

FY2011 2nd Quarter Consolidated Financial Results

(All financial information has been prepared in accordance with Generally Accepted Accounting Principles in Japan)

November 5, 2010

Company name : DAICEL CHEMICAL INDUSTRIES, LTD.
 Stock Exchange on which the shares are listed : Tokyo Stock Exchange and Osaka Securities Exchange in Japan
 Code number : 4202
 URL : http://www.daicel.co.jp
 Representative : Misao Fudaba, President and CEO
 Contact person : Yoshifumi Hata, General Manager—Investor Relations & Corporate communications
 Phone +81-3-6711-8121
 Scheduled date for submitting financial statements : November 12, 2010
 The additional materials of the Financial Results : Yes
 The briefing session of the Financial Results : Yes (Intended for institutional investors and securities analysts)
 Scheduled date for dividend payment : December 6, 2010

1. Consolidated Financial Results for the Six Months Ended September 30, 2010 (Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results (% implies the rate of increase/decrease year-on-year)

| | Net Sales | | Operating income | | Ordinary income | | Net income | |
|--------------------------------|-----------------|--------|------------------|--------|-----------------|--------|-----------------|--------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| Six months ended Sep. 30, 2010 | 180,902 | 25.9 | 20,851 | 307.6 | 19,779 | 317.7 | 7,747 | 263.9 |
| Six months ended Sep. 30, 2009 | 143,684 | △ 31.3 | 5,115 | △ 69.8 | 4,735 | △ 71.7 | 2,129 | △ 76.0 |

| | Net income per share | | Net income per share after latent share adjustment | |
|--------------------------------|----------------------|-----|--|-----|
| | Yen | Yen | Yen | Yen |
| Six months ended Sep. 30, 2010 | 21.77 | - | - | - |
| Six months ended Sep. 30, 2009 | 5.98 | - | - | - |

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Shareholder's equity per total assets | | Net assets per share | |
|---------------------|-----------------|-----------------|-----------------|-----------------|---------------------------------------|--------|----------------------|--|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | % | Yen | Yen | |
| As of Sep. 30, 2010 | 418,145 | 229,581 | 229,581 | 229,004 | 49.2 | 578.18 | 578.18 | |
| As of Mar. 31, 2010 | 428,376 | 229,004 | 229,004 | 229,004 | 48.1 | 579.18 | 579.18 | |

(Note) Shareholder's equity : 205,708 millions of yen as of September 30, 2010, 206,136 millions of yen as of March 31, 2010

2. Dividends

| (Reference data) | Cash dividends per share | | | | |
|--------------------------------------|--------------------------|-------------|-------------|-------------|-----------|
| | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | Full year |
| Year ended Mar. 31, 2010 | Yen - | Yen 4.00 | Yen - | Yen 6.00 | Yen 10.00 |
| Year ending Mar. 31, 2011 | - | 4.00 | - | 6.00 | 10.00 |
| Year ending Mar. 31, 2011 (forecast) | - | - | - | 4.00 | 8.00 |

(Note) Revisions to the forecast of dividends in the current quarter: Not applicable

Breakdown of dividend of ¥6.00 per share for FY2010 4th Quarter: Ordinary dividend: ¥4.00, Special dividend ¥2.00

3. Forecast of consolidated financial results for the Year Ending March 31, 2011

(% implies the rate of increase/decrease year-on-year)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share | |
|---------------------------|-----------------|------|------------------|------|-----------------|------|-----------------|------|----------------------|-------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Yen | Yen |
| Year ending Mar. 31, 2011 | 357,000 | 11.5 | 34,000 | 63.0 | 32,000 | 60.1 | 17,500 | 58.1 | 49.19 | 49.19 |

(Note) Revisions to the forecast of consolidated financial results in the current quarter: Applicable

4. Others

(1) Changes in significant subsidiaries during the current quarter: Not applicable

(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation during the current quarter

(2) Adoption of simplified and specified accounting procedures: Applicable

(Note) Adoption of simplified and specific accounting procedures for preparing the quarterly consolidated financial statements

(3) Changes in accounting principles, procedures, and presentation methods

i Changes due to revisions to accounting standards: Applicable

ii Changes other than (3)-i: Applicable

(Note) Change in significant accounting policies and change in presentation which are stated in change in significant matters in preparing quarterly consolidated financial statements

(4) Number of shares issued (common share)

| | | | | |
|--|--------------------------------|--------------------|--------------------------------|--------------------|
| i Number of shares issued at the end of each period (including treasury stocks) | As of Sep. 30, 2010 | 364,942,682 shares | As of Mar. 31, 2010 | 364,942,682 shares |
| ii Number of treasury stocks at the end of each period | As of Sep. 30, 2010 | 9,156,015 shares | As of Mar. 31, 2010 | 9,032,862 shares |
| iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year) | Six months ended Sep. 30, 2010 | 355,865,685 shares | Six months ended Sep. 30, 2009 | 355,941,939 shares |

※Implementation status of quarterly review

This Financial Results report for the 2nd quarter was exempt from quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the 2nd quarter disclosing, quarterly review for the quarterly financial statements are under review.

※Explanations or other special matters to appropriate use of the forecast of consolidated financial results

The forecast of consolidated financial results and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections.

5. Qualitative information

(1) Qualitative information on consolidated operating results

During the first half of fiscal 2011, the Japanese economy continued to recover gradually but remained in an unpredictable situation with slower growth of export, which had supported the economic rebound, and steep appreciation of the yen.

Amid such circumstances, consolidated sales of the Group for the six month ended September 30, 2010, amounted to ¥180,902 million (up 25.9% year-on-year) thanks to an increase in sales volume. As for profits, the increased sales volume coupled with improved equipment operation rate and other factors contributed to dramatically grow operating income to ¥20,851 million (up 307.6% year-on-year), ordinary income to ¥19,779 million (up 317.7% year-on-year) and net income to ¥7,747 million (up 263.9% year-on-year).

Operating performance by business segment is as follows,

[Cellulosic Derivatives]

Sales of cellulose acetate increased, buoyed mainly by strong demand for LCD film applications.

Expansion of the production capacity at Himeji Production Sector's Aboshi Plant in January 2010 became a factor to boost sales for tow for cigarette filters, though affected by the higher yen.

Consequently, overall sales for this segment amounted to ¥40,335 million (up 8.9% year-on-year).

Operating income was ¥7,707 million (up 34.1% year-on-year).

[Organic Chemicals]

Sales of acetic acid, the segment's principal product, increased owing to the recovering demand mainly for pure terephthalic acid (PTA), its primary application.

Sales of acetic acid derivatives and solvents also increased, supported by a mild recovery in domestic market, along with the start of the full-scale operation of the ethanol-based ethyl acetate production facility at Ohtake Plant.

The continued upbeat in the e-material market and recovery in overseas demand gave a boost to sales of caprolactone derivatives, epoxy compounds, semiconductor resist materials and other functional products. Meanwhile, as for chiral chemicals (chiral enantiomers), such as optical resolution column and pharmaceutical intermediates, falling demand for some products caused sales to decline, though column sales remained healthy for China and India, and were on a recovery path for the U.S. and European markets.

Consequently, overall sales for this segment amounted to ¥40,934 million (up 19.4% year-on-year).

Operating income was ¥4,020 million (up 86.7% year-on-year).

[Plastics and films]

Engineering plastics, such as polyacetal (POM), polybutylene terephthalate (PBT), and liquid crystal polymers (LCP), grew sales dramatically backed by recovering sales for primary applications in automobiles, OA devices, home electronics and other sectors at home and abroad.

Recovery in production of automobiles and home electronics, etc. contributed to push up sales of resin compound business centering on SAN/ABS resins and engineering plastics alloy resins.

Meanwhile, regarding resin processing business including sheets, molded containers and films, sales fell affected by sluggish demand in some food sectors due to the heat wave.

Consequently, overall sales for this segment amounted to ¥69,239 million (up 44.9% year-on-year).

Operating income was ¥8,688 million (operating loss of ¥ 64 million for the same period in the previous year).

[Pyrotechnic devices]

Sales of automobile airbag inflators (gas-generating devices) and gas-generating devices for seat belt pretensioner (PGG) increased supported by the reviving automobile production in the domestic and overseas markets.

As for aerospace & defence business, such as gunpowder, missile components and pilot emergency-escape systems, sales dropped because of a decreased demand for some products by the Ministry of Defense. Consequently, overall sales for this segment amounted to ¥27,248 million (up 24.9% year-on-year). Operating income was ¥3,427 million (up 227.3% year-on-year).

[Functional Products and others]

Sales of membrane business, including membrane modules for water treatment, dropped due mainly to a decline in official demand for sewage.

Meanwhile, sales of transport, warehousing and others businesses increased.

Consequently, overall sales for this segment amounted to ¥3,145 million (up 13.2% year-on-year).

Operating income was ¥738 million (up 296.8% year-on-year).

(2) Qualitative information regarding consolidated financial position

[1] Changes in assets, liabilities and net assets

Total assets at September 30, 2010 were ¥418,145 million, down ¥10,231 million from March 31, 2010.

Although there were increases in cash and deposits and inventories, the overall decrease reflects declines in property, plant and equipment and current prices of investment securities.

Total liabilities were ¥188,563 million, down ¥10,808 million from March 31, 2010, due mainly to repayment of long-term loans.

Total net assets were ¥229,581 million. Total shareholders' equity, which is net assets minus minority interests, was ¥205,708 million. Shareholders' equity ratio was 49.2%.

[2] Cash flows

Cash flows from operating activities

Cash flow from operating activities increased by ¥26,377 million (an increase of ¥31,375 million for the same period last year). The increase in fund was mainly attributable to ¥18,685 million of income before income taxes, ¥16,555 million of depreciation and amortization, and ¥2,071 million of increase in accounts payable. Meanwhile, main factors for the decrease in funds are ¥6,753 million of payment of corporate income taxes and ¥5,546 million of increase in inventories.

Cash flows from investment activities

Cash flow from investment activities decreased by ¥5,947 million (a decrease of ¥11,700 million for the same period last year), mainly because of an expenditure of ¥6,148 million for a purchase of property, plant and equipment.

Cash flows from financing activities

Cash flow from financing activities decreased by ¥10,951 million (a decrease of ¥26,670 million for the same period last year). The increase in funds was mainly attributable to ¥5,194 million of long-term loans, and the main factor of the decrease in funds was ¥12,089 million of repayment of long-term loans.

As a result of the above, cash and cash equivalents at September 30, 2010 totaled ¥38,755 million.

(3) Qualitative information regarding consolidated business forecast

Given the predicted downturn in demand resulting from expiration of the emergency economic stimulative packages in each country, along with sharp appreciation of the yen, the Japanese economy is expected to remain unclear and unpredictable in second half of fiscal 2011.

Under such situation, the Group will continuously work to expand its business to meet the growing demand especially in Asia and to reduce cost, thus seeking continuous increase in profit.

As to the Group's full-year business forecast, considering our results for the first half year, the strong yen and the uncertain business climate, we are projecting sales of ¥357,000 million, an operating income of ¥34,000 million, an ordinary income of ¥32,000 million and a net income of ¥17,500 million.

- The earnings forecast described above is based on information available at the present time; actual results may differ from these figures due to a variety of factors.

6. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Unit: Millions of Yen)

| | As of Sep. 30, 2010 | As of Mar. 31, 2010 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 31,037 | 23,792 |
| Notes and accounts receivable-trade | 71,822 | 73,281 |
| Short-term investment securities | 8,897 | 7,126 |
| Inventories | 67,479 | 62,614 |
| Other | 12,128 | 13,551 |
| Allowance for doubtful accounts | (48) | (135) |
| Total current assets | 191,318 | 180,232 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 48,867 | 50,336 |
| Machinery, equipment and vehicles, net | 80,168 | 89,094 |
| Land | 26,449 | 26,423 |
| Construction in progress | 4,669 | 6,847 |
| Other, net | 2,597 | 2,647 |
| Total property, plant and equipment | 162,752 | 175,350 |
| Intangible assets | 3,160 | 3,771 |
| Investments and other assets | | |
| Investment securities | 47,020 | 54,154 |
| Other | 14,146 | 15,134 |
| Allowance for doubtful accounts | (254) | (265) |
| Total investments and other assets | 60,912 | 69,022 |
| Total noncurrent assets | 226,826 | 248,144 |
| Total assets | 418,145 | 428,376 |

| | As of Sep. 30, 2010 | As of Mar. 31, 2010 |
|---|---------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 43,800 | 42,453 |
| Short-term loans payable | 10,551 | 11,665 |
| Current portion of long-term loans payable | 18,733 | 24,282 |
| Income taxes payable | 2,926 | 4,990 |
| Provision for repairs | 1,585 | 126 |
| Other | 14,392 | 18,648 |
| Total current liabilities | 91,989 | 102,166 |
| Noncurrent liabilities | | |
| Bonds payable | 30,000 | 30,000 |
| Long-term loans payable | 48,199 | 49,873 |
| Provision for retirement benefits | 9,173 | 9,050 |
| Provision for directors' retirement benefits | 45 | 75 |
| Provision for repairs | 392 | 1,043 |
| Assets retirement obligation | 1,043 | - |
| Other | 7,719 | 7,161 |
| Total noncurrent liabilities | 96,573 | 97,205 |
| Total liabilities | 188,563 | 199,371 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 36,275 | 36,275 |
| Capital surplus | 31,579 | 31,576 |
| Retained earnings | 136,181 | 130,569 |
| Treasury stock | (4,178) | (4,101) |
| Total shareholders' equity | 199,857 | 194,319 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 12,321 | 16,903 |
| Deferred gains or losses on hedges | (237) | (170) |
| Foreign currency translation adjustment | (6,232) | (4,916) |
| Total valuation and translation adjustments | 5,851 | 11,816 |
| Minority interests | 23,873 | 22,868 |
| Total net assets | 229,581 | 229,004 |
| Total liabilities and net assets | 418,145 | 428,376 |

(2) Consolidated Income Statement

(Unit: Millions of Yen)

| | Six months ended Sep. 30, 2009 | Six months ended Sep. 30, 2010 |
|--|-----------------------------------|-----------------------------------|
| Net Sales | 143,684 | 180,902 |
| Cost of sales | 115,108 | 134,817 |
| Gross profit | 28,575 | 46,085 |
| Selling, general and administrative expenses | 23,460 | 25,233 |
| Operating Income | 5,115 | 20,851 |
| Non-operating income | | |
| Interest income | 92 | 91 |
| Dividends income | 387 | 451 |
| Equity in earnings of affiliates | 534 | 707 |
| Other | 765 | 448 |
| Total non-operating income | 1,780 | 1,699 |
| Non-operating expenses | | |
| Interest expenses | 1,244 | 937 |
| Foreign exchange loss | - | 1,090 |
| Other | 915 | 743 |
| Total non-operating expenses | 2,160 | 2,771 |
| Ordinary income | 4,735 | 19,779 |
| Extraordinary gain | | |
| Gain on disposal of noncurrent assets | 2 | 5 |
| Gain on sales of investment securities | 10 | - |
| Gain on sales of subsidiaries and affiliates' stocks | - | 382 |
| Total extraordinary gain | 12 | 387 |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 637 | 216 |
| Impairment loss | - | 74 |
| Loss on valuation of investment securities | - | 360 |
| Settlement package | 398 | - |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 831 |
| Total extraordinary loss | 1,036 | 1,482 |
| Income before income taxes and minority interests | 3,711 | 18,685 |
| Income taxes -current | 1,112 | 3,412 |
| Income taxes for prior periods | - | 1,540 |
| Income taxes-deferred | 1,078 | 3,522 |
| Total income taxes | 2,190 | 8,475 |
| Income before minority interests | - | 10,209 |
| Minority interests in income(loss) | (609) | 2,462 |
| Net income | 2,129 | 7,747 |

(3) Consolidated Statement of Cash Flow

(Unit: Millions of Yen)

| | Six months ended Sep. 30, 2009 | Six months ended Sep. 30, 2010 |
|---|-----------------------------------|-----------------------------------|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 3,711 | 18,685 |
| Depreciation and amortization | 18,484 | 16,555 |
| Impairment loss | - | 74 |
| Interest and dividends income | (479) | (543) |
| Interest expenses | 1,244 | 937 |
| Equity in (earnings) losses of affiliates | (534) | (707) |
| Loss (gain) on sales and retirement of noncurrent assets | 635 | 210 |
| Decrease (increase) in notes and accounts receivable-trade | (3,213) | 654 |
| Decrease (increase) in inventories | 10,262 | (5,546) |
| Increase (decrease) in notes and accounts payable-trade | 1,421 | 2,071 |
| Other, net | 65 | 698 |
| Subtotal | 31,597 | 33,089 |
| Interest and dividends income received | 697 | 983 |
| Interest expenses paid | (1,252) | (942) |
| Income taxes paid | (1,690) | (6,753) |
| Income taxes refund | 2,024 | - |
| Net cash provided by (used in) operating activities | 31,375 | 26,377 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (10,989) | (6,148) |
| Proceeds from sales of property, plant and equipment | 3 | 7 |
| Purchase of intangible assets | (199) | (129) |
| Purchase of investment securities | (10) | (905) |
| Payments of loans receivable | (28) | (32) |
| Collection of loans receivable | 523 | 1,019 |
| Other, net | (998) | 242 |
| Net cash provided by (used in) investing activities | (11,700) | (5,947) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | (24,296) | (537) |
| Proceeds from long-term loans payable | 15,093 | 5,194 |
| Repayment of long-term loans payable | (15,523) | (12,089) |
| Purchase of treasury stock | (14) | (83) |
| Proceeds from sales of treasury stock | 0 | 9 |
| Cash dividends paid | (1,423) | (2,135) |
| Cash dividends paid to minority shareholders | (506) | (1,310) |
| Net cash provided by (used in) financing activities | (26,670) | (10,951) |
| Effect of exchange rate change on cash and cash equivalents | 824 | (850) |
| Net increase (decrease) in cash and cash equivalents | (6,170) | 8,627 |
| Cash and cash equivalents at beginning of period | 30,507 | 30,128 |
| Cash and cash equivalents at the end of period | 24,337 | 38,755 |

(4) Business Segment information

Six months ended Sep. 30, 2009

(Unit: Millions of Yen)

| | Cellulosic derivatives | Organic chemicals | Plastics and films | Pyrotechnic devices | Functional Products and others | Total | Corporate and eliminations | Consolidated |
|-------------------------|------------------------|-------------------|--------------------|---------------------|--------------------------------|---------|----------------------------|--------------|
| Sales | | | | | | | | |
| (1) Outside customers | 37,039 | 34,276 | 47,777 | 21,811 | 2,779 | 143,684 | - | 143,684 |
| (2) Intersegment sales | 1,174 | 4,634 | 1 | - | 4,475 | 10,287 | (10,287) | - |
| Total | 38,214 | 38,911 | 47,779 | 21,811 | 7,254 | 153,972 | (10,287) | 143,684 |
| Operating income (loss) | 5,748 | 2,153 | (64) | 1,047 | 186 | 9,071 | (3,956) | 5,115 |

Six months ended Sep. 30, 2010

(Unit: Millions of Yen)

| | Cellulosic derivatives | Organic chemicals | Plastics and films | Pyrotechnic devices | Functional Products and others | Total | Corporate and eliminations | Consolidated |
|------------------------|------------------------|-------------------|--------------------|---------------------|--------------------------------|---------|----------------------------|--------------|
| Sales | | | | | | | | |
| (1) Outside customers | 40,335 | 40,934 | 69,239 | 27,248 | 3,145 | 180,902 | - | 180,902 |
| (2) Intersegment sales | 1,454 | 7,207 | 6 | - | 5,032 | 13,701 | (13,701) | - |
| Total | 41,790 | 48,141 | 69,245 | 27,248 | 8,178 | 194,604 | (13,701) | 180,902 |
| Operating income | 7,707 | 4,020 | 8,688 | 3,427 | 738 | 24,581 | (3,729) | 20,851 |