

FY2012 2nd Quarter Consolidated Financial Results

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

November 2, 2011

Company name : DAICEL CORPORATION
 Stock Exchange on which the shares are listed : Tokyo Stock Exchange and Osaka Securities Exchange in Japan
 Code number : 4202
 URL : http://www.daicel.com
 Representative : Misao Fudaba, President and CEO
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 Scheduled date for submitting financial statements : November 14, 2011
 Scheduled date for dividend payment : December 5, 2011
 The additional materials of the Financial Results : Yes
 The briefing session of the Financial Results : Yes (Intended for institutional investors and securities analysts)

1. Consolidated Financial Results for the Six Months Ended September 30, 2011

(Amounts are rounded down to the nearest million)

	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, 2011	168,225	△ 7.0	11,479	△ 44.9	11,718	△ 40.8	5,765	△ 25.6
Six months ended Sep. 30, 2010	180,902	25.9	20,851	307.6	19,779	317.7	7,747	263.9

(Note) Comprehensive income : 2,800 millions of yen (△30.0%) for the six months ended September 30, 2011 and 3,998 millions of yen (-%) for the six months ended September 30, 2010

	Net income per share	Diluted earnings per share
	Yen	Yen
Six months ended Sep. 30, 2011	16.23	-
Six months ended Sep. 30, 2010	21.77	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity per total assets
	Millions of Yen	Millions of Yen	%
As of Sep. 30, 2011	400,442	234,249	52.6
As of Mar. 31, 2011	411,071	235,336	51.6

(Note) Shareholder's equity : 210,729 millions of yen as of September 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	-	5.00	-	-	-
Year ending Mar. 31, 2012 (forecast)	-	-	-	5.00	10.00

(Note) Revisions to the latest announced dividend forecast: 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
Year ending Mar. 31, 2012	352,000	△ 0.5	23,000	△ 29.7	23,000	△ 27.1	13,500	△ 19.7	38.38

(Note) Revisions to the latest announced forecast of consolidated financial results: Applicable

4. Others

(1) Changes in significant subsidiaries during the six months ended Sep. 30, 2011: Not applicable

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

(2) Adoption of specific accounting methods: Not applicable

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

i Changes due to revisions to accounting standards: Not applicable

ii Changes other than (3)-i: Not applicable

iii Changes accounting estimate : Not applicable

iv Retrospective restatement : Not applicable

(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, 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 Sep. 30, 2011	13,199,098 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)	Six months ended Sep. 30, 2011	355,218,950 shares	Six months ended Sep. 30, 2010	355,865,685 shares

※Implementation status of quarterly review procedures

This Financial Results report for the 2nd quarter was exempt from quarterly review procedures which was based on Financial Instruments and Exchange Law of Japan.

As of the 2nd 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 six months ended September 30, 2011, the Japanese economy, which was significantly impacted as a whole by the Great East Japan Earthquake, showed signs of recovery buoyed by a pickup in production activities in the second quarter. However, the situation remained unpredictable due to the continued programmed electricity supply, effect of the nuclear disaster and concerns over further slowdown in overseas economies, as well as further appreciation of the yen in the second quarter.

Amid such environment, consolidated financial results for the six months under review recorded sales of ¥168,225 million (down 7.0% year-on-year), reflecting a decrease in sales quantity and the strong yen. High raw fuel prices, a decline in capacity utilization ratio accompanying decreased sales quantity and other factors cut profits severely. Operating income was ¥11,479 million (down 44.9% year-on-year), ordinary income was ¥11,718 million (down 40.8% year-on-year) and net income was ¥5,765 million (down 25.6% year-on-year).

Additionally, we have posted ¥434 million of disaster-related losses as extraordinary loss, most of which include fixed cost 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 due mainly to weak demand for LCD film applications stemming from the effects of channel inventory adjustment of LCD panels.

Sales of acetate tow for cigarette filters also declined adversely affected by the tobacco tax hike in October 2010 along with the strong yen, despite solid overseas sales.

Consequently, overall segment sales amounted to ¥34,844 million (down 13.6% year-on-year). Operating income plunged to ¥3,383 million (down 56.1% 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, was stable centering on pure terephthalic acid (PTA), its primary application. However, overall segment sales decreased as a result of the biennial, periodical repair implemented at our Himeji Production Sector's Aboshi Plant.

Meanwhile, general products such as acetic acid derivatives and solvents enjoyed a growth in sales, which is primarily attributable to robust sales of ethyl acetate.

As for functional products such as caprolactone derivatives, epoxy compounds, semiconductor resist materials and others, sales dropped slightly due to the e-material market adjustment and the strong yen, despite healthy demand for the Asian markets.

In the chiral chemicals (chiral enantiomers) business, such as optical resolution column, sales rose thanks to the continued steady column sales for China, India and other overseas markets as a whole.

Consequently, overall segment sales amounted to ¥40,087 million (down 2.1% year-on-year). The surge in raw fuel prices caused operating income to shrink to ¥3,518 million (down 12.5% 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 six months under review, from January to June 2011, sales declined because the domestic market in particular was severely affected by the

Earthquake.

In the resin compound business centering on AS/ABS resins and engineering plastics alloy resins, while applications for automobile parts and other products were affected by the Earthquake, reconstruction demand for some products pushed up sales.

Meanwhile, sales in the resin processing business including for sheets, molded containers and films, leveled off. While domestic demand for food applications was sluggish, special procurements boosted demand for some film products after the Earthquake.

Consequently, overall segment sales amounted to ¥66,777 million (down 3.7% year-on-year). Operating income was ¥6,627 million (down 23.7% year-on-year), reflecting the strong yen and high raw fuel prices.

[Pyrotechnic Devices]

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seat belt pretensioner (PGG) posted a drop in sales. The considerable effects of the Earthquake in the first quarter were not absorbed by a pickup in sales quantity as the automobile production recovered in the second quarter. Meanwhile, in the aerospace & defense business, such as gunpowder, missile components and pilot emergency-escape systems, sales grew owing to an increase in the quantities of some products procured by the Ministry of Defense.

Consequently, overall segment sales amounted to ¥23,580 million (down 13.5% year-on-year). Operating income plunged to ¥1,704 million (down 50.3% year-on-year), reflecting mainly low capacity utilization ratio accompanying the decline in sales quantity after the Earthquake.

[Functional Products and others]

Sales increased in the membrane business, including membrane modules for water treatment. Dialysis devices and sprinkler systems for outdoor unit of air conditioners and others sold well.

Meanwhile, sales fell in the warehousing and others businesses.

Consequently, overall segment sales amounted to ¥3,035 million (down 3.5% year-on-year). Operating income was ¥477 million (down 35.4% year-on-year).

(2) Qualitative Information regarding Consolidated Financial Position

(1) Changes in assets, liabilities and equity

Total assets at September 30, 2011 were ¥400,442 million, down ¥10,628 million from March 31, 2011.

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

Total liabilities were ¥166,193 million, down by ¥9,541 million from March 31, 2011, due primarily to repayment of long-term loans.

Total net assets were ¥234,249 million. Total shareholders' equity, which is net assets minus minority interests, was ¥210,729 million. Shareholders' equity ratio was 52.6%.

(2) Situation of cash flows

Cash flows from operating activities

Cash flow from operating activities increased by ¥18,907 million (an increase of ¥26,377 million for the corresponding year-ago period). The increase in fund was mainly attributable to ¥10,797 million of income before income taxes, ¥14,596 million of depreciation and amortization, and ¥3,030 million of decrease in trade receivables. Meanwhile, main factors for the decrease in funds were ¥4,808 million of increase in inventories and ¥4,423 million of payment of corporate income taxes.

Cash flows from investment activities

Cash flow from investment activities decreased by ¥1,947 million (a decrease of ¥5,947 million for the corresponding year-ago period). The increase in fund was mainly attributable to ¥3,629 million of decrease in marketable securities. Meanwhile, main factors for the decrease in funds were expenditures of ¥5,757 million for the purchase of property, plant and equipment, and ¥1,640 million of the acquisition of investment securities.

Cash flows from financing activities

Cash flow from financing activities decreased by ¥11,695 million (a decrease of ¥10,951 million for the corresponding year-ago period). The decrease in funds was mainly attributable to ¥6,576 million of repayment of long-term loans, ¥2,134 million of dividend payment, ¥1,815 million of the acquisition of treasury stocks and ¥1,490 million of dividend payment to minority interests.

As a result of the above, cash and cash equivalents at September 30, 2011 totaled ¥38,859 million.

(3) Qualitative Information regarding Forecast of Consolidated Financial Results

As for the future outlook, the Japanese economy is forecasted to remain unclear and unpredictable due to the sharp rise of the yen, coupled with the uncertainty of the global economy.

Under such conditions, the Daicel Group has been steadily proceeding with new business creation, which is the basic strategy of our medium-term plan “3D-I”, further strengthening of our core business, improvement of cost competitiveness, expansion and reinforcement of business operation in the global market and other efforts.

Taking into consideration the abovementioned consolidated financial results for the six months under review along with the strong yen, uncertain economic environment, high raw fuel prices and other factors, the Daicel Group projects full-year consolidated sales of ¥352,000 million, operating income of ¥23,000 million, ordinary income was ¥23,000 million and net income was ¥13,500million.

* Please note that the above estimates of financial results are based on information available at the time there were prepared, and actual operating results may differ from these estimates due to various factors.

6. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2011	As of Sep. 30, 2011
Assets		
Current assets		
Cash and deposits	34,140	36,666
Notes and accounts receivable-trade	70,628	67,456
Short-term investment securities	9,935	7,923
Inventories	70,503	75,270
Other	12,757	12,148
Allowance for doubtful accounts	(56)	(76)
Total current assets	197,908	199,390
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,113	44,802
Machinery, equipment and vehicles, net	69,956	62,483
Land	26,543	26,501
Construction in progress	4,734	5,722
Other, net	2,339	2,218
Total property, plant and equipment	150,689	141,729
Intangible assets	2,799	2,447
Investments and other assets		
Investment securities	45,828	41,625
Other	13,991	15,393
Allowance for doubtful accounts	(145)	(143)
Total investments and other assets	59,673	56,875
Total noncurrent assets	213,162	201,052
Total assets	411,071	400,442

	As of Mar. 31, 2011	As of Sep. 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,991	46,058
Short-term loans payable	9,815	10,743
Current portion of long-term loans payable	12,806	14,355
Income taxes payable	3,710	2,105
Provision for repairs	3,332	927
Other	16,089	15,899
Total current liabilities	<u>90,745</u>	<u>90,089</u>
Noncurrent liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	41,592	33,213
Provision for retirement benefits	9,428	9,928
Provision for directors' retirement benefits	54	49
Provision for repairs	70	389
Asset retirement obligation	1,039	1,051
Other	2,803	1,471
Total noncurrent liabilities	<u>84,988</u>	<u>76,103</u>
Total liabilities	<u>175,734</u>	<u>166,193</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	143,813	148,555
Treasury stock	(4,195)	(6,010)
Total shareholders' equity	<u>207,472</u>	<u>210,399</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,516	8,798
Deferred gains or losses on hedges	(153)	(112)
Foreign currency translation adjustment	(7,783)	(8,355)
Total accumulated other comprehensive income	<u>4,579</u>	<u>330</u>
Minority interests	<u>23,284</u>	<u>23,519</u>
Total net assets	<u>235,336</u>	<u>234,249</u>
Total liabilities and net assets	<u>411,071</u>	<u>400,442</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2011
Net Sales	180,902	168,225
Cost of sales	134,817	131,806
Gross profit	46,085	36,418
Selling, general and administrative expenses	25,233	24,939
Operating Income	20,851	11,479
Non-operating income		
Interest income	91	143
Dividends income	451	636
Equity in earnings of affiliates	707	739
Other	448	712
Total non-operating income	1,699	2,232
Non-operating expenses		
Interest expenses	937	769
Foreign exchange loss	1,090	749
Other	743	473
Total non-operating expenses	2,771	1,992
Ordinary income	19,779	11,718
Extraordinary gain		
Gain on disposal of noncurrent assets	5	5
Gain on sales of subsidiaries and affiliates' stocks	382	239
Subsidies from municipal governments	-	1,000
Total extraordinary gain	387	1,245
Extraordinary loss		
Loss on retirement of noncurrent assets	216	441
Impairment loss	74	374
Loss on valuation of investment securities	360	4
Loss on reduction of noncurrent assets	-	911
Effect of application of accounting standard for asset retirement obligations	831	-
Loss on disaster	-	434
Total extraordinary loss	1,482	2,167
Income before income taxes and minority interests	18,685	10,797
Income Taxes		
Income taxes-current	3,412	2,666
Income taxes for prior periods	1,540	-
Income taxes-deferred	3,522	699
Total income taxes	8,475	3,366
Income before minority interests	10,209	7,431
Minority interests in income (loss)	2,462	1,666
Net income	7,747	5,765

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2011
Income before minority interests	10,209	7,431
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,594)	(3,730)
Deferred gains or losses on hedges	(30)	13
Foreign currency translation adjustment	(1,433)	(986)
Share of other comprehensive income of associates accounted for using equity method	(151)	72
Total other comprehensive income	(6,210)	(4,630)
Comprehensive income	3,998	2,800
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,781	1,095
Comprehensive income attributable to minority interests	2,216	1,705

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2010	Six months ended Sep. 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	18,685	10,797
Depreciation and amortization	16,555	14,596
Impairment loss	74	374
Interest and dividends income	(543)	(780)
Interest expenses	937	769
Equity in (earnings) losses of affiliates	(707)	(739)
Loss (gain) on sales and retirement of noncurrent assets	210	435
Loss on reduction of noncurrent assets	-	911
Subsidy income	-	(1,000)
Decrease (increase) in notes and accounts receivable-trade	654	3,030
Decrease (increase) in inventories	(5,546)	(4,808)
Increase (decrease) in notes and accounts payable-trade	2,071	686
Other, net	698	(1,390)
Subtotal	33,089	22,884
Interest and dividends income received	983	1,219
Interest expenses paid	(942)	(773)
Income taxes paid	(6,753)	(4,423)
Net cash provided by (used in) operating activities	26,377	18,907
Net cash provided by (used in) investing activities		
Net decrease (increase) in short-term investment securities	-	3,629
Purchase of property, plant and equipment	(6,148)	(5,757)
Proceeds from sales of property, plant and equipment	7	12
Purchase of intangible assets	(129)	(191)
Purchase of investment securities	(905)	(1,640)
Payments of loans receivable	(32)	(131)
Collection of loans receivable	1,019	471
Subsidies from municipal governments	-	1,000
Other, net	242	659
Net cash provided by (used in) investing activities	(5,947)	(1,947)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(537)	320
Proceeds from long-term loans payable	5,194	-
Repayment of long-term loans payable	(12,089)	(6,576)
Purchase of treasury stock	(83)	(1,815)
Proceeds from sales of treasury stock	9	0
Cash dividends paid	(2,135)	(2,134)
Cash dividends paid to minority shareholders	(1,310)	(1,490)
Net cash provided by (used in) financing activities	(10,951)	(11,695)
Effect of exchange rate change on cash and cash equivalents	(850)	(101)
Net increase (decrease) in cash and cash equivalents	8,627	5,162
Cash and cash equivalents at beginning of period	30,128	33,724
Increase in cash and cash equivalents from newly consolidated subsidiary	-	156
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(183)
Cash and cash equivalents at the end of period	38,755	38,859

7. Segment information

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
Net sales								
Outside customers	40,335	40,934	69,239	27,248	3,145	180,902	-	180,902
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 (loss)	7,707	4,020	8,688	3,427	738	24,581	(3,729)	20,851

Six months ended Sep. 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	34,844	40,087	66,677	23,580	3,035	168,225	-	168,225
Intersegment sales	1,327	7,907	3	-	4,874	14,113	(14,113)	-
Total	36,172	47,994	66,681	23,580	7,909	182,339	(14,113)	168,225
Operating income	3,383	3,518	6,627	1,704	477	15,711	(4,231)	11,479