

FY2013 2nd Quarter Consolidated Financial Results

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

November 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	: November 12, 2012
Scheduled date for dividend payment	: December 4, 2012
The additional materials of the Financial Results	: Yes
The briefing session of the Financial Results	: Yes

1. Consolidated Financial Results for the Six Months Ended September 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	%
Six months ended Sep. 30, 2012	177,320	5.4	13,625	18.7	13,731	17.2	7,190	24.7
Six months ended Sep. 30, 2011	168,225	△ 7.0	11,479	△ 44.9	11,718	△ 40.8	5,765	△ 25.6

(Note) Comprehensive income : 4,041 millions of yen (44.3%) for the six months ended September 30, 2012 and 2,800 millions of yen (△30.0%) for the six months ended September 30, 2011

	Net income per share	Diluted earnings per share
	Yen	Yen
Six months ended Sep. 30, 2012	20.44	-
Six months ended Sep. 30, 2011	16.23	-

(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 Sep. 30, 2012	405,111	237,541	54.0	621.91
As of Mar. 31, 2012	398,196	234,711	54.7	618.94

(Note) Shareholder's equity : 218,745 millions of yen as of September 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
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2012	-	5.00	-	5.00	10.00
Year ending Mar. 31, 2013	-	5.00	-	-	-
Year ending Mar. 31, 2013 (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, 2013

	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	357,000	4.4	26,000	27.3	26,500	25.6	14,000	18.4	39.80

(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, 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 Sep. 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 Sep. 30, 2012	13,209,781 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)	Six months ended Sep. 30, 2012	351,737,370 shares	Six months ended Sep. 30, 2011	355,218,950 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, 2012, the Japanese economy continued to exhibit signs of economic stagnation due to the continued appreciation of the yen and the ongoing economic deterioration in Europe and elsewhere. This economic stagnation continued despite the spike in domestic demand resulting from restoration efforts following the Great East Japan Earthquake.

Against this background, the Daicel Group's consolidated sales for the six months under review totaled ¥177,320 million (up 5.4% year-on-year). As for income, operating income amounted to ¥13,625 million (up 18.7% year-on-year), ordinary income totaled ¥13,731 million (up 17.2% year-on-year), and net income was ¥7,190 million (up 24.7% 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 with strong sales in most international markets.

As a result, overall segment sales totaled ¥36,279 million (up 4.1% year-on-year). Operating income totaled ¥6,732 million (up 99.0% year-on-year) following a price adjustment in response to high raw fuel prices and decreased depreciation charges.

[Organic Chemicals]

Sales of acetic acid, the segment's principal product, registered increased volume thanks to steady offshore demand for purified terephthalic acid (PTA), its primary application; at the same time, the scheduled biennial repair of our Aboshi Plant in the Himeji Production Sector was not performed during the fiscal year under review. However, sales revenue declined due to the appreciation of the yen and other factors. Meanwhile, general products, including acetic acid derivatives and solvents, sales declined due to decreased demand in both Europe and China as well as the appreciation of the yen, despite solid sales of ethyl acetate.

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 ¥35,724 million (down 10.9% year-on-year). Operating income was ¥2,426 million (down 31.0% 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 six months under review, from January to June 2012, sales were buoyed by a recovery in automobile production and by sales price adjustments in response to higher raw fuel prices, despite stagnant overseas demand and the effects of the yen's appreciation.

In the resin compound business, which is focused on ABS resins and engineering plastic alloy resins, sales

decreased in line with slack demand for electrical and e-materials despite steady sales for automobile parts. Meanwhile, the resin processing business — which includes sheets, molded containers, and films — posted a decline in sales due partly to the delayed recovery in demand for e-materials, although the scale of the business expanded as a result of a merger in the high-performance foamed plastic products business in April 2012.

Consequently, overall segment sales totaled ¥70,397 million (up 5.6% year-on-year). Operating income amounted to ¥6,247 million (down 5.7% 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, the aerospace & defense businesses — which handle gunpowder, missile components, and pilot emergency-escape systems — posted a sales decline due to reduced procurement of certain products by the Ministry of Defense.

Consequently, overall segment sales amounted to ¥31,942 million (up 35.5% year-on-year). Operating income surged to ¥2,215 million (up 30.0% year-on-year), reflecting our improved capacity utilization ratio accompanying the rebound in sales volume and other factors.

[Functional Products and Others]

The membrane business generated increased sales of membrane modules for water treatment and other products driven by strong demand from the medical sector. Demand in the sewage treatment sector declined, however, resulting in flat sales.

Sales declines were seen in the logistics business and other business areas.

Consequently, overall segment sales amounted to ¥2,976 million (down 1.9% year-on-year). Operating income totaled ¥378 million (down 20.8% year-on-year).

(2) Qualitative Information regarding Consolidated Financial Position

1. Changes in assets, liabilities and equity

Total assets climbed to ¥405,111 million, representing an increase of ¥6,915 million measured against the preceding fiscal year-end of March 31, 2012. This increase was due primarily to an increase in securities, inventories, and intangible assets that more than offset a decrease in cash and deposits as well as a decline in the fair market value of investment securities.

Total liabilities rose to ¥167,570 million, representing an increase of ¥4,085 million from March 31, 2012, attributable mainly to an increase in short-term loans.

Total net assets were ¥237,541 million. Total shareholders' equity, or net assets minus minority interests was ¥218,745 million. The shareholders' equity ratio was 54.0%.

2. Cash flows

Cash flows from operating activities

Cash flow from operating activities during the period under review increased by ¥22,909 million (against an increase of ¥18,907 million for the same period a year earlier). The increase in funds was mainly attributable to ¥12,350 million in net income before income taxes and ¥11,823 million in depreciation and amortization. The main contributor to the decrease in funds was a ¥5,103 million increase in inventories.

Cash flows from investment activities

Cash flow from investment activities during the period under review decreased by ¥18,472 million (for a year-on-year decrease of ¥1,947 million). The decrease in funds was mainly attributable to an expenditure of ¥11,082 million for purchases of property, plant, and equipment, and an expenditure of ¥7,297 million for acquisition of shares in subsidiaries.

Cash flows from financing activities

Cash flow from financing activities during the fiscal year under review decreased by ¥5,918 million (representing a year-on-year decline of ¥11,695 million). The increase in funds was mainly attributable to a ¥3,501 million net increase in short-term loans and ¥1,518 million in income from long-term loans payable. The decrease in funds was mainly attributable to repayment of ¥8,192 million in long-term loans and ¥1,758 million in dividend payments.

As a result of the above, cash and cash equivalents at September 30, 2012 totaled ¥32,158 million.

(3) Qualitative Information regarding Forecast of Consolidated Performance Results

Japan's economic outlook remains clouded by continuing global economic uncertainty in Europe, China, and elsewhere and by the continued appreciation of the yen.

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

Taking into consideration the abovementioned consolidated financial results for the six months under review along with the uncertain economic environment and other factors, the Daicel Group projects full-year consolidated sales of ¥357,000 million, operating income of ¥26,000 million, ordinary income was ¥26,500 million and net income was ¥14,000 million.

· 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, 2012	As of Sep. 30, 2012
Assets		
Current assets		
Cash and deposits	31,649	26,694
Notes and accounts receivable-trade	76,675	76,372
Short-term investment securities	3,925	7,078
Inventories	71,134	76,769
Other	13,844	13,783
Allowance for doubtful accounts	(60)	(113)
Total current assets	197,170	200,584
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	43,739	43,460
Machinery, equipment and vehicles, net	54,964	51,380
Land	26,503	26,571
Construction in progress	11,845	16,521
Other, net	2,151	2,362
Total property, plant and equipment	139,204	140,296
Intangible assets		
Goodwill	-	3,285
Other	2,393	6,895
Total Intangible assets	2,393	10,181
Investments and other assets		
Investment securities	44,209	36,949
Other	15,374	17,271
Allowance for doubtful accounts	(154)	(170)
Total investments and other assets	59,428	54,049
Total noncurrent assets	201,026	204,527
Total assets	398,196	405,111

	As of Mar. 31, 2012	As of Sep. 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	46,212	47,251
Current portion of bonds	10,000	10,000
Short-term loans payable	12,020	16,637
Current portion of long-term loans payable	13,482	12,219
Income taxes payable	1,515	3,012
Provision for repairs	161	1,727
Other	18,435	18,912
Total current liabilities	<u>101,828</u>	<u>109,761</u>
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	27,730	22,326
Provision for retirement benefits	10,498	11,009
Provision for directors' retirement benefits	58	66
Provision for repairs	1,129	329
Asset retirement obligation	1,030	1,024
Other	1,209	3,052
Total noncurrent liabilities	<u>61,656</u>	<u>57,809</u>
Total liabilities	<u>163,485</u>	<u>167,570</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	152,858	158,504
Treasury stock	(6,011)	(6,015)
Total shareholders' equity	<u>214,701</u>	<u>220,343</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,507	7,286
Deferred gains or losses on hedges	(115)	(94)
Foreign currency translation adjustment	(8,387)	(8,789)
Total accumulated other comprehensive income	<u>3,004</u>	<u>(1,597)</u>
Minority interests	<u>17,005</u>	<u>18,795</u>
Total net assets	<u>234,711</u>	<u>237,541</u>
Total liabilities and net assets	<u>398,196</u>	<u>405,111</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Net Sales	168,225	177,320
Cost of sales	131,806	136,717
Gross profit	36,418	40,603
Selling, general and administrative expenses	24,939	26,978
Operating Income	11,479	13,625
Non-operating income		
Interest income	143	171
Dividends income	636	494
Equity in earnings of affiliates	739	663
Other	712	726
Total non-operating income	2,232	2,055
Non-operating expenses		
Interest expenses	769	634
Foreign exchange loss	749	828
Other	473	486
Total non-operating expenses	1,992	1,949
Ordinary income	11,718	13,731
Extraordinary gain		
Gain on disposal of noncurrent assets	5	6
Gain on sales of subsidiaries and affiliates' stocks	239	-
Subsidies from municipal governments	1,000	-
Total extraordinary gain	1,245	6
Extraordinary loss		
Loss on retirement of noncurrent assets	441	313
Impairment loss	374	-
Loss on reduction of noncurrent assets	911	-
Loss on valuation of investment securities	4	507
Loss on employees' pension fund withdrawal	-	566
Loss on disaster	434	-
Total extraordinary loss	2,167	1,386
Income before income taxes and minority interests	10,797	12,350
Income Taxes		
Income taxes-current	2,666	4,316
Income taxes-deferred	699	(646)
Total income taxes	3,366	3,670
Income before minority interests	7,431	8,680
Minority interests in income	1,666	1,490
Net income	5,765	7,190

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Income before minority interests	7,431	8,680
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,730)	(4,205)
Deferred gains or losses on hedges	13	17
Foreign currency translation adjustment	(986)	(524)
Share of other comprehensive income of associates accounted for using equity method	72	72
Total other comprehensive income	<u>(4,630)</u>	<u>(4,639)</u>
Comprehensive income	<u>2,800</u>	<u>4,041</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,095	2,183
Comprehensive income attributable to minority interests	1,705	1,858

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	10,797	12,350
Depreciation and amortization	14,596	11,823
Impairment loss	374	-
Amortization of goodwill	-	177
Interest and dividends income	(780)	(666)
Interest expenses	769	634
Equity in (earnings) losses of affiliates	(739)	(663)
Loss (gain) on sales and retirement of noncurrent assets	435	306
Loss on reduction of noncurrent assets	911	-
Subsidy income	(1,000)	-
Decrease (increase) in notes and accounts receivable-trade	3,030	825
Decrease (increase) in inventories	(4,808)	(5,103)
Increase (decrease) in notes and accounts payable-trade	686	1,127
Other, net	(1,390)	2,677
Subtotal	22,884	23,489
Interest and dividends income received	1,219	1,098
Interest expenses paid	(773)	(623)
Income taxes paid	(4,423)	(1,054)
Net cash provided by (used in) operating activities	18,907	22,909
Net cash provided by (used in) investing activities		
Net decrease (increase) in short-term investment securities	3,629	1,000
Purchase of property, plant and equipment	(5,757)	(11,082)
Proceeds from sales of property, plant and equipment	12	5
Purchase of intangible assets	(191)	(329)
Purchase of investment securities	(1,640)	(10)
Purchase of investments in subsidiaries	-	(7,297)
Payments of loans receivable	(131)	(6)
Collection of loans receivable	471	29
Subsidies from municipal governments	1,000	-
Other, net	659	(781)
Net cash provided by (used in) investing activities	(1,947)	(18,472)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	320	3,501
Proceeds from long-term loans payable	-	1,518
Repayment of long-term loans payable	(6,576)	(8,192)
Purchase of treasury stock	(1,815)	(3)
Proceeds from sales of treasury stock	0	-
Cash dividends paid	(2,134)	(1,758)
Cash dividends paid to minority shareholders	(1,490)	(983)
Net cash provided by (used in) financing activities	(11,695)	(5,918)
Effect of exchange rate change on cash and cash equivalents	(101)	(470)
Net increase (decrease) in cash and cash equivalents	5,162	(1,952)
Cash and cash equivalents at beginning of period	33,724	33,435
Increase in cash and cash equivalents from newly consolidated subsidiary	156	7
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(183)	349
Increase in cash and cash equivalents resulting from consolidation	-	318
Cash and cash equivalents at the end of period	38,859	32,158

7. Segment information

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

Six months ended Sep. 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	36,279	35,724	70,397	31,942	2,976	177,320	-	177,320
Intersegment sales	1,311	7,603	5	-	4,767	13,687	(13,687)	-
Total	37,590	43,327	70,403	31,942	7,743	191,007	(13,687)	177,320
Operating income	6,732	2,426	6,247	2,215	378	18,001	(4,375)	13,625