

Design the Future

Based on Chemistry, Expand Beyond Chemistry.

Numerous cellulosic derivatives
are part of our everyday lives.

FY 2014 Consolidated Financial Results Briefing

"We save lives."
with advanced pyrotechnic products

Water treatment systems
contribute to a healthier society.



May 13, 2014

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Design the Future

Based on Chemistry, Expand Beyond Chemistry.

Numerous cellulosic derivatives
are part of our everyday lives.

FY 2014 Consolidated Financial Results

Organic chemical products
make our improved quality

High-performance polymers

"We save lives."
with advanced pyrotechnic products

Water treatment systems
contribute to a healthier society.

Operating Results

(billion yen)

	FY 2013 (A)	FY 2014 (B)	Change (B) – (A)	Y o Y (%)
Sales	358.5	413.8	+55.3	+15.4%
Operating profit	26.2	37.9	+11.7	+44.7%
Ordinary profit	28.6	41.4	+12.9	+45.0%
Net profit	15.4	22.8	+7.5	+48.6%
Exchange rate	Yen 82 / \$	Yen 100 / \$		
ROE	6.7%	9.0%		

Consolidated Profit and Loss Statement

(billion yen)

	FY 2013 (A)	FY 2014 (B)	Change (B)–(A)	Remarks
Net Sales	358.5	413.8	55.3	Quantity: +17.2 Prices: +38 (Exchange gain: +36.8)
Gross profit	80.9	97.6	16.7	
Selling, general and administrative expenses	54.7	59.7	5.0	
Operating Profit	26.2	37.9	11.7	Quantity effect: +4.2 Other: -2.2 Price impact: +9.7 (Exchange gain: +9.1)
Non-operating income and expenses	2.4	3.5	1.1	Improved Exchange gain or loss: +1.1
Ordinary Profit	28.6	41.4	12.9	
Extraordinary gain and loss	-3.3	-0.6	2.7	
Profit before income taxes and minority interests	25.3	40.8	15.5	
Income Taxes, Minority interests in profit (loss)	9.9	18.0	8.1	
Net Profit	15.4	22.8	7.5	
Exchange rate	¥ 82/\$	¥ 100/\$		

Dividends for 2nd half: 9 yen per share

Annual dividends: 15 yen per share
(Increased dividends : 3 yen per share)

We have set a target of 30% for the shareholder return ratio*

* Dividends plus Acquired treasury stocks divided by Consolidated net income for the year

The shareholder return ratio

<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
21.2%	45.2%	27.5%	23.1%

Analysis of Sales and Operating Profit

【Sales】

(billion yen)

	FY 2013 (A)	FY 2014 (B)	Change (B) – (A)	Analysis	
				Quantity	Prices
Cellulosic Derivatives	74.5	92.6	18.1	6.3	11.8
Organic Chemicals	71.5	80.7	9.2	1.5	7.7
Plastics	140.2	154.0	13.8	3.9	9.9
Pyrotechnic Devices	66.0	80.1	14.1	5.5	8.6
Other products	6.4	6.4	0.1	0.1	
Total	358.5	413.8	55.3	17.2	38.0

【Operating Profit】

	FY 2013 (A)	FY 2014 (B)	Change (B) – (A)	Impact Analysis		
				Quantity	Prices	Other
Cellulosic Derivatives	13.6	19.1	5.5	0.6	4.9	0.0
Organic Chemicals	5.3	6.0	0.8	0.3	0.9	-0.4
Plastics	11.2	11.0	-0.1	0.7	0.9	-1.7
Pyrotechnic Devices	4.1	10.5	6.4	3.1	3.0	0.3
Other products	0.8	0.3	-0.5	-0.5	0.0	0.0
Companywide	-8.7	-9.0	-0.3	0.0	0.0	-0.3
Total	26.2	37.9	11.7	4.2	9.7	-2.2

Develop New Value

FY 2015 Forecast

Design the Future

Assumptions

		FY 2014		FY 2015	
		First half Results	Second half Results	First half Plan	Second half Plan
Exchange rate		Yen 98 / \$	Yen 101 / \$	Yen 100 / \$	Yen 100 / \$
Raw Materials	Methanol (Asian spot price)	US\$ 390 /ton	US\$ 490 /ton	US\$ 500 /ton	US\$ 450 /ton
	Crude oil, Dubai	US\$ 104 /bbl	US\$ 106 /bbl	US\$ 105 /bbl	US\$ 105 /bbl
	Domestic Naphtha	Yen 64,700 /kl	Yen 69,400 /kl	Yen 70,000 /kl	Yen 70,000 /kl

FY 2015 Forecast

(billion yen)

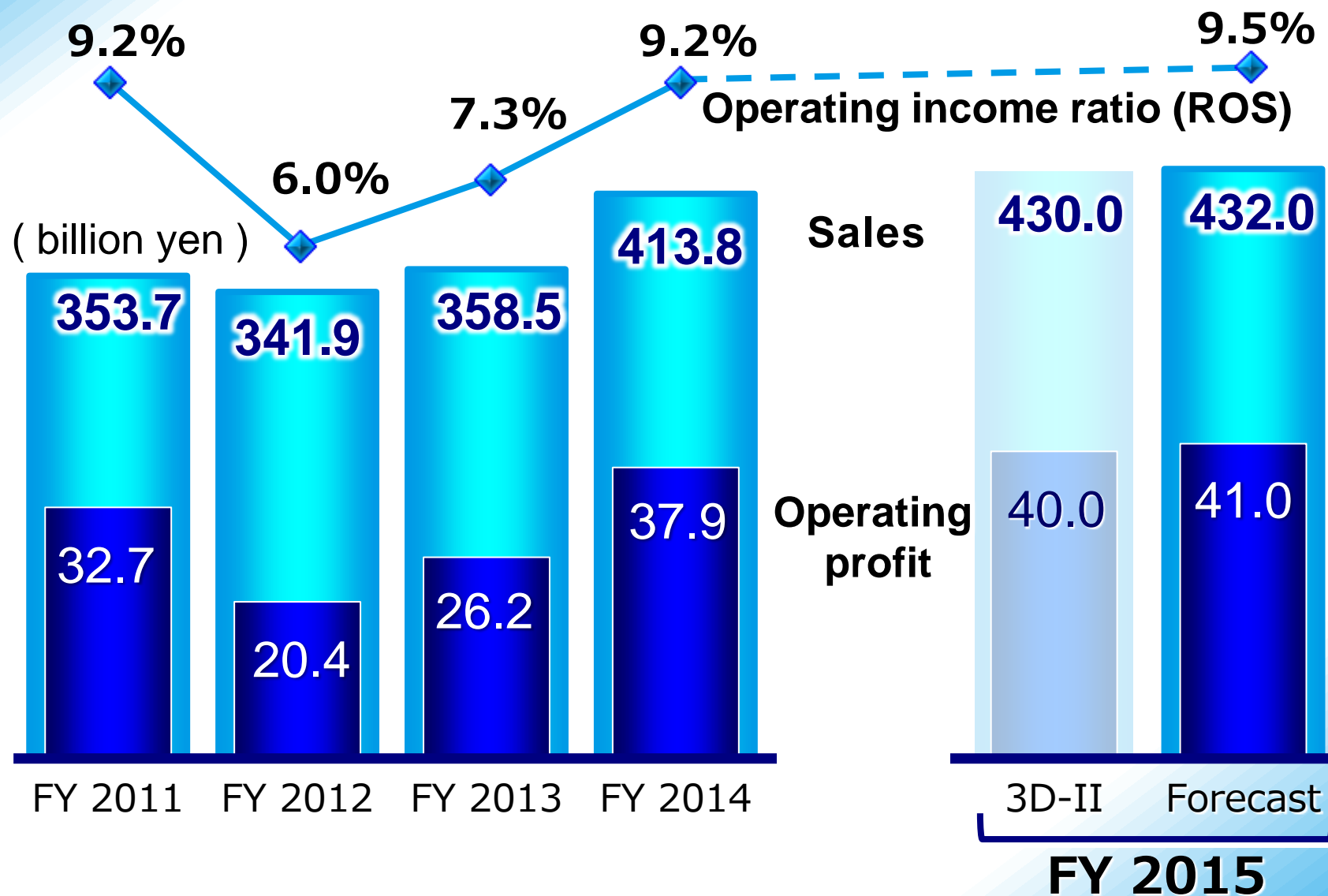
	FY 2014 Results (A)	FY 2015 Forecast (B)	Change (B) – (A)	Y o Y (%)
Sales	413.8	432.0	+18.2	+4.4%
Operating profit	37.9	41.0	+3.1	+8.1%
Ordinary profit	41.4	42.0	+0.6	+1.4%
Net profit	22.8	24.0	+1.2	+5.1%

Exchange rate

Yen 100 / \$

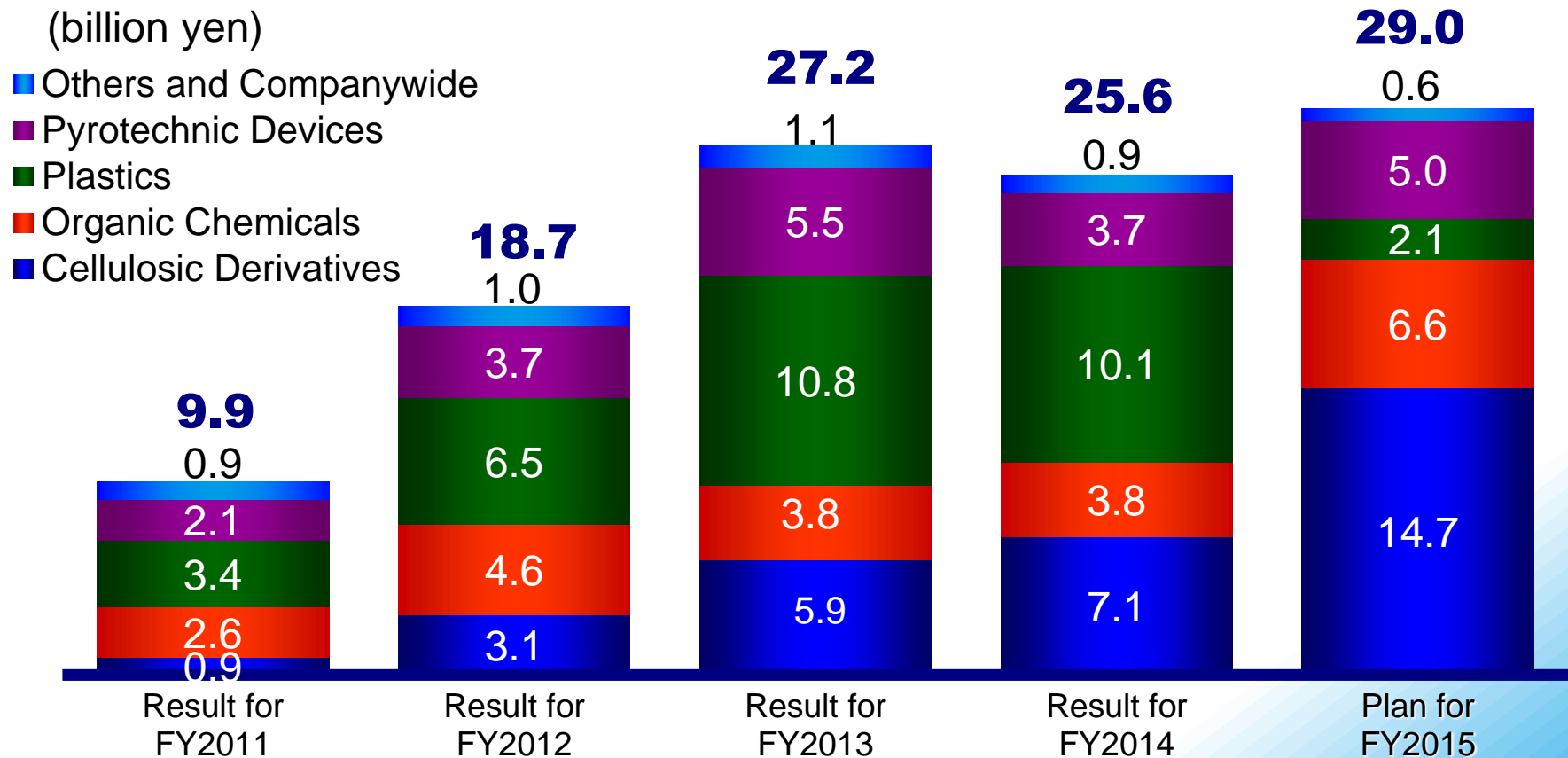
Yen 100 / \$

Trends in Sales and Operating Profit



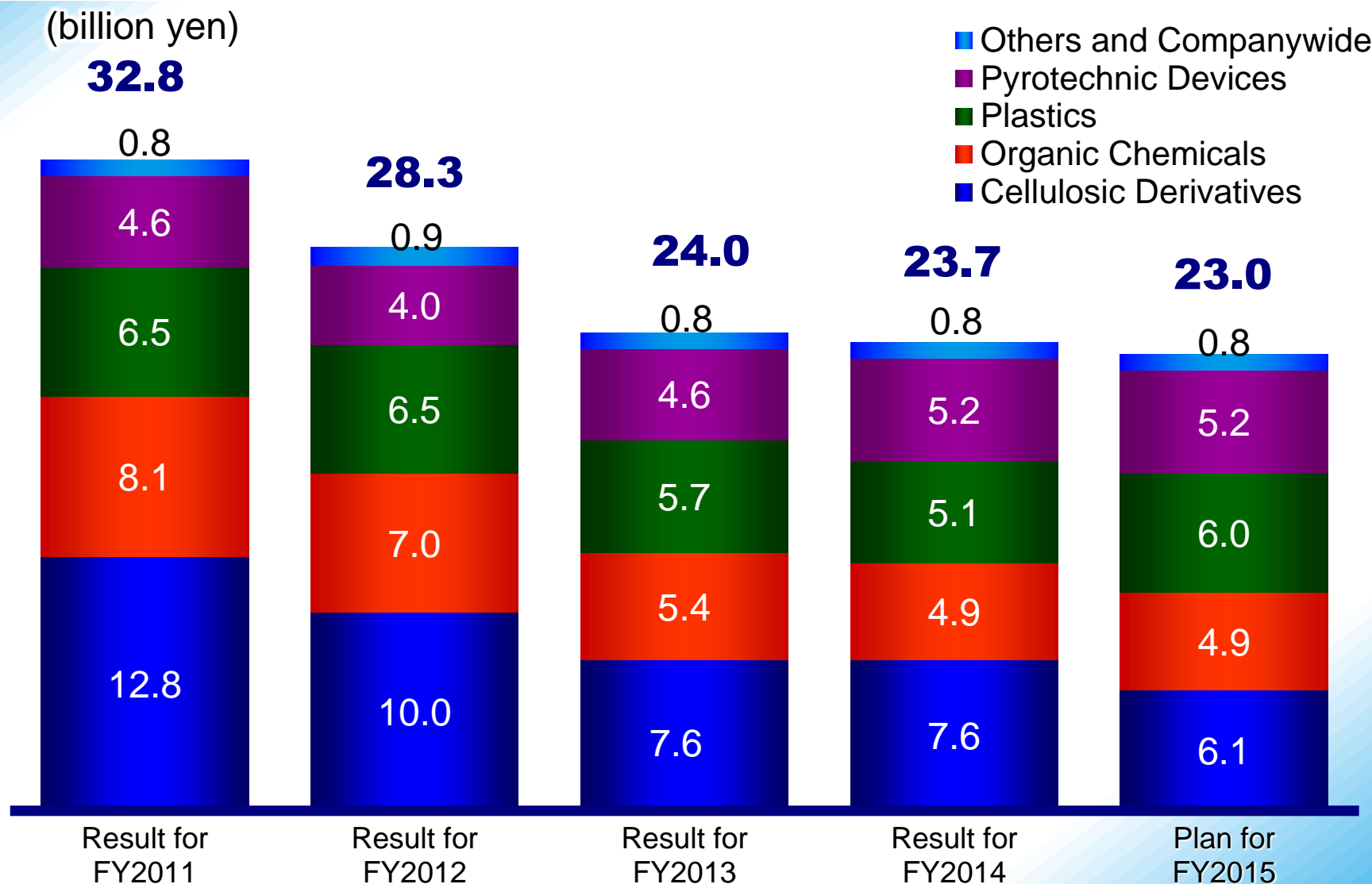
Trends in Plant and Equipment Investment

- ◆ Acetate tow manufacturing facility in Ohtake Plant. (Started operation in July 2013)
- ◆ Polyacetal manufacturing facility in Polyplastics (Malaysia). (Started operation in Jan. 2014)
- ◆ Inflator manufacturing facility in South Korea. (Started operation in Dec. 2013)



Note: Increases associated with new consolidation not included.

Depreciation



Note: Amortization of goodwill not included.

Develop New Value

Information by Segment

Design the Future

Cellulosic Derivatives

Sales

+ 18.1 billion yen

Foreign exchange gain

10.2 billion yen

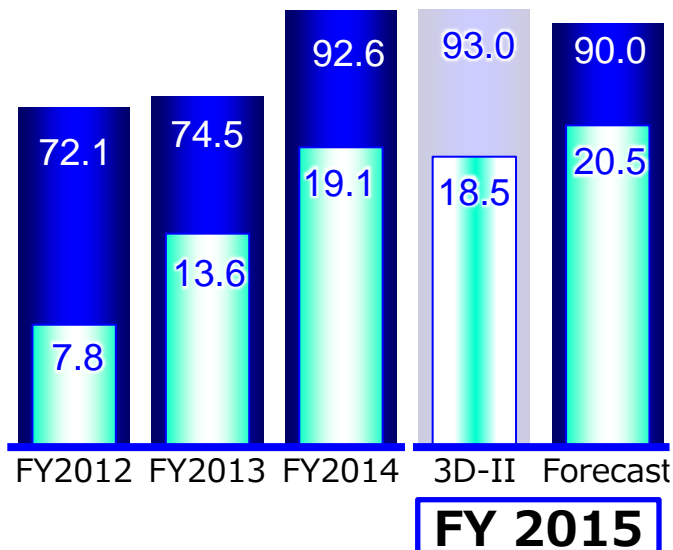
- ◆ **Cellulose acetate** : Sales increased due to rise in cigarette filter applications despite a decrease in LCD film applications.
- ◆ **Acetate tow for cigarette filters** : In spite of the production decrease from scheduled biennial repair in Aboshi Plant, sales increased due to the following factors:
<Factors> The start of JV business for Toyama Filter Tow Co. Ltd.; The production increase at Ohtake and Aboshi Plant; The strong sales in international markets; Price increase to offset higher raw material/energy costs; Weaker yen.

Operating profit

+ 5.5 billion yen

Increase in profit due to price increase
and the weaker yen.

(billion yen)



FY 2015 Forecast

◆ Cellulose acetate

Forecast decrease in TAC sales volume due to thinning of TAC film and the competition with other materials. However, forecast of overall increase in sales volume of cellulose acetate due to strong demand for cigarette filter applications.

◆ Acetate tow

Increase of production capacity in the previous fiscal year will contribute to sales over the year. Therefore, forecast increase in sales volume.

Organic Chemicals

Sales

+ 9.2 billion yen

Foreign exchange gain

4.3 billion yen

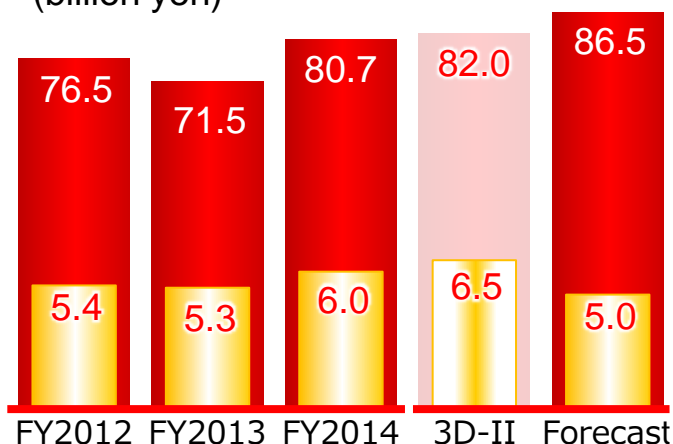
- ◆ **Acetic acid:** In FY 2014, production was affected by the scheduled biennial repair of the Aboshi Plant. In addition, demand for PTA decreased. However, sales rose due to increase in sales volume for solvent and vinyl acetate, price increase to offset higher raw material/energy costs, and the weaker yen.
- ◆ **Commodity products and Designed products :** Increase in sales due to the weaker yen and strong demand for e-material.
- ◆ **Chiral separation business:** Increase in sales due to the weaker yen and the strong sales of columns in China and India.

Operating profit

+ 0.8 billion yen

Increased in profit due to price increase to offset higher raw material/energy costs, and the weaker yen.

(billion yen)



FY 2015

FY 2015 Forecast

Expect the sales volume to increase despite :

- ✓ Lag in the recovery of domestic demand.
- ✓ Lag in price increase to offset higher raw material costs.

Sales

+ 13.8 billion yen

Foreign exchange gain

12.9 billion yen

◆ Polyplastics (closing month is December) : + 9 billion yen

Increase in sales due to overseas automobile production increase and the weaker yen, despite the influence of a decrease in domestic automobile production and weak sales of electronic devices.

◆ Daicel polymer : + 3.4 billion yen

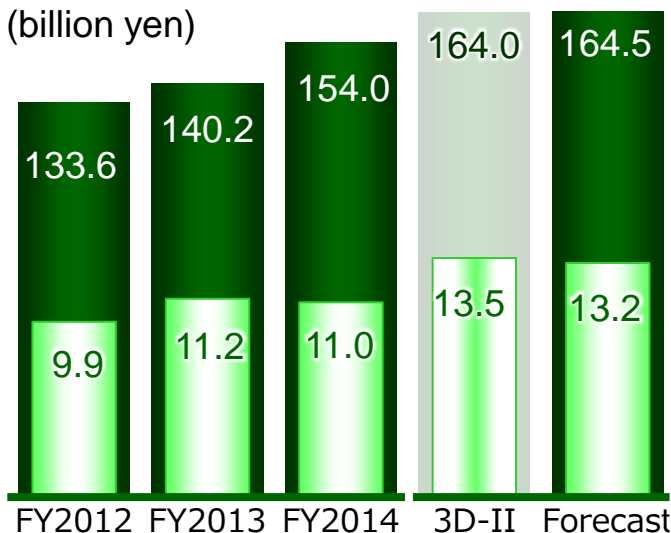
Increased in sales due to price increase to offset higher raw material/energy costs, and the steady demand for automotive parts.

Operating profit

- 0.1 billion yen

Slight decrease in profit due to increased expenses to develop global marketing system for engineering plastics business, and other factors.

(billion yen)



FY 2015

FY 2015 Forecast

Forecast increase in sales volume for engineering plastics business.

- Through the start of new POM production facility in Malaysia, forecast expansion in POM sales.
- Promote expansion in LCP sales.

Pyrotechnic Devices

Sales

+ 14.1 billion yen

Foreign exchange gain

9.5 billion yen

◆ Automobile Airbag Inflators

- The expansion of the North American automobile market
- A recovery in Japanese automobile sales in China
- A spike in demand before the Japanese consumption tax increase
- The weaker yen.

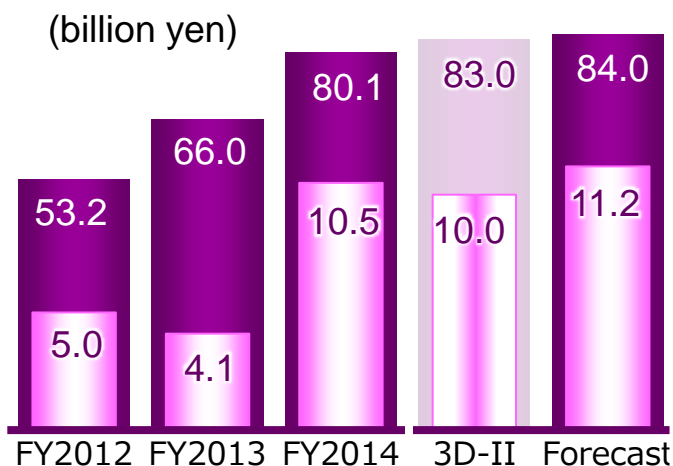
Increase in sales due to these factors.

■ Sales volume increased 10% compared with FY2013.

Operating profit

+ 6.4 billion yen

Increase in profit due to a rise in sales volume, an improvement in profitability of U.S. subsidiaries and the weaker yen.



FY 2015

FY 2015 Forecast

◆ Automobile Airbag Inflators

Forecast increase in sales volume.

- Global increase of automobile production.
- Increased production due to start of operations at new facility in South Korea.

Reference Material

Consolidated Balance Sheet

(billion Yen)

	End of March, 2013 (A)	End of March, 2014 (B)	Changes (B) - (A)	Remarks
Assets	232.2	261.0	28.8	
Cash, Deposits and Short-term investment securities	54.7	68.2	13.5	
Notes and accounts receivable-trade	77.0	85.6	8.6	
Inventories	83.0	89.8	6.9	
Other	17.5	17.4	-0.1	
Total noncurrent assets	229.3	248.8	19.5	
Property, plant and equipment	149.3	157.0	7.7	Acquisition: 24.7, Depreciation: -22.2 Assessed value (exchange conversion): 5.8
Intangible assets	13.6	13.6	0.0	
Investments and other assets	66.4	78.1	11.7	Investment securities: 71 (Increase in market value)
Total assets	461.5	509.8	48.3	
Liabilities	198.6	214.0	15.4	
Interest-bearing Liabilities	99.2	105.9	6.7	Interest-bearing liabilities ratio: 20.8%
Other	99.4	108.1	8.7	
Net assets	262.9	295.8	32.9	Capital adequacy ratio: 52.7%
Total liabilities and net assets	461.5	509.8	48.3	

FY2015 Financial forecast (YoY)

	(billion yen)						
	FY2014 Result			FY2015 Forecast			Change (B) - (A)
	1st half	2nd half	Total (A)	1st half	2nd half	Total (B)	
Sales	197.0	216.8	413.8	213.0	219.0	432.0	18.2
Cellulosic Derivatives	43.5	49.1	92.6	45.0	45.0	90.0	-2.6
Organic Chemicals	38.6	42.0	80.7	43.1	43.4	86.5	5.8
Plastics	74.1	79.9	154.0	82.0	82.5	164.5	10.5
Pyrotechnic Devices	37.8	42.3	80.1	40.3	43.7	84.0	3.9
Other products	2.8	3.6	6.4	2.6	4.4	7.0	0.6
Operating Profit	17.6	20.3	37.9	20.0	21.0	41.0	3.1
Cellulosic Derivatives	9.0	10.1	19.1	10.7	9.8	20.5	1.4
Organic Chemicals	3.3	2.7	6.0	2.5	2.5	5.0	-1.0
Plastics	5.4	5.6	11.0	6.5	6.7	13.2	2.2
Pyrotechnic Devices	4.3	6.2	10.5	5.0	6.2	11.2	0.7
Other products	0.0	0.2	0.3	0.1	0.3	0.4	0.1
Companywide	-4.4	-4.6	-9.0	-4.8	-4.5	-9.3	-0.3
Ordinary profit	19.2	22.2	41.4	20.5	21.5	42.0	0.6
Net profit	12.1	10.7	22.8	12.0	12.0	24.0	1.2
Exchange rate (Yen/USD)	98	101	100	100	100	100	

Notes regarding Forward-Looking Statements

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