

FY ending March 2020

3rd Quarter (Apr. to Dec.)

Consolidated Financial Results



February 5, 2020

DAICEL CORPORATION

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Financial Results

		19/3 3Q Results	20/3 3Q Results	Y on Y		(billion yen)	
				Change	%	20/3 Forecasts* (Full Year)	Progression Rate (%)
Net sales		356.9	312.8	-44.1	-12.4%	431.0	72.6%
Operating income		44.8	22.6	-22.2	-49.5%	36.0	62.9%
Ordinary income		47.9	24.3	-23.7	-49.4%	38.0	63.9%
Income attributable to owners of parent		33.1	4.6	-28.4	-86.0%	21.5	21.6%
Exchange rate USD/JPY		111	109			107	
Cellulosic Derivatives	Net sales	64.5	56.2	-8.3	-12.9%	77.0	72.9%
	Ordinary income	12.9	8.3	-4.6	-35.7%	11.2	74.3%
Organic Chemicals	Net sales	68.4	60.7	-7.7	-11.3%	85.0	71.4%
	Ordinary income	11.5	7.5	-3.9	-34.4%	12.5	60.1%
Plastics	Net sales	135.3	126.6	-8.6	-6.4%	171.0	74.1%
	Ordinary income	17.0	15.5	-1.5	-8.7%	22.4	69.1%
Pyrotechnic Devices	Net sales	83.2	61.9	-21.2	-25.5%	87.5	70.8%
	Ordinary income	14.7	2.9	-11.8	-80.1%	5.3	55.3%
Others	Net sales	5.6	7.4	+1.7	+30.7%	10.5	70.2%
	Ordinary income	0.4	0.3	-0.1	-20.9%	0.6	48.5%
Corporate	Ordinary income	-11.6	-11.9	-0.3	-2.3%	-16.0	-74.3%

◇ Y on Y

Sales and operating income are decreased due mainly to the following reasons.

- Slowdown in Chinese economy
- Decrease in inflator sales volume and change in product lineups
- Decline in sales volume of cellulose acetate
- Exchange rate fluctuations

Net income attributable to owners of the parent decreased due to the Impairment loss in Pyrotechnic Devices.

◇ vs. Forecasts

Sales and operating income decreased, because of unexpected sluggish demand of Organic Chemicals and Plastics due to the slowdown in Chinese economy.

Net income attributable to owners of the parent decreased due to the Impairment loss in Pyrotechnic Devices.

Net Sales and Operating Income by Segment (Y on Y)

(billion yen)

Net Sales	19/3 3Q Results	20/3 3Q Results	Change	%	Analysis		
					Quantity	Prices	Exchange rate Impact
Cellulosic Derivatives	64.5	56.2	-8.3	-12.9%	-6.4	-1.9	-0.9
Organic Chemicals	68.4	60.7	-7.7	-11.3%	-3.8	-3.9	-0.4
Plastics	135.3	126.6	-8.6	-6.4%	-4.3	-4.3	-1.5
Pyrotechnic Devices	83.2	61.9	-21.2	-25.5%	-17.4	-3.8	-0.9
Others	5.6	7.4	+1.7	+30.7%	+1.7	-	-
Total	356.9	312.8	-44.1	-12.4%	-30.5	-13.6	-3.8

Operating Income	19/3 3Q Results	20/3 3Q Results	Change	%	Analysis			
					Quantity	Prices	Exchange rate Impact	Others
Cellulosic Derivatives	12.9	8.3	-4.6	-35.7%	-4.6	-1.5	-0.6	+1.5
Organic Chemicals	11.5	7.5	-3.9	-34.4%	-2.2	-0.5	-0.1	-1.3
Plastics	17.0	15.5	-1.5	-8.7%	-0.4	-0.4	-0.6	-0.7
Pyrotechnic Devices	14.7	2.9	-11.8	-80.1%	-12.7	-2.2	-0.0	+3.1
Others	0.4	0.3	-0.1	-20.9%	-0.1	-	-	-
Corporate	-11.6	-11.9	-0.3	-2.3%	-	-	-	-0.3
Total	44.8	22.6	-22.2	-49.5%	-20.2	-4.4	-1.4	+2.5

*Exchange rate impact is included in price impact.

Forecasts(Full Year)

(billion yen)

	19/3 Results	20/3 Previous forecasts	20/3 Revised forecasts	Y on Y		vs Previous Forecasts		
				Change	%	Change	%	
Net sales	464.9	431.0	420.0	-44.9	-9.7%	-11.0	-2.6%	
Operating income	51.2	36.0	31.0	-20.2	-39.4%	-5.0	-13.9%	
Ordinary income	53.4	38.0	32.5	-20.9	-39.2%	-5.5	-14.5%	
Income attributable to owners of parent	35.3	21.5	7.0	-28.3	-80.2%	-14.5	-67.4%	
Exchange rate USD/JPY	111	107	108					
Cellulosic Derivatives	Net sales	83.2	77.0	75.5	-7.7	-9.3%	-1.5	-1.9%
	Ordinary income	16.0	11.2	11.0	-5.0	-31.3%	-0.2	-1.8%
Organic Chemicals	Net sales	89.5	85.0	81.0	-8.5	-9.5%	-4.0	-4.7%
	Ordinary income	14.4	12.5	10.5	-3.9	-27.0%	-2.0	-16.0%
Plastics	Net sales	175.9	171.0	168.5	-7.4	-4.2%	-2.5	-1.5%
	Ordinary income	20.6	22.4	21.1	+0.5	+2.3%	-1.3	-5.8%
Pyrotechnic Devices	Net sales	107.9	87.5	85.0	-22.9	-21.2%	-2.5	-2.9%
	Ordinary income	15.6	5.3	4.3	-11.3	-72.4%	-1.0	-18.9%
Others	Net sales	8.4	10.5	10.0	+1.6	+19.6%	-0.5	-4.8%
	Ordinary income	0.6	0.6	0.4	-0.2	-32.1%	-0.2	-33.3%
Corporate	Ordinary income	-16.0	-16.0	-16.3	-0.3	-1.7%	-0.3	-1.9%

◇ Y on Y

Sales and operating income are expected to decrease due mainly to the following reasons.

- Slowdown in Chinese economy
- Decrease in inflator sales volume and change in product lineups
- Sales volume decline in cellulose acetate
- Exchange rate fluctuations

Net income attributable to owners of the parent is expected to decrease due mainly to the Impairment loss in Pyrotechnic Devices.

◇ vs. Previous Forecasts

Sales and operating income are expected to decrease, because unexpected sluggish demand of Organic Chemicals and Plastics will continue through 2nd half due to the slowdown in Chinese economy.

Net income attributable to owners of the parent is expected to decrease due to the Impairment loss in Pyrotechnic Devices.

Note: The impact of coronavirus has not been taken into account, because we cannot currently estimate the impact on our business.

Basic Policies Under the New System

On November 1, 2019, we stated the following “Basic Approach for Profit Recovery and Future Growth” in the financial presentation material for the 1st half of the fiscal year ending March 31, 2020.

- 1. We will undertake a drastic review of the existing organizational structure.**
- 2. In addition to thorough cost reductions that can now be made, we will accelerate efforts to strengthen the foundations and make every effort to recover profits from the next fiscal year.**
- 3. We will accelerate new businesses creation and M&As.**

Based on the basic approach above, we have been promoting necessary initiatives to reform with speed & simplicity. We report on the progress of these initiatives.

1. Drastic Review of Existing Organizational Structure

We will implement a business unit (BU) organizational reform on April 1, 2020, following the corporate organizational reform implemented in October 2019 with the aim of accelerating promotion of strategies across the entire company. We will change our conventional “company system” to an organization centered on the following Strategic Business Unit (SBU).

This organizational reform is the first step in transforming our basic constitution into a “market-in type” for providing “value” which meeting social needs more than ever.

(1) Value-providing SBUs – To Be More Conscious of Markets

Daicel has defined “Healthcare”, “Smart”, and “Safety” as “Universal Values” that will permanently be desired even in the rapid social change and will organize each value as “Value-providing SBUs”. The Company will aim to be an “issue-discovering company” which will unearth social needs and provide solutions by breaking the Company’s conventional product-based business organizations and becoming more “market-in” focused.

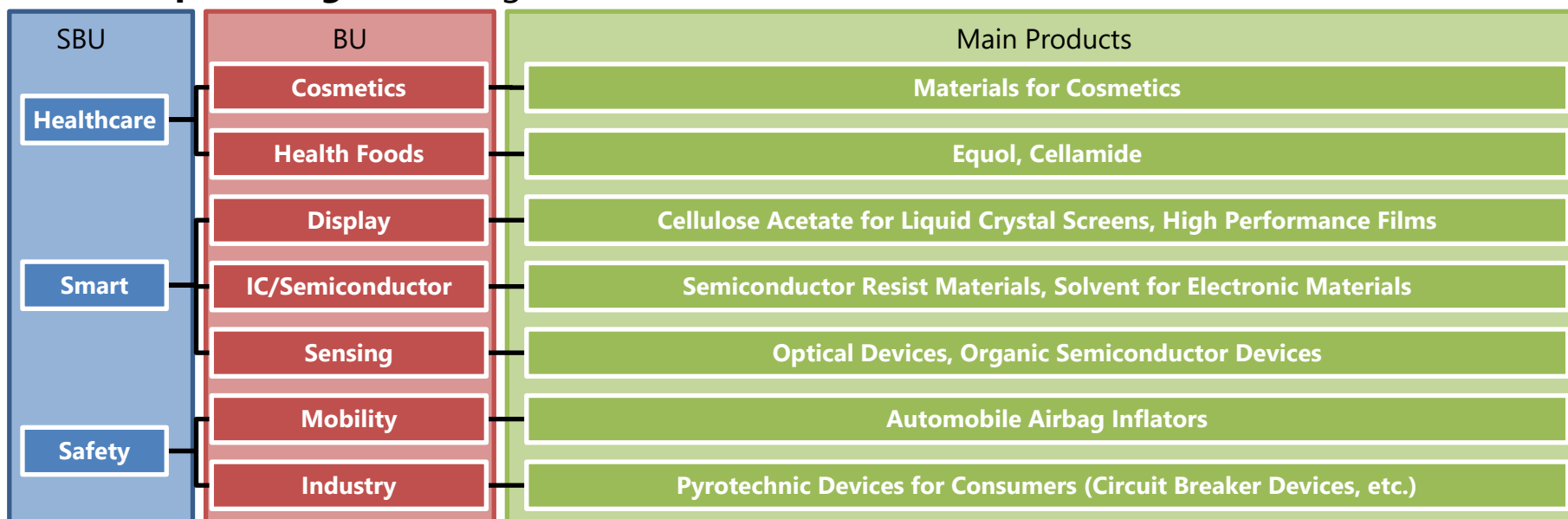
BUs will be organized under each SBU based on product lineups up to target markets.

(2) Material-providing SBU – Conducting Business with Long-cultivated Technologies and Products

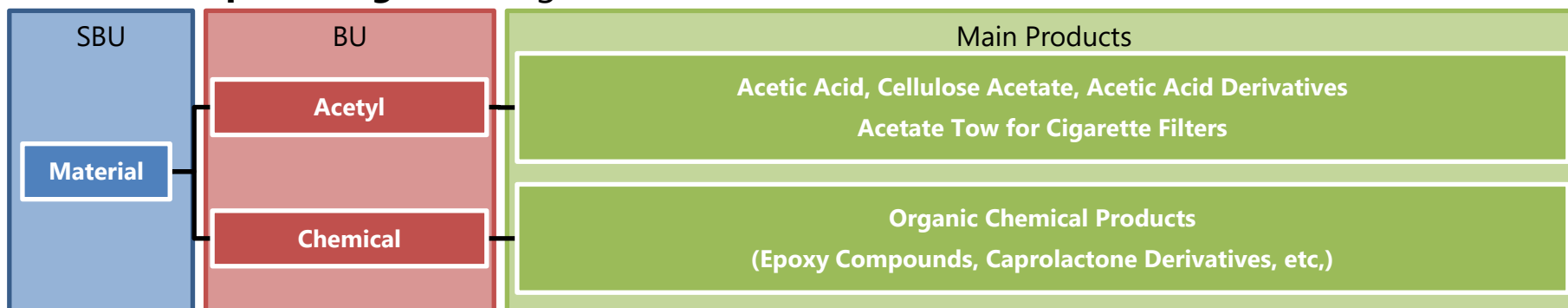
Daicel has identified specific businesses to promote using its conventional product based system and will integrate these businesses into “Material-providing SBU” named “Material SBU”. Two BUs will be established under the Material SBU.

1. Drastic Review of Existing Organizations

Value-providing SBUs: Organization Structure and Main Products



Material-providing SBU: Organization Structure and Main Products



2. Thorough Cost Reductions and Strengthening Business Foundation

(1) Thorough Cost Reductions

We make efforts to reduce costs companywide. The achievement of the 10.9 billion yen cost reductions shown in our 1st half financial presentation material has mostly been progressing as planned.

(2) Reconsideration of Production Site/Withdrawal of Unprofitable Businesses

As part of the review of the global production system for the automotive safety parts business, we are moving some of the production from Japan and the United States to more competitive Thailand and China. This transfer will contribute to a recovery in profits by reducing fixed costs and improving productivity from the next fiscal year.

In this business in Japan and the United States, it is difficult to recover the investment due to reduced production, so the valuation of fixed assets was reviewed and an impairment loss was recorded. In the defense-related business, it is also difficult to recover the investment amount. Therefore, the valuation of fixed assets was reviewed and an impairment loss was recorded.

The total impairment loss recorded in the third quarter is ¥ 13.7 billion.

Regarding the defense-related business, we are continuing discussions with related parties to withdraw from the business.

3. Acceleration of M&As

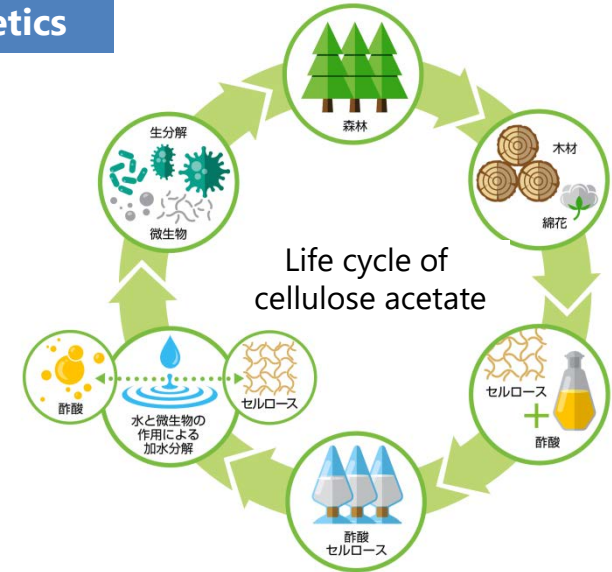
In January 2020, we acquired Pi-Crystal, a venture company with advanced technology for organic semiconductor single crystal film formation. See the topics (below) for details.

We are also actively involved in other M & A projects.

Improved Biodegradability of Cellulose Acetate

We have developed a new product that improves the biodegradability of the environmentally friendly plastic "cellulose acetate" in the ocean twice as much as previously. Common plastics take from decades to hundreds of years to decompose. As an alternative, we propose to use cellulose acetate that can decompose in months or years, thereby contributing to solving the marine plastic waste problem. In the future, we will develop new product applications.

Cosmetics



Made PI-CRYSTAL INC. a Subsidiary

Sensing



Pi-Crystal independently develops high-performance organic semiconductor single crystal film deposition technology, and develops, manufactures and sells flexible, thin-film organic semiconductor devices. We have defined printed electronics (PE), which uses printing technology to form electronic circuits and devices, as one of our focus areas, and are manufacturing PE-specific solvents and PE materials.

In order to respond to the rapid growth of AI / IoT in the future, we will mass-produce organic semiconductor devices (integrated circuits and sensors) by combining PE material development and production technology with Pi-Crystal's cutting-edge technology to accelerate commercialization.

Launch of Aging-well Brand “WELLMETHOD®”

Health foods

We launched the aging-well brand “WELLMETHOD®” for adult women and opened a brand site.

We offer products and methods as a comprehensive healthcare brand for women in their forties.



Konjac Ceramide is Effective in Preventing the Onset of Alzheimer's Disease

Health foods

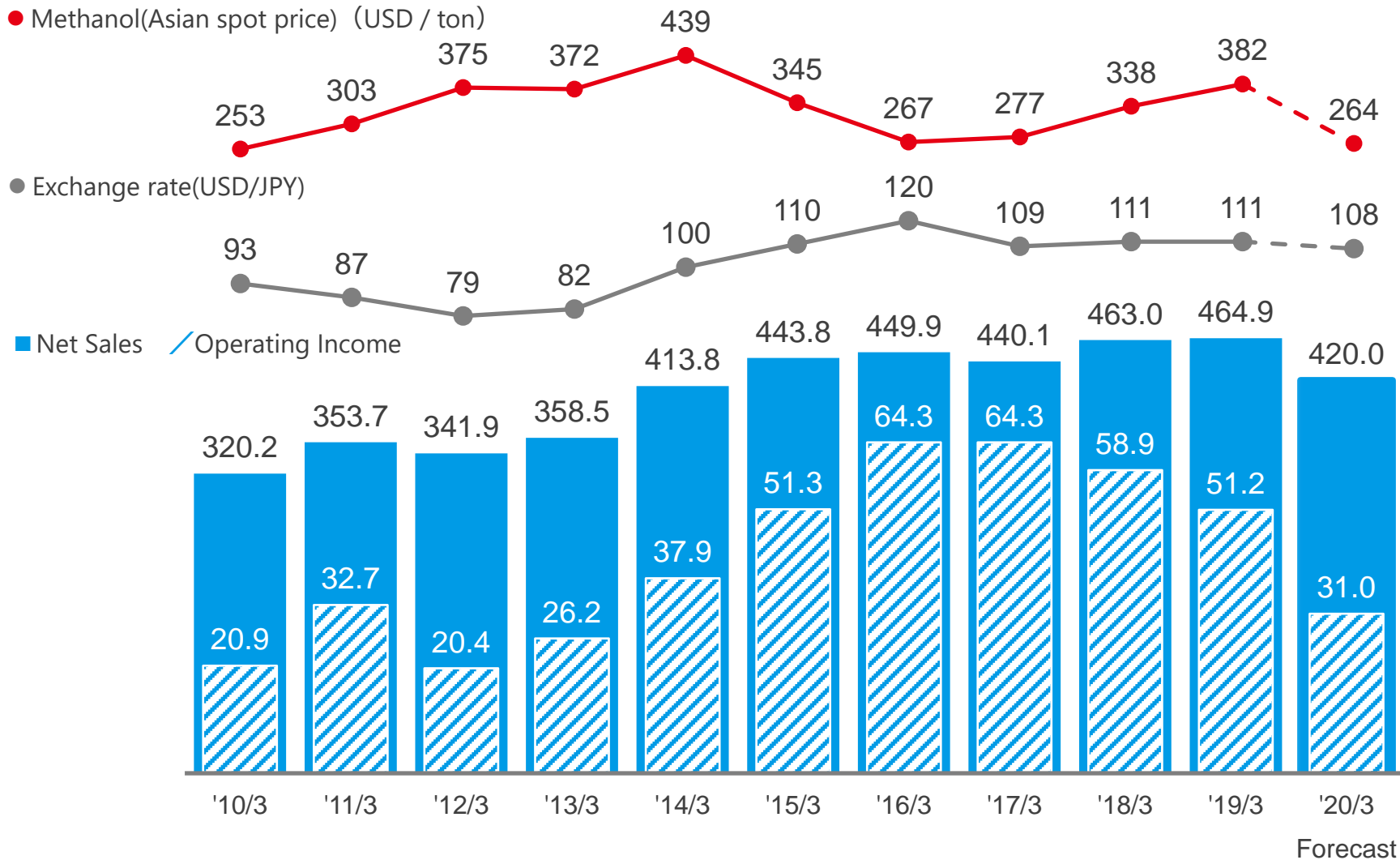
Through joint research with Hokkaido University, we have found that plant-derived (konjac-derived) ceramide, a functional food material, is effective in preventing the development of Alzheimer's disease.

We will use this knowledge to develop new functional foods and new medicines and further test the effects of plant ceramides on improving cognitive function.

REFERENCES

Trend in Net Sales and Operating Income and Forecast

(billion yen)



Consolidated Balance Sheet

(billion yen)

		Mar. 31, 2019	Dec. 31, 2019	Change	Remarks
Total current assets		354.0	308.2	-45.8	
	Cash, deposits and short-term investment securities	120.3	82.7	-37.6	
	Notes and accounts receivable-trade	90.2	85.2	-5.0	
	Inventories	126.2	117.9	-8.2	
	Other	17.4	22.4	+5.0	
Total non-current assets		300.8	307.9	+7.1	
	Property, plant and equipment	197.4	207.8	+10.3	Acquisition+39.2, Depreciation-20.4, Impairment loss-13.1, Others+4.6
	Intangible fixed assets	12.7	11.5	-1.2	
	Investments and other assets	90.7	88.6	-2.0	
Total assets		654.8	616.1	-38.7	
Liabilities		231.5	211.2	-20.3	
	Interest-bearing liabilities	104.3	93.6	-10.7	Bond-10.0
	Other	127.2	117.6	-9.6	
Total net assets		423.2	404.9	-18.3	Treasury stock-11.3 Capital adequacy ratio 61.0%
Total liabilities and net assets		654.8	616.1	-38.7	

Consolidated Statements of Income

(billion yen)

	2019/3 3Q	2020/3 3Q	Change	%	Remarks
Net sales	356.9	312.8	-44.1	-12.4%	
Gross profit	105.4	83.7	-21.8	-20.6%	
SG&A Expenses	60.6	61.0	+0.4	+0.7%	
Operating income	44.8	22.6	-22.2	-49.5%	
Non-operating income and expenses	3.1	1.6	-1.5	-47.9%	Foreign exchange-1.1
Ordinary income	47.9	24.3	-23.7	-49.4%	
Extraordinary income and losses	2.5	-12.1	-14.6	-	Impairment loss-13.7 Insurance income-1.0
Income before income taxes	50.5	12.2	-38.3	-75.9%	
Income attributable to owners of parent	33.1	4.6	-28.4	-86.0%	
Operating income ratio (%)	12.5%	7.2%	-5.3%		

Quarterly Results for Net Sales and Operating Income

(billion yen)

Net Sales	FY ended March 2019				FY ending March 2020		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	1 st Quarter	2 nd Quarter	3 rd Quarter
Cellulosic Derivatives	19.9	22.1	22.4	18.8	18.2	19.7	18.3
Organic Chemicals	22.7	22.4	23.2	21.1	20.7	20.4	19.6
Plastics	44.1	45.4	45.7	40.6	41.4	43.1	42.1
Pyrotechnic Devices	27.3	28.2	27.7	24.7	21.4	20.9	19.7
Others	1.4	1.5	2.7	2.7	2.3	2.8	2.4
Total	115.5	119.7	121.7	107.9	103.9	106.8	102.1

Operating Income	FY ended March 2019				FY ending March 2020		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	1 st Quarter	2 nd Quarter	3 rd Quarter
Cellulosic Derivatives	3.9	4.7	4.4	3.1	3.3	3.0	2.0
Organic Chemicals	3.8	3.3	4.4	2.9	3.3	2.1	2.1
Plastics	5.9	6.0	5.1	3.7	5.3	6.4	3.8
Pyrotechnic Devices	5.0	4.8	4.9	0.9	1.3	1.0	0.6
Others	0.1	0.1	0.1	0.2	0.0	0.2	0.0
Corporate	-4.0	-4.1	-3.5	-4.4	-4.1	-4.1	-3.7
Total	14.7	14.8	15.3	6.4	9.2	8.7	4.8

Revision of Financial Forecast (FY ending March 2020)

(billion yen)

		Announcement on Nov,1 2019			Current Announcement			Change (B)-(A)
		1 st Half	2 nd Half	Total(A)	1 st Half	2 nd Half	Total(B)	
	Cellulosic Derivatives	37.8	39.2	77.0	37.8	37.7	75.5	-1.5
	Organic Chemicals	41.1	43.9	85.0	41.1	39.9	81.0	-4.0
	Plastics	84.5	86.5	171.0	84.5	84.0	168.5	-2.5
	Pyrotechnic Devices	42.3	45.2	87.5	42.3	42.7	85.0	-2.5
	Others	5.0	5.5	10.5	5.0	5.0	10.0	-0.5
Net sales		210.7	220.3	431.0	210.7	209.3	420.0	-11.0
	Cellulosic Derivatives	6.3	4.9	11.2	6.3	4.7	11.0	-0.2
	Organic Chemicals	5.4	7.1	12.5	5.4	5.1	10.5	-2.0
	Plastics	11.7	10.7	22.4	11.7	9.4	21.1	-1.3
	Pyrotechnic Devices	2.3	3.0	5.3	2.3	2.0	4.3	-1.0
	Others	0.3	0.3	0.6	0.3	0.1	0.4	-0.2
	Corporate	-8.1	-7.9	-16.0	-8.1	-8.2	-16.3	-0.3
Operating income		17.9	18.1	36.0	17.9	13.1	31.0	-5.0
Ordinary income		18.7	19.3	38.0	18.7	13.8	32.5	-5.5
Income attributable to owners of parent		11.7	9.8	21.5	11.7	-4.7	7.0	-14.5
(ref.) Exchange rate USD/JPY		109	105	107	109	105	108	



Assumptions

		2019/3 Results		2020/3 Previous Forecasts*		2020/3 Revised Forecasts	
		1 st Half	2 nd Half	1 st Half (Results)	2 nd Half	1 st Half (Results)	2 nd Half
Exchange rate (USD/JPY)		110	112	109	105	109	107
Raw Materials	Methanol Asian spot price (USD/ton)	403	360	277	300	277	250
	Crude Oil Dubai (USD/bbl.)	73	65	64	60	64	61
	Domestic Naphtha (JPY/kl)	50,850	47,600	42,800	40,000	42,800	41,500

*Previous forecast was announced on November 1, 2019

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