

FY2012 1st Quarter Consolidated Financial Results

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

August 4, 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
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	: August 11, 2011
Scheduled date for dividend payment	: -
The additional materials of the Financial Results	: -
The briefing session of the Financial Results	: -

1. Consolidated Financial Results for the Three Months Ended June 30, 2011

(Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results

(% of change from previous year)

	Net Sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Jun. 30, 2011	82,402	△ 8.5	6,065	△ 45.2	6,781	△ 35.2	3,243	△ 22.0
Three months ended Jun. 30, 2010	90,022	41.6	11,069	834.9	10,467	720.9	4,157	578.1

(Note) Comprehensive income : 4,569 millions of yen (124.4%) for the three months ended June 30, 2011 and 2,036 millions of yen (-%) for the three months ended June 30, 2010

	Net income per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2011	9.12	-
Three months ended Jun. 30, 2010	11.68	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity per total assets
	Millions of Yen	Millions of Yen	%
As of Jun. 30, 2011	411,913	238,961	52.1
As of Mar. 31, 2011	411,071	235,336	51.6

(Note) Shareholder's equity : 214,767 millions of yen as of June 30, 2011 and 212,052 millions of yen as of March 31, 2011

2. Dividends

(Reference data)	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2011	-	4.00	-	6.00	10.00
Year ending Mar. 31, 2012	-	-	-	-	-
Year ending Mar. 31, 2012 (forecast)	-	5.00	-	5.00	10.00

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

3. Forecast of consolidated financial results for the Year Ending March 31, 2012

(% of change from same period of previous 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
Six months ending Sep. 30, 2011	173,000	△ 4.4	12,000	△ 42.4	12,500	△ 36.8	7,000	△ 9.6	19.68
Year ending Mar. 31, 2012	364,000	2.9	27,000	△ 17.5	27,500	△ 12.9	16,000	△ 4.8	44.97

(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

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

i Changes due to revisions to accounting standards: Not applicable

ii Changes other than (2)-i: Not applicable

iii Changes accounting estimate : Not applicable

iv Retrospective restatement : Not applicable

(3) Number of shares issued (common share)

i Number of shares issued at the end of each period (including treasury stocks)	As of Jun. 30, 2011	364,942,682 shares	As of Mar. 31, 2011	364,942,682 shares
ii Number of treasury stocks at the end of each period	As of Jun. 30, 2011	9,189,271 shares	As of Mar. 31, 2011	9,185,807 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2011	355,755,328 shares	Three months ended Jun. 30, 2010	355,904,762 shares

※Implementation status of annual review procedures

This Financial Results report for the 1st quarter was exempt from quarterly review procedures which was based on Financial Instruments and Exchange Law of Japan.

As of the 1st quarter disclosing quarterly review procedures for the quarterly financial statements are in progress.

※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 regarding Consolidated Operating Results

During the consolidated first quarter of the fiscal year ending March 2012, the Japanese economy as a whole was significantly impacted by the Great East Japan Earthquake that occurred in March 2011. As the recovery of production activities gradually progressed after June, the economy began to show an improvement but remained in a harsh condition due to continuing concerns over the electricity supply and nuclear disaster, coupled with rising raw fuel prices and the strong yen.

In such an environment, the Daicel Group achieved sales of ¥82,402 million (down 8.5% year-on-year) for the period under review. On the income front, operating income was ¥6,065 million (down 45.2% year-on-year), ordinary income was ¥6,781 million (down 35.2% year-on-year) and net income was ¥3,243 million (down 22.0% year-on-year).

Additionally, we recorded ¥434 million of disaster-related losses as an extraordinary loss, most of which include fixed costs for the period under review resulting from the operating ratio of the automobile airbag inflator business that was well below its normal level due to the influence of the Earthquake.

Segment information is summarized as follows.

[Cellulosic Derivatives]

Sales of cellulose acetate dropped because of low selling prices and other factors, although damage from the Earthquake was minimal.

Sales of acetate tow for cigarette filters were also adversely affected by the strong yen affecting exports, while domestic sales saw decreased demand due to the tobacco tax hike in October 2010.

Consequently, overall segment sales amounted to ¥17,763 million (down 16.1% year-on-year). Operating income dropped to ¥1,706 million (down 63.8% year-on-year), reflecting the appreciation of the yen and high raw fuel prices.

[Organic Chemicals]

Demand for acetic acid, the segment's principal product, were robust mainly for pure terephthalic acid (PTA), its primary application. However, overall segment sales declined as a result of the adjustment of the selling period associated with the biennial, periodical repair implemented at our Himeji Production Sector's Aboshi Plant during the first quarter under review.

Meanwhile, general products, such as acetic acid derivatives and solvents, enjoyed sales growth supported by a healthy demand for ethyl acetate and other products, as well as the selling price correction that we implemented in response to high raw fuel prices.

As for functional products such as caprolactone derivatives, epoxy compounds, semiconductor resist materials and others, sales were flat due to the influence of the Earthquake on applications for automobiles and e-materials, despite the positive effects of the continued strong sales of epoxy compounds and the selling price correction.

In the chiral chemicals (chiral enantiomers) business, such as optical resolution column, continued brisk column sales for China and India, combined with a recovery in the contract separation business centering on the United States, pushed up sales.

Consequently, overall segment sales amounted to ¥20,257 million (down 3.3% year-on-year). The selling price correction contributed to grow operating income to ¥2,285 million (up 9.8% year-on-year).

[Plastics and Films]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), is operated by our consolidated subsidiary Polyplastics Co., Ltd., whose closing

month is December, and its subsidiary companies. During the first quarter under review, from January to March 2011, sales remained almost unchanged due partly to the strong yen, although demand in China and ASEAN countries remained healthy.

In the resin compound business centering on AS/ABS resins and engineering plastics alloy resins, the selling price correction associated with high raw fuel prices led sales to grow, despite the impact of the Earthquake on the main applications for automobile parts and OA devices.

Meanwhile, sales in the resin processing business including for sheets, molded containers and films, turned flat. While some film products recorded sales gains, those of molded containers grew at a sluggish pace due to weakening demand for e-materials as a result of the Earthquake.

Consequently, overall segment sales amounted to ¥34,168 million (up 1.9% year-on-year). Operating income was ¥3,813 million (down 6.6% year-on-year), reflecting the strong yen and the surge in raw fuel prices.

[Pyrotechnic Devices]

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seat belt pretensioners (PGG) saw a plunge in sales largely due to the low operating ratio in the automobile industry after the Earthquake.

Regarding the aerospace & defense business, sales of items such as gunpowder, missile components and pilot emergency-escape systems, decreased due to a decline in the quantities of some products procured by the Ministry of Defense.

Consequently, overall segment sales amounted to ¥8,979 million (down 31.5% year-on-year). Operating income fell to ¥229 million (down 87.9% year-on-year), reflecting the low capacity utilization that resulted from the decline in sales quantity after the Earthquake.

[Functional Products and Others]

Sales in the membrane business, including membrane modules for water treatment, leveled off. Demand was healthy in the medical field, but stagnant in the field of effluent treatment.

Meanwhile, the warehousing and other businesses posted sales declines.

Consequently, overall segment sales amounted to ¥1,233 million (down 1.1% year-on-year). Operating income was ¥112 million (down 34.5% year-on-year).

(2) Qualitative Information regarding Consolidated Financial Position

Changes in assets, liabilities and equity

Total assets at June 30, 2011 were ¥411,913 million, almost the same level as March 31, 2011. Although there were increases in cash, deposits and inventories, there were also declines in notes & accounts receivable and property, plant & equipment.

Total liabilities were ¥172,951 million, down by ¥2,783 million from March 31, 2011, due to a decrease in long-term loans and other factors.

Total net assets were ¥238,961 million. Total shareholders' equity, which is net assets minus minority interests, was ¥214,767 million. The shareholders' equity ratio was 52.1%.

6. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2011	As of Jun. 30, 2011
Assets		
Current assets		
Cash and deposits	34,140	38,981
Notes and accounts receivable-trade	70,628	66,330
Short-term investment securities	9,935	10,068
Inventories	70,503	73,860
Other	12,757	13,251
Allowance for doubtful accounts	(56)	(48)
Total current assets	<u>197,908</u>	<u>202,444</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,113	45,560
Machinery, equipment and vehicles, net	69,956	65,496
Land	26,543	26,552
Construction in progress	4,734	6,734
Other, net	2,339	2,343
Total property, plant and equipment	<u>150,689</u>	<u>146,687</u>
Intangible assets	<u>2,799</u>	<u>2,644</u>
Investments and other assets		
Investment securities	45,828	45,660
Other	13,991	14,618
Allowance for doubtful accounts	(145)	(142)
Total investments and other assets	<u>59,673</u>	<u>60,136</u>
Total noncurrent assets	<u>213,162</u>	<u>209,468</u>
Total assets	<u>411,071</u>	<u>411,913</u>

	As of Mar. 31, 2011	As of Jun. 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,991	46,815
Short-term loans payable	9,815	10,443
Current portion of long-term loans payable	12,806	12,184
Income taxes payable	3,710	1,857
Provision for repairs	3,332	810
Other	16,089	18,639
Total current liabilities	<u>90,745</u>	<u>90,749</u>
Noncurrent liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	41,592	39,063
Provision for retirement benefits	9,428	9,649
Provision for directors' retirement benefits	54	45
Provision for repairs	70	-
Asset retirement obligation	1,039	1,050
Other	2,803	2,392
Total noncurrent liabilities	<u>84,988</u>	<u>82,201</u>
Total liabilities	<u>175,734</u>	<u>172,951</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	143,813	146,033
Treasury stock	(4,195)	(4,197)
Total shareholders' equity	<u>207,472</u>	<u>209,690</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,516	12,207
Deferred gains or losses on hedges	(153)	(144)
Foreign currency translation adjustment	(7,783)	(6,986)
Total accumulated other comprehensive income	<u>4,579</u>	<u>5,076</u>
Minority interests	<u>23,284</u>	<u>24,194</u>
Total net assets	<u>235,336</u>	<u>238,961</u>
Total liabilities and net assets	<u>411,071</u>	<u>411,913</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2010	Three months ended Jun. 30, 2011
Net Sales	90,022	82,402
Cost of sales	66,433	63,952
Gross profit	23,589	18,449
Selling, general and administrative expenses	12,519	12,384
Operating Income	11,069	6,065
Non-operating income		
Interest income	41	85
Dividends income	304	476
Equity in earnings of affiliates	360	384
Other	282	493
Total non-operating income	988	1,440
Non-operating expenses		
Interest expenses	473	393
Foreign exchange loss	732	82
Other	384	247
Total non-operating expenses	1,590	723
Ordinary income	10,467	6,781
Extraordinary gain		
Gain on disposal of noncurrent assets	2	0
Gain on sales of subsidiaries and affiliates' stocks	-	239
Subsidies from municipal governments	-	1,000
Total extraordinary gain	2	1,240
Extraordinary loss		
Loss on retirement of noncurrent assets	44	275
Impairment loss	74	374
Loss on reduction of noncurrent assets	-	911
Loss on valuation of investment securities	360	-
Loss on sales of stocks of subsidiaries and affiliates	299	-
Effect of application of accounting standard for asset retirement obligations	831	-
Loss on disaster	-	434
Total extraordinary loss	1,610	1,996
Income before income taxes and minority interests	8,860	6,026
Income Taxes		
Income taxes -current	2,447	1,588
Income taxes-deferred	1,301	284
Total income taxes	3,749	1,872
Income before minority interests	5,110	4,153
Minority interests in income (loss)	952	910
Net income	4,157	3,243

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2010	Three months ended Jun. 30, 2011
Income before minority interests	5,110	4,153
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,971)	(323)
Deferred gains or losses on hedges	(24)	6
Foreign currency translation adjustment	1,912	624
Share of other comprehensive income of associates accounted for using equity method	8	107
Total other comprehensive income	<u>(3,074)</u>	<u>415</u>
Comprehensive income	<u>2,036</u>	<u>4,569</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	508	3,320
Comprehensive income attributable to minority interests	1,527	1,249

7. Segment information

Three months ended Jun. 30, 2010

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics and films	Pyrotechnic devices	Functional Products and others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	21,178	20,949	33,541	13,104	1,247	90,022	-	90,022
Intersegment sales	704	3,364	3	-	2,533	6,606	(6,006)	-
Total	21,882	24,314	33,544	13,104	3,781	96,628	(6,006)	90,022
Operating income (loss)	4,708	2,082	4,083	1,894	171	12,940	(1,871)	11,069

Three months ended Jun. 30, 2011

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics and films	Pyrotechnic devices	Functional Products and others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	17,763	20,257	34,168	8,979	1,233	82,402	-	82,402
Intersegment sales	471	3,648	2	-	2,452	6,574	(6,574)	-
Total	18,235	23,906	34,171	8,979	3,685	88,977	(6,574)	82,402
Operating income	1,706	2,285	3,813	229	112	8,147	(2,081)	6,065