

FY2012 3rd Quarter Consolidated Financial Results

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

February 2, 2012

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
Contact person	: Yoshifumi Hata, General Manager-Investor Relations & Corporate communications Phone +81-3-6711-8121
Scheduled date for submitting financial statements	: February 14, 2012
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 Nine Months Ended December 31, 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	%
Nine months ended Dec. 31, 2011	255,160	△ 5.0	17,193	△ 39.1	17,876	△ 33.5	9,968	△ 14.4
Nine months ended Dec. 31, 2010	268,543	16.3	28,230	96.7	26,872	90.8	11,639	38.6

(Note) Comprehensive income : 4,656 millions of yen (△55.6%) for the nine months ended December 31, 2011 and 10,481 millions of yen (-%) for the nine months ended December 31, 2010

	Net income per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2011	28.16	-
Nine months ended Dec. 31, 2010	32.71	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity per total assets
	Millions of Yen	Millions of Yen	%
As of Dec. 31, 2011	401,071	234,373	52.7
As of Mar. 31, 2011	411,071	235,336	51.6

(Note) Shareholder's equity : 211,303 millions of yen as of December 31, 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
Year ended Mar. 31, 2011	Yen -	Yen 4.00	Yen -	Yen 6.00	Yen 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: Not applicable

4. Others

(1) Changes in significant subsidiaries during the nine months ended Dec. 31, 2012: 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 Dec. 31, 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 Dec. 31, 2011	13,200,019 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)	Nine months ended Dec. 31, 2011	354,056,096 shares	Nine months ended Dec. 31, 2010	355,837,115 shares

※Implementation status of quarterly review procedures

This Financial Results report for the 3rd quarter was exempt from quarterly review procedures which was based on Financial Instruments and Exchange Law of Japan.

As of the 3rd 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 nine months ended December 31, 2011, the Japanese economy gradually recovered from the significant overall impact of the Great East Japan Earthquake as a result of production increases in the second quarter. However, the situation remained unpredictable due to continuing restrictions on the electricity supply, the effects of the nuclear disaster, concerns over continued sluggishness in overseas economies, and the persistent appreciation of the yen to beyond ¥80 to the U.S. dollar in the second and third quarters.

Looking to the consolidated financial results amid this economic environment, the Daicel Group recorded sales of ¥255,160 million (down 5.0% year-on-year) for the nine-month period under review, reflecting decreased sales volumes and the yen's appreciation. Profits were severely curtailed by high raw fuel prices, a decline in our capacity utilization ratio accompanying the decreased sales volumes, and other factors. Operating income totaled ¥17,193 million (down 39.1% year-on-year), ordinary income was ¥17,876 million (down 33.5% year-on-year), and net income registered ¥9,968 million (down 14.4% year-on-year). Additionally, we posted an extraordinary loss of ¥434 million attributable to the Earthquake disaster, most of which included fixed costs for the period under review resulting from the operating ratio of the automobile airbag inflator business falling well below normal due to the effects of the Earthquake.

Segment information is summarized as follows.

[Cellulosic Derivatives]

Sales of cellulose acetate dropped mainly because of weak demand for LCD film applications stemming from the effects of inventory adjustments in the sales channel for LCD panels.

Sales of acetate tow for cigarette filters also declined in the face of the yen's appreciation and the adverse effects of the tobacco tax hike in October 2010, despite solid overseas sales.

Consequently, overall segment sales totaled ¥53,117 million (down 9.3% year-on-year). Operating income plunged 48.4% to ¥5,386 million, reflecting the appreciation of the yen and high raw fuel prices.

[Organic Chemicals]

Demand for acetic acid, the segment's principal product, remained stable thanks to consistent demand for pure terephthalic acid (PTA), its primary application; however, demand has stagnated since the fall. Overall segment sales decreased as a result of the biennial periodical repair implemented at our Himeji Production Sector's Aboshi Plant.

Meanwhile, sales remained flat for general products such as acetic acid derivatives and solvents despite the influence of the strong yen, thanks mainly to robust sales of ethyl acetate.

As for functional products such as caprolactone derivatives, epoxy compounds, semiconductor resist materials and others, sales remained fairly flat due to the strong yen and adjustments in the e-material market both inside and outside Japan.

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

Consequently, overall segment sales totaled ¥57,960 million (down 3.8% year-on-year). The surge in raw fuel prices impacted operating income, which contracted to ¥4,853 million (down 3.4% year-on-year).

[Plastics and Films]

The engineering plastics business — such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP) — is operated mainly by Polyplastics Co., Ltd., our consolidated subsidiary whose closing month is December, and its subsidiary companies. During the period January to September

2011, sales declined mainly because the domestic market was severely affected by the Earthquake. In the resin compound business centering on AS/ABS resins and engineering plastic alloy resins, reconstruction demand for some products led to increased sales even as demand for automobile parts and other products declined as a result of the Earthquake.

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

Consequently, overall segment sales totaled ¥101,302 million (down 2.8% year-on-year). Operating income was ¥9,091 million (down 27.6% year-on-year), reflecting the impact of the strong yen and high raw fuel prices.

[Pyrotechnic Devices]

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seatbelt pretensioners (PGG) posted declining sales. The considerable impact of the Earthquake in the first quarter overpowered the rebound in sales volume as automobile production recovered after the second quarter.

In the aerospace & defense business such as gunpowder, missile components, and pilot emergency-escape systems, sales declined as a result of a drop in order quantities from the Ministry of Defense for some products.

Consequently, overall segment sales totaled ¥38,265 million (down 6.7% year-on-year). Operating income tumbled to ¥3,510 million (down 26.7% year-on-year), reflecting mainly the yen's appreciation and the low capacity utilization ratio accompanying the decline in sales volumes as a result of the Earthquake.

[Functional and Other Products]

Sales increased in the membrane business, including membrane modules for water treatment. Dialysis devices and sprinkler systems for the outdoor units of air conditioners and other applications sold well. In warehousing and other businesses, however, sales ebbed.

Consequently, overall segment sales totaled ¥4,514 million (down 1.2% year-on-year). Operating income was ¥601 million (down 36.8% year-on-year).

(2) Qualitative Information on Consolidated Financial Position

Changes in total assets, liabilities, and net assets

Total assets were ¥401,071 million, down ¥9,999 million from March 31, 2011. Although notes and accounts receivable and inventories posted increases, the overall decrease reflects declines in securities, property, plant and equipment, and current prices of investment securities.

Total liabilities were ¥166,697 million, down ¥9,036 million from March 31, 2011, due primarily to the repayment of long-term loans.

Total net assets were ¥234,373 million. Total shareholders' equity, which is net assets minus minority interests, was ¥211,303 million. The shareholders' equity ratio was 52.7%.

6. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2011	As of Dec. 31, 2011
Assets		
Current assets		
Cash and deposits	34,140	36,388
Notes and accounts receivable-trade	70,628	75,435
Short-term investment securities	9,935	2,630
Inventories	70,503	75,958
Other	12,757	11,968
Allowance for doubtful accounts	(56)	(63)
Total current assets	<u>197,908</u>	<u>202,317</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,113	43,954
Machinery, equipment and vehicles, net	69,956	57,746
Land	26,543	26,453
Construction in progress	4,734	9,743
Other, net	2,339	2,127
Total property, plant and equipment	<u>150,689</u>	<u>140,024</u>
Intangible assets	<u>2,799</u>	<u>2,455</u>
Investments and other assets		
Investment securities	45,828	39,949
Other	13,991	16,471
Allowance for doubtful accounts	(145)	(147)
Total investments and other assets	<u>59,673</u>	<u>56,273</u>
Total noncurrent assets	<u>213,162</u>	<u>198,753</u>
Total assets	<u>411,071</u>	<u>401,071</u>

	As of Mar. 31, 2011	As of Dec. 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,991	48,100
Short-term loans payable	9,815	11,119
Current portion of long-term loans payable	12,806	13,689
Income taxes payable	3,710	1,760
Provision for repairs	3,332	1,031
Other	16,089	16,661
Total current liabilities	<u>90,745</u>	<u>92,362</u>
Noncurrent liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	41,592	31,077
Provision for retirement benefits	9,428	10,091
Provision for directors' retirement benefits	54	54
Provision for repairs	70	721
Asset retirement obligation	1,039	1,033
Other	2,803	1,358
Total noncurrent liabilities	<u>84,988</u>	<u>74,335</u>
Total liabilities	<u>175,734</u>	<u>166,697</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	143,813	150,999
Treasury stock	(4,195)	(6,010)
Total shareholders' equity	<u>207,472</u>	<u>212,843</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,516	8,449
Deferred gains or losses on hedges	(153)	(102)
Foreign currency translation adjustment	(7,783)	(9,887)
Total accumulated other comprehensive income	<u>4,579</u>	<u>(1,540)</u>
Minority interests	<u>23,284</u>	<u>23,070</u>
Total net assets	<u>235,336</u>	<u>234,373</u>
Total liabilities and net assets	<u>411,071</u>	<u>401,071</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2011
Net Sales	268,543	255,160
Cost of sales	202,505	200,232
Gross profit	66,038	54,928
Selling, general and administrative expenses	37,808	37,734
Operating Income	28,230	17,193
Non-operating income		
Interest income	143	210
Dividends income	815	1,067
Equity in earnings of affiliates	1,031	1,095
Other	637	822
Total non-operating income	2,628	3,195
Non-operating expenses		
Interest expenses	1,369	1,124
Foreign exchange loss	1,570	812
Other	1,045	576
Total non-operating expenses	3,985	2,513
Ordinary income	26,872	17,876
Extraordinary gain		
Gain on disposal of noncurrent assets	6	8
Gain on sales of investment securities	16	-
Gain on sales of subsidiaries and affiliates' stocks	382	239
Gain on liquidation of subsidiaries and affiliates	-	821
Subsidies from municipal governments	-	1,000
Total extraordinary gain	405	2,069
Extraordinary loss		
Loss on retirement of noncurrent assets	317	631
Impairment loss	74	374
Loss on reduction of noncurrent assets	-	911
Loss on valuation of investment securities	360	69
Effect of application of accounting standard for asset retirement obligations	831	-
Loss on disaster	-	434
Total extraordinary loss	1,583	2,422
Income before income taxes and minority interests	25,695	17,523
Income Taxes		
Income taxes-current	5,137	3,826
Income taxes for prior periods	1,540	-
Income taxes-deferred	3,902	1,462
Total income taxes	10,581	5,289
Income before minority interests	15,114	12,233
Minority interests in income (loss)	3,474	2,265
Net income	11,639	9,968

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2011
Income before minority interests	15,114	12,233
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,512)	(4,105)
Deferred gains or losses on hedges	5	23
Foreign currency translation adjustment	(1,841)	(3,443)
Share of other comprehensive income of associates accounted for using equity method	(284)	(51)
Total other comprehensive income	<u>(4,632)</u>	<u>(7,577)</u>
Comprehensive income	<u>10,481</u>	<u>4,656</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,624	3,428
Comprehensive income attributable to minority interests	2,857	1,227

7. Segment information

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
Net sales								
Outside customers	58,560	60,240	104,176	40,995	4,570	268,543	-	268,543
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 (loss)	10,441	5,026	12,556	4,789	951	33,765	(5,534)	28,230

Nine months ended Dec. 31, 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	53,117	57,960	101,302	38,265	4,514	255,160	-	255,160
Intersegment sales	1,942	11,245	7	-	7,207	20,402	(20,402)	-
Total	55,059	69,206	101,310	38,265	11,722	275,563	(20,402)	255,160
Operating income	5,386	4,853	9,091	3,510	601	23,443	(6,249)	17,193