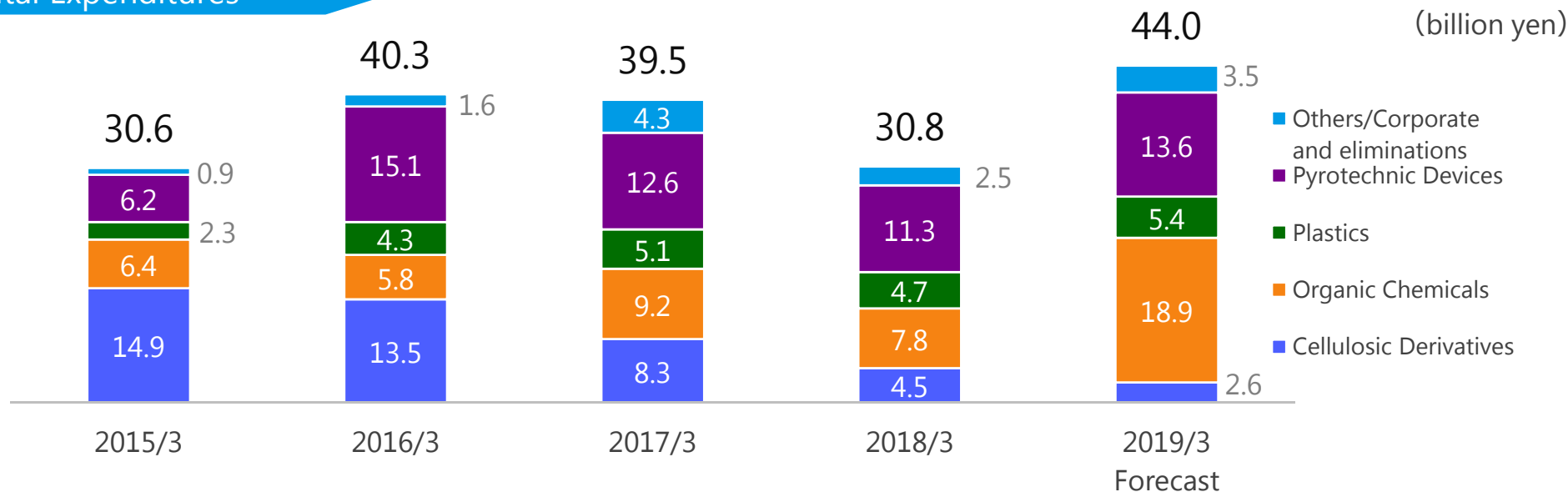
Operating income		2018/3 (Results)	2019/3 (Forecast)	Change	Rate of change
Cellulosic Derivatives		19.4	15.5	△3.9	△19.9%
Organic Chemicals		7.9	12.0	+4.1	+51.6%
Plastics		23.3	23.7	+0.4	+1.9%
Pyrotechnic Devices		22.2	15.5	△6.7	△30.1%
Others		0.8	0.8	+0.0	+6.2%
Corporate and elimination		△14.5	△16.5	△2.0	△13.6%
<b>Total</b>		<b>58.9</b>	<b>51.0</b>	<b>△7.9</b>	<b>△13.5%</b>

Composition ratio

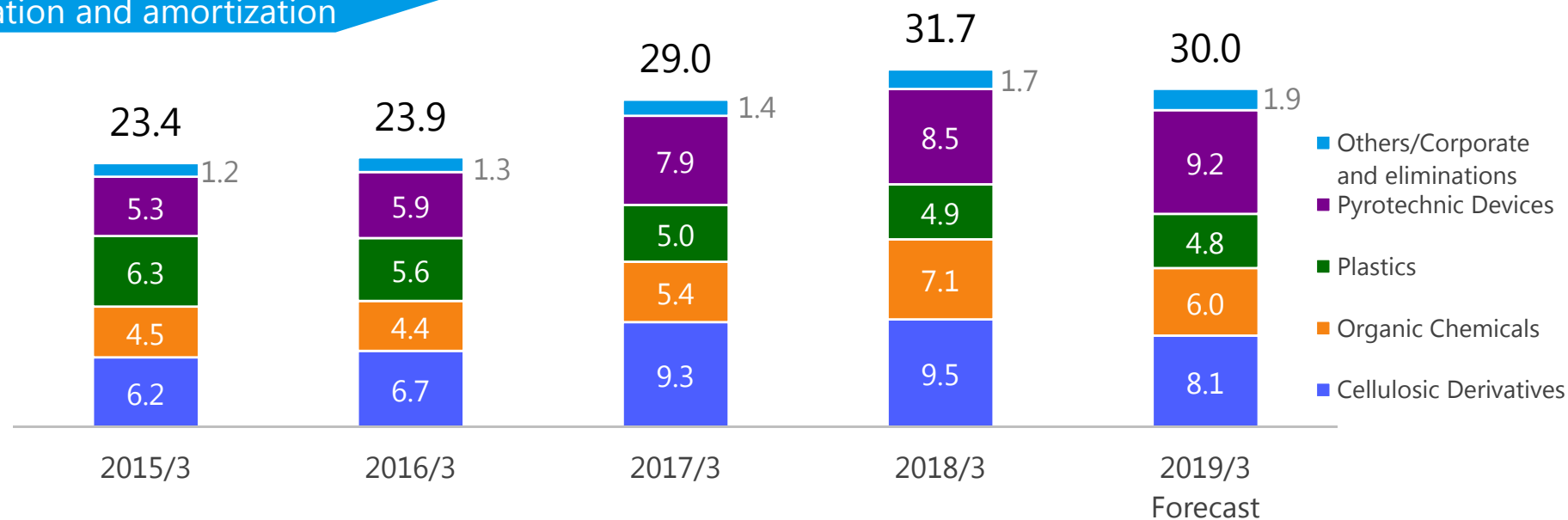


### 3. Capital Expenditures/Depreciation and amortization

#### Capital Expenditures



#### Depreciation and amortization





#### Major Capital Expenditures Plans in FY ending March 2019

##### ■ Organic Chemicals

- Renewal of CO(Carbon Monoxide) plant
- New facility for innovation, "Innovation Center Arai" (at Arai Plant)

##### ■ Plastics

- Increase in production capacity of Engineering Plastic Compounds (Taiwan, Malaysia)

##### ■ Pyrotechnic Devices

- New production facility for initiators in China
- Increase in production capacity for inflators
- Installation of demonstration facility for gas generants
- Implementation of globally integrated management system utilizing image processing technology

#### Major Capital Expenditures Plans After April 1, 2019

##### ■ Organic Chemicals

- New plant for 1.3BG (under consideration)

##### ■ Plastics

- Increase in POM production capacity (under consideration)
- Installation of new clean coaters for development of functional films

##### ■ Pyrotechnic Devices

- Increase inflator production capacity
- New facility for innovation, "Innovation Center Harima" (at Harima Plant)

##### ■ Common to Segments

- Integrated Production Center (IPC) at Ohtake Plant
- New facility for developing and assuring functions at Aboshi Plant
- New boiler at Aboshi Plant

## TOPICS of FY ending March 2019

### 1. Renewal of CO(Carbon Monoxide) plant



- Renewal of CO plant, producing CO as one of raw materials for Acetic Acid
- Optimization of raw materials in line with renewal of CO plant (Switch from Asphalt to Coal)
- Development of stable operations and stabilization of raw material costs as a result

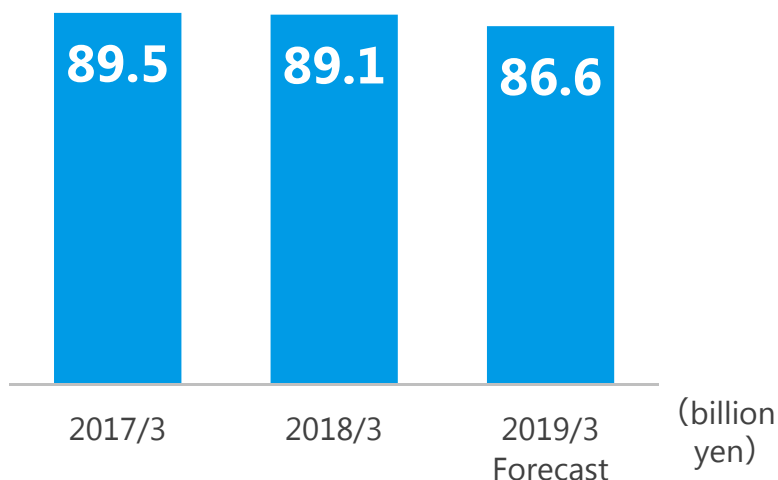
### 2. Suspension of 2-year Continuous Operation: Aboshi Acetic Acid plant and CO plant



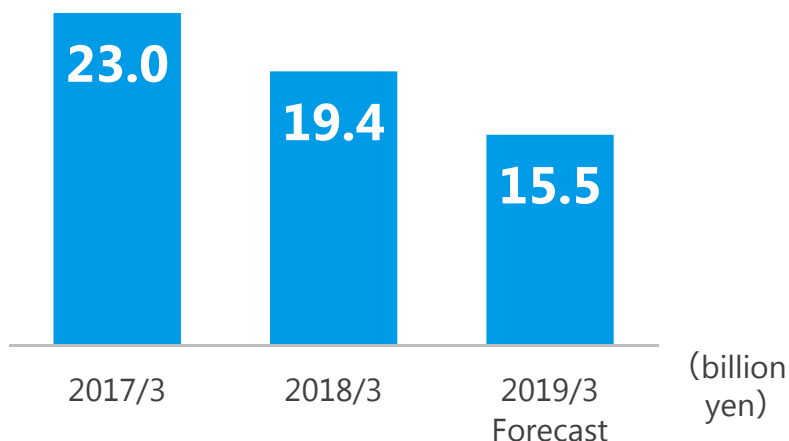
- For production increase purposes, we have been conducting 2-year continuous operation and maintaining our accreditation as an "Accredited Safety Inspection Executor" as per the High Pressure Gas Safety Act
- However, to construct the new CO plant, we have suspended 2-year continuous operation and will thus defer renewal of the accreditation.
- Performance of continuous stable operations for 2 or more years at the new CO plant is required to apply for accreditation as an "Accredited Safety Inspection Executor," and these conditions will be met at a later date.

## Cellulosic Derivatives

### Net Sales



### Operating income



**Net Sales**  $\Delta$ 0.4 billion yen (Exchange rate impact +1.4 billion yen)

(Cellulose Acetate : Flat)

- Demand decreased for LCD film applications
- Demand increased for other applications

(Acetate Tow for Cigarette Filters : Slightly Decrease)

- Increased in sales volume due to our efforts in strengthening relationships with main customers and developing new customers
- Decline in selling price due to softening of the market

**Operating Income**  $\Delta$ 3.6 billion yen

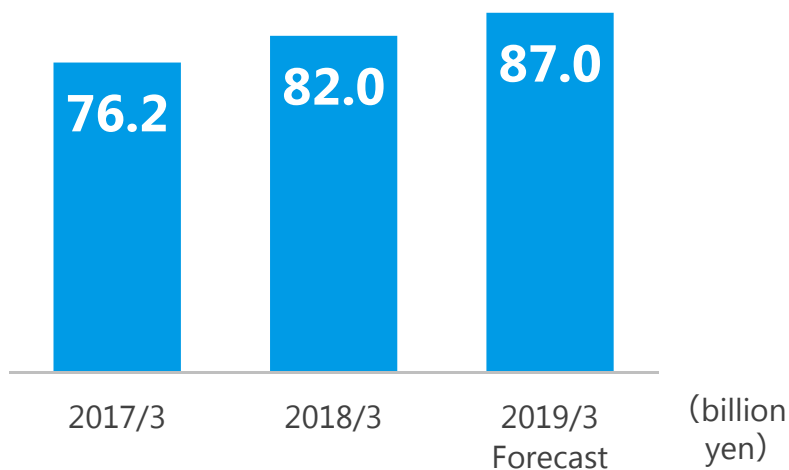
- Decrease due mainly to the negative impact of the softening of the market and an increase in raw material and fuel prices.

### 2019/3 Forecast : Decrease in sales and income

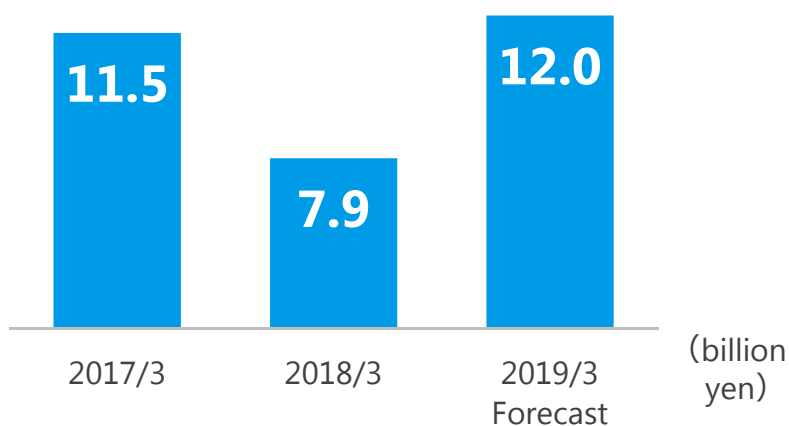
- Cellulose acetate: Decreased demand for LCD film applications, and increase for other applications such as acetate tow for cigarette filters
- Acetate Tow for Cigarette Filters: In world-wide glut, but full-capacity operation will be maintained. Increase in sales volume, decline in selling price

# Organic Chemicals

## Net Sales



## Operating income



### Net Sales +5.9 billion yen (Exchange rate impact +0.5 billion yen)

(Acetic Acid : Increase)

- Decrease in sales volume because of the biennial periodic maintenance of our Aboshi Plant. ■ Upward trend in the market.

(Organic Chemicals : Increase)

- Increase in sales volume. ■ The revision of selling prices resulted from rising raw material and fuel procurement prices.

(Performance Chemicals : Flat)

- Sales volume of peracetic acid derivatives decreased due to the fire.
- Sales volume of other products for electronic materials increased.
- Steady demand for cosmetics/healthcare.

(Chiral Separation business : Increase)

- Increase in column and chiral stationary phase (CSP) sales.
- Growth of new business in India.

### Operating Income $\Delta$ 3.6 billion yen

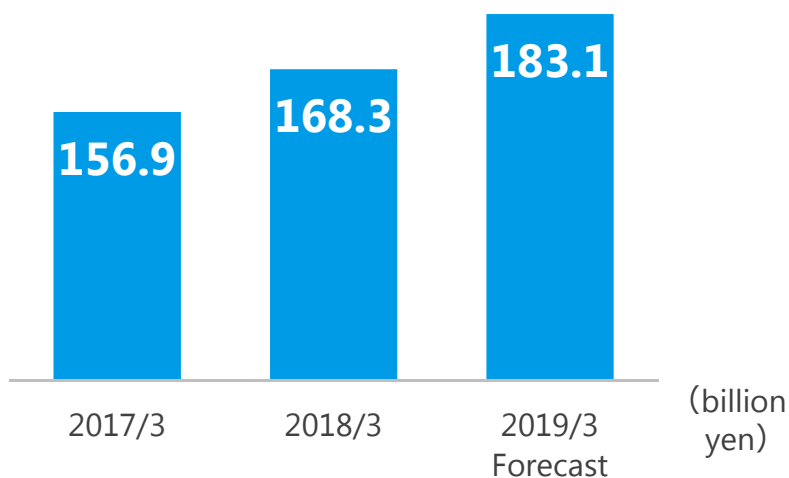
- Decrease due mainly to the impact of rising raw material and fuel procurement prices, increases in R&D and depreciation costs.

## 2019/3 Forecast : Increase in sales and income

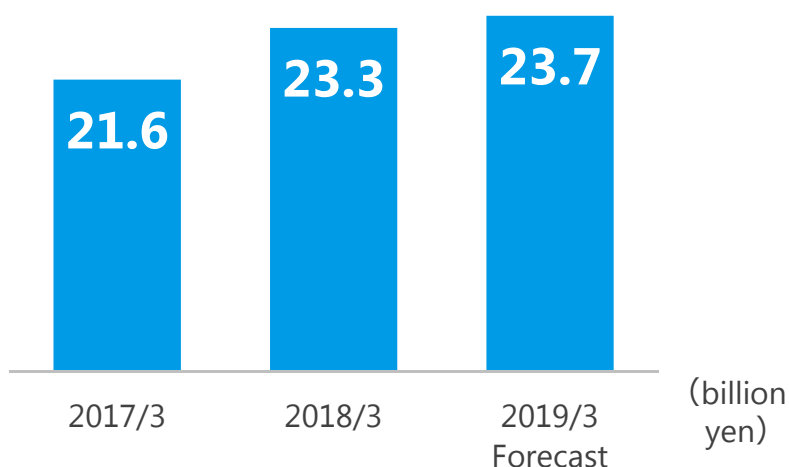
- Acetic acid: Upward trend in the market
- Performance Chemicals: Increase in sales due to increase in electronic materials products and cosmetics/healthcare, increase in sales of peracetic acid derivatives due to recovery of the peracetic acid plant
- Full recovery of the peracetic acid plant in autumn 2018.

# Plastics

## Net Sales



## Operating income



### Net Sales +11.3 billion yen (Exchange rate impact +2.0 billion yen)

(Engineering Plastics business : Increase)

- Increase in sales volume due to growing demand for automobile parts and smartphones and progress in adoption of new parts.
- Effect of the revision of selling prices resulting from rising raw material and fuel cost, and foreign exchange rates fluctuations.

(Plastic Compound business : Increase)

- Decrease in sales volume in mainly overseas markets.
- Effect of the revision of selling prices resulting from rising raw material and fuel cost, and foreign exchange rates fluctuations.

(Plastic Processing business : Decrease)

- Decrease in sheet sales.

### Operating Income +1.7 billion yen

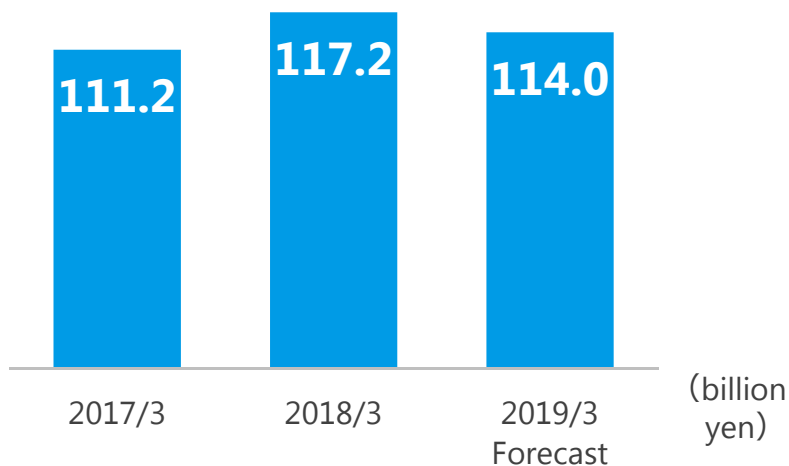
- Increase due mainly to an increase in sales volume, despite a rise in raw material and fuel costs.

## 2019/3 Forecast : Increase in sales and income

- Engineering Plastics: Increase in sales volume due to growing demand / Operating income will remain flat due to rising raw fuel costs and increased costs for future growth.
- Mainly due to an increase in sales of Plastic Compound business, increased income in this segment

# Pyrotechnic Devices

Net Sales



**Net Sales +6.0 billion yen** (Exchange rate impact +1.6 billion yen)

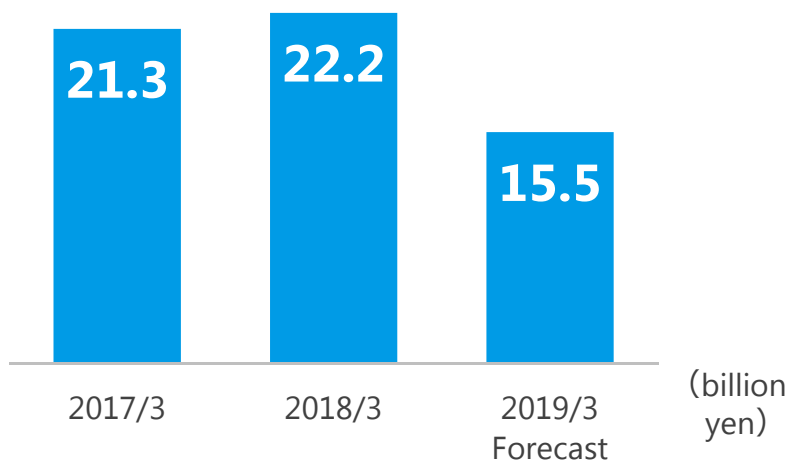
(Automobile Safety Parts business : **Increase**)

- Increase in inflator sales volume.
- Favorable foreign exchange rates.

(Aerospace & Defense business : **Decrease**)

- Decrease in volume of some products procured by the Ministry of Defense.

Operating income



**Operating Income +0.9 billion yen**

- Increase due to an increase in sales volume and other factors.

## 2019/3 Forecast : Decrease in sales and income

- Increase in sales volume of inflators
- Decrease in income mainly due to change in sales composition and decrease in sales volume of initiators
- Increase in R&D costs for future growth and cost for strengthening of business foundations, such as assuring product safety and quality control.

## Return to Shareholders

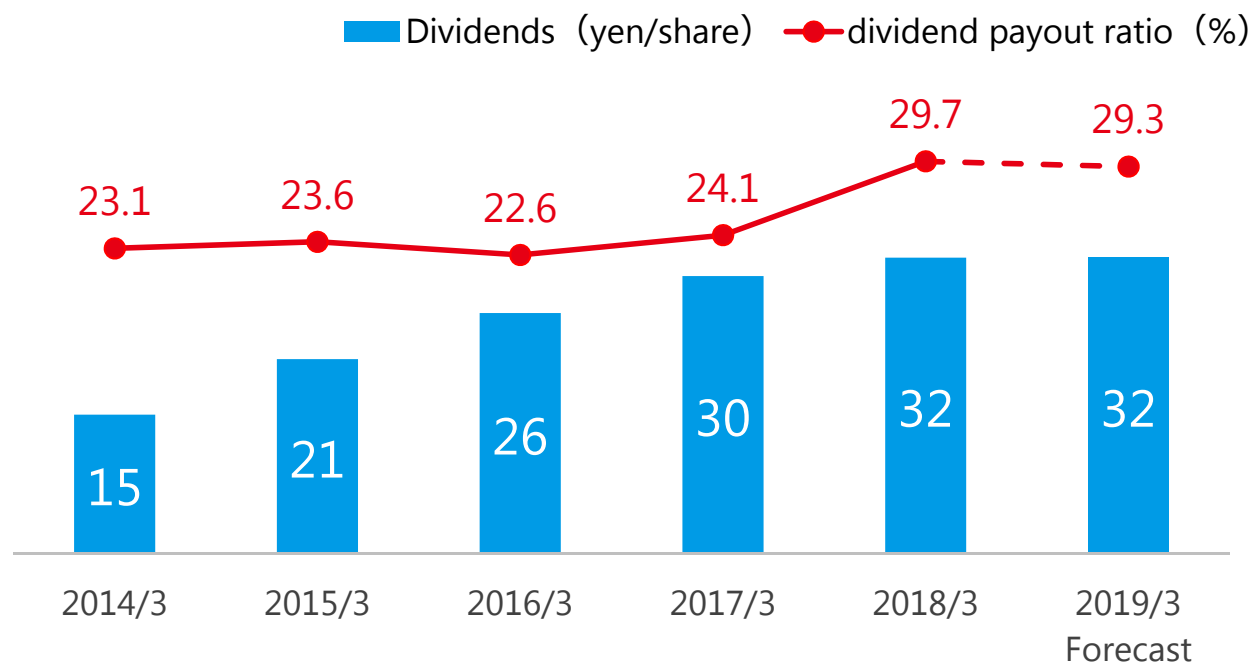
### FY ended March 2018

- Dividends for 2nd half : 16 yen per share, Annual dividends : 32 yen per share  
\*Comparison with the previous year : 2 yen dividend increase
- Buyback of 7.5 million shares of company stock for approximately 10 billion yen.

### FY ending March 2019

- Forecast of Annual dividends : 32 yen per share
- Intent to buy back 8.3 million shares of company stock for maximum 10 billion yen.

Dividends (yen/share)	2018/3 (Results)	2019/3 (Forecast)
For 1st half	16	16
For 2nd half	16	16
Annual	32	32



# REFERENCES



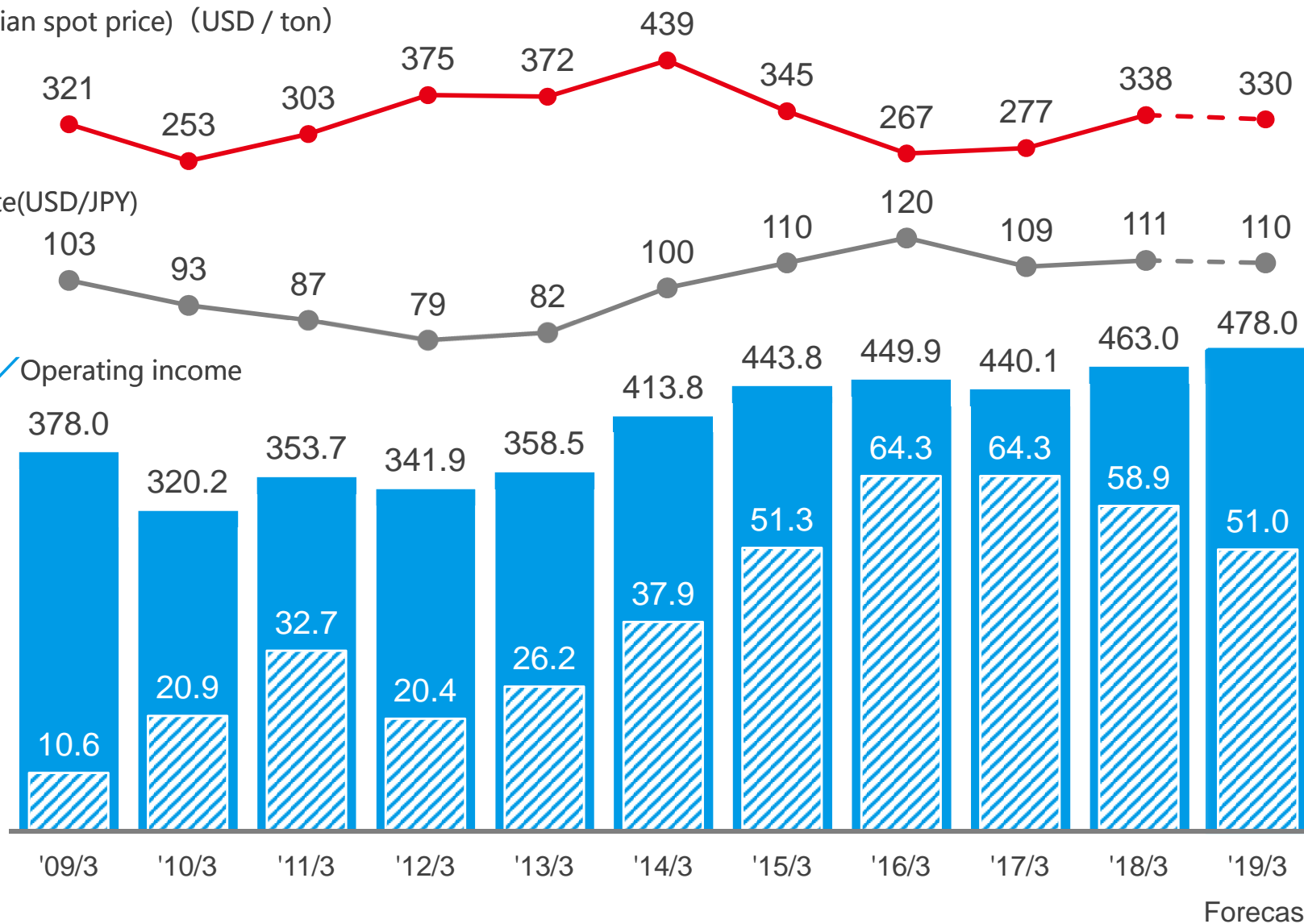
## Trend in Net Sales and Operating Income and Forecast

(billion yen)

● Methanol(Asian spot price) (USD / ton)

● Exchange rate(USD/JPY)

■ Net Sales / Operating income



## Consolidated Balance Sheet

(billion yen)

		Mar. 31, 2017	Mar. 31, 2018	Change	Remarks
<b>Total current assets</b>		307.2	354.6	+47.4	
	Cash, deposits and short-term investment securities	96.9	129.3	+32.4	
	Notes and accounts receivable-trade	88.3	93.3	+4.9	
	Inventories	100.7	109.3	+8.6	
	Other	21.3	22.7	+1.4	
<b>Total non-current assets</b>		292.5	289.5	△ 3.0	
	Property, plant and equipment	185.2	184.0	△ 1.1	Acquisition+29.3, Depreciation△30.0, Retirement△0.4
	Intangible fixed assets	9.6	8.6	△ 1.0	
	Investments and other assets	97.7	96.9	△ 0.8	
<b>Total assets</b>		<b>599.7</b>	<b>644.1</b>	<b>+44.4</b>	
<b>Liabilities</b>		200.3	230.5	+30.3	
	Interest-bearing liabilities	72.3	99.7	+27.5	Bonds+30.0, Interest-bearing liabilities ratio 15.5%
	Other	128.0	130.8	+2.8	
<b>Total net assets</b>		399.4	413.5	+14.1	Capital adequacy ratio 59.8%
<b>Total liabilities and net assets</b>		<b>599.7</b>	<b>644.1</b>	<b>+44.4</b>	


 Consolidated Cash Flow Statement

(billion yen)

	2017/3	2018/3	Change
Cash flows from operating activities	86.2	66.9	△19.3
Cash flows from investing activities	△34.7	△33.2	+1.5
Free cash flows	51.4	33.7	△17.7
Cash flows from financing activities	△19.9	△2.0	+18.0
Other	△0.5	0.3	+0.7
Net increase (decrease) in cash and cash equivalents	31.0	32.0	+1.0
Cash and cash equivalents at end of period	96.3	128.3	+32.0

## Quarterly Results for Sales and Operating income

(billion yen)

Net Sales	FY ended March 2017				FY ended March 2018			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Cellulosic Derivatives	22.3	21.2	21.8	24.3	22.1	22.9	22.8	21.2
Organic Chemicals	19.0	17.5	18.8	20.9	19.6	19.5	20.5	22.5
Plastics	37.9	38.5	40.8	39.8	41.2	42.5	43.4	41.1
Pyrotechnic Devices	23.3	27.4	29.9	30.7	28.0	30.1	28.4	30.7
Others	1.3	1.6	1.7	1.7	1.3	1.7	1.6	1.8
<b>Total</b>	<b>103.7</b>	<b>106.1</b>	<b>112.9</b>	<b>117.3</b>	112.3	116.8	116.7	117.3

Operating income	FY ended March 2017				FY ended March 2018			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Cellulosic Derivatives	6.4	5.3	5.4	5.9	5.5	5.5	4.7	3.7
Organic Chemicals	3.5	2.2	2.8	3.0	2.1	1.5	2.0	2.3
Plastics	6.3	5.0	5.4	4.8	5.7	6.4	5.5	5.6
Pyrotechnic Devices	4.1	4.4	6.7	6.1	6.0	5.6	5.7	4.8
Others	0.1	0.2	0.2	0.2	0.0	0.2	0.1	0.3
Corporate and eliminations	△3.2	△3.7	△3.0	△4.0	△3.6	△3.6	△3.2	△4.1
<b>Total</b>	<b>17.2</b>	<b>13.4</b>	<b>17.5</b>	<b>16.2</b>	15.8	15.7	14.6	12.8

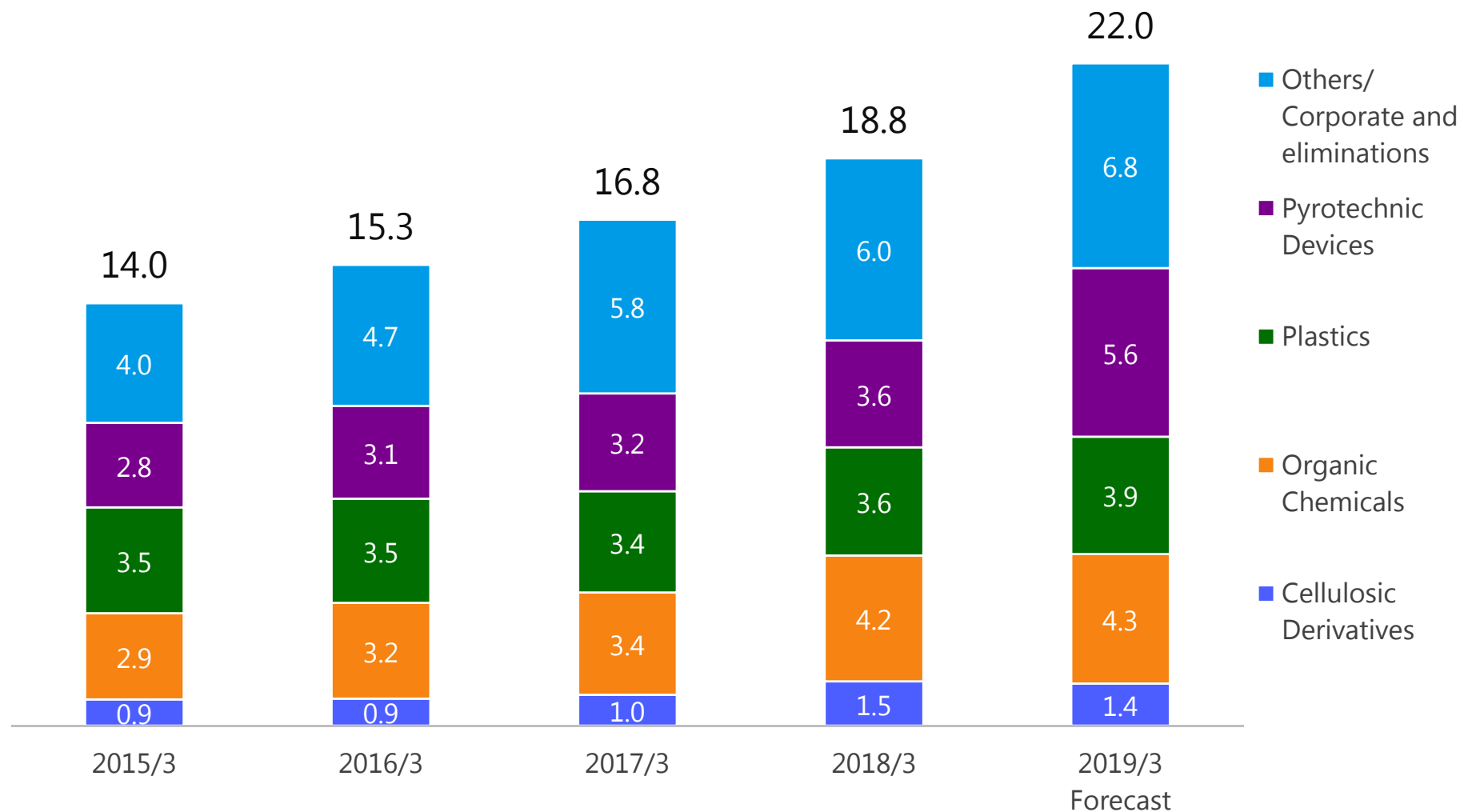

 Forecast - Financial Forecast -

(billion yen)

		FY ended March 2018 (Results)			FY ending March 2019 (Forecast)			Change (B)-(A)
		1st half	2nd half	Total(A)	1st half	2nd half	Total(B)	
	Cellulosic Derivatives	45.1	44.0	89.1	43.1	43.5	86.6	△2.5
	Organic Chemicals	39.1	42.9	82.0	43.0	44.0	87.0	+5.0
	Plastics	83.7	84.5	168.3	90.6	92.5	183.1	+14.8
	Pyrotechnic Devices	58.1	59.1	117.2	55.1	58.9	114.0	△3.2
	Others	3.0	3.4	6.4	3.2	4.1	7.3	+0.9
Net sales		<b>229.0</b>	<b>233.9</b>	<b>463.0</b>	<b>235.0</b>	<b>243.0</b>	<b>478.0</b>	<b>+15.0</b>
	Cellulosic Derivatives	11.0	8.3	19.4	8.5	7.0	15.5	△3.9
	Organic Chemicals	3.6	4.3	7.9	6.0	6.0	12.0	+4.1
	Plastics	12.2	11.1	23.3	12.0	11.7	23.7	+0.4
	Pyrotechnic Devices	11.6	10.5	22.2	7.9	7.6	15.5	△6.7
	Others	0.3	0.5	0.8	0.3	0.5	0.8	+0.0
	Corporate and eliminations	△7.2	△7.3	△14.5	△8.2	△8.3	△16.5	△2.0
Operating income		<b>31.5</b>	<b>27.4</b>	<b>58.9</b>	<b>26.5</b>	<b>24.5</b>	<b>51.0</b>	<b>△7.9</b>
Ordinary income		<b>33.1</b>	<b>27.9</b>	<b>61.1</b>	<b>27.5</b>	<b>25.5</b>	<b>53.0</b>	<b>△8.1</b>
Income attributable to owners of parent		<b>19.6</b>	<b>17.5</b>	<b>37.1</b>	<b>19.0</b>	<b>18.0</b>	<b>37.0</b>	<b>△0.1</b>
(ref.) Exchange rate USD/JPY		111	111	111	110	110	110	

R&D

(billion yen)



### Major R&D themes

#### ■ Cellulosic Derivatives

- Development of Production Technology and enhancement of Quality Competitiveness
- Development of new applications and products based on Cellulose material

#### ■ Organic Chemicals

- Application of Process Innovation Technology to production plants to strengthen competitiveness of existing products
- Development of bio-separation/refinement business related to Chiral Business
- Expansion of our original materials and compounding technology to Cosmetic Market
- Developing electronic materials such as FDP/ArF resist materials and raw metal solvents, along with strengthening sales activities

#### ■ Plastics

- Development of high spec engineering plastics in line with environmental requirements

#### ■ Pyrotechnic Devices

- Research and development into new types of gas generants and inflators
- Developing new products utilizing pyrotechnic technology

#### ■ Others/Corporate

##### **Medical, health care**

###### Medical appliances and materials

- Development of new drug delivery devices utilizing pyrotechnic technology
- Development of excipients to facilitate delivery of drugs (orally disintegrating tablets)
- Health care (functional foods)

###### Health care (functional foods)

- Development of new raw materials for functional foods

##### **Electronics**

###### Performance film

- Development of hard-coat films for displays
- Development of process films for clean energy production units

###### Electronic materials

- Development of materials related to 3D-IC (3D- integrated circuits)
- Development of materials related to printed electronics

###### Optical devices

- Development of UV cured lens for smartphones



## Assumptions

		FY ended March 2018		FY ending March 2019	
		1st half (Results)	2nd half (Results)	1st half (Forecast)	2nd half (Forecast)
Exchange rate (USD/JPY)		111	111	110	110
Raw Materials	Methanol Asian spot price (USD/ton)	295	380	330	330
	Crude oil Dubai (USD/bbl)	50	62	62	62
	Domestic Naphtha (JPY/kl)	37,600	46,300	47,000	47,000



- The purpose of this document is to provide information and not to persuade any individual to take any action in response to the information contained in this document. Daicel has made the greatest possible effort to prepare this document with accurate information. The information in this document, however, may be inaccurate and may involve risk, and we do not guarantee the accuracy or reliability of this information.
- The reader is advised that the use of the information in this document is at your own risk. Any investment according to the prospects, target values, etc. appearing in this document might result in a loss. Daicel accepts no responsibility for such an eventuality.

All rights reserved by Daicel Corporation.

This document shall not be copied or distributed to a third party without the permission of Daicel Corporation.

