


Design the Future



**Description of
FY 2014 2nd Quarter
Consolidated Financial Results**


DAICEL CORPORATION

November 7, 2013

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**FY 2014 2nd Quarter
Consolidated Financial Results**

Operating Results

(100 million Yen)

	FY 2013 2nd Quarter (A)	FY 2014 2nd Quarter (B)	Changes (B) – (A)	Y o Y (%)
Sales	1,773	1,970	196	+11.1%
Operating profit	136	176	40	+29.1%
Ordinary profit	137	192	55	+40.0%
Net profit	72	121	50	+68.9%
Exchange rate	Yen 80 / \$	Yen 98 / \$		

Consolidated Profit and Loss Statement

	FY 2013 2nd Quarter (A)	FY 2014 2nd Quarter (B)	Changes (B) – (A)	Remarks
Net Sales	1,773	1,970	+196	Quantity +22 Prices +174 (Exchange gain +184)
Gross profit	406	467	+61	
Selling, general and administrative expenses	270	291	+22	
Operating Profit	136	176	+40	Quantity effect -16 Other +3 Price impact +53 (Exchange gain +43)
Non-operating income and expenses	1	16	+15	Improved Exchange gain or loss +17
Ordinary Profit	137	192	+55	
Extraordinary gain and loss	△ 14	17	+31	
Profit before income taxes and minority interests	124	209	+86	
Income Taxes, Minority interests in profit (loss)	52	88	+36	
Net Profit	72	121	+50	
Exchange rate	¥ 80 /\$	¥ 98 /\$		

Analysis for Sales and Operating Profit

【Sales】

(100 million Yen)

	FY 2013 2nd Quarter (A)	FY 2014 2nd Quarter (B)	Changes (B) – (A)	Analysis	
				Quantity	Prices
Cellulosic Derivatives	363	435	+73	+12	+61
Organic Chemicals	357	386	+29	+4	+25
Plastics	704	741	+37	-5	+42
Pyrotechnic Devices	319	378	+59	+12	+46
Other products	30	28	-1	-1	
Total	1,773	1,970	+196	+22	+174

【Operating Profit】

	FY 2013 2nd Quarter (A)	FY 2014 2nd Quarter (B)	Changes (B) – (A)	Impact Analysis		
				Quantity	Prices	Other
Cellulosic Derivatives	67	90	+22	-3	+25	+0
Organic Chemicals	24	33	+9	+3	+4	+2
Plastics	62	54	-8	-16	+13	-5
Pyrotechnic Devices	22	43	+20	+3	+11	+6
Other products	4	0	-3	-3	0	0
Companywide	-44	-44	-0	+0	0	-0
Total	136	176	+40	-16	+53	+3

Consolidated Balance Sheet

(100million Yen)

	End of March, 2013 (A)	End of Sept. 2013 (B)	Changes (B) - (A)	Remarks
Assets	2,322	2,436	+114	
Cash, Deposits and Short-term investment securities	547	616	+68	Increase due to mainly issuance of bonds
Notes and accounts receivable-trade	770	792	+22	
Inventories	830	867	+37	
Other	175	162	-13	
Total noncurrent assets	2,293	2,442	+149	
Property, plant and equipment	1,493	1,558	+65	Acquisition: 140, Depreciation: -228, Currency translation difference:32
Intangible assets	136	137	+1	
Investments and other assets	664	747	+83	Investment securities: 49 (Increase in market value)
Total assets	4,615	4,878	+263	
Liabilities	1,986	2,060	+74	
Interest-bearing Liabilities	992	1,085	+93	Interest-bearing liabilities ratio: 22.3%
Other	994	994	+0	
Net assets	2,629	2,818	+189	Capital adequacy ratio: 52.7%
Total liabilities and net assets	4,615	4,878	+263	

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FY 2014 Forecast

Precondition

		FY 2013		FY 2014	
		First half Results	Second half Results	First half Results	Second half Plan
Exchange rate		Yen 80 / \$	Yen 85 / \$	Yen 98 / \$	Yen 95 / \$
Raw Materials	Methanol (Asian spot price)	\$376	\$370	\$390	\$400
	Crude oil, Dubai	\$106	\$108	\$103	\$105
	Domestic Naphtha	Yen 55,000 /kl	Yen 59,600 /kl	Yen 64,700 /kl	Yen 65,000 /kl

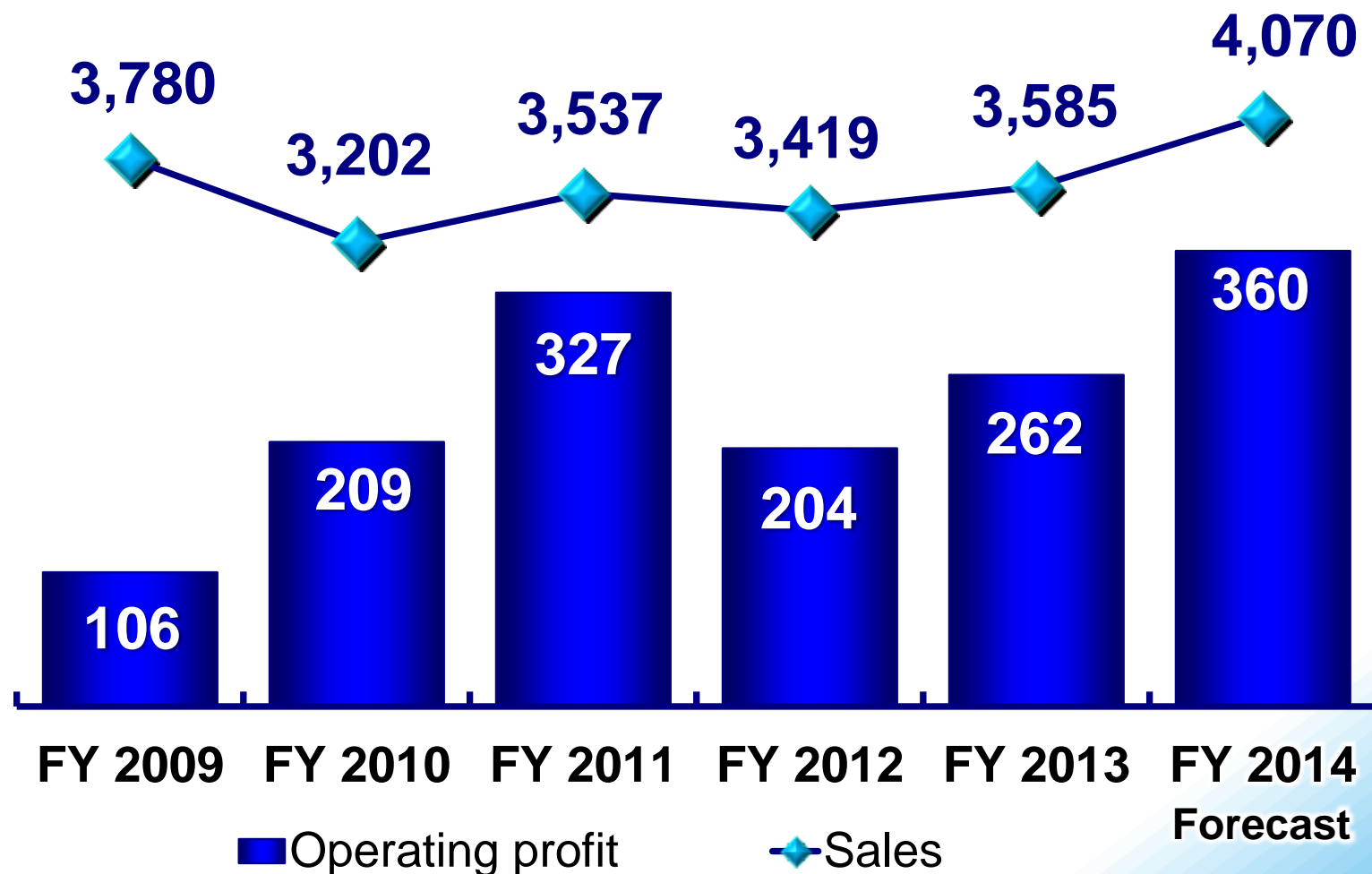
FY 2014 Forecast

(100 million Yen)

	FY 2013 Results (A)	FY 2014 Forecast (B)	Changes (B) – (A)	Y o Y (%)
Sales	3,585	4,070	+485	+13.5%
Operating profit	262	360	+98	+37.4%
Ordinary profit	286	380	+94	+33.0%
Net profit	154	210	+56	+36.6%
Exchange rate	Yen 82 / \$	Yen 97 / \$		

Trends in Sales and Operating Profit

(100 million Yen)



Sales and Operating Profit (YOY)

【Sales】

(100 million Yen)

	FY 2013 Results (A)	FY 2014 Forecast (B)	Changes (B) - (A)
Cellulosic Derivatives	745	900	+155
Organic Chemicals	715	795	+80
Plastics	1,402	1,530	+128
Pyrotechnic Devices	660	775	+115
Other products	64	70	+7
Total	3,585	4,070	+485

【Operating Profit】

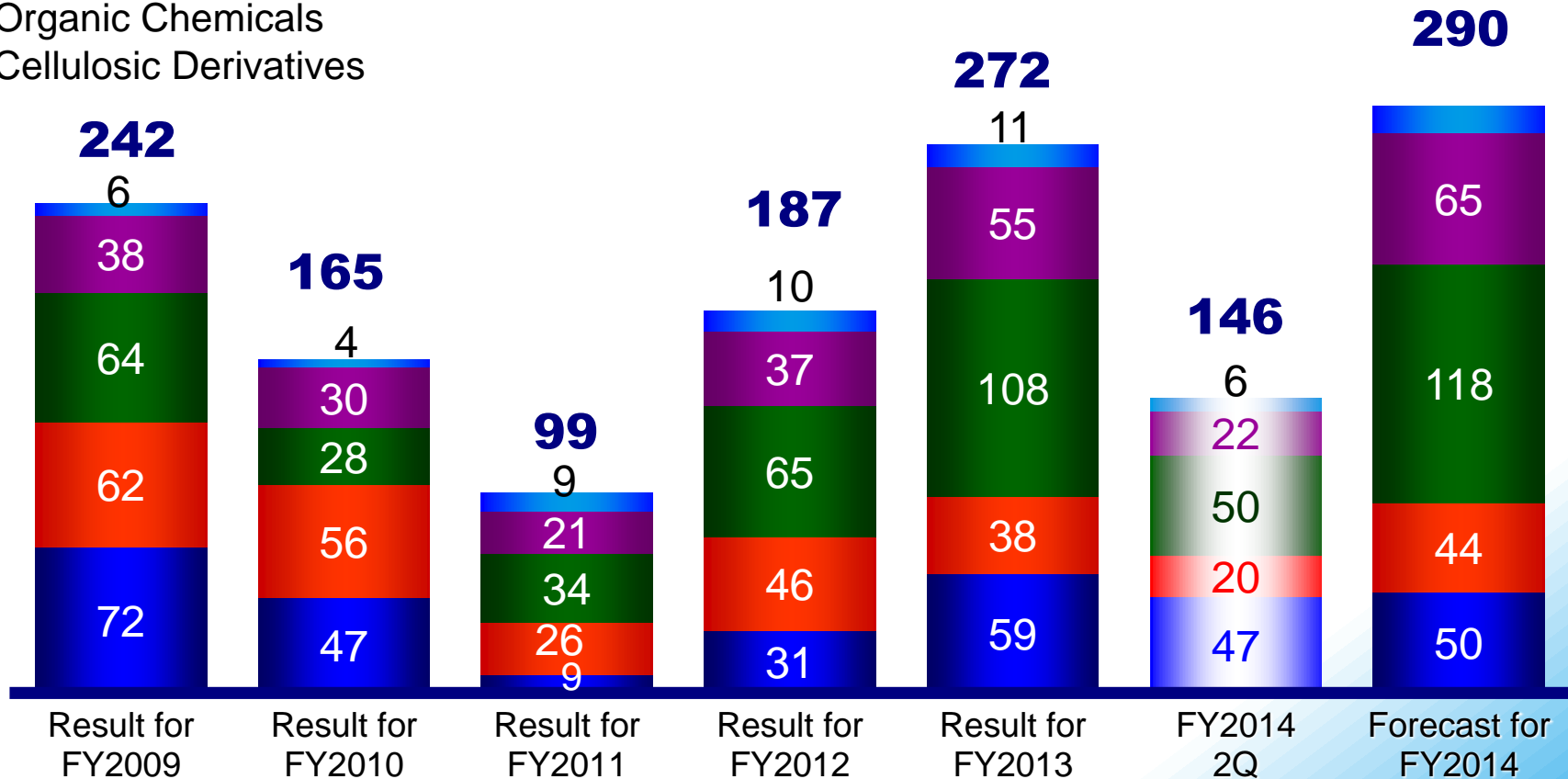
	FY 2013 Results (A)	FY 2014 Forecast (B)	Changes (B) - (A)
Cellulosic Derivatives	136	175	+39
Organic Chemicals	53	68	+15
Plastics	112	116	+4
Pyrotechnic Devices	41	85	+44
Other products	8	4	-4
Companywide	-87	-88	-1
Total	262	360	+98

Trend for Investment in Plant and Equipment

(100 million Yen)

- Others and Companywide
- Pyrotechnic Devices
- Plastics
- Organic Chemicals
- Cellulosic Derivatives

- ◆ Acetate tow facility in Ohtake Plant (Completed in July 2013)
- ◆ Polyacetal facility in Polyplastics (Malaysia) (SOP in early 2014)
- ◆ Strengthening overseas inflator bases, and building new bases in Korea (SOP in December 2013)

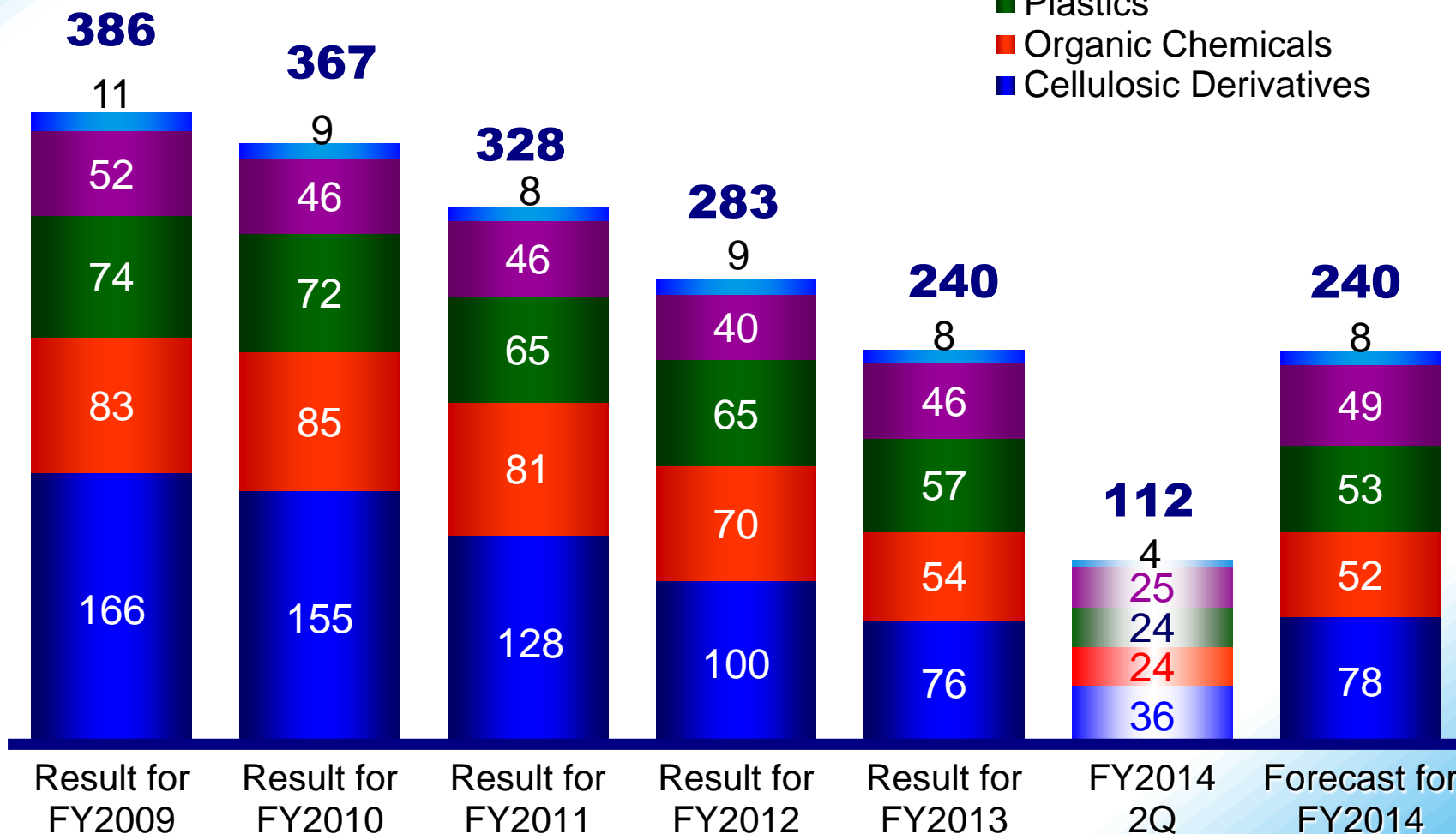


Note: The amount of increase accompanied with the new consolidation is not included.

Depreciation

(100 million Yen)

- Others and Companywide
- Pyrotechnic Devices
- Plastics
- Organic Chemicals
- Cellulosic Derivatives



Note: Amortization of goodwill is not included.

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Cellulosic Derivatives

Sales

+ 7.3 billion yen

Foreign exchange gain

5.2 billion yen

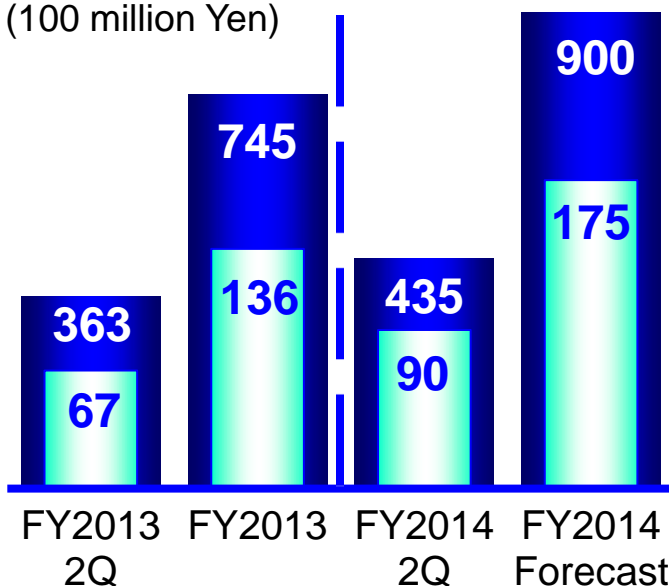
- ◆ **Cellulose acetate** : Decreased in sales of TAC for LCD optical film due to weak demand for LCD and thinning of TAC films.
- ◆ **Acetate tow for cigarette filters** : Increased in sales due to the effect of the weak yen, correction of the selling price, strong overseas demand, and increased production in Aboshi and Ohtake from July, despite decreased production from biennial repairs at the Aboshi Plant.

Operating profit

+ 2.2 billion yen

Increased in profit due to the effect for the weak yen and price correction.

(100 million Yen)



FY 2014 Forecast

◆ Cellulose acetate

Forecast in TAC consumption decrease trend

- ✓ Thinning of TAC film.
- ✓ Competition with other materials.

◆ Acetate tow

Forecast of increase in sales volume due to start the joint venture with Mitsubishi Rayon and increase production capacity in Ohtake and Aboshi.

Organic Chemicals

Sales

+ 2.9 billion yen

Foreign exchange gain

2.2 billion yen

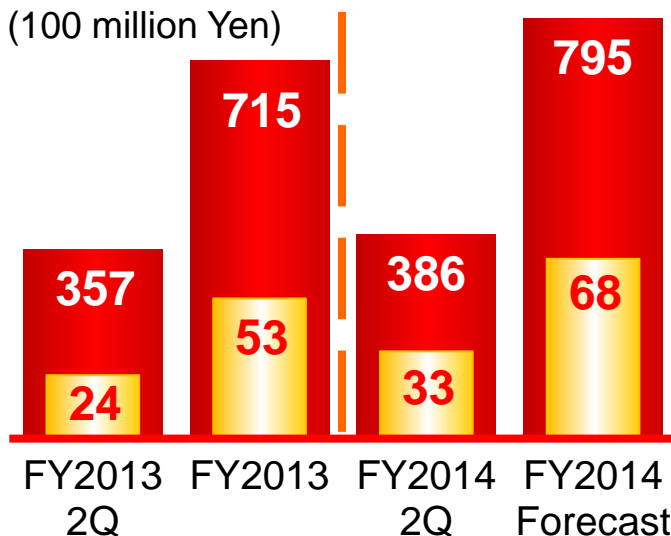
- ◆ **Acetic acid:** Despite the decrease in sales volume due to biennial repairs at the Aboshi Plant, and reduction of demand through lowering operation of PTA manufacturers, increased in sales due to the weak yen and price correction for higher raw material/fuel.
- ◆ **Organic Commodity Products and Organic Designed Products:** Increased in sales due to the effect for the weak yen and increase of the sales volume for e-materials.
- ◆ **Chiral chemicals:** Increased in sales due to the effect for the weak yen and the strong sales of columns.

Operating profit

+ 0.9 million yen

Increased in profit due to the effect for the weak yen and the increase of sales volume for mainly functional products.

(100 million Yen)



FY 2014 Forecast

Forecast of increase in sales due to an improvement of the export environment for relaxation of strong yen under mild recovery of the product demand on mainly e-materials.

Sales

+ 3.7 billion yen

Foreign exchange gain

5.9 billion yen

◆ Polyplastics (closing month is December) : + 1.8 billion yen

January - June 2013 is applied to the 2nd Quarter in this financial year. Increased in sales due to the effect of the weak yen, despite a decrease in sales volume due to the effect of a decline in automotive production and weaker sales of electronic devices.

◆ Daicel polymer Gr. : + 1.5 billion yen

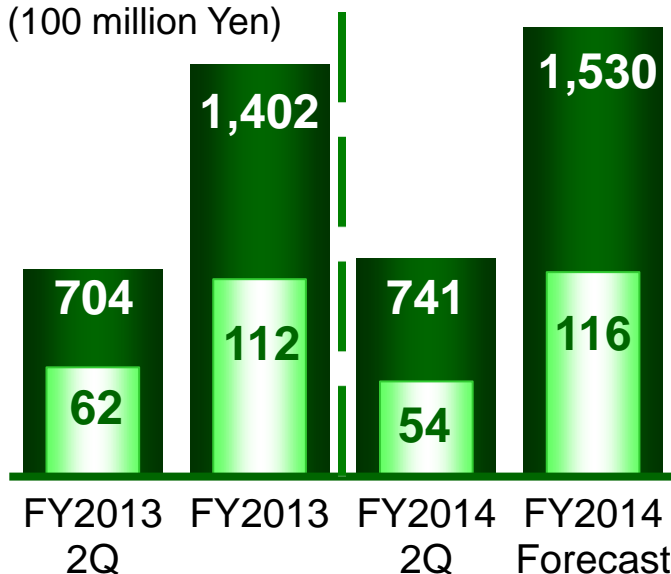
Increased in sales due to increase of the sales volume for automotive parts.

Operating profit

- 0.8 billion yen

Increased in profit due to adjustments for sales price, and increase in sales volume.

(100 million Yen)



FY 2014 Forecast

◆ Polyplastics

Forecast of increase in sales

- ✓ Revised up the production by Japanese car manufacturers.
- ✓ The effect for the weak yen.

◆ Daicel polymer

Forecast of increase in sales due to the strong demand for automotive parts.

Pyrotechnic Devices

Sales

+ 5.9 billion yen

Foreign exchange gain

5.1 billion yen

◆ Automobile Airbag Inflators :

Increased in sales due to the effect of weak yen, the recovery of Japanese car sales in China, and the continuation of the expansionary trend in the North American auto market.

■ Sales volume: FY2013 First half 27million units

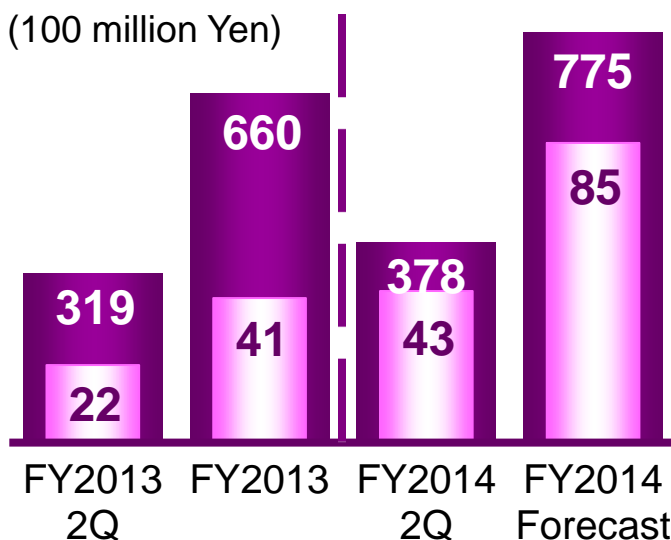
⇒ FY2014 First half 29 million units (increased 2 million units)

Operating profit

+ 2 billion yen

Increased in profit due to the effect of weak yen and the increase of sales volume.

(100 million Yen)



FY 2014 Forecast

◆ Automobile Airbag Inflators

Forecast of increase in both sales and profits, due to outlook of keeping steady demand in the global automotive market and the effect for the weak yen.

Sales volume plan in FY 2014:

60 million units (6 million units plus)

Topics

Strengthening of our acetate tow business

Toyama Filter Tow Co., Ltd. as JV started in May 1, 2013.
(Equity share: Mitsubishi Rayon 65%, DAICEL 35%)



Located in Toyama Production Center
of Mitsubishi Rayon Co., Ltd.

**Expand the acetate tow
production facilities in Ohtake**



**Increase the acetate tow
production capacity in Aboshi**



Started up in July 2013.
Production capacity increased 10%

Development activities for Functional materials

In Arai, **the functional chemicals facility**, established in June 2013, has completed its trial run.

Our target is electronic materials field; we can make a trial run and mass production of functional materials for e-materials.



Trial production plant



The functional chemicals facility in Arai

Polyplastics promotes globalization

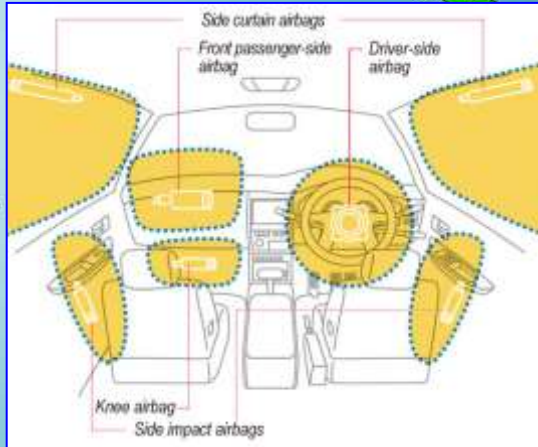


- ◆ **Polyplastics (Nantong) Ltd., a new compounding company, was established in China, and started operations in Oct. 2013.**
- ◆ **Built a new 90,000t/y POM production facility in Malaysia; will start commercial operations in early 2014.**
- ◆ **Established a sales company in Mexico which started business in Oct. 2013.**
- ◆ **Exhibited at the K2013 (2013/10/16 ~ 23).**



* K International Trade Fair : The world's premier trade fair for plastics and rubber, which is held every 3 years in Düsseldorf, Germany at Messe Düsseldorf.

DSSK will start up in Dec. 2013.

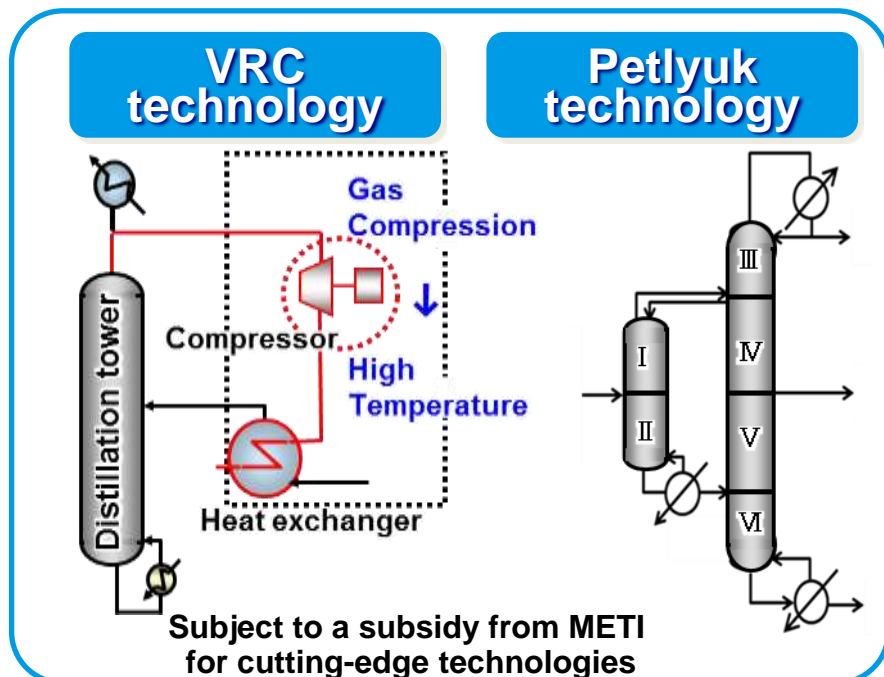


Daicel Safety Systems Korea, Inc., established in Nov. 2011, will start operations in Dec. this year.

Creation of a new way for business expansion through development and demonstration of "Process Innovation" technologies will lead to:

- Fundamental reduction of variable costs
- Drastic reduction in investment
- Shortening of construction lead times etc.

Development of energy conservation technology for distillation processes



The first technical demonstration in a large chemical plant in the world!

Prospect of Energy Conservation of more than 30%

Further Process Innovation

- Application of membrane technology
- Creation of new reaction technologies and so on ...

From “**D**esign”, to “**D**evelopment”

**Safe operations, Product safety and Ensuring quality
as our Top Priority**

Develop New Values

3D-II Medium-Term Plan (for FY 2014–16)

It is under development now, we will announce in February next year.

3D-I Medium-Term Plan (for FY 2011–13)

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**We are performing steadily
for the basic strategy of 3D-I Medium-Term Plan.**

- ◆ Development of new businesses
- ◆ Enhancement of core businesses
- ◆ Development and enhancement of businesses from a global perspective
- ◆ Increased cost-competitiveness
- ◆ Enhanced cooperation with business partners
- ◆ Pursuit of M&A from a strategic perspective
- ◆ Enhancement of business foundations

References

Activities for New Business Creation

Target area :

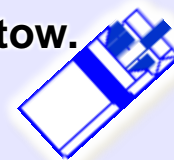
Electronics, Energy, Environment, Medical/ Health care

	Research	Developing Products	Customer Testing	Market Launch (Including paid samples)
Electronics	LED Transparent Encapsulants / OLED panel sealants			CELVENUS
	Compounds for camera lenses			CELVENUS
	Films for touch panels			
	Ultra-Dispersed Diamonds			
Energy / Environment	Visible Light Response-type Titanium Oxide Photocatalyst			CelMuse
	Pre-mixture additive for Orally Disintegrating tablets			GRANFILLER-D
Medical / Health care	EQUOL (Anti-aging material derived from soybeans)			EQUOL products

Activities by each segment

Cellulosic Derivatives

- ◆ Established New China JV for acetate tow.
- ◆ Increased Acetate tow production capacity in Ohtake and Aboshi.
- ◆ Established acetate tow JV with Mitsubishi Rayon.



Organic Chemicals



- ◆ Increased Ethyl acetate production capacity.
- ◆ The Chiral Chinese subsidiary was relocated and expanded.
- ◆ In Arai, established the functional chemicals facility for trial and mass production of e-materials.

Plastics

- ◆ Daicel Polymer
 - Established a sales company in Thailand.
 - Built the increased production system for long-fiber-reinforced plastics.
- ◆ Established JV for low density foam plastics with Mitsui Chemical.
- ◆ Polyplastics
 - Increased compounding capacity in Taiwan.
 - Established a compounding base in Nantong, China.
 - Acquired German Monomer Supplier "LCPG" for LCP.
 - Built a new POM production facility in Malaysia.
 - Established sales companies in the United States, Germany, South Korea and Mexico.



Pyrotechnic Devices

- ◆ Established a new inflator manufacturing base in South Korea.
- ◆ Acquired U.S. initiator manufacturer "SDI".



Company-wide common foundation

- ◆ Renewed The Operation Training Center.



- ◆ Installed the city gas cogeneration system into Aboshi.

Notes regarding Forward-Looking Statements

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