

FY ending March 2020 1<sup>st</sup> Quarter

Consolidated Financial Results

Aug. 1, 2019

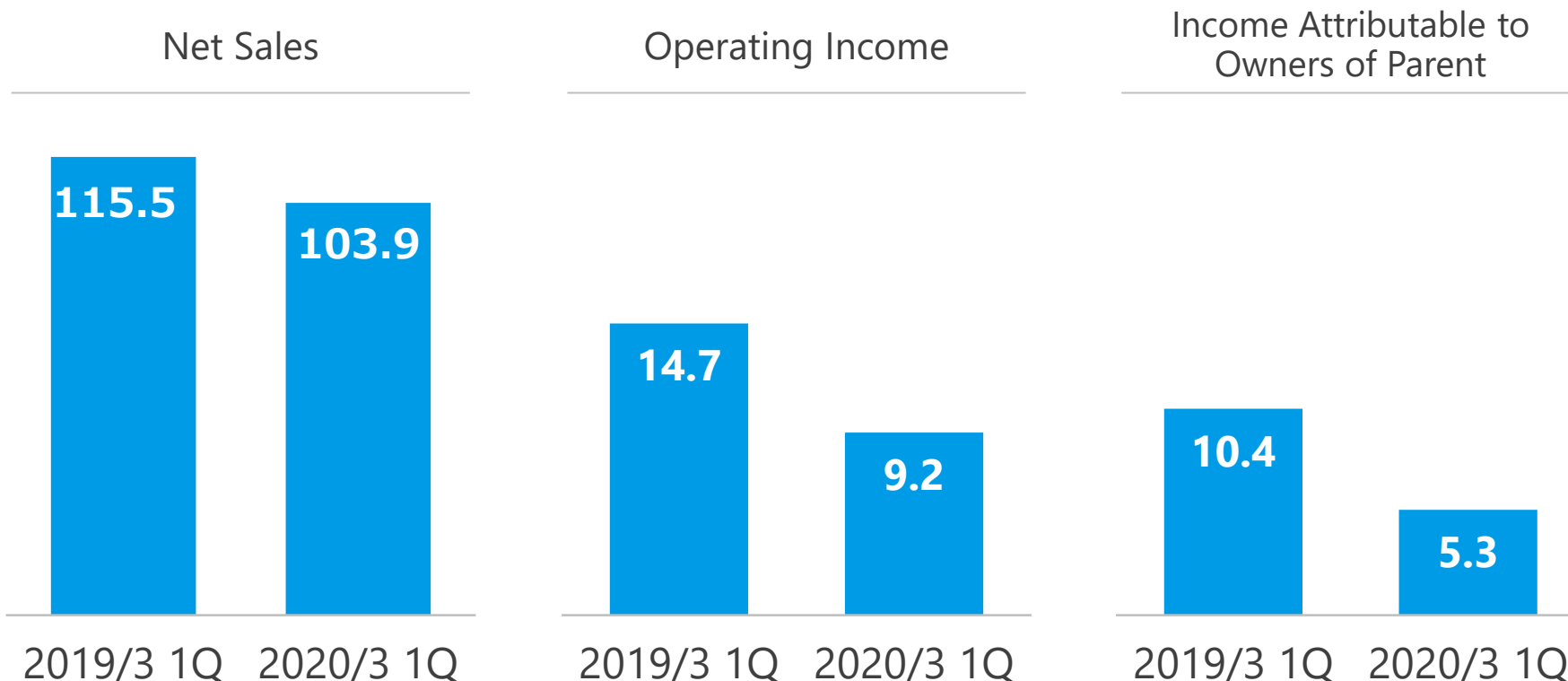
**DAICEL CORPORATION**

## Index

<u>1. Consolidated Financial Results</u>	P. 3
<u>2. Information by Segment</u>	P. 6
<u>3. Initiatives to Improve Profitability</u>	P. 10
<u>4. References</u>	P. 11

## Highlights

(billion yen)



- Compared to the same period of the previous fiscal year, there was a decrease in Net Sales and Operating Income, due mainly to the influence of a decline in the market for acetic acid and the economic slowdown in China, as well as the decrease in sales volume of Cellulose Acetate and Automobile Airbag Inflators.
- Compared to the forecast, the impact of a decrease in Net Sales resulting from China's economic slowdown was greater than expected. On the other hand, Operating Income was as expected due to our efforts towards cost reduction.

## Operating Results

(billion yen)

	2019/3 1Q	2020/3 1Q	Change	Rate of Change
Net Sales	115.5	103.9	-11.6	-10.1%
Gross Profit	34.4	29.3	-5.1	-14.7%
Operating Income	14.7	9.2	-5.5	-37.7%
Non-operating Income and Expenses	1.9	0.3	-1.6	-83.3%
Ordinary Income	16.6	9.5	-7.2	-43.0%
Extraordinary Income and Losses	-0.1	-0.3	-0.2	-392.3%
Income Before Income Taxes	16.6	9.2	-7.4	-44.4%
Income Attributable to Owners of Parent	10.4	5.3	-5.1	-48.9%
Operating Income Ratio (%)	12.7%	8.8%	-3.9%	

### Exchange Rate

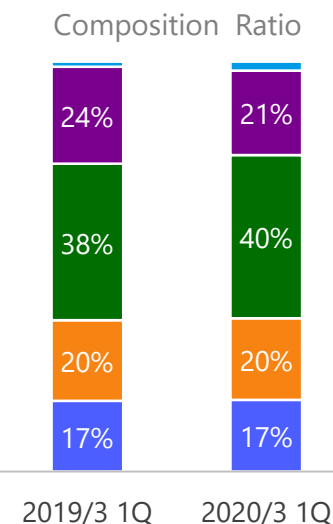
	2019/3 1Q	2020/3 1Q
USD/JPY	109	110

## Net Sales and Operating Income by Segment

(billion yen)

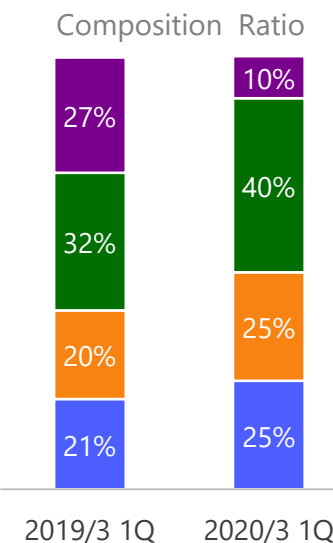
Net Sales		2019/3 1Q	2020/3 1Q	Change	Rate of Change	Analysis	
						Quantity	Prices
	Cellulosic Derivatives	19.9	18.2	-1.7	-8.7%	-1.5	-0.2
	Organic Chemicals	22.7	20.7	-2.0	-9.0%	-1.6	-0.5
	Plastics	44.1	41.4	-2.7	-6.2%	-2.3	-0.4
	Pyrotechnic Devices	27.3	21.4	-5.9	-21.7%	-5.1	-0.9
	Others	1.4	2.3	+0.8	+57.0%	+0.8	-
	<b>Total</b>	<b>115.5</b>	<b>103.9</b>	<b>-11.6</b>	<b>-10.1%</b>	<b>-9.7</b>	<b>-2.0</b>

※Total price impact -2.0 includes exchange rate impact +0.5.



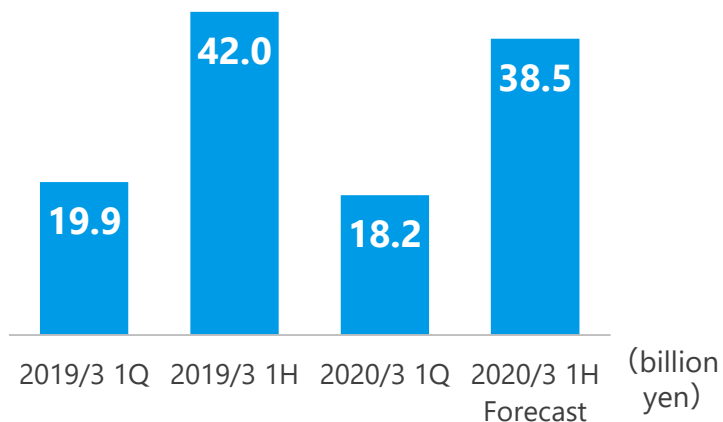
Operating Income		2019/3 1Q	2020/3 1Q	Change	Rate of Change	Analysis		
						Quantity	Prices	Other
	Cellulosic Derivatives	3.9	3.3	-0.6	-15.0%	-1.1	-0.1	+0.6
	Organic Chemicals	3.8	3.3	-0.5	-13.2%	-0.4	-0.2	+0.0
	Plastics	5.9	5.3	-0.6	-10.4%	-0.4	+0.0	-0.3
	Pyrotechnic Devices	5.0	1.3	-3.7	-74.0%	-4.5	-0.6	+1.4
	Others	0.1	0.0	-0.1	-66.4%	-0.1	-	-
	Corporate	-4.0	-4.1	-0.1	-2.0%	-	-	-0.1
	<b>Total</b>	<b>14.7</b>	<b>9.2</b>	<b>-5.5</b>	<b>-37.7%</b>	<b>-6.4</b>	<b>-0.9</b>	<b>+1.7</b>

※Total price impact -0.9 includes exchange rate impact +0.2.



# Cellulosic Derivatives

### Net Sales



**Net Sales -1.7 billion yen** (Exchange rate impact +0.1 billion yen)

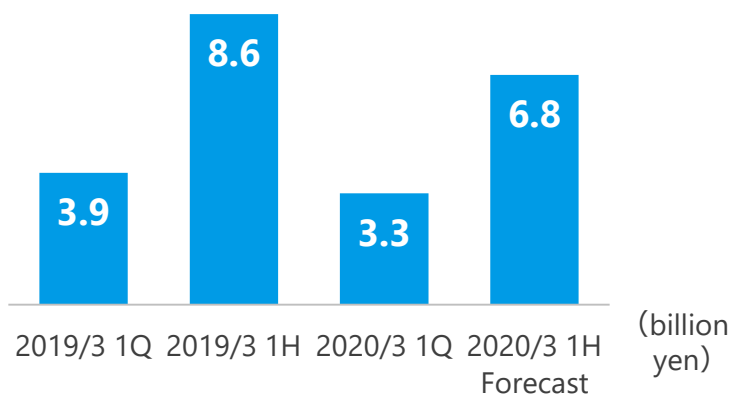
(Cellulose Acetate : **Decrease**)

- Decrease in sales volume for Cigarette Filter applications.

(Acetate Tow for Cigarette Filters : **Increase**)

- Increase in sales volume by working on the share expansion in major customers and developing new customers amid the worldwide glut.

### Operating Income



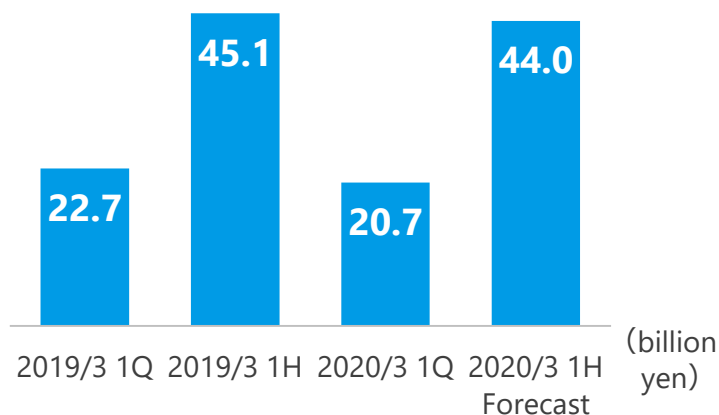
**Operating Income -0.6 billion yen**

- Decrease due mainly to a decrease in sales volume of Cellulose Acetate.

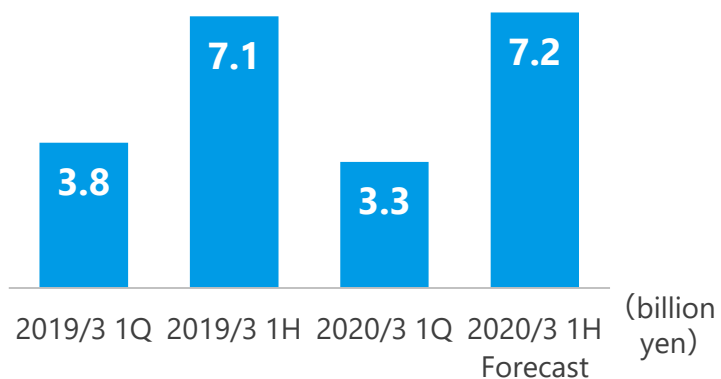
Note: Forecast is not revised from the previous forecast announced on May 9, 2019.

# Organic Chemicals

### Net Sales



### Operating Income



**Net Sales -2.0 billion yen** (Exchange rate impact +0.1 billion yen)

(Acetic Acid : **Decrease**)

- Downward trend in the market.

(Organic Chemicals : **Decrease**)

- Flat in sales volume.

- Due to the decline in acetic acid market, the selling price of acetic acid-derived products decreased.

(Performance Chemicals : **Decrease**)

- Although the sales volumes of some products increased, as a whole, sales volume decreased due to the influence of the economic slowdown in China.

(Chiral Separation business : **Decrease**)

- Growth of new business.

- Decrease in chiral stationary phase (CSP) sales.

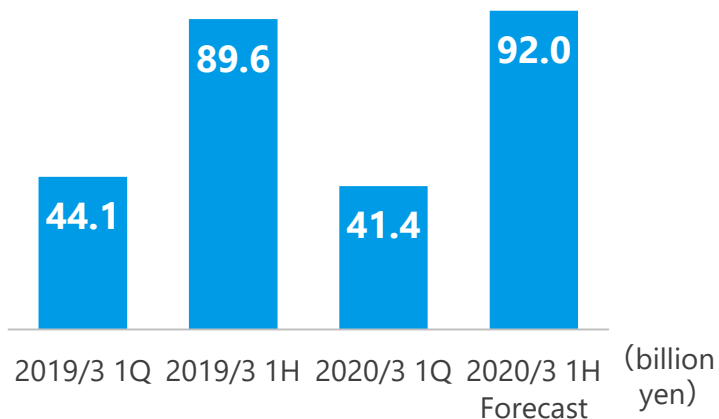
**Operating Income -0.5 billion yen**

- Decrease due mainly to the decline in product market condition and the decrease in sales volume.

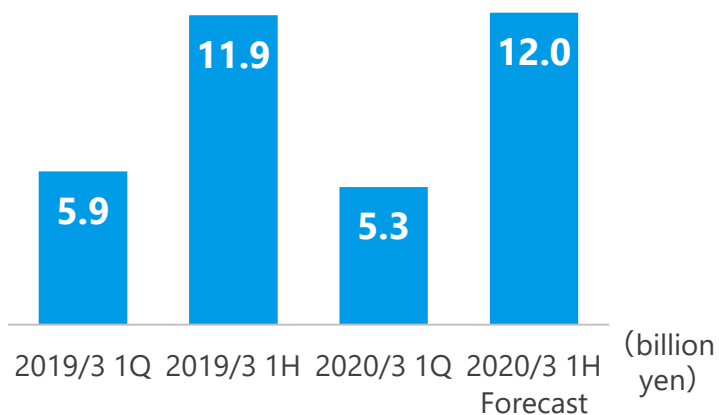
Note: Forecast is not revised from the previous forecast announced on May 9, 2019.

# Plastics

### Net Sales



### Operating Income



**Net Sales -2.7 billion yen** (Exchange rate impact +0.2 billion yen)

(Engineering Plastics business : Decrease)

- Decrease in sales volume due to sluggish demand for automobiles and smartphones under the influence of the economic slowdown in China.

(Plastic Compound business : Decrease)

- Decrease in sales volume due to the influence of the economic slowdown in China.

(Plastic Processing business : Decrease)

- Increase in high performance film sales.
- Decrease in sheet sales.

**Operating Income -0.6 billion yen**

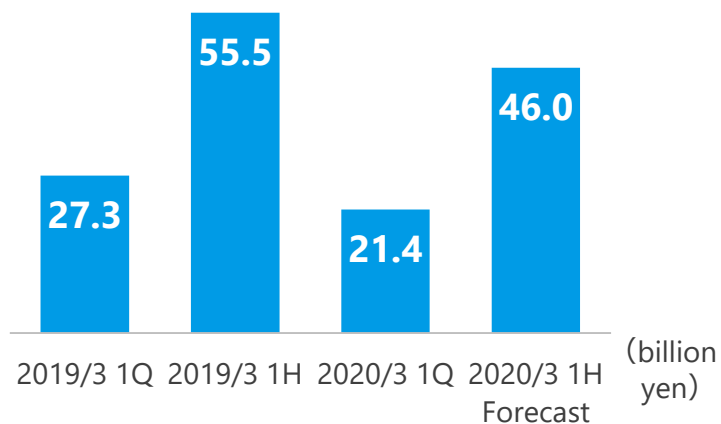
- Decrease due mainly to the decrease in sales volume.

Note: Forecast is not revised from the previous forecast announced on May 9, 2019.



# Pyrotechnic Devices

## Net Sales



**Net Sales -5.9 billion yen** (Exchange rate impact +0.1 billion yen)

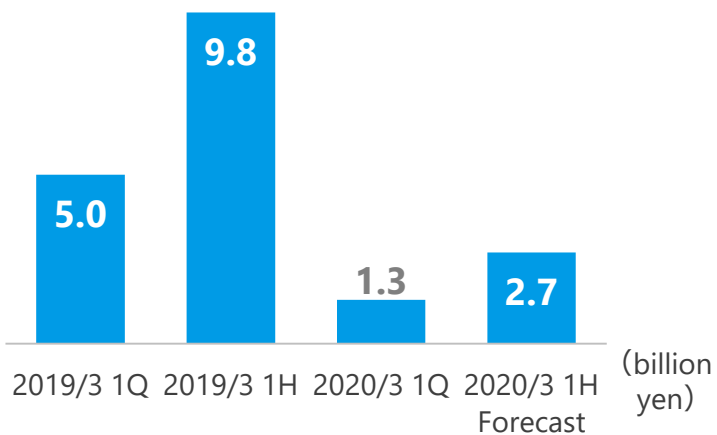
(Automobile Safety Parts business : **Decrease** )

- Decrease in inflator sales volume.

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

- Increase in sales volume.

## Operating Income



**Operating Income -3.7 billion yen**

- Decrease due mainly to the decrease in inflator sales volume.

Note: Forecast is not revised from the previous forecast announced on May 9, 2019.

## Initiatives to Improve Profitability

### Enhance Competitiveness of Core Business

- Process innovation for quality improvement
- Increase in production by reducing bottlenecks
- Enhancement of competitiveness through changes to process

### Restructure Production System

- Radical review to optimize production system/production area

### Review the Cost Structure

- Lower the break-even point
- Cost reduction through production innovation

### Change to Organization and System to Cope with Changes in Business Environment

- Strengthening of corporate divisions(administrative division, R&D division, production technology division, etc.)
- Acceleration of new business creation

# References

## Consolidated Balance Sheet

(billion yen)

	Mar. 31, 2019	Jun. 30, 2019	Change	Remarks
Total Current Assets	354.0	325.1	-29.0	
Cash, Deposits and Securities	120.3	98.4	-21.8	
Notes and Accounts Receivable-trade	90.2	84.3	-5.8	
Inventories	126.2	125.5	-0.7	
Other	17.4	16.8	-0.6	
Total Non-current Assets	300.8	311.8	+11.1	
Property, Plant and Equipment	197.4	209.5	+12.1	Acquisition+15.8, Depreciation-6.5, Others+2.8
Intangible Assets	12.7	12.3	-0.3	
Investments and Other Assets	90.7	90.0	-0.7	
<b>Total Assets</b>	<b>654.8</b>	<b>636.9</b>	<b>-17.9</b>	
Liabilities	231.5	220.6	-11.0	
Interest-bearing Liabilities	104.3	103.4	-0.9	Interest-bearing liabilities ratio 16.2%
Other	127.2	117.2	-10.1	
Total Net Assets	423.2	416.3	-6.9	Capital adequacy ratio 61.0%
<b>Total Liabilities and Net Assets</b>	<b>654.8</b>	<b>636.9</b>	<b>-17.9</b>	

## Quarterly Results for Net Sales and Operating Income

(billion yen)

Net Sales	FY ended March 2019				FY ending March 2020
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter
Cellulosic Derivatives	19.9	22.1	22.4	18.8	18.2
Organic Chemicals	22.7	22.4	23.2	21.1	20.7
Plastics	44.1	45.4	45.7	40.6	41.4
Pyrotechnic Devices	27.3	28.2	27.7	24.7	21.4
Others	1.4	1.5	2.7	2.7	2.3
<b>Total</b>	<b>115.5</b>	<b>119.7</b>	<b>121.7</b>	<b>107.9</b>	<b>103.9</b>
Operating Income	FY ended March 2019				FY ending March 2020
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter
Cellulosic Derivatives	3.9	4.7	4.4	3.1	3.3
Organic Chemicals	3.8	3.3	4.4	2.9	3.3
Plastics	5.9	6.0	5.1	3.7	5.3
Pyrotechnic Devices	5.0	4.8	4.9	0.9	1.3
Others	0.1	0.1	0.1	0.2	0.0
Corporate and eliminations	-4.0	-4.1	-3.5	-4.4	-4.1
<b>Total</b>	<b>14.7</b>	<b>14.8</b>	<b>15.3</b>	<b>6.4</b>	<b>9.2</b>

## Financial Forecast (FY ending March 2020)

(billion yen)

		FY ended March 2019 (Results)			FY ending March 2020 (Forecast)			Change (B)-(A)
		1st Half	2nd Half	Total(A)	1st Half	2nd Half	Total(B)	
	Cellulosic Derivatives	42.0	41.2	83.2	38.5	43.5	82.0	-1.2
	Organic Chemicals	45.1	44.4	89.5	44.0	46.0	90.0	+0.5
	Plastics	89.6	86.3	175.9	92.0	94.5	186.5	+10.6
	Pyrotechnic Devices	55.5	52.4	107.9	46.0	45.0	91.0	-16.9
	Others	3.0	5.4	8.4	5.5	6.0	11.5	+3.1
Net Sales		<b>235.2</b>	<b>229.6</b>	<b>464.9</b>	<b>226.0</b>	<b>235.0</b>	<b>461.0</b>	<b>-3.9</b>
	Cellulosic Derivatives	8.6	7.4	16.0	6.8	6.7	13.5	-2.5
	Organic Chemicals	7.1	7.3	14.4	7.2	8.3	15.5	+1.1
	Plastics	11.9	8.7	20.6	12.0	11.5	23.5	+2.9
	Pyrotechnic Devices	9.8	5.8	15.6	2.7	4.3	7.0	-8.6
	Others	0.2	0.4	0.6	0.2	0.3	0.5	-0.1
	Corporate and eliminations	-8.1	-7.9	-16.0	-8.9	-8.1	-17.0	-1.0
Operating Income		<b>29.5</b>	<b>21.7</b>	<b>51.2</b>	<b>20.0</b>	<b>23.0</b>	<b>43.0</b>	<b>-8.2</b>
Ordinary Income		<b>32.2</b>	<b>21.2</b>	<b>53.4</b>	<b>20.5</b>	<b>24.5</b>	<b>45.0</b>	<b>-8.4</b>
Income Attributable to Owners of Parent		<b>22.4</b>	<b>12.9</b>	<b>35.3</b>	<b>10.5</b>	<b>16.0</b>	<b>26.5</b>	<b>-8.8</b>
(ref.) Exchange rate USD/JPY		110	112	111	110	110	110	

Note: Forecast of FY ending March 2020 is not revised from the previous forecast announced on May 9, 2019.



## Assumptions

		FY ended March 2019		FY ending March 2020	
		1 <sup>st</sup> half (Results)	2 <sup>nd</sup> half (Results)	1 <sup>st</sup> half (Forecast)	2 <sup>nd</sup> half (Forecast)
Exchange rate (USD/JPY)		110	112	110	110
Raw Materials	Methanol Asian spot price (USD/ton)	403	360	320	320
	Crude Oil Dubai (USD/bbl.)	73	65	60	60
	Domestic Naphtha (JPY/kl)	50,850	47,600	40,000	40,000

Note: Forecast of FY ending March 2020 is not revised from the previous forecast announced on May 9, 2019.

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