



Fiscal Year ended March 2020

Consolidated Financial Results



May 27, 2020

**DAICEL CORPORATION**

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Fiscal Year ended March 2020 consolidated financial results in this presentation material are prior to external audit.

## Response to New Coronavirus Infection

We extend our deepest sympathies to all those affected and living in difficult living environments due to the pandemic .

There are signs that the spread of infection is slowing down, but we believe it is important to continue to “Avoid the 3 Cs\*” until it is confirmed that the pandemic has subsided. Moreover, as for the impact on the economy, in addition to the severe economic environment for some time, it is expected that major changes will occur in society.

Under these circumstances, we have taken thorough measures to prevent employees from being infected so that we can maintain the safety of our employees and the continuation of factory operations and businesses. In addition we are proceeding with efforts under the influence of the new coronavirus from the following three perspectives.

(Response policy)

- ① **Firm Footing Against the Economic Downturn**
- ② **Contribution to New Coronavirus Measures**
- ③ **Preparing for Economic Recovery After Eradication of New Coronavirus**

\* 3 Cs: Closed spaces, crowds and close contact.

## Response Policy and Actions

### ① Firm Footing Against the Economic Downturn

- Cancel non-urgent investment projects (excluding investments related to safety and quality)
- Thorough cost reduction in addition to conventional cost reduction  
⇒Reduction of business trips through telework, etc.
- Inventory reduction
- Asset reduction
- Improve cash flow by securing liquid funds and receivables and payables

### ② Contribution to New Coronavirus Measures

- Preventing the spread of infection to employees by thoroughly avoiding the 3 Cs
- Providing our dosing device for new coronavirus vaccine trials
- Increasing production of antibiotic raw materials
- Providing raw material bioethanol as a disinfectant
- Donating masks to local governments and universities

### ③ Preparing for Economic Recovery After Eradication of New Coronavirus

- Work style change and response  
⇒Apply the lessons learned from working from home, etc., as a measure to prevent the spread of infection, to future diversity measures and reflect them in the personnel and evaluation system.
- Review of supply chain
- Steadily implement initiatives for future growth

## Infection Prevention Measures

In order to refrain from going out, the employees of the head office are essentially working from home, and factory employees are also entitled to telecommute. In addition, we have applied shutdowns and block operations to some of our plants.

We conduct temperature measurements for employees and visitors to each business site, thoroughly wear masks, and divide the work place and time by dividing the personnel in charge of work that requires employees to come to work. We are working to prevent the spread of infection by avoiding the 3 Cs.

## Production Situation

At several of our overseas sites, we temporarily stopped operating due to a request from a government agency, but now all our sites are operating. However, the production rate of inflators and engineering plastics is declining due to a decline in demand. Acetate tow for cigarette filters continues to operate at full capacity.

## Impact on Business Performance

※Impact : ☁ < ☁ < ☂ < ☂

### Year ended March 2020

Cellulosic Derivatives	☁	There was no major impact, although there was a slight decrease in sales of cellulose acetate for liquid crystal films,
Organic Chemicals	☁	There was no major impact due to factors such as securing inventory for customers, although there was some impact on products for cosmetics,
Plastics	☂	Sales declined because demand for engineering plastics in China fell sharply
Pyrotechnic Devices	☂	Sales declined due to a drop in automobile production and the suspension of operations at the request of government agencies in the United States and China.

### Year ending March 2021

※See page 9 for new segment

Medical & Healthcare	☁
Smart	☁
Safety	☂
Material	☂
Engineering Plastics	☂

Although production of automobiles is expected to decrease drastically due to global production cuts, it is difficult to predict how much production will be cut at this time. Also, in the electronic device market, demand is expected to decline, as the number of smartphones produced has fallen sharply. Sales of inflators, engineering plastics, organic functional products, etc. may decline significantly.

With regard to acetate tow for cigarette filters, there is a possibility that sales will decrease due to a decline in tobacco demand due to the economic downturn, employment uncertainties, and reduced use of duty-free shops.

## Financial Results

(billion yen)

		19/3	20/3	20/3	Y on Y		vs Forecasts	
		Results	Forecasts	results	Change	%	Change	%
Net sales		464.9	420.0	412.8	-52.0	-11.2%	-7.2	-1.7%
Operating income		51.2	31.0	29.6	-21.5	-42.1%	-1.4	-4.4%
Ordinary income		53.4	32.5	31.8	-21.7	-40.5%	-0.7	-2.2%
Income attributable to owners of parent		35.3	7.0	5.0	-30.3	-85.9%	-2.0	-28.9%
Exchange rate USD/JPY		111	108	109				
Cellulosic Derivatives	Net sales	83.2	75.5	75.7	-7.5	-9.0%	+0.2	+0.3%
	Ordinary income	16.0	11.0	11.5	-4.5	-28.3%	+0.5	+4.3%
Organic Chemicals	Net sales	89.5	81.0	80.1	-9.4	-10.5%	-0.9	-1.1%
	Ordinary income	14.4	10.5	10.1	-4.3	-29.8%	-0.4	-3.8%
Plastics	Net sales	175.9	168.5	165.8	-10.1	-5.7%	-2.7	-1.6%
	Ordinary income	20.6	21.1	20.1	-0.5	-2.5%	-1.0	-4.7%
Pyrotechnic Devices	Net sales	107.9	85.0	81.3	-26.6	-24.7%	-3.7	-4.4%
	Ordinary income	15.6	4.3	3.5	-12.1	-77.7%	-0.8	-19.3%
Others	Net sales	8.4	10.0	9.9	+1.5	+18.2%	-0.1	-1.2%
	Ordinary income	0.6	0.4	0.4	-0.2	-37.2%	-0.0	-7.5%
Corporate	Ordinary income	-16.0	-16.3	-15.9	+0.2	+1.0%	+0.4	+2.6%

### ◇ Y on Y

Sales and operating income 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
- Impact of coronavirus pandemic

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

### ◇ vs. Forecasts

Sales and operating income decreased, because of decreases in sales volume of inflators and engineering plastics due to the impact of coronavirus pandemic to demand of China.

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

(billion yen)

Net Sales	19/3 Results	20/3 Results	Change	%	Analysis		
					Quantity	Prices	Exchange rate Impact
Cellulosic Derivatives	83.2	75.7	-7.5	-9.0%	-5.6	-1.9	-1.0
Organic Chemicals	89.5	80.1	-9.4	-10.5%	-3.9	-5.5	-0.5
Plastics	175.9	165.8	-10.1	-5.7%	-3.8	-6.2	-1.8
Pyrotechnic Devices	107.9	81.3	-26.6	-24.7%	-23.1	-3.6	-1.0
Others	8.4	9.9	+1.5	+18.2%	+1.5	-	-
Total	464.9	412.8	-52.0	-11.2%	-34.8	-17.2	-4.4

Operating Income	19/3 Results	20/3 Results	Change	%	Analysis			
					Quantity	Prices	Exchange rate Impact	Others
Cellulosic Derivatives	16.0	11.5	-4.5	-28.3%	-4.7	-1.2	-0.8	+1.3
Organic Chemicals	14.4	10.1	-4.3	-29.8%	-2.2	-1.6	-0.2	-0.5
Plastics	20.6	20.1	-0.5	-2.5%	+0.8	+1.0	-0.5	-2.3
Pyrotechnic Devices	15.6	3.5	-12.1	-77.7%	-15.7	-1.7	-0.0	+5.2
Others	0.6	0.4	-0.2	-37.2%	-0.2	-	-	-
Corporate	-16.0	-15.9	+0.2	+1.0%	-	-	-	+0.2
Total	51.2	29.6	-21.5	-42.1%	-22.0	-3.5	-1.4	+3.9

\*Exchange rate impact is included in price impact.



## Overview of New Segments

We will change segments from FY ending March 2021.

New Segments	Previous Segments / Main Products		
Medical / Healthcare	Organic Chemicals	Cosmetic ingredients such as 1,3-butylene glycol, low-irritation surfactants Naturally derived ingredients and supplements such as equol and konjac ceramide Chiral columns, High-purity chiral reagents, etc.	
	Others	Co-processed excipients Such as orally disintegrating tablets	
Smart	Cellulosic Derivatives	Cellulose acetate for optical films	
	Organic Chemicals	Resist materials, Solvents for printed electronics	
	Plastics	High-performance optical films	
	Others	Optical devices, Semiconductor devices	
Safety	Pyrotechnic Devices	Automobile Airbag Inflators, Pyrotechnic goods for civilian uses	
	Plastics	High-performance resin materials for automotive parts	
Materials	Cellulosic Derivatives	Cellulose acetate for applications other than optical films Acetate tow for cigarette filters	
	Organic Chemicals	Acetic acid, Acetic acid derivatives	
		Organic chemicals such as Alicyclic-epoxy-resin, Caprolactone derivatives	
	Engineering Plastics	Plastics	Engineering Plastics such as POM, PBT, LCP, PPS, COC Resin compound products such as SAN, MS, ABS resin, Polymer alloys Plastics processing products such as Polystyrene sheet, Coating films
Cellulosic Derivatives			Water-soluble polymer
Others			Membrane separation systems
Others		Pyrotechnic Devices	Defense-related products



## Forecasts

(billion yen)

	20/3 (Results)	21/3 (Forecast)	Change	Rate of change
Net sales	412.8	386.0	-26.8	-6.5%
Operating income	29.6	17.5	-12.1	-41.0%
Ordinary income	31.8	19.5	-12.3	-38.6%
Income attributable to owners of parent	5.0	10.0	+5.0	+100.9%
Exchange rate USD/JPY	109	105		

In the fiscal year ending March 31, 2021, we anticipate that demand will decline due to the global production cut of automobiles and smartphones due to the coronavirus pandemic, which will affect almost all businesses. In particular, we anticipate that sales of inflators and engineering plastics will be greatly affected.

Although it is difficult to predict the future impact of the coronavirus pandemic at this time, our business forecast assumes that although domestic and overseas economic activities will be severely constrained in the first half, they will gradually recover from the second half.

## Forecasts - Net Sales and Operating Income by Segment -

(billion yen)

Net Sales	20/3 (Results)	21/3 (Forecast)	Change	Rate of change
Medical / Healthcare	15.1	15.5	+0.4	+2.7%
Smart	25.3	24.5	-0.8	-3.3%
Safety	74.8	61.0	-13.8	-18.5%
Materials	109.4	104.5	-4.9	-4.5%
Engineering Plastics	176.1	166.5	-9.6	-5.5%
Others	12.1	14.0	+1.9	+15.9%
Total	412.8	386.0	-26.8	-6.5%

Operating Income	20/3 (Results)	21/3 (Forecast)	Change	Rate of change
Medical / Healthcare	1.3	0.5	-0.8	-62.7%
Smart	3.4	2.5	-0.9	-25.4%
Safety	3.3	0.0	-3.3	-100.0%
Materials	15.8	13.0	-2.8	-17.8%
Engineering Plastics	20.9	16.0	-4.9	-23.4%
Others	0.8	1.5	+0.7	+84.3%
Corporate	-15.9	-16.0	-0.1	+0.8%
Total	29.6	17.5	-12.1	-41.0%

## New Long-term Vision and New Mid-term Strategy

We plan to announce the new long-term vision and new medium-term strategy starting in the fiscal year ending March 31, 2021 in early June 2020.

In light of the struggling business performance and drastically changing business environment, the new long-term vision will indicate to the Group employees and related parties that "What we cannot change as part of our DNA" and "What we must boldly change", and show ambition with the aim of providing new value to society by pursuing co-creation with the customers and business partners that make up the supply chain.

The new medium-term strategy is a concrete strategy for realizing the long-term vision. We will reform our business structure by transforming into a value-providing and material-providing organization and strengthening portfolio management, and practice management that emphasizes the Balance Sheet in addition to the Profit and Loss statement. That is, management that emphasizes capital efficiency in addition to earnings growth.

In addition, since it is difficult to look into the future due to the coronavirus pandemic, we will postpone the announcement of the numerical targets of the medium-term strategy for about one year, and revise them according to the future situation.

## Cost Reduction Efforts

As a measure to improve business performance by strengthening existing businesses, we have promoted thorough cost reduction company-wide. Regarding this amount in FY2019, we achieved about 12 billion yen, which exceeded the target of 10.9 billion yen that was announced in the second quarter financial results for the fiscal year ended March 31, 2020. On the other hand, due to the loss of about 1.6 billion yen from equipment failure etc. , the end result was about 10.3 billion yen (achievement rate 95%).

In fiscal 2020, we are working hard to achieve 10.7 billion yen in cost reductions.

## Reorganization of Group Companies (Establishment of New Company Daicel Miraizu Ltd.)

Following the organizational change in April, we will integrate the sales departments of Daicel FineChem, Daicel Polymer, and Daicel Value Coating into the new company Daicel Miraizu in July. While pursuing synergies in marketing activities through this integration, we aim to strengthen our competitiveness in production efficiency, quality, and cost by transferring the manufacturing division to our Multiple Production Company. In addition, we will accelerate business growth by transferring the automobile-related business and functional film business to our Safety SBU and Smart SBU that match the respective markets, and strengthening the “market-in” concept that focuses on our customers.

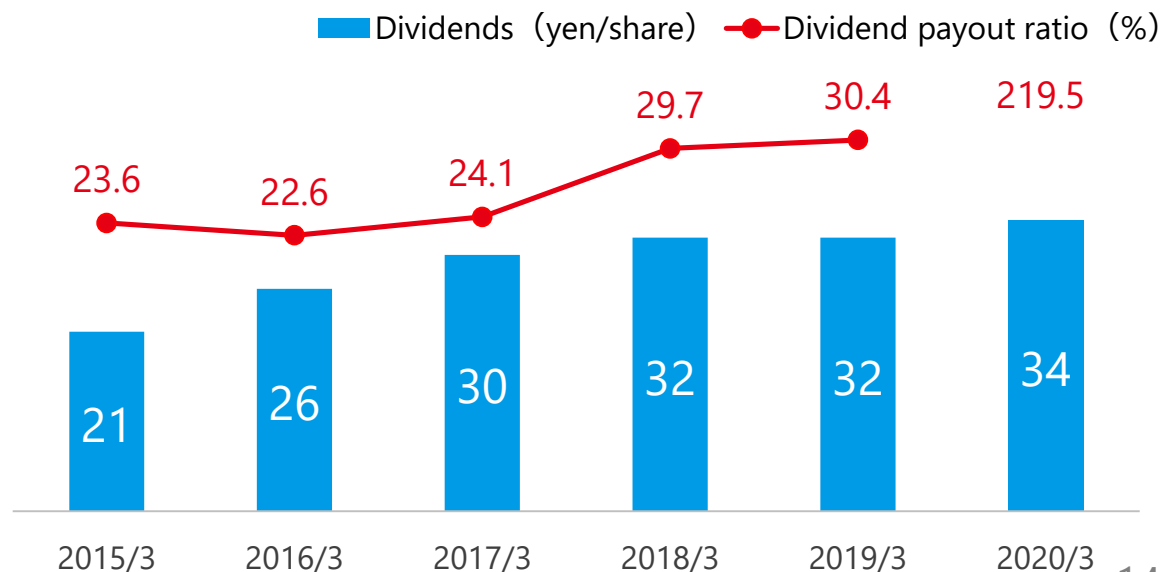
## Return to Shareholders

### FY ended March 2020

- Dividends for 2nd half : 18 yen per share (Including commemorative dividend), Annual dividends : 34 yen per share
- Purchase of own stocks of 5.94 million shares for 6.1 billion yen. (Period of purchase: From Apr to Aug 2019 – as announced Feb 2019)
- Undertaking purchase of own stocks of 22 million shares for 20 billion yen from Nov 2019 (Acquired own stocks of 11.78 million shares for 11.7 billion yen in FY ended March 2020)
- Canceled 16 million shares of treasury stock (4.82% of issued shares before cancellation) in March 2020.

### FY ending March 2021

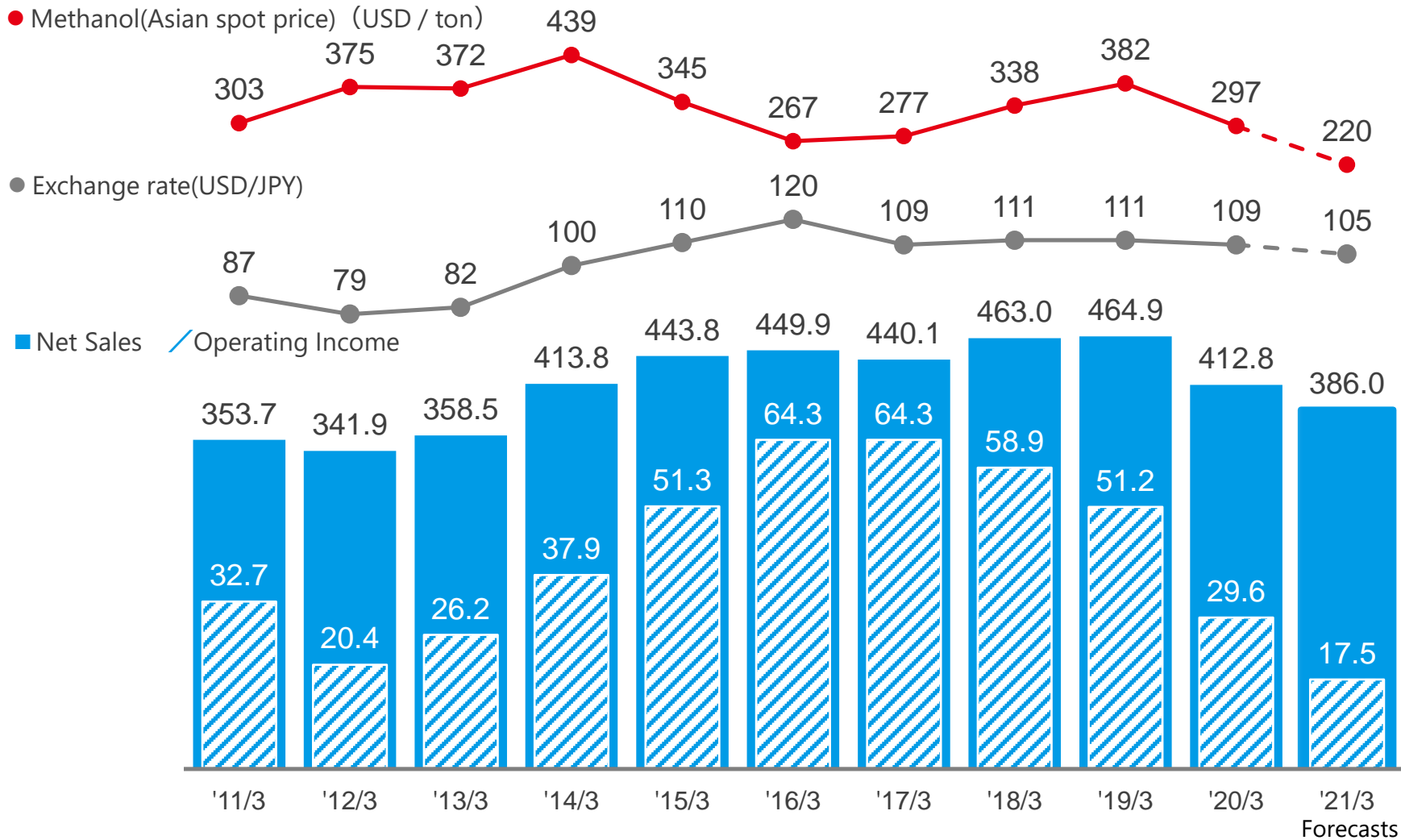
- At this point in time, it is difficult to forecast the future impact of the new coronavirus infection, so we have not decided the dividend forecast, but we expect to continue stable dividends.



# REFERENCES

# Trend in Net Sales and Operating Income and Forecasts

(billion yen)





## Consolidated Balance Sheet

(billion yen)

		Mar. 31, 2019	Mar. 31, 2020	Change	Remarks
Total current assets		354.0	298.0	-56.0	
	Cash, deposits and short-term investment securities	120.3	81.4	-38.9	
	Notes and accounts receivable-trade	90.2	79.5	-10.7	
	Inventories	126.2	117.4	-8.7	
	Other	17.4	19.7	+2.3	
Total non-current assets		300.8	300.0	-0.8	
	Property, plant and equipment	197.4	204.3	+6.9	Acquisition+45.5, Depreciation-27.0, Impairment loss-14.1, Others+2.5
	Intangible fixed assets	12.7	13.4	+0.7	
	Investments and other assets	90.7	82.2	-8.4	
<b>Total assets</b>		<b>654.8</b>	<b>598.0</b>	<b>-56.8</b>	
Liabilities		231.5	205.4	-26.1	
	Interest-bearing liabilities	104.3	92.8	-11.5	Bond-10.0
	Other	127.2	112.6	-14.6	
Total net assets		423.2	392.6	-30.7	Capital adequacy ratio 60.6%
<b>Total liabilities and net assets</b>		<b>654.8</b>	<b>598.0</b>	<b>-56.8</b>	

## Consolidated Statements of Income

(billion yen)

	2019/3	2020/3	Change	%	Remarks
Net sales	464.9	412.8	-52.0	-11.2%	
Gross profit	133.8	111.1	-22.7	-17.0%	
SG&A Expenses	82.6	81.4	-1.2	-1.4%	
Operating income	51.2	29.6	-21.5	-42.1%	
Non-operating income and expenses	2.3	2.1	-0.1	-5.6%	
Ordinary income	53.4	31.8	-21.7	-40.5%	
Extraordinary income and losses	0.3	-15.1	-15.4	-	Impairment loss-13.0
Income before income taxes	53.7	16.7	-37.1	-69.0%	
Income attributable to owners of parent	35.3	5.0	-30.3	-85.9%	
Operating income ratio (%)	11.0%	7.2%	-3.8%		

## Quarterly Results for Sales and Operating income

(billion yen)

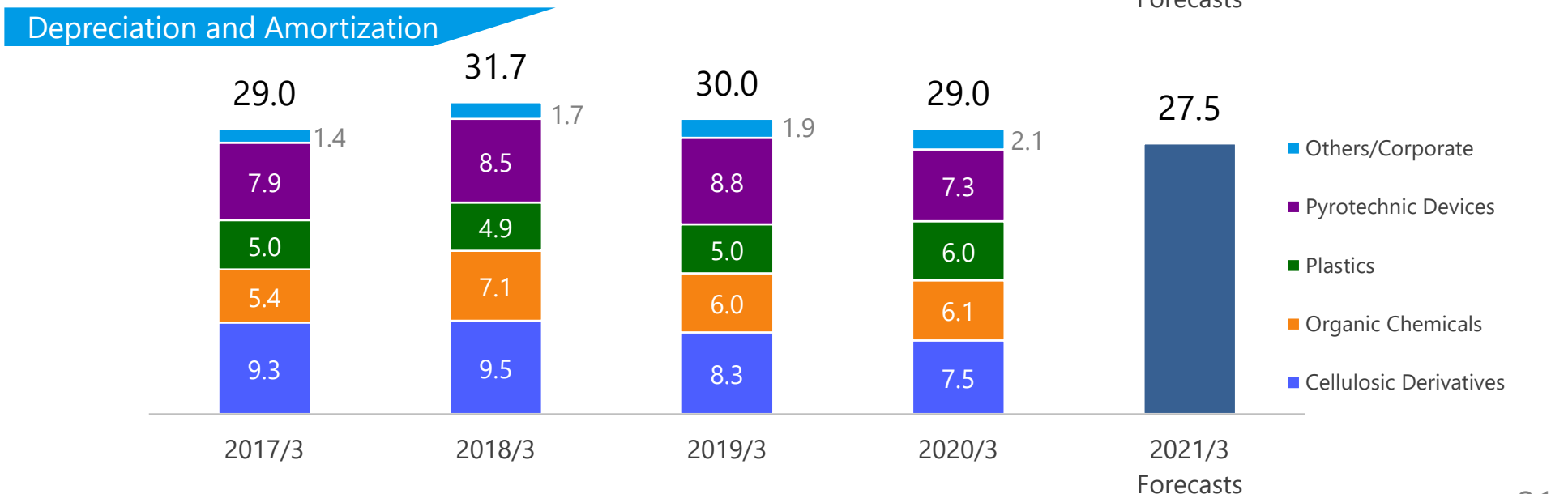
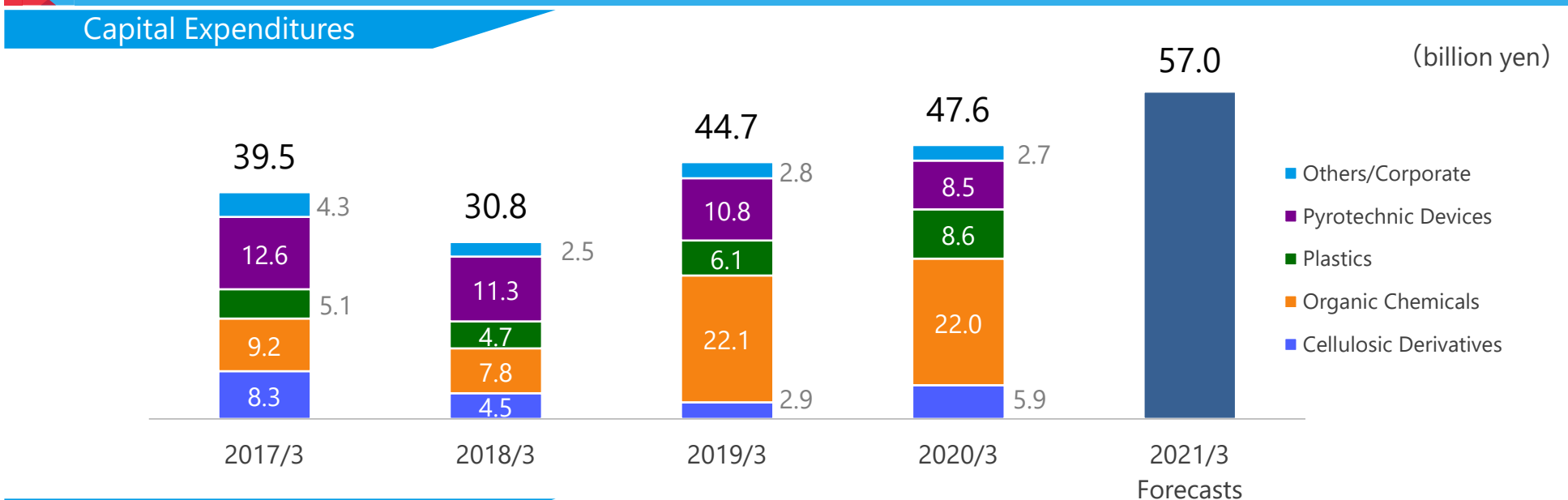
Net Sales	FY ended March 2019				FY ended March 2020			
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Cellulosic Derivatives	19.9	22.1	22.4	18.8	18.2	19.7	18.3	19.6
Organic Chemicals	22.7	22.4	23.2	21.1	20.7	20.4	19.6	19.5
Plastics	44.1	45.4	45.7	40.6	41.4	43.1	42.1	39.1
Pyrotechnic Devices	27.3	28.2	27.7	24.7	21.4	20.9	19.7	19.3
Others	1.4	1.5	2.7	2.7	2.3	2.8	2.4	2.5
<b>Total</b>	<b>115.5</b>	<b>119.7</b>	<b>121.7</b>	<b>107.9</b>	<b>103.9</b>	<b>106.8</b>	<b>102.1</b>	<b>100.0</b>

Operating income	FY ended March 2019				FY ended March 2020			
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Cellulosic Derivatives	3.9	4.7	4.4	3.1	3.3	3.0	2.0	3.2
Organic Chemicals	3.8	3.3	4.4	2.9	3.3	2.1	2.1	2.6
Plastics	5.9	6.0	5.1	3.7	5.3	6.4	3.8	4.6
Pyrotechnic Devices	5.0	4.8	4.9	0.9	1.3	1.0	0.6	0.5
Others	0.1	0.1	0.1	0.2	0.0	0.2	0.0	0.1
Corporate and eliminations	-4.0	-4.1	-3.5	-4.4	-4.1	-4.1	-3.7	-4.0
<b>Total</b>	<b>14.7</b>	<b>14.8</b>	<b>15.3</b>	<b>6.4</b>	<b>9.2</b>	<b>8.7</b>	<b>4.8</b>	<b>7.0</b>

## Consolidated Cash Flow Statement

(billion yen)

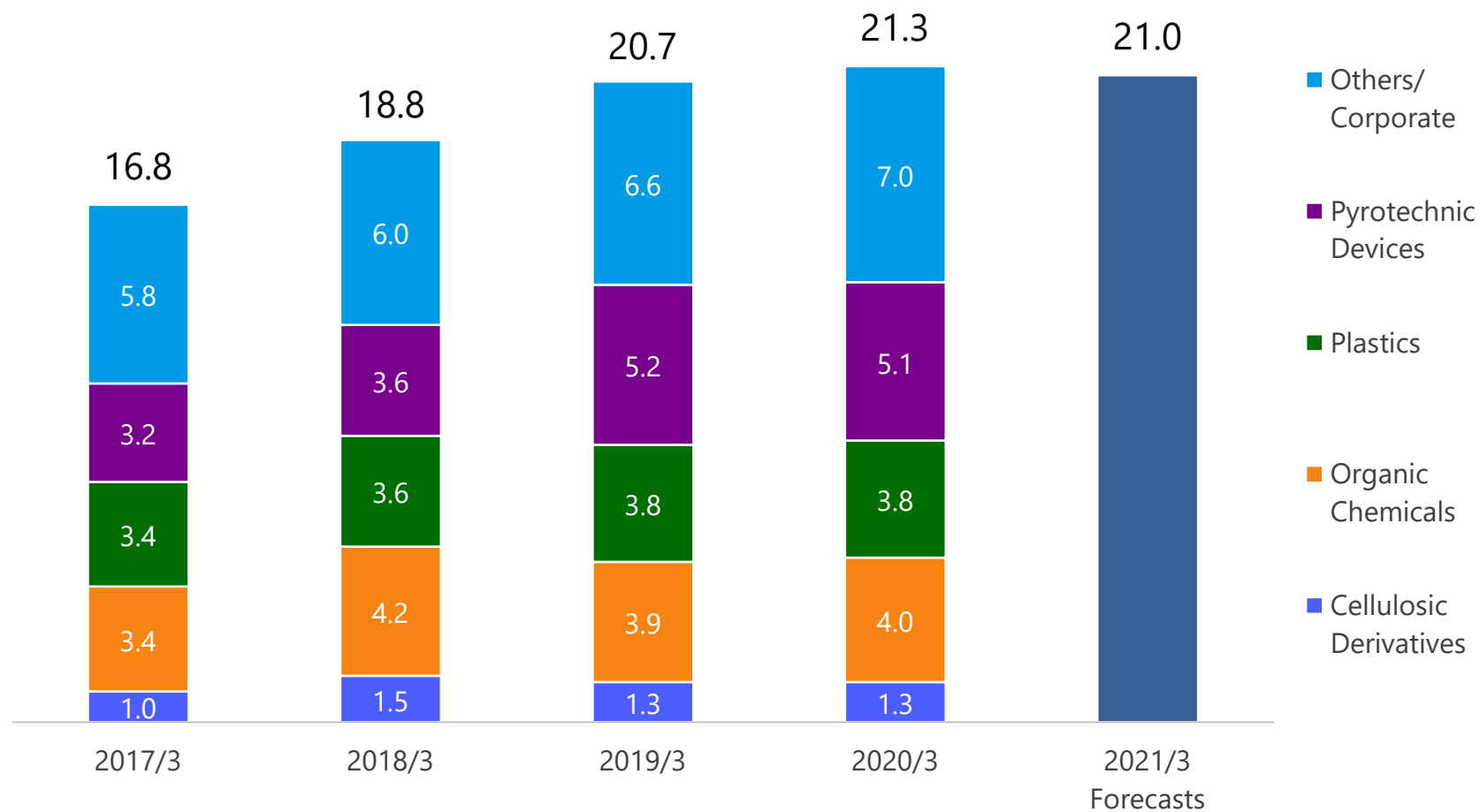
		2019/3	2020/3	Change	Remarks
	Cash flows from operating activities	58.5	57.2	-1.3	Income before income taxes-37.1 Inventories+21.9,, Impairment loss+13.0
	Cash flows from investing activities	-41.1	-45.9	-4.8	Purchase of investments in capital of subsidiaries and associates+4.1 Proceeds from Sales and Redemption of Investment Securities -3.4 Purchase of Property, Plant and Equipment -2.5
Free cash flows		17.4	11.3	-6.1	
Cash flows from financing activities		-25.6	-47.9	-22.2	Proceeds from Long-term Loans Payable-10.5 Purchase of Treasury Shares -4.8 Repayments of Long-term Loans Payable -4.7
Other		-0.1	-2.8	-2.7	
Net increase (decrease) in cash and cash equivalents		-8.3	-39.3	-31.1	
Cash and cash equivalents at end of period		120.0	80.7	-39.3	





R&D

(billion yen)





## Assumptions

		2019/3		2020/3			2021/3	
		1 <sup>st</sup> Half (Results)	2 <sup>nd</sup> Half (Results)	1 <sup>st</sup> Half (Results)	2 <sup>nd</sup> Half (Forecasts)	2 <sup>nd</sup> Half (Results)	1 <sup>st</sup> Half (Forecasts)	2 <sup>nd</sup> Half (Forecasts)
Exchange rate (USD/JPY)		110	112	109	107	109	105	105
Raw Materials	Methanol Asian spot price (USD/ton)	403	360	277	250	245	220	220
	Crude Oil Dubai (USD/bbl.)	73	65	64	61	56	25	25
	Domestic Naphtha (JPY/kl)	50,850	47,600	42,800	41,500	42,700	19,000	19,000

\*This forecast of 2<sup>nd</sup> half of FY ended March 2020 was announced on February 5, 2020



## Abolition of Takeover Defense Measures

The Company decided on discontinuation of the policy for responding to a large-scale purchase of shares of Daicel Corporation (takeover defense measures).

The Company continued to have a policy for responding to a large-scale purchase of shares of Daicel Corporation from 2006, in order to protect the corporate value of the Company and the common interests of shareholders. Based on the drastic changes in the business environment, the recent situation surrounding takeover defense measures, the opinions of shareholders such as domestic and overseas investors and corporate governance, the Company abolished the takeover defense measures. As a result of careful consideration, the Company has determined that the need for takeover defense measures has relatively decreased, so the Company decided against continuing these measures which will expire with the convening of the annual general meeting of shareholders of this year.

The Company ensures the common interests of shareholders and improves corporate value by focusing on the steady implementation of the new long-term vision and medium-term strategy that start in FY 2021/3, regardless of whether the company has takeover defense measures. The Company will request any person who makes or intends to carry out a large-scale purchase of the Company's shares to provide necessary and sufficient information so that shareholders can properly judge the pros and cons of the large-scale purchase. In addition, the Company will disclose the opinion of the Board of Directors and take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations in order to to secure the information and time necessary for the consideration of shareholders.



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