

FY ending March 2018 2nd Quarter Consolidated Financial Results

Nov. 1, 2017

DAICEL CORPORATION

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Operating Results



(billion yen)

	FY ending March 2017 2nd Quarter	FY ending March 2018 2nd Quarter	Change	Change Rate
Sales	209.8	229.0	+19.2	+9.2%
Operating profit	30.6	31.5	+0.9	+2.9%
Ordinary profit	29.5	33.1	+3.6	+12.3%
Profit attributable to owners of parent	19.1	19.6	+0.5	+2.7%
Exchange Rate	JPY 105 /USD	JPY 111 /USD		

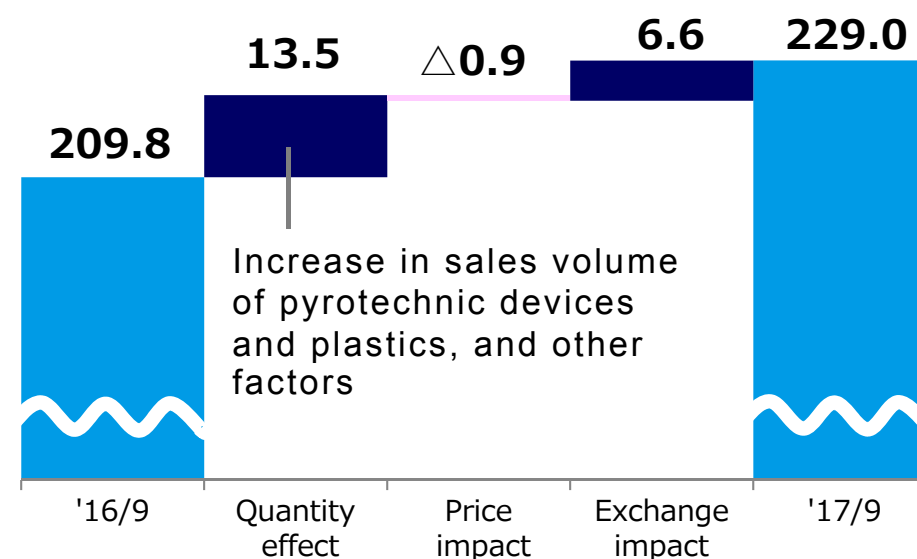
- Increase in sales and profit, due mainly to an increase in sales volume of pyrotechnic devices and plastics, favorable foreign exchange rates and other factors.
- Sales, Operating profit, Ordinary profit and Profit attributable to owners of parent exceeded the previous forecast.

Consolidated Profit and Loss Statement

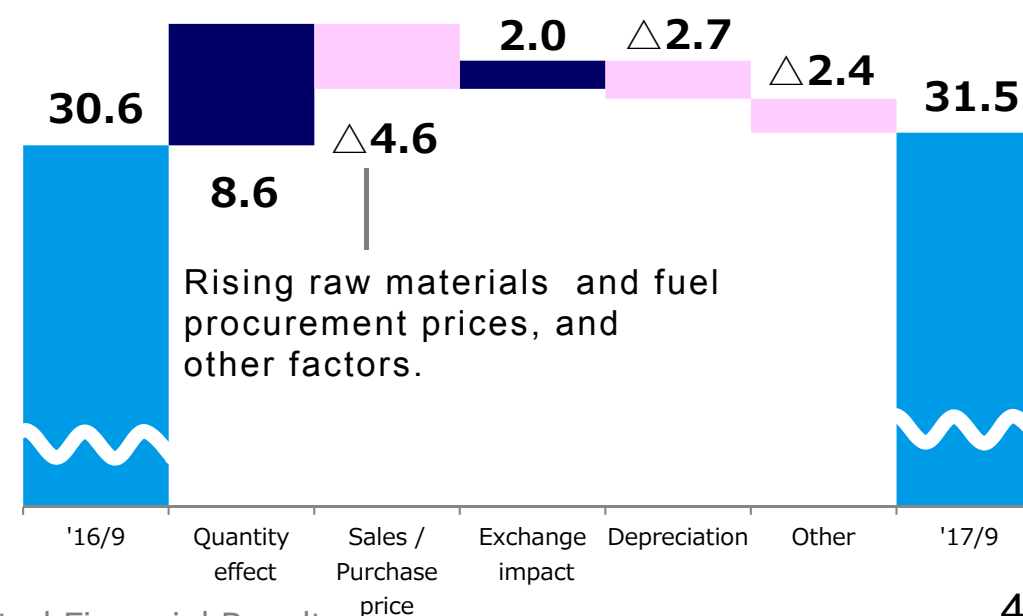
	FY ending March 2017 2nd Quarter	FY ending March 2018 2nd Quarter	Change	Change Rate
Net Sales	209.8	229.0	+19.2	+9.2%
Gross profit	65.5	69.9	+4.5	+6.8%
Selling, general and administrative expenses	34.9	38.4	+3.6	+10.2%
Operating Profit	30.6	31.5	+0.9	+2.9%
Non-operating income and expenses	-1.1	1.7	+2.7	—
Ordinary Profit	29.5	33.1	+3.6	+12.3%
Extraordinary income and losses	0.4	0.0	-0.3	-87.8%
Profit before income taxes	29.9	33.2	+3.3	+11.0%
Income taxes	7.3	9.7	+2.4	+32.5%
Profit attributable to non-controlling interests	3.5	3.9	+0.4	+11.1%
Profit attributable to owners of parent	19.1	19.6	+0.5	+2.7%
Exchange rate (JPY/USD)	105	111		

(billion yen)

■ Change of Sales



■ Change of Operating Profit



Analysis for Sales and Operating Profit

【Sales】

(billion yen)

	FY ending March 2017 2nd Quarter	FY ending March 2018 2nd Quarter	Change	Change Rate	Analysis	
					Quantity	Prices
Cellulosic Derivatives	43.5	45.1	+1.6	+3.7%	+2.3	-0.7
Organic Chemicals	36.5	39.1	+2.6	+7.1%	+0.6	+2.0
Plastics	76.3	83.7	+7.4	+9.7%	+5.0	+2.4
Pyrotechnic Devices	50.6	58.1	+7.4	+14.7%	+5.5	+1.9
Other products	2.9	3.0	+0.2	+6.1%	+0.2	
Total	209.8	229.0	+19.2	+9.2%	+13.5	+5.7
Composition ratio	'17/9	19.7%	17.1%	36.6%	25.4%	
	'16/9	20.7%	17.4%	36.4%	24.1%	

【Operating Profit】

	FY ending March 2017 2nd Quarter	FY ending March 2018 2nd Quarter	Change	Change Rate	Analysis		
					Quantity	Prices	Other
Cellulosic Derivatives	11.7	11.0	-0.7	-5.7%	+1.5	-1.4	-0.8
Organic Chemicals	5.7	3.6	-2.1	-36.4%	+0.3	-0.1	-2.2
Plastics	11.3	12.1	+0.9	+7.7%	+2.9	-1.0	-1.1
Pyrotechnic Devices	8.5	11.6	+3.2	+37.7%	+3.9	-0.1	-0.7
Other products	0.3	0.3	-0.0	-9.1%	-0.0	0.0	0.0
Corporate and eliminations	-6.8	-7.2	-0.4	-6.0%	0.0	0.0	-0.4
Total	30.6	31.5	+0.9	+2.9%	+8.6	-2.6	-5.1
Composition ratio	'17/9	28.5%	9.4%	31.4%	30.1%		
	'16/9	31.2%	15.2%	30.1%	22.6%		

Forecast of the FY ending March 2018



(billion yen)

	FY ending March 2017 Results	FY ending March 2018 Forecast	Change	Change rate
Sales	440.1	462.0	+21.9	+5.0%
Operating profit	64.3	58.5	-5.8	-9.0%
Ordinary profit	66.2	61.0	-5.2	-7.9%
Profit attributable to owners of parent	43.2	37.0	-6.2	-14.3%
Exchange rate	JPY 109 /USD	JPY 111 /USD		

Forecast for Sales and Operating Profit



【Sales】

(billion yen)

		FY ending March 2017 Results	FY ending March 2018 Forecast	Change	Change Rate
	Cellulosic Derivatives	89.5	90.0	+0.5	+0.6%
	Organic Chemicals	76.2	78.6	+2.4	+3.2%
	Plastics	156.9	166.3	+9.4	+6.0%
	Pyrotechnic Devices	111.2	120.9	+9.7	+8.7%
	Other products	6.2	6.2	-0.0	-0.7%
	Total	440.1	462.0	+21.9	+5.0%
Composition ratio	'17/9	19.5%	17.0%	36.0%	26.2%
	'16/9	20.3%	17.3%	35.7%	25.3%

【Operating Profit】

		FY ending March 2017 Results	FY ending March 2018 Forecast	Change	Change Rate
	Cellulosic Derivatives	23.0	20.0	-3.0	-13.0%
	Organic Chemicals	11.5	6.0	-5.5	-48.0%
	Plastics	21.6	22.8	+1.2	+5.8%
	Pyrotechnic Devices	21.3	23.5	+2.2	+10.4%
	Other products	0.7	0.7	-0.0	-5.5%
	Corporate and eliminations	-13.8	-14.5	-0.7	-5.0%
	Total	64.3	58.5	-5.8	-9.0%
Composition ratio	'17/9	27.4%	8.2%	31.2%	32.2%
	'16/9	29.4%	14.8%	27.6%	27.2%

Dividends for 1st half	16 yen per share
Dividends for 2nd half (Forecast)	16 yen per share
Annual Dividends (Forecast)	32 yen per share

- We will achieve the target for the dividend payout ratio of 30% for FY ending March 2018, which we set in the 3D-III medium-term plan.
- We have determined the purchase of own stocks for 7.5 million shares in the funds of 10 billion yen, and now acquiring. (Period of purchase: From August 2017 to March 2018)

Trend in Capital Investment/Depreciation/R&D

(billion yen)

【Capital Investment】	FY ending March 2014	FY ending March 2015	FY ending March 2016	FY ending March 2017	FY ending March 2018 (Forecast)	FY ending March 2018 2nd Quarter
Cellulosic Derivatives	7.1	14.9	13.5	8.3	6.6	3.5
Organic Chemicals	3.8	6.4	5.8	9.2	7.1	4.3
Plastics	10.1	2.3	4.3	5.1	5.7	2.0
Pyrotechnic Devices	3.7	6.2	15.1	12.6	17.6	6.1
Other products/ Corporate and eliminations	0.9	0.9	1.6	4.3	3.0	1.2
Total	25.6	30.6	40.3	39.5	40.0	17.0
【Depreciation and Amortization】	FY ending March 2014	FY ending March 2015	FY ending March 2016	FY ending March 2017	FY ending March 2018 (Forecast)	FY ending March 2018 2nd Quarter
Cellulosic Derivatives	7.6	6.2	6.7	9.3	9.3	4.6
Organic Chemicals	4.9	4.5	4.4	5.4	7.0	3.1
Plastics	5.1	6.3	5.6	5.0	5.3	2.4
Pyrotechnic Devices	5.2	5.3	5.9	7.9	8.7	4.5
Other products/ Corporate and eliminations	0.8	1.2	1.3	1.4	1.7	1.0
Total	23.7	23.4	23.9	29.0	32.0	15.5
【R&D】	FY ending March 2014	FY ending March 2015	FY ending March 2016	FY ending March 2017	FY ending March 2018 (Forecast)	FY ending March 2018 2nd Quarter
Total	13.4	14.0	15.3	16.8	19.9	9.1

Sales + 1.6 billion yen (Exchange impact + 1.8 billion yen)

◆ Cellulose Acetate :

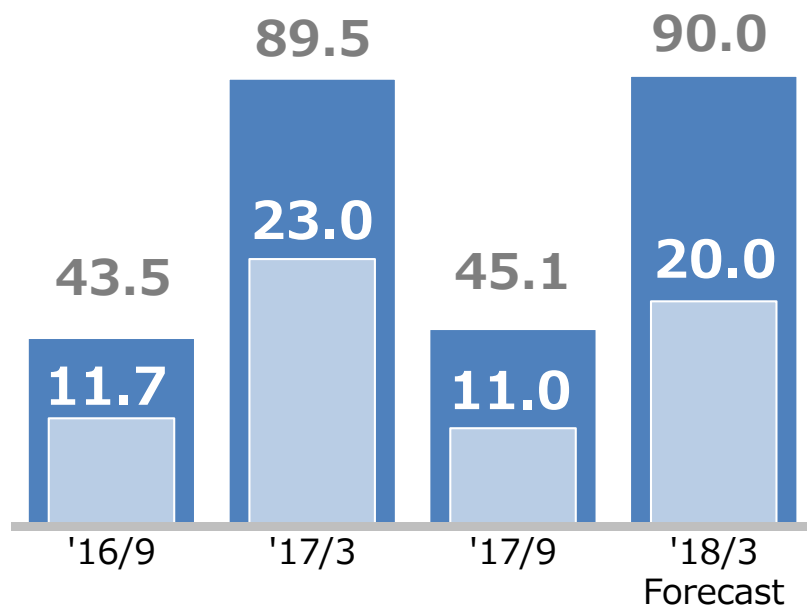
Remained flat. Demand decreased for LCD film applications, however it increased for other applications.

◆ Acetate Tow for Cigarette Filters :

Posted growth because of an increase of sales volume due to our efforts in strengthening relationships with main customers and finding new customers, favorable foreign exchange rates and other factors, even amid the world-wide glut resulting from the softening of the market.

Operating Profit △ 0.7 billion yen

Decrease in OP due mainly to the negative impact of the softening of the market on acetate tow for cigarette filters and an increase in depreciation costs.



Forecast of the FY ending March 2018

◆ Cellulose Acetate :

Forecast nearly flat of demand for LCD film applications, but increase for other applications.

◆ Acetate Tow for Cigarette Filters :

Forecast the effect to sales price from the softening of the market, though increase in sales volume.

◆ For this segment, we forecast slight increase in sales and decrease in operating profit.

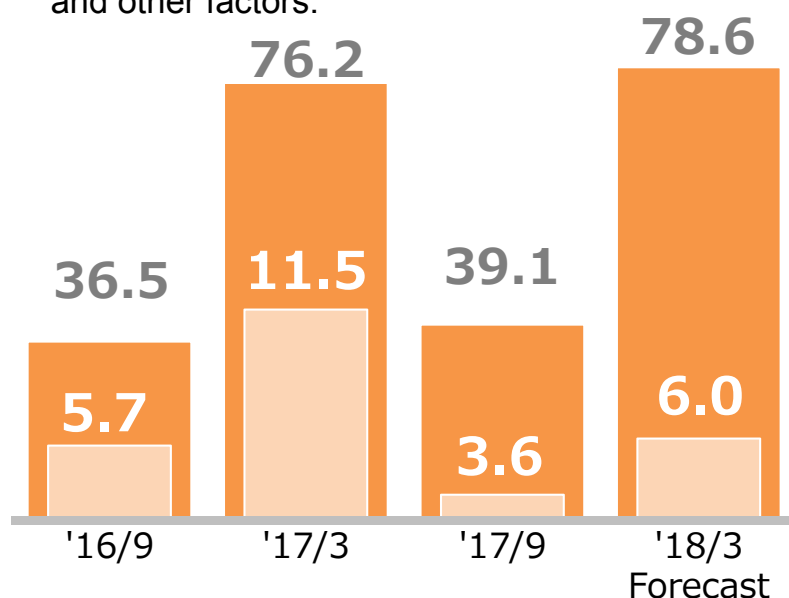
Sales + 2.6 billion yen (Exchange impact + 0.6 billion yen)

- ◆ Acetic Acid : Posted growth due mainly to an upward trend in the market, even amid a decline in sales volume as the biennial periodical maintenance of our Aboshi Plant was implemented during the period under review.
- ◆ Organic Chemicals : Posted growth because of an increase in sales volume and other factors.
- ◆ Performance Chemicals : Posted a slight growth. In spite of a decrease in sales volume of peracetic acid derivative due to a fire that occurred on July 18, 2017 at the peracetic acid plant of the Ohtake Plant, sales volume of other products for electronic materials increased.
- ◆ Chiral Separation business : Increased because of steady column sales and a growth of the new business in India, even amid a decline in Chiral stationary phase (CSPs) sales.



Operating Profit △ 2.1 billion yen

Decrease in OP due to the impact of rising raw material and fuel procurement prices, increases in R&D and depreciation costs, and other factors.



Forecast of the FY ending March 2018

- ◆ Forecast increase in sales due to an increase in sales volume of some products and an upward trend in the Acetic acid market, even amid an effect from the fire accident of the Ohtake Plant and a decrease in sales of some products.
- ◆ For operating profit of this segment, we forecast decrease because of an increase in depreciation costs, an effect from the fire accident, and other factors.

Sales + 7.4 billion yen (Exchange impact + 2.4 billion yen)

◆ Engineering Plastics business :

Posted growth because of an increase in demand for automobile parts and smartphones, an increase in sales volume resulting from progress in new parts adoption, favorable foreign exchange rates and other factors.

◆ Plastic Compound business :

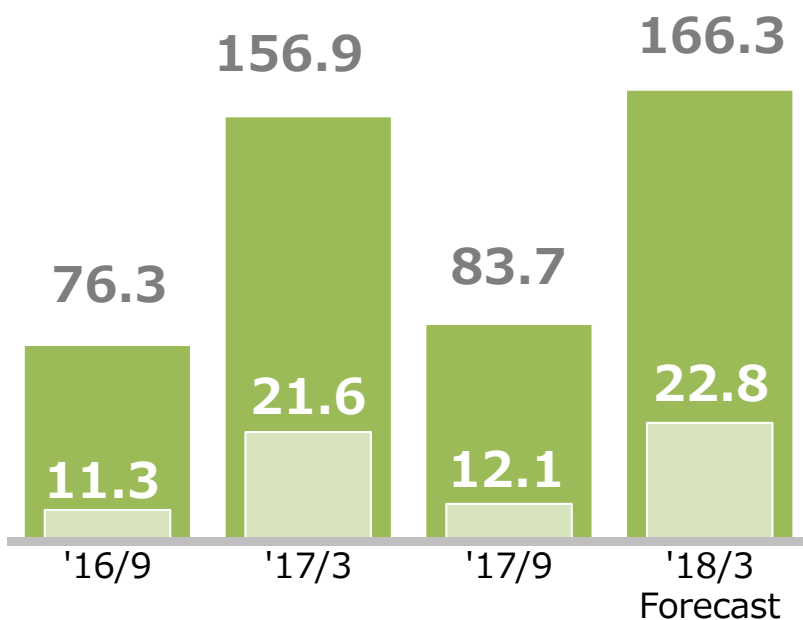
Posted growth due mainly to an increase in sales volume, rising raw material and fuel prices and the subsequent revision of selling prices, and favorable foreign exchange rates.

◆ Plastic Processing business : Decreased due to a decline in sheet sales.



Operating Profit + 0.9 billion yen

Increase in OP due to an increase in sales volume despite a rise in raw material and fuel procurement prices.



Forecast of the FY ending March 2018

- ◆ For this segment, we forecast increases in both sales and operating profit, due to a robust sales of engineering plastics.

Sales + 7.4 billion yen (Exchange impact + 1.8 billion yen)

◆ Automobile Safety Parts business :

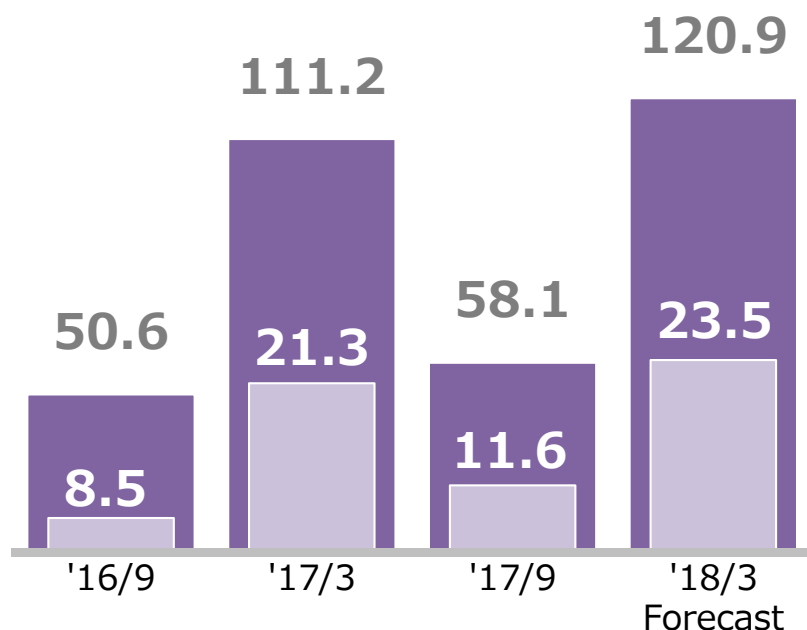
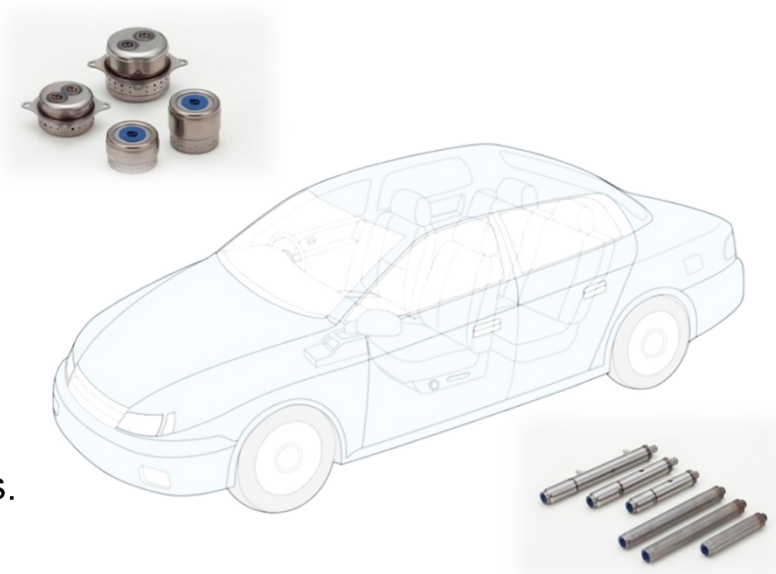
Posted growth due to an increase in inflator sales volume, favorable foreign exchange rates and other factors.

◆ Aerospace & Defense business :

Posted growth due to an increase in volume of some products procured by the Ministry of Defense.

Operating profit + 3.2 billion yen

Increase in OP due to an increase in sales volume and other factors.



Forecast of the FY ending March 2018

- ◆ For this segment, we forecast increases in both sales and operating profit, due to an increase in inflator sales volume.

References

Consolidated Balance Sheet



(billion Yen)

	As of Mar. 31, 2017	As of Sep. 30, 2017	Change	Remarks
Total current assets	307.2	349.0	+41.7	
Cash, Deposits and Short-term investment securities	96.9	125.0	+28.1	
Notes and accounts receivable-trade	88.3	95.9	+7.6	
Inventories	100.7	107.5	+6.8	
Other	21.3	20.6	-0.8	
Total non-current assets	292.5	301.0	+8.5	
Tangible fixed assets	185.2	187.8	+2.7	Acquisition: +16.1, Depreciation: -14.7 Currency translation differences: +1.5, other: -0.3
Intangible fixed assets	9.6	9.4	-0.2	
Investments and other assets	97.7	103.8	+6.1	Investment securities: +7.0
Total assets	599.7	650.0	+50.3	
Liabilities	200.3	234.5	+34.2	
Interest-bearing Liabilities	72.3	104.2	+31.9	Bonds: +30.0, Interest-bearing liabilities ratio: 16.0%
Other	128.0	130.3	+2.3	
Total net assets	399.4	415.5	+16.1	Capital adequacy ratio: 59.7%
Total liabilities and net assets	599.7	650.0	+50.3	

Consolidated Cash Flow Statement



		(billion yen)		
		FY ending March 2017 2nd Quarter	FY ending March 2018 2nd Quarter	Change
	Cash flows from operating activities	+38.7	+29.7	-9.0
	Cash flows from investing activities	-17.8	-20.6	-2.8
Free Cash flows		+20.9	+9.1	-11.8
Cash flows from financing activities		-14.7	+17.9	+32.6
Other		-4.5	+1.1	+5.7
Net increase (decrease) in cash and cash equivalents		+1.6	+28.1	+26.5
Cash and cash equivalents at the end of period		+66.8	+124.4	+57.5

Quarterly Result for Sales and Operating Profit



(billion yen)

	FY ending March 2017				FY ending March 2018	
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
Sales	103.7	106.1	112.9	117.3	112.3	116.8
Cellulosic Derivatives	22.3	21.2	21.8	24.3	22.1	22.9
Organic Chemicals	19.0	17.5	18.8	20.9	19.6	19.5
Plastics	37.9	38.5	40.8	39.8	41.2	42.5
Pyrotechnic Devices	23.3	27.4	29.9	30.7	28.0	30.1
Other products	1.3	1.6	1.7	1.7	1.3	1.7
Operating Profit	17.2	13.4	17.5	16.2	15.8	15.7
Cellulosic Derivatives	6.4	5.3	5.4	5.9	5.5	5.5
Organic Chemicals	3.5	2.2	2.8	3.0	2.1	1.5
Plastics	6.3	5.0	5.4	4.8	5.7	6.4
Pyrotechnic Devices	4.1	4.4	6.7	6.1	6.0	5.6
Other products	0.1	0.2	0.2	0.2	0.0	0.2
Corporate and eliminations	-3.2	-3.7	-3.0	-4.0	-3.6	-3.6

Modification of Financial Forecast

(billion yen)							
	Last Announcement			Announcement in this time			Change
	1st half	2nd half	Total (A)	1st half	2nd half	Total (B)	(B) - (A)
Sales	227.5	232.5	460.0	229.0	233.0	462.0	+2.0
Cellulosic Derivatives	43.3	46.4	89.7	45.1	44.9	90.0	+0.3
Organic Chemicals	40.2	41.8	82.0	39.1	39.5	78.6	-3.4
Plastics	79.6	80.4	160.0	83.7	82.6	166.3	+6.3
Pyrotechnic Devices	61.1	60.4	121.5	58.1	62.8	120.9	-0.6
Other products	3.3	3.5	6.8	3.0	3.2	6.2	-0.6
Operating Profit	30.5	30.5	61.0	31.5	27.0	58.5	-2.5
Cellulosic Derivatives	10.5	10.2	20.7	11.0	9.0	20.0	-0.7
Organic Chemicals	4.1	4.9	9.0	3.6	2.4	6.0	-3.0
Plastics	10.4	9.6	20.0	12.1	10.7	22.8	+2.8
Pyrotechnic Devices	12.5	12.0	24.5	11.6	11.9	23.5	-1.0
Other products	0.3	0.5	0.8	0.3	0.4	0.7	-0.1
Companywide	-7.3	-6.7	-14.0	-7.2	-7.3	-14.5	-0.5
Ordinary profit	31.0	31.0	62.0	33.1	27.9	61.0	-1.0
Profit attributable to owners of parent	18.0	19.0	37.0	19.6	17.4	37.0	-
Exchange rate (JPY/USD)	110	110	110	111	110	111	

Assumptions

		FY ending March 2017		FY ending March 2018	
		1st half Result	2nd half Result	1st half Result	2nd half Forecast
Exchange rate		Yen 105 /USD	Yen 111 /USD	Yen 111 /USD	Yen 110 /USD
Raw material / Fuel	Methanol (Asian spot price)	USD 230 /ton	USD 327 /ton	USD 296 /ton	USD 290 /ton
	Crude oil, Dubai	USD 43 /bbl	USD 51 /bbl	USD 50 /bbl	USD 52 /bbl
	Domestic Naphtha	Yen 31,450 /kl	Yen 38,050 /kl	Yen 37,700 /kl	Yen 38,000 /kl

Notes regarding Forward-Looking Statements

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