

# FY2011 3rd Quarter Consolidated Financial Results

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

February 2, 2011

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  
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 Scheduled date for submitting financial statements : February 14, 2011  
 The additional materials of the Financial Results : -  
 The briefing session of the Financial Results : -  
 Scheduled date for dividend payment : -

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 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	%
Nine months ended Dec. 31, 2010	268,543	16.3	28,230	96.7	26,872	90.8	11,639	38.6
Nine months ended Dec. 31, 2009	230,987	△ 25.2	14,353	△ 32.1	14,085	△ 29.0	8,397	△ 5.9

	Net income per share	Net income per share after latent share adjustment
	Yen	Yen
Nine months ended Dec. 31, 2010	32.71	-
Nine months ended Dec. 31, 2009	23.59	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity per total assets	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Dec. 31, 2010	422,903	234,317	49.7	590.60
As of Mar. 31, 2010	428,376	229,004	48.1	579.18

(Note) Shareholder's equity : 210,116 millions of yen as of December 31, 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
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2010	-	4.00	-	6.00	10.00
Year ending Mar. 31, 2011	-	4.00	-	-	-
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 the 4th quarter ended Mar. 31, 2010: 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
Year ending Mar. 31, 2011	357,000	11.5	34,000	63.0	32,000	60.1	17,500	58.1	49.19

(Note) Revisions to the forecast of consolidated financial results in the current quarter: Not 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 Dec. 31, 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 Dec. 31, 2010	9,176,545 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)	Nine months ended Dec. 31, 2010	355,837,115 shares	Nine months ended Dec. 31, 2009	355,936,074 shares

### ※Implementation status of quarterly review

This Financial Results report for the 3rd quarter was exempt from quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the 3rd 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 nine months of fiscal 2011, there has been a pause following an early fall in the modest recovery of the Japanese economy. Additionally, exports, which had sustained the economic rebound, began to decline gradually amid the backdrop of appreciation of the yen, heightening the sense of uncertainty.

Under this environment, consolidated sales of the Group for the nine months ending December 31, 2010 amounted to ¥268,543 million (up 16.3% year-on-year), thanks to an increase in sales volume despite the strong yen. As for profits, an improved equipment operation rate combined with increased sales volume and other factors contributed to grow operating income to ¥28,230 million (up 96.7% year-on-year), ordinary income to ¥26,872 million (up 90.8% year-on-year) and net income to ¥11,639 million (up 38.6% year-on-year).

Operating performance by business segment is as follows:

#### [Cellulosic Derivatives]

Sales of cellulose acetate dropped because sales of LCD film applications were adversely affected by a temporary decline in demand for LCD panels during early fall.

Although acetate tow for cigarette filters faced a flagging demand resulting from the higher yen and from Japan's cigarette tax hike imposed in October 2010, expansion of the production capacity at Himeji Production Sector's Aboshi Plant in January 2010 and robust export for the Asian markets pushed up sales. Consequently, overall sales for this segment amounted to ¥58,560 million (up 3.5% year-on-year).

Operating income was ¥10,441 million (up 12.1% year-on-year)

#### [Organic Chemicals]

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

A modest recovery in domestic demand as a whole, combined with the start of full-scale operation of the ethanol-based ethyl acetate production facility at Ohtake Plant, caused sales of other products, including acetic acid derivatives and solvents, to grow.

Functional products such as caprolactone derivatives, epoxy compounds, semiconductor resist materials and others show a rise in sales, which is attributable to the continuously booming domestic e-material market and to recovering global demand.

Regarding chiral chemicals (chiral enantiomers), such as optical resolution column and pharmaceutical intermediates, reduced demand for some products and the strong yen pushed down sales, despite the continued brisk column sales in China and India as well as sales recovery in the U.S. and European markets.

Consequently, overall segment sales amounted to ¥60,240 million (up 11.5% year-on-year). Operating income was ¥5,026 million (up 16.9% year-on-year)

#### [Plastics and Films]

Engineering plastics, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), posted big increases in sales, driven by the recovery of primary applications such as automobiles, OA devices, home electronics and other sectors in Japan and overseas.

Recovery in the production of automobiles and home electronics, etc. generated further sales in resin compound business centering on SAN/ABS resins and engineering plastics alloy resins as well.

Meanwhile, sales in the resin processing business including for sheets, molded containers and films declined because of weak demand in the domestic food industry, particularly for molded containers, despite a partial sales growth for film and other products.

Consequently, overall segment sales amounted to ¥104,176 million (up 30.4% year-on-year). Operating income was ¥12,556 million (up 271.3% year-on-year).

#### [Pyrotechnic Devices]

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seat belt pretensioner (PGG) increased sales supported by the rebound in automobile production both at home and abroad, against the backdrop of governments' economic stimulus packages as well as rising automobile demand in China and other Asian nations.

As for aerospace & defence business, such as gunpowder, missile components and pilot emergency-escape systems, sales remained roughly flat due to decline in the numbers of some products procured by the Ministry of Defense.

Consequently, overall segment sales amounted to ¥40,995 million (up 13.0% year-on-year). Operating income was ¥4,789 million (up 73.9% year-on-year).

#### [Functional Products and others]

In the membrane business, including membrane modules for water treatment, sprinkler systems for outdoor units marketed in 2009 enjoyed strong sales, but overall sales dropped due primarily to sluggish demand in the medical industry.

Meanwhile, transport, warehousing and other businesses recorded sales growth.

Consequently, overall segment sales amounted to ¥4,570 million (up 8.0% year-on-year). Operating income was ¥951 million (up 167.9% year-on-year).

(2) Qualitative information regarding consolidated financial position

[1] Changes in assets, liabilities and equity

Total assets at December 31, 2010 were ¥422,903 million, down by ¥5,473 million from March 31, 2010. Although cash, deposits and inventories increased, the overall decrease reflects declines in property, plant and equipment and in current prices of investment securities.

Total liabilities were ¥188,585 million, down by ¥10,786 million from March 31, 2010, due primarily to repayment of long-term loans.

Total net assets were ¥234,317 million. Total shareholders' equity, which is net assets minus minority interests, was ¥210,116 million. Shareholders' equity ratio was 49.7%.

[2] Cash flows

Cash flows from operating activities

Cash flow from operating activities increased by ¥36,315 million (an increase of ¥46,763 million for the same period last year). The increase in funds was mainly attributable to ¥25,695 million of income before income taxes, ¥25,024 million of depreciation and amortization, and ¥3,764 million of increase in accounts payable. Meanwhile, the main factors for the decrease in funds are ¥8,437 million of payment of corporate income taxes and ¥7,751 million of increase in inventories.

Cash flows from investment activities

Cash flow from investment activities decreased by ¥15,179 million (a decrease of ¥15,892 million for the same period last year), mainly because of an expenditure of 9,078 million for purchase of property, plant and equipment, as well as increases in fixed deposits and marketable securities by ¥3,483 million and ¥3,156 million respectively.

Cash flow from financing activities

Cash flow from financing activities decreased by ¥18,634 million (a decrease of ¥31,533 million for the same period last year). The increase in funds was mainly attributable to ¥5,170 million in long-term loans, and the main factor for the decrease in funds was ¥17,892 million of repayment of long-term loans.

As a result of the above, cash and cash equivalents at December 31, 2010 totaled ¥31,748 million.

6. Consolidated Financial Statements  
(1) Consolidated Balance Sheet

(Unit: Millions of Yen)

	As of Dec. 31, 2010	As of Mar. 31, 2010
<b>Assets</b>		
Current assets		
Cash and deposits	32,029	23,792
Notes and accounts receivable-trade	74,936	73,281
Short-term investment securities	9,892	7,126
Inventories	69,514	62,614
Other	13,277	13,551
Allowance for doubtful accounts	(50)	(135)
Total current assets	<u>199,600</u>	<u>180,232</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	48,206	50,336
Machinery, equipment and vehicles, net	75,461	89,094
Land	26,544	26,423
Construction in progress	4,306	6,847
Other, net	2,431	2,647
Total property, plant and equipment	<u>156,950</u>	<u>175,350</u>
Intangible assets	3,002	3,771
Investments and other assets		
Investment securities	50,215	54,154
Other	13,386	15,134
Allowance for doubtful accounts	(251)	(265)
Total investments and other assets	<u>63,350</u>	<u>69,022</u>
Total noncurrent assets	<u>223,303</u>	<u>248,144</u>
Total assets	<u>422,903</u>	<u>428,376</u>

	As of Dec. 31, 2010	As of Mar. 31, 2010
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	45,182	42,453
Short-term loans payable	10,340	11,665
Current portion of long-term loans payable	15,383	24,282
Income taxes payable	2,904	4,990
Provision for repairs	2,124	126
Other	17,551	18,648
Total current liabilities	93,487	102,166
Noncurrent liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	45,419	49,873
Provision for retirement benefits	9,347	9,050
Provision for directors' retirement benefits	49	75
Provision for repairs	554	1,043
Assets retirement obligation	1,047	-
Other	8,680	7,161
Total noncurrent liabilities	95,098	97,205
Total liabilities	188,585	199,371
<b>Net assets</b>		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,579	31,576
Retained earnings	138,650	130,569
Treasury stock	(4,190)	(4,101)
Total shareholders' equity	202,314	194,319
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,419	16,903
Deferred gains or losses on hedges	(201)	(170)
Foreign currency translation adjustment	(6,416)	(4,916)
Total valuation and translation adjustments	7,801	11,816
Minority interests	24,201	22,868
Total net assets	234,317	229,004
Total liabilities and net assets	422,903	428,376

## (2) Consolidated Income Statement

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2010
Net Sales	230,987	268,543
Cost of sales	181,300	202,505
Gross profit	49,687	66,038
Selling, general and administrative expenses	35,333	37,808
Operating Income	14,353	28,230
Non-operating income		
Interest income	134	143
Dividends income	687	815
Equity in earnings of affiliates	858	1,031
Other	1,268	637
Total non-operating income	2,949	2,628
Non-operating expenses		
Interest expenses	1,814	1,369
Foreign exchange loss	237	1,570
Other	1,166	1,045
Total non-operating expenses	3,217	3,985
Ordinary income	14,085	26,872
Extraordinary gain		
Gain on disposal of noncurrent assets	27	6
Gain on sales of investment securities	10	16
Gain on sales of subsidiaries and affiliates' stocks	-	382
Total extraordinary gain	37	405
Extraordinary loss		
Loss on retirement of noncurrent assets	696	317
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	1,095	1,583
Income before income taxes and minority interests	13,026	25,695
Income taxes -current	3,969	5,137
Income taxes for prior periods	-	1,540
Income taxes-deferred	529	3,902
Total income taxes	4,499	10,581
Income before minority interests	-	15,114
Minority interests in income (loss)	129	3,474
Net income	8,397	11,639

## (3) Consolidated Statement of Cash Flow

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2009	Nine months ended Dec. 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	13,026	25,695
Depreciation and amortization	27,857	25,024
Impairment loss	-	74
Interest and dividends income	(821)	(959)
Interest expenses	1,814	1,369
Equity in (earnings) losses of affiliates	(858)	(1,031)
Loss (gain) on sales and retirement of noncurrent assets	669	310
Decrease (increase) in notes and accounts receivable-trade	(14,610)	(2,888)
Decrease (increase) in inventories	10,544	(7,751)
Increase (decrease) in notes and accounts payable-trade	10,252	3,764
Other, net	228	1,032
Subtotal	<u>48,102</u>	<u>44,640</u>
Interest and dividends income received	1,296	1,471
Interest expenses paid	(1,621)	(1,357)
Settlement package paid	(398)	-
Income taxes paid	(2,638)	(8,437)
Income taxes refund	2,024	-
Net cash provided by (used in) operating activities	<u>46,763</u>	<u>36,315</u>
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	-	(3,483)
Net decrease (increase) in short-term investment securities	-	(3,156)
Purchase of property, plant and equipment	(14,932)	(9,078)
Proceeds from sales of property, plant and equipment	147	11
Purchase of intangible assets	(449)	(255)
Purchase of investment securities	(15)	(911)
Payments of loans receivable	(11)	(84)
Collection of loans receivable	746	1,041
Other, net	(1,377)	737
Net cash provided by (used in) investing activities	<u>(15,892)</u>	<u>(15,179)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(41,456)	(646)
Proceeds from long-term loans payable	15,035	5,170
Repayment of long-term loans payable	(21,292)	(17,892)
Proceeds from issuance of bonds	19,892	-
Purchase of treasury stock	(20)	(95)
Proceeds from sales of treasury stock	1	9
Cash dividends paid	(2,847)	(3,558)
Cash dividends paid to minority shareholders	(846)	(1,622)
Net cash provided by (used in) financing activities	<u>(31,533)</u>	<u>(18,634)</u>
Effect of exchange rate change on cash and cash equivalents	(20)	(882)
Net increase (decrease) in cash and cash equivalents	<u>(682)</u>	<u>1,619</u>
Cash and cash equivalents at beginning of period	<u>30,507</u>	<u>30,128</u>
Cash and cash equivalents at the end of period	<u>29,825</u>	<u>31,748</u>

## (4) Business Segment information

Nine months ended Dec. 31, 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	56,567	54,041	79,873	36,272	4,232	230,987	-	230,987
(2) Intersegment sales	1,959	7,673	4	-	6,846	16,485	(16,485)	-
Total	58,527	61,715	79,878	36,272	11,079	247,472	(16,485)	230,987
Operating income (loss)	9,311	4,301	3,382	2,754	355	20,104	(5,750)	14,353

Nine months ended Dec. 31, 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	58,560	60,240	104,176	40,995	4,570	268,543	-	268,543
(2) Intersegment sales	2,113	10,554	10	-	7,512	20,190	(20,190)	-
Total	60,673	70,795	104,186	40,995	12,082	288,734	(20,190)	268,543
Operating income	10,441	5,026	12,556	4,789	951	33,765	(5,534)	28,230