

FY2016 (4/2016 - 3/2017) 2nd Quarter Consolidated Financial Results

Develop New Value

DAICEL CORPORATION

November 7, 2016



FY 2016 2nd Quarter Consolidated Financial Results

P 3 ~ P 6

FY 2016 Forecast

P 7 ~ P 11

Return to Shareholders

P 12

Trends in Capital expenditure

P 13

Trends in Depreciation and amortization

P 14

Information by Segment

P 15 ~ P 19

References

P 20 ~ P 22

FY2016 (4/2016 - 3/2017) 2nd Quarter Consolidated Financial Results

Develop New Value

A decorative graphic on the right side of the slide, consisting of four overlapping, upward-pointing triangles in blue, cyan, green, and purple, creating a sense of growth and progress.

Operating Results

(billion yen)

	FY2015 ('15/4-'16/3)	FY2016 ('16/4-'17/3)	Change	YoY
	2nd Quarter	2nd Quarter	(B)-(A)	(%)
	(A)	(B)		
Sales	226.5	209.8	-16.7	-7.4%
Operating profit	31.6	30.6	-1.0	-3.2%
Ordinary profit	32.7	29.5	-3.2	-9.7%
Profit attributable to owners of parent	21.3	19.1	-2.3	-10.7%
Exchange rate	Yen 122 / \$	Yen 105 / \$		

Consolidated Profit and Loss Statement

(billion yen)

	FY 2015 2nd Quarter (A)	FY 2016 2nd Quarter (B)	Change (B) – (A)	Remarks
Net Sales	226.5	209.8	-16.7	Quantity +10.7 Prices -27.4 (Exchange loss -17.7)
Gross profit	66.2	65.5	-0.7	
Selling, general and administrative expenses	34.6	34.9	+0.3	
Operating Profit	31.6	30.6	-1.0	Quantity effect +8.6 Other -0.3 Price impact -9.3 (Exchange loss -5.9)
Non-operating income and expenses	1.1	-1.1	-2.1	Profit and loss resulting from a change in exchange rate -2.3
Ordinary Profit	32.7	29.5	-3.2	
Extraordinary gain and loss	0.3	0.4	+0.1	
Profit before income taxes and minority interests	33.0	29.9	-3.1	
Income tax	8.8	7.3	-1.5	
Profit attributable to non-controlling shareholder	2.9	3.5	+0.7	
Profit attributable to owners of parent	21.3	19.1	-2.3	
Exchange rate	¥ 122 /\$	¥ 105 /\$		

Analysis for Sales and Operating Profit

【Sales】

(billion yen)

	FY 2015 2nd Quarter (A)	FY 2016 2nd Quarter (B)	Change (B) – (A)	Analysis	
				Quantity	Prices
Cellulosic Derivatives	53.7	43.5	-10.3	-4.1	-6.2
Organic Chemicals	41.0	36.5	-4.4	+0.9	-5.3
Plastics	83.5	76.3	-7.2	+3.6	-10.7
Pyrotechnic Devices	45.4	50.6	+5.2	+10.3	-5.1
Other Businesses	2.9	2.9	-0.0	-0.0	
Total	226.5	209.8	-16.7	+10.7	-27.4

【Operating Profit】

	FY 2015 2nd Quarter (A)	FY 2016 2nd Quarter (B)	Change (B) – (A)	Impact Analysis		
				Quantity	Prices	Other
Cellulosic Derivatives	15.6	11.7	-3.9	-0.8	-2.7	-0.4
Organic Chemicals	5.8	5.7	-0.1	+0.6	-1.2	+0.5
Plastics	9.9	11.3	+1.4	+1.9	-2.8	+2.2
Pyrotechnic Devices	5.9	8.5	+2.6	+6.5	-2.5	-1.4
Other Businesses	-0.1	0.3	+0.4	+0.4	0	0
Corporate and eliminations	-5.5	-6.8	-1.3	0	0	-1.3
Total	31.6	30.6	-1.0	+8.6	-9.3	-0.3

FY 2016 Forecast

Develop New Value



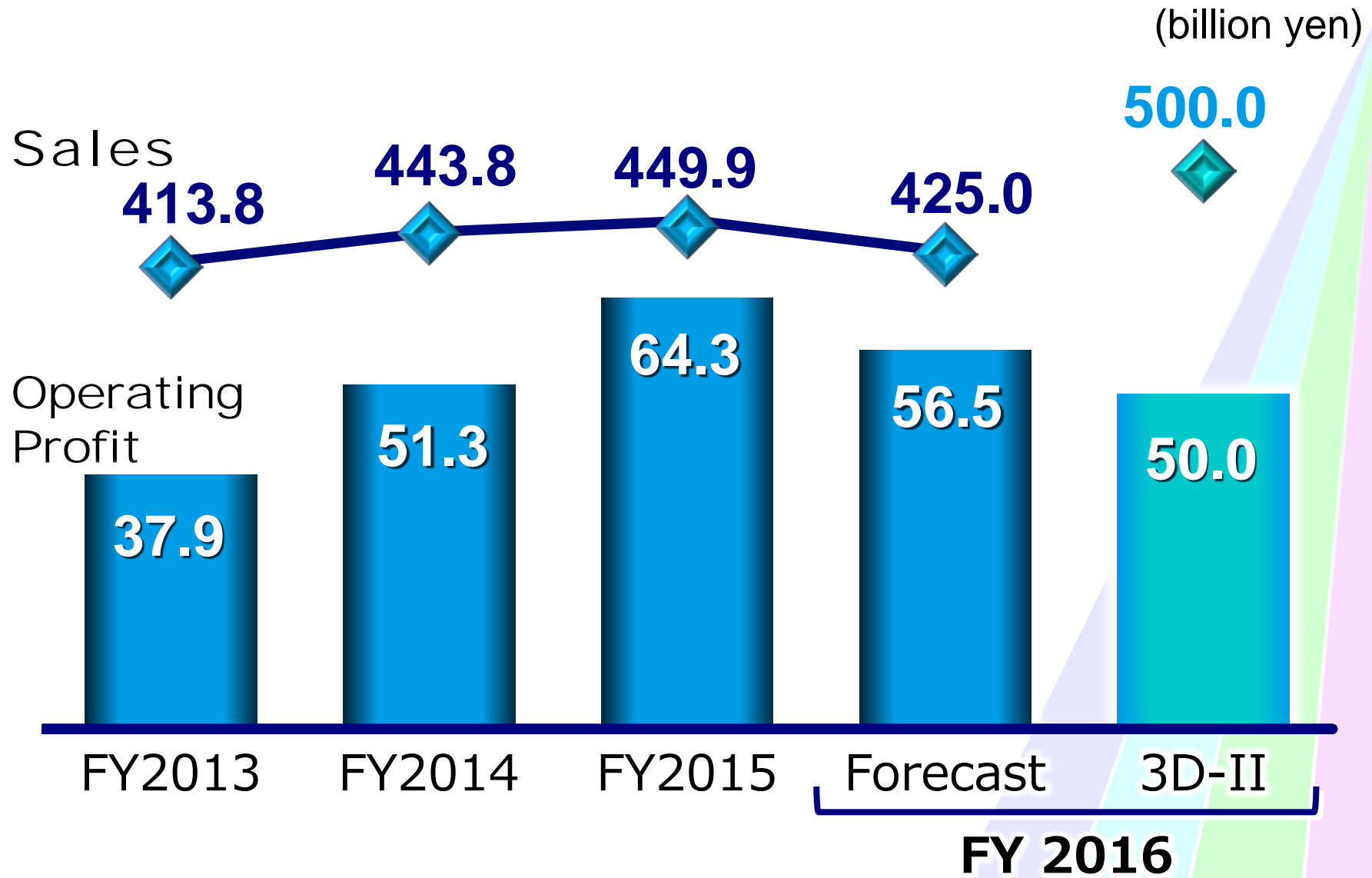
Assumptions

		FY2015 (4/2015 - 3/2016)		FY2016 (4/2016 - 3/2017)	
		First half Result	Second half Result	First half Result	Second half Forecast
Exchange rate		Yen 122 /USD	Yen 118 /USD	Yen 105 /USD	Yen 100 /USD
Raw material / Fuel	Methanol (Asian spot price)	USD 303 /ton	USD 231 /ton	USD 230 /ton	USD 250 /ton
	Crude oil, Dubai	USD 56 /bbl	USD 36 /bbl	USD 43 /bbl	USD 50 /bbl
	Domestic Naphtha	Yen 47,900 /kl	Yen 37,400 /kl	Yen 31,300 /kl	Yen 32,000 /kl

FY2016 Forecast

			(billion yen)	
	FY2015 ('15/4 - '16/3) Results	FY2016 ('16/4 - '17/3) Forecast	Change	Y o Y (%)
Sales	449.9	425.0	-24.9	-5.5%
Operating profit	64.3	56.5	-7.8	-12.2%
Ordinary profit	65.4	55.5	-9.9	-15.1%
Profit attributable to owners of parent	40.3	36.0	-4.3	-10.7%
Exchange rate	Yen 120 /USD	Yen 103 /USD		

Trends in Sales and Operating Profit



Sales and Operating Profit (YoY)

(billion yen)

【Sales】	FY 2015 Results (A)	FY 2016 Forecast (B)	Change (B) - (A)
Cellulosic Derivatives	104.5	85.9	-18.6
Organic Chemicals	81.8	74.6	-7.2
Plastics	161.1	149.9	-11.2
Pyrotechnic Devices	95.9	108.3	+12.4
Other Businesses	6.6	6.3	-0.3
Total	449.9	425.0	-24.9

【Operating Profit】	FY 2015 Results (A)	FY 2016 Forecast (B)	Change (B) - (A)
Cellulosic Derivatives	29.7	19.8	-9.9
Organic Chemicals	11.2	9.4	-1.8
Plastics	20.5	21.0	+0.5
Pyrotechnic Devices	13.9	19.3	+5.4
Other Businesses	0.2	0.6	+0.4
Corporate and eliminations	-11.1	-13.6	-2.5
Total	64.3	56.5	-7.8

Return to Shareholders

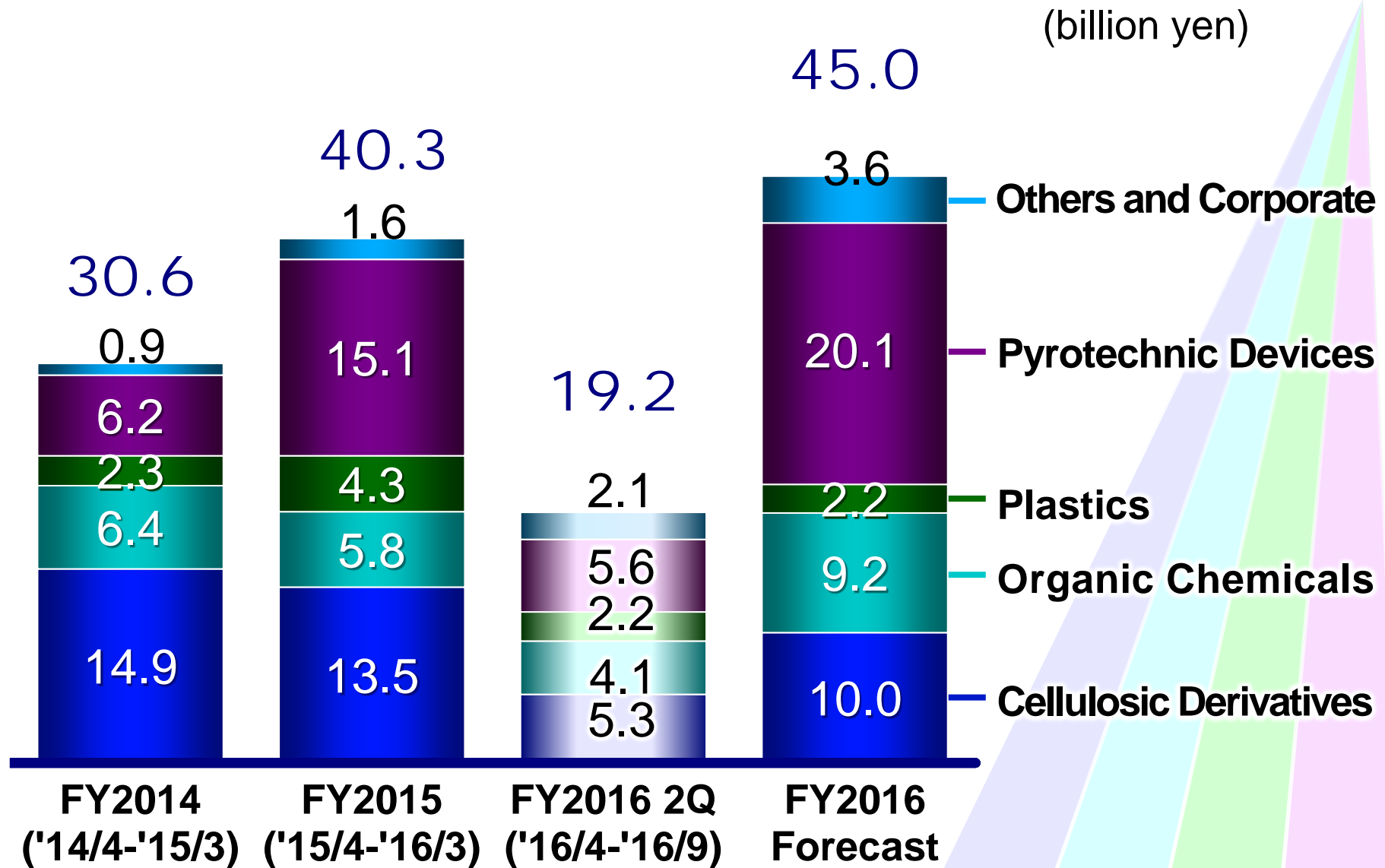
Dividends for 1st half	13 yen per share
Dividends for 2nd half	13 yen per share
Annual dividends	26 yen per share

- We have purchased own stocks of 2.97 million shares in the funds for 4 billion yen.
(May to June 2016)
- We have canceled treasury stocks of 15 million shares. (May 2016)

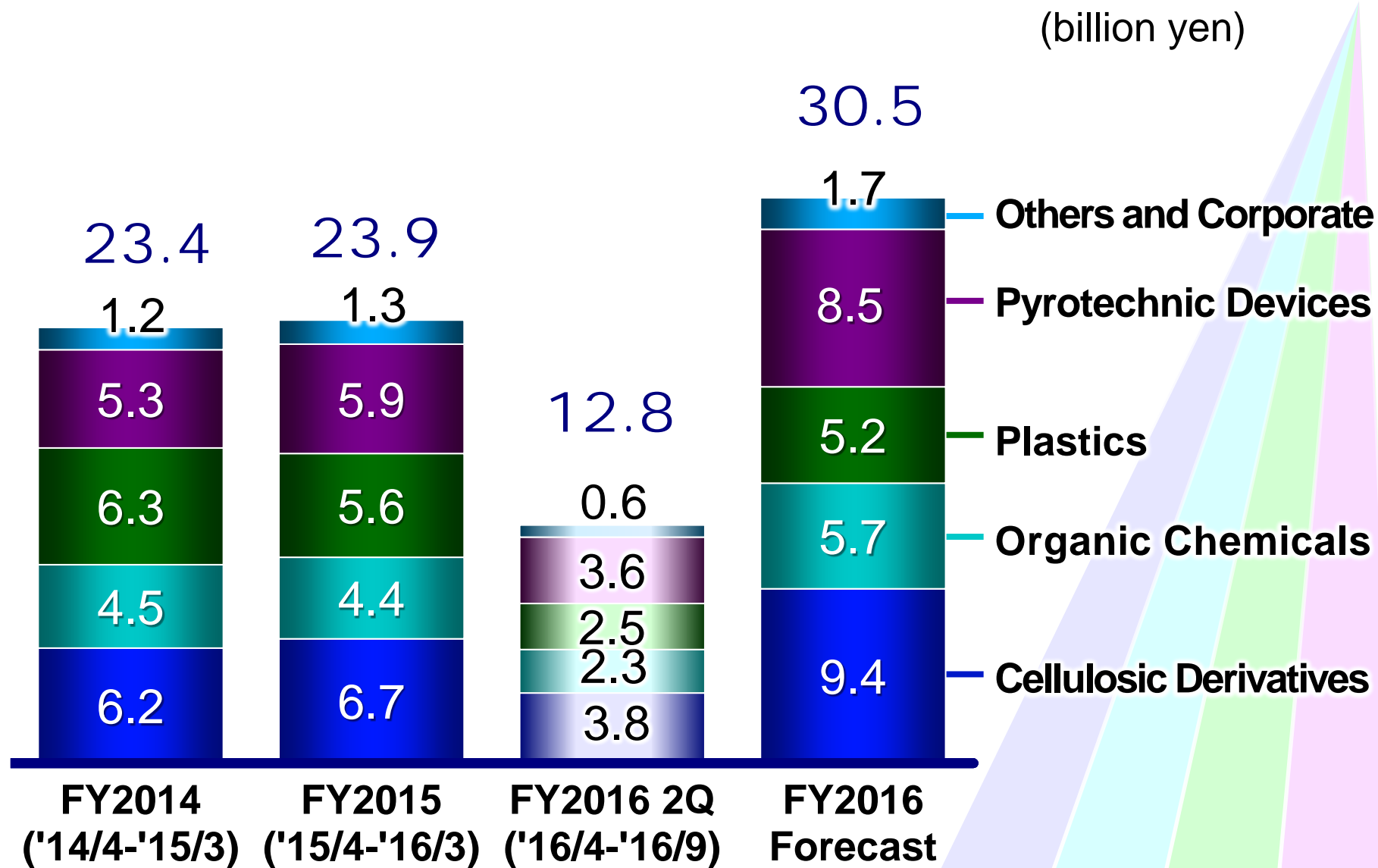
Outlook of the shareholder return ratio in FY 2016: 36%

※ The target for the shareholder return ratio in the 3D-II mid-term plan: 30%

Trend for Capital expenditure



Depreciation and amortization



Information by Segment

Develop New Value



Cellulosic Derivatives

Sales - 10.3 billion yen

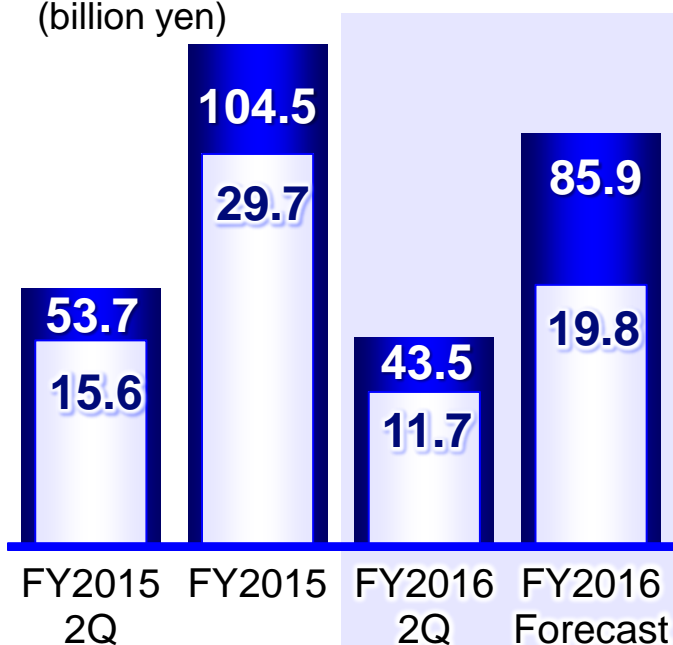
Foreign exchange loss - 4.7 billion yen

- ◆ **Cellulose acetate** : Decrease in sales due to the strong yen and the decrease of sales volume in other applications, despite the strong sales in LCD film applications.
- ◆ **Acetate tow for cigarette filters** : In the eased situation of supply and demand, sales volume was nearly flat year-on-year, through the finding new customers, and the strengthening of relationships with main customers. However, decrease in sales due to the strong yen.

Operating profit - 3.9 billion yen

Decrease in profit due to the strong yen .

(billion yen)



FY 2016 Forecast

Cellulose acetate :

- ✓ In LCD film applications, forecast the nearly flat in sales volume year-on-year.
- ✓ In the cigarette filter applications, forecast the decrease in sales volume due to the destocking of China.

Acetate tow :

- ✓ Forecast increase in sales volume due to the increase of production capacity at Ohtake in the 2nd half of FY 2016.

In the segment, forecast the decrease in sales and profit due to the increase of depreciation cost and the effect of strong yen.

Organic Chemicals

Sales

- 4.4 billion yen

Foreign exchange loss - 1.9 billion yen

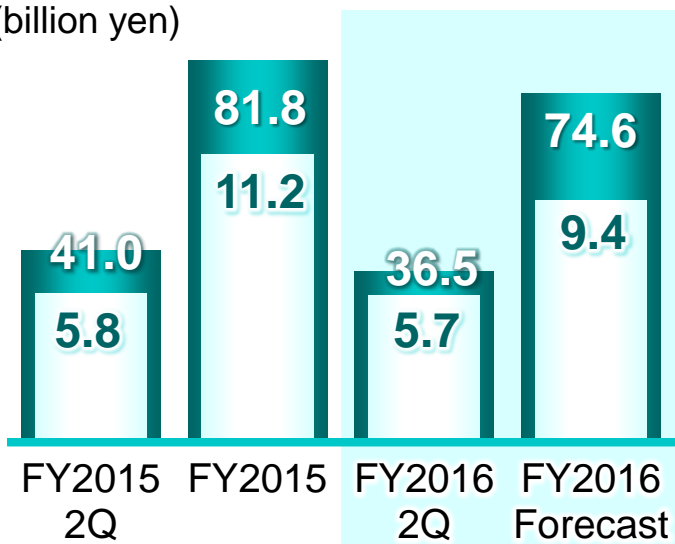
- ◆ **Acetic acid:** Decrease in sales due to the strong yen and the effects of falling market, despite the increase in sales volume by not implementing the biennial periodical maintenance of Aboshi plant in this FY.
- ◆ **Organic chemicals :** Despite the increase in sales volume in the electronic materials field, decrease in sales due to the impact of falling crude oil prices on selling prices and the effect of the strong yen.
- ◆ **Performance chemicals :** Increase in sales due to the strong demand in the electronic materials field and cosmetics/health care field, despite the effect of strong yen.
- ◆ **Chiral separation:** Although sales of columns in China and India remained strong, decrease in sales due to the effect of the strong yen.

Operating profit

- 0.1 million yen

Decrease in profit due to the strong yen and the impact of falling raw material/fuel prices on selling prices

(billion yen)



FY 2016 Forecast

Despite the increase in sales volume of our key product such as acetic acid, forecast the decrease in sales and profit due to the following factors.

- ✓ The effect of the strong yen.
- ✓ the impact of falling raw material/fuel prices on selling prices.
- ✓ The increase of depreciation cost .

Plastics

Sales

- 7.2 billion yen

Foreign exchange loss

- 6.8 billion yen

- ◆ **Engineering plastics** : Despite the slump of electronic device products market and the slowdown in the emerging economies such as China, increase in sales volume due to the strong automobile production in China and Southeast Asia. However, decrease in sales due to the impact of falling raw material/fuel prices on selling prices and the effect of the strong yen.
- ◆ **Plastic compounds** : Despite the impact of falling crude oil prices on selling prices and the effect of the strong yen, increase in sales due to the increase in sales volume.
- ◆ **Plastics processing** : Decrease in sales due to the decrease in sales volume for molded containers.

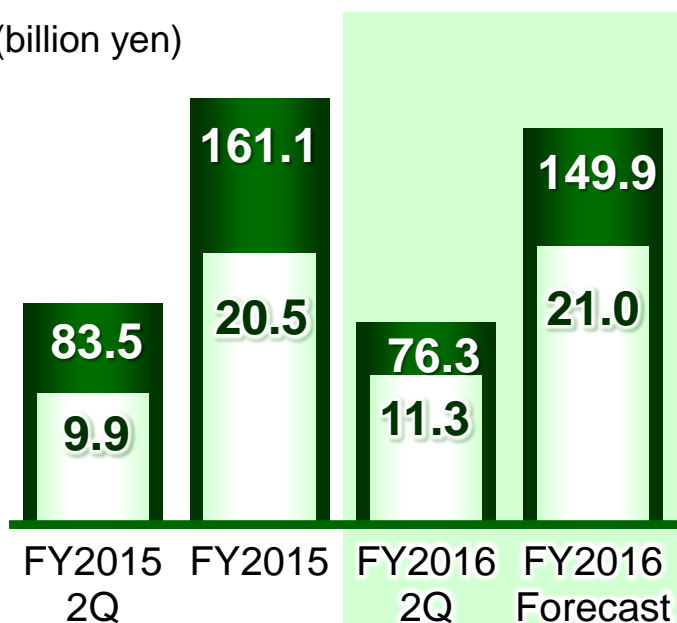
Operating profit

+ 1.4 billion yen

Increase in profit due to the following factors.

- The increase of sales volume.
- The decrease in raw material/fuel prices.
- The improvement in profitability of each company.

(billion yen)



FY 2016 Forecast

- Forecast decrease in sales due to the impact of falling raw material/fuel prices on selling prices and the effect of the strong yen, despite the increase of sales volume such as engineering plastics.
- Forecast increase in profit due to the increase of sales volume, the decrease in raw material/fuel prices and the improvement in profitability of each company.

Pyrotechnic Devices

Sales

+ 5.2 billion yen

Foreign exchange loss

- 4.3 billion yen

◆ Automotive safety parts :

Through the increased production for urgent demand of inflators and the start of production at 2nd Manufacturing Plant in US, increase in sales due to the increase in sales volume, despite the effect of the strong yen.

◆ Aerospace and defense businesses :

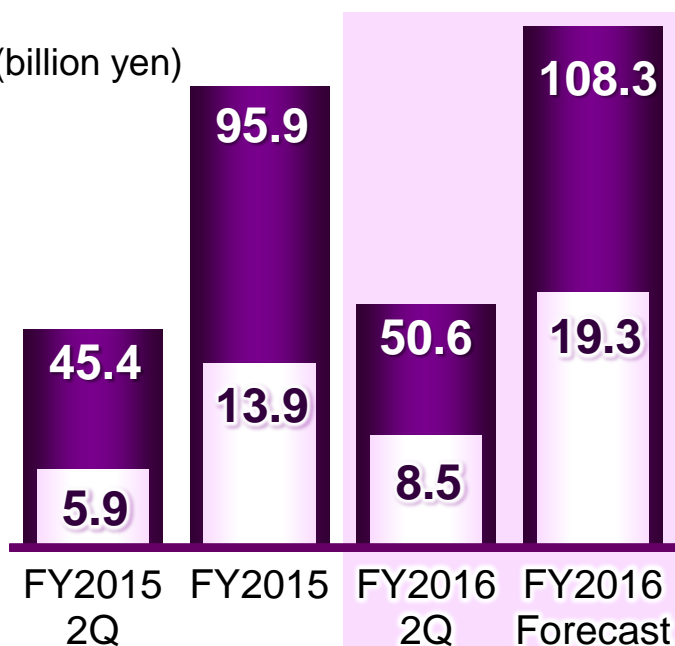
Decrease in sales due to reduced procurement of certain products by the Ministry of Defense.

Operating profit

+ 2.6 billion yen

Increase in profit due to the increase in sales volume of inflators.

(billion yen)



FY 2016 Forecast

Through the increased production for urgent demand of inflators and the start of production at 2nd Manufacturing Plant in US, forecast the increase in sales and profit due to the increase in sales volume.

References

Develop New Value



Consolidated Balance Sheet

(billion yen)

	End of March, 2016 (A)	End of Sept. 2016 (B)	Change (B) - (A)	Remarks
Assets	276.8	267.5	-9.3	
Cash, Deposits and	66.7	67.6	+0.9	
Short-term investment securities				
Notes and	84.5	79.6	-4.8	
accounts receivable-trade				
Inventories	104.9	100.3	-4.6	
Other	20.8	20.0	-0.8	
Total noncurrent assets	283.4	274.4	-9.0	
Property, plant and equipment	175.6	175.6	-0.0	Acquisition: +18.9, Depreciation: -12.1,
Intangible assets	11.3	9.7	-1.7	Currency translation differences: -6.5 Other: -0.3
Investments and other assets	96.4	89.2	-7.3	Investment securities: -5.9 (Term-end valuation -4.3, Sale -1.4, Other -0.2)
Total assets	560.2	541.9	-18.3	
Liabilities	191.5	179.6	-11.9	
Interest-bearing Liabilities	71.3	69.0	-2.3	Interest-bearing liabilities ratio: 12.7%
Other	120.2	110.6	-9.6	
Net assets	368.7	362.3	-6.4	Capital adequacy ratio: 62.1%
Total liabilities and net assets	560.2	541.9	-18.3	

Modification of Financial forecast

	FY2016 Forecast						(billion yen)
	Last announcement			Announcement in this time			Change (B) - (A)
	1st half	2nd half	Total (B)	1st half	2nd half	Total (B)	
Sales	217.0	227.0	444.0	209.8	215.2	425.0	- 19.0
Cellulosic Derivatives	45.1	48.9	94.0	43.5	42.4	85.9	- 8.1
Organic Chemicals	39.3	40.7	80.0	36.5	38.1	74.6	- 5.4
Plastics	77.0	78.0	155.0	76.3	73.6	149.9	- 5.1
Pyrotechnic Devices	52.8	56.1	108.9	50.6	57.7	108.3	- 0.6
Other Businesses	2.8	3.3	6.1	2.9	3.4	6.3	+ 0.2
Operating Profit	30.0	31.0	61.0	30.6	25.9	56.5	- 4.5
Cellulosic Derivatives	12.4	11.6	24.0	11.7	8.1	19.8	- 4.2
Organic Chemicals	6.2	5.4	11.6	5.7	3.7	9.4	- 2.2
Plastics	9.3	10.5	19.8	11.3	9.7	21.0	+ 1.2
Pyrotechnic Devices	8.7	9.4	18.1	8.5	10.8	19.3	+ 1.2
Other Businesses	0.0	0.4	0.4	0.3	0.3	0.6	+ 0.2
Corporate and eliminations	-6.6	-6.3	-12.9	-6.8	-6.8	-13.6	- 0.7
Ordinary profit	31.0	32.5	63.5	29.5	26.0	55.5	- 8.0
Profit attributable to owners of parent	20.0	20.0	40.0	19.1	16.9	36.0	- 4.0
Exchange rate (Yen/USD)	110	110	110	105	100	103	

Notes regarding Forward-Looking Statements

- 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.





The Best Solution for You



The
Best Solution
for **You**