

FY2013 1st Quarter Consolidated Financial Results

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

August 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
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 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 June 30, 2012

(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	%
Three months ended Jun. 30, 2012	87,981	6.8	6,521	7.5	6,617	△ 2.4	3,799	17.1
Three months ended Jun. 30, 2011	82,402	△ 8.5	6,065	△ 45.2	6,781	△ 35.2	3,243	△ 22.0

(Note) Comprehensive income : 2,682 millions of yen (△41.3%) for the three months ended June 30, 2012 and 4,569 millions of yen (124.4%) for the three months ended June 30, 2011

	Net income per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2012	10.8	-
Three months ended Jun. 30, 2011	9.12	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity per total assets	Net assets per share
	Millions of Yen	Millions of Yen	%	%
As of Jun. 30, 2012	408,092	236,948	53.3	618.30
As of Mar. 31, 2012	398,196	234,711	54.7	618.94

(Note) Shareholder's equity : 217,480 millions of yen as of June 30, 2012 and 217,705 millions of yen as of March 31, 2012

2. Dividends

(Reference data)	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
Year ended Mar. 31, 2012	Yen -	Yen 5.00	Yen -	Yen 5.00	Yen 10.00
Year ending Mar. 31, 2013	-	-	-	-	-
Year ending Mar. 31, 2013 (forecast)	-	5.00	-	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, 2013	365,000	6.7	27,000	32.2	28,000	32.7	16,000	35.3	45.49

(Note) Revisions to the latest announced forecast of consolidated financial results: Not applicable

4. Others

(1) Changes in significant subsidiaries during the three months ended Jun. 30, 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: Applicable

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

iii Changes accounting estimate : 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 Jun. 30, 2012	364,942,682 shares	As of Mar. 31, 2012	364,942,682 shares
ii Number of treasury stocks at the end of each period	As of Jun. 30, 2012	13,204,043 shares	As of Mar. 31, 2012	13,202,440 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2012	351,739,243 shares	Three months ended Jun. 30, 2011	355,755,328 shares

※Implementation status of quarterly 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 regarding Consolidated Operating Results

During the consolidated first quarter of the fiscal year ending March 2013, the Japanese economy remained unpredictable due to the further deterioration of overseas economies, especially Europe, and the continued appreciation of the yen, although it has been on the moderate recovery trend that began to appear as the economy was buoyed by demand for restoration following the Great East Japan Earthquake.

Amid such an environment, Group sales for the consolidated first quarter under review amounted to ¥87,981 million (up 6.8% year-on-year). With regard to income, operating income was ¥6,521 million (up 7.5% year-on-year), ordinary income was ¥6,617 million (down 2.4% year-on-year) and net income was ¥3,799 million (up 17.1% year-on-year).

Segment information is summarized as follows.

[Cellulosic Derivatives]

Sales of cellulose acetate slightly declined due to a drop in demand for LCD film applications as a result of sluggish flat-screen TV sales.

Sales of acetate tow for cigarette filters increased thanks to healthy overseas sales.

Consequently, overall segment sales amounted to ¥18,562 million (up 4.5% year-on-year). Operating income rose to ¥3,418 million (up 100.4% year-on-year) as a result of implementing a selling price correction in response to high raw fuel prices, along with a decrease in depreciation costs.

[Organic Chemicals]

Acetic acid, the segment's principal product, enjoyed sales growth. Despite weak overseas demand for purified terephthalic acid (PTA), its primary application, the sales volume increased because the biennial periodical repairs of our Himeji Production Sector's Aboshi Plant were not performed in the consolidated fiscal year under review.

Meanwhile, general products such as acetic acid derivatives and solvents posted a decline in sales. This is primarily attributable to the slow recovery in demand for e-materials and the strong yen, although sales of ethyl acetate were robust.

As for functional products such as caprolactone derivatives and epoxy compounds, sales dropped and were adversely affected by lackluster demand for e-materials and stagnant overseas demand.

The chiral chemicals (chiral enantiomers) business, such as optical resolution columns, also experienced a drop in sales due partly to a decline in orders received for custom separation service and the strong yen, despite continued steady column sales in China.

Consequently, overall segment sales amounted to ¥18,424 million (down 9.0% year-on-year). Operating income was ¥1,310 million (down 42.7% year-on-year), reflecting the decline in sales volume and the appreciation of the yen.

[Plastics and Films]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), is operated by Polyplastics Co., Ltd., our consolidated subsidiary whose closing month is December, and its subsidiary companies. During the first quarter of the consolidated fiscal year under review, from January to March 2012, sales were pushed up by a selling price correction in response to high raw fuel prices, despite stagnant overseas demand and the appreciation of the yen.

In the resin compound business centering on ABS resins and engineering plastic alloy resins, sales increased slightly thanks to the steady performance of applications for automobile parts, despite a downturn in demand for electrical and e-materials.

Meanwhile, a sales decline was posted in the resin processing business including for sheets, molded containers and films due partly to the delayed recovery in the demand for e-materials. Consequently, overall segment sales amounted to ¥34,295 million (up 0.4% year-on-year). Operating income was ¥2,817million (down 26.1% year-on-year), reflecting the surge in raw fuel prices.

[Pyrotechnic Devices]

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seat belt pretensioners (PGG) recorded significant sales growth. This is attributable to a recovery in automobile production volumes from the plunge that occurred a year ago as a result of the earthquake and the inclusion of our new subsidiary, Special Devices, Inc., a US initiator (ignition parts for inflators) manufacture and sales company we acquired in April 2012, in our consolidated financial statements.

Meanwhile, in the aerospace & defense businesses, which cover items such as gunpowder, missile components and pilot emergency-escape systems, sales leveled off.

Consequently, overall segment sales amounted to ¥15,434 million (up 71.9% year-on-year). Operating income surged to ¥1,011 million (up 341.5% year-on-year), reflecting improvement in the capacity utilization ratio accompanying the pick-up in sales volume and other factors.

[Functional Products and Others]

Sales rose in the membrane business, including membrane modules for water treatment, driven by strong demand from the medical field.

Sales growth was also posted in the warehousing business and other business areas.

Consequently, overall segment sales amounted to ¥1,263 million (up 2.4% year-on-year). Operating income was ¥126 million (up 12.5% year-on-year).

6. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2012	As of Jun. 30, 2012
Assets		
Current assets		
Cash and deposits	31,649	32,978
Notes and accounts receivable-trade	76,675	77,203
Short-term investment securities	3,925	423
Inventories	71,134	75,466
Other	13,844	15,101
Allowance for doubtful accounts	(60)	(105)
Total current assets	197,170	201,068
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	43,739	43,727
Machinery, equipment and vehicles, net	54,964	53,901
Land	26,503	26,586
Construction in progress	11,845	13,693
Other, net	2,151	2,397
Total property, plant and equipment	139,204	140,288
Intangible assets	2,393	10,573
Investments and other assets		
Investment securities	44,209	39,442
Other	15,374	16,889
Allowance for doubtful accounts	(154)	(170)
Total investments and other assets	59,428	56,161
Total noncurrent assets	201,026	207,023
Total assets	398,196	408,092

	As of Mar. 31, 2012	As of Jun. 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	46,212	48,200
Current portion of bonds	10,000	10,000
Short-term loans payable	12,020	16,362
Current portion of long-term loans payable	13,482	12,693
Income taxes payable	1,515	1,325
Provision for repairs	161	1,385
Other	18,435	19,662
Total current liabilities	<u>101,828</u>	<u>109,629</u>
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	27,730	26,189
Provision for retirement benefits	10,498	10,847
Provision for directors' retirement benefits	58	66
Provision for repairs	1,129	191
Asset retirement obligation	1,030	1,042
Other	1,209	3,176
Total noncurrent liabilities	<u>61,656</u>	<u>61,514</u>
Total liabilities	<u>163,485</u>	<u>171,144</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	152,858	155,113
Treasury stock	(6,011)	(6,012)
Total shareholders' equity	<u>214,701</u>	<u>216,955</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,507	8,417
Deferred gains or losses on hedges	(115)	(90)
Foreign currency translation adjustment	(8,387)	(7,802)
Total accumulated other comprehensive income	<u>3,004</u>	<u>524</u>
Minority interests	<u>17,005</u>	<u>19,467</u>
Total net assets	<u>234,711</u>	<u>236,948</u>
Total liabilities and net assets	<u>398,196</u>	<u>408,092</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2011	Three months ended Jun. 30, 2012
Net Sales	82,402	87,981
Cost of sales	63,952	67,698
Gross profit	18,449	20,282
Selling, general and administrative expenses	12,384	13,761
Operating Income	6,065	6,521
Non-operating income		
Interest income	85	80
Dividends income	476	464
Equity in earnings of affiliates	384	331
Other	493	356
Total non-operating income	1,440	1,232
Non-operating expenses		
Interest expenses	393	304
Foreign exchange loss	82	583
Other	247	247
Total non-operating expenses	723	1,135
Ordinary income	6,781	6,617
Extraordinary gain		
Gain on disposal of noncurrent assets	0	4
Gain on sales of subsidiaries and affiliates' stocks	239	-
Subsidies from municipal governments	1,000	-
Total extraordinary gain	405	2,069
Extraordinary loss		
Loss on retirement of noncurrent assets	275	56
Impairment loss	374	-
Loss on reduction of noncurrent assets	911	-
Loss on valuation of investment securities	-	74
Loss on disaster	434	-
Total extraordinary loss	1,996	130
Income before income taxes and minority interests	6,026	6,491
Income Taxes		
Income taxes-current	1,588	1,647
Income taxes-deferred	284	398
Total income taxes	1,872	2,046
Income before minority interests	4,153	4,445
Minority interests in income (loss)	910	645
Net income	3,243	3,799

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2011	Three months ended Jun. 30, 2012
Income before minority interests	4,153	4,445
Other comprehensive income		
Valuation difference on available-for-sale securities	(323)	(3,048)
Deferred gains or losses on hedges	6	8
Foreign currency translation adjustment	624	1,043
Share of other comprehensive income of associates accounted for using equity method	107	232
Total other comprehensive income	415	(1,763)
Comprehensive income	4,569	2,682
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,320	914
Comprehensive income attributable to minority interests	1,249	1,767

7. Segment information

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 (loss)	1,706	2,285	3,813	229	112	8,147	(2,081)	6,065

Three months ended Jun. 30, 2012

(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	18,562	18,424	34,295	15,434	1,263	87,981	-	87,981
Intersegment sales	642	4,030	4	-	2,441	7,118	(7,118)	-
Total	19,204	22,455	34,300	15,434	3,705	95,099	(7,118)	87,981
Operating income	3,418	1,310	2,817	1,011	126	8,684	(2,163)	6,521