

# FY2013 3rd Quarter Consolidated Financial Results

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

February 6, 2013

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 13, 2013
Scheduled date for dividend payment	: -
The additional materials of the Financial Results	: Not applicable
The briefing session of the Financial Results	: Not applicable

## 1. Consolidated Financial Results for the Nine Months Ended December 31, 2012

(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	%
Nine months ended Dec. 31, 2012	265,699	4.1	19,881	15.6	21,444	20.0	11,772	18.1
Nine months ended Dec. 31, 2011	255,160	△ 5.0	17,193	△ 39.1	17,876	△ 33.5	9,968	△ 14.4

(Note) Comprehensive income : 16,174 millions of yen (247.4%) for the nine months ended December 31, 2012 and 4,656 millions of yen (△55.6%) for the nine months ended December 31, 2011

	Net income per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2012	33.47	-
Nine months ended Dec. 31, 2011	28.16	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity per total assets	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Dec. 31, 2012	428,821	247,911	53.2	649.15
As of Mar. 31, 2012	398,196	234,711	54.7	618.94

(Note) Shareholder's equity : 228,323 millions of yen as of December 31, 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

(% 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	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: 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: 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 Dec. 31, 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 Dec. 31, 2012	13,216,568 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)	Nine months ended Dec. 31, 2012	351,735,015 shares	Nine months ended Dec. 31, 2011	354,056,096 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 on Third-Quarter Financial Results

### (1) Qualitative Information regarding Consolidated Operating Results

During the nine months ended December 31, 2012, the Japanese economy did not show a vigorous recovery due primarily to the worsening overseas economies including Europe, the movement to boycott Japanese products in China and the yen's appreciation, despite the demand for restoration from the Great East Japan Earthquake.

Against this background, the Daicel Group's consolidated sales for the nine months under review totaled ¥265,699 million (up 4.1% year-on-year). As for income, operating income amounted to ¥19,881 million (up 15.6% year-on-year), ordinary income totaled ¥21,444 million (up 20.0% year-on-year), and net income was ¥11,772 million (up 18.1% year-on-year).

Segment information is summarized as follows.

#### Cellulosic Derivatives

Although sluggish sales of flat-screen TVs adversely affected LCD film applications, sales of cellulose acetate remained flat.

Sales of acetate tow for cigarette filters increased with strong sales in most international markets.

As a result, overall segment sales totaled ¥54,945 million (up 3.4% year-on-year). Operating income totaled ¥9,609 million (up 78.4% 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 declined due to the worsening market conditions and other factors. Meanwhile, for general products, including acetic acid derivatives and solvents, sales declined due to decreased demand in both Europe and China, 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 our custom separation service, despite continued steady column sales in China.

Consequently, overall segment sales totaled ¥52,616 million (down 9.2% year-on-year). Decreases in sales volume and selling prices and other factors pushed down operating income to ¥3,233 million (down 33.4% year-on-year).

#### Plastics and Films

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

Sales leveled off in the resin processing business including sheets, molded containers and films. While our low density plastic foam products business has been expanding its scale of operation through an absorption-type merger since April 2012, demand for e-materials was weak.

Consequently, overall segment sales totaled ¥106,287 million (up 4.9% year-on-year). Operating income was ¥9,875 million (up 8.6% year-on-year) as a result of selling price correction in response to high raw fuel prices.

#### Pyrotechnic Devices

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seatbelt pretensioners (PGG) enjoyed a substantial sales increase. Despite the Chinese movement to boycott Japanese cars, the rebound in car production volume, which plunged a year ago under the impact of the Earthquake, and the inclusion of Special Devices, Inc., a US manufacturer and sales company of initiators (ignition parts for inflators) acquired in April 2012, contributed to the sales growth.

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 totaled ¥47,546 million (up 24.3% year-on-year). Operating income shrank to ¥3,121 million (down 11.1% year-on-year), reflecting mainly the Chinese movement to boycott Japanese cars and increased expenses to handle rapidly expanding demand in the United States.

#### Functional Products and Other items

Sales declined in the membrane business, including membrane modules for water treatment. While medical applications did well, demand for sewage dropped.

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

Consequently, overall segment sales amounted to ¥4,302 million (down 4.7% year-on-year). Operating income totaled ¥437 million (down 27.3% year-on-year).

### (2) Qualitative Information regarding Consolidated Financial Position

#### 1. Changes in assets, liabilities and equity

Total assets were ¥428,821 million, up ¥30,625 million from March 31, 2012, partly reflecting increases in inventories, property, plant and equipment and intangible assets.

Total liabilities were ¥180,909 million, up ¥17,424 million from March 31, 2012, due primarily to increases in short- and long-term loans.

Total net assets were ¥247,911 million. Total shareholders' equity, or net assets minus minority interests was ¥228,323 million. The shareholders' equity ratio was 53.2%.

6. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2012	As of Dec. 31, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	31,649	34,334
Notes and accounts receivable-trade	76,675	77,684
Short-term investment securities	3,925	6,189
Inventories	71,134	80,471
Other	13,844	14,819
Allowance for doubtful accounts	(60)	(113)
Total current assets	<u>197,170</u>	<u>213,386</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	43,739	45,368
Machinery, equipment and vehicles, net	54,964	53,636
Land	26,503	26,508
Construction in progress	11,845	16,269
Other, net	2,151	2,466
Total property, plant and equipment	<u>139,204</u>	<u>144,248</u>
Intangible assets		
Goodwill	-	5,073
Other	2,393	7,869
Total Intangible assets	<u>2,393</u>	<u>12,942</u>
Investments and other assets		
Investment securities	44,209	43,051
Other	15,374	15,364
Allowance for doubtful accounts	(154)	(172)
Total investments and other assets	<u>59,428</u>	<u>58,243</u>
Total noncurrent assets	<u>201,026</u>	<u>215,434</u>
Total assets	<u>398,196</u>	<u>428,821</u>

	As of Mar. 31, 2012	As of Dec. 31, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	46,212	46,799
Current portion of bonds	10,000	10,000
Short-term loans payable	12,020	18,633
Current portion of long-term loans payable	13,482	11,466
Income taxes payable	1,515	4,165
Provision for repairs	161	2,090
Other	18,435	19,533
Total current liabilities	<u>101,828</u>	<u>112,689</u>
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	27,730	31,876
Provision for retirement benefits	10,498	11,341
Provision for directors' retirement benefits	58	71
Provision for repairs	1,129	467
Asset retirement obligation	1,030	1,028
Other	1,209	3,434
Total noncurrent liabilities	<u>61,656</u>	<u>68,220</u>
Total liabilities	<u>163,485</u>	<u>180,909</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	152,858	161,328
Treasury stock	(6,011)	(6,018)
Total shareholders' equity	<u>214,701</u>	<u>223,163</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,507	11,161
Deferred gains or losses on hedges	(115)	(85)
Foreign currency translation adjustment	(8,387)	(5,917)
Total accumulated other comprehensive income	<u>3,004</u>	<u>5,159</u>
Minority interests	<u>17,005</u>	<u>19,588</u>
Total net assets	<u>234,711</u>	<u>247,911</u>
Total liabilities and net assets	<u>398,196</u>	<u>428,821</u>

## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2011	Nine months ended Dec. 31, 2012
Net Sales	255,160	265,699
Cost of sales	200,232	205,637
Gross profit	54,928	60,061
Selling, general and administrative expenses	37,734	40,180
Operating Income	17,193	19,881
Non-operating income		
Interest income	210	302
Dividends income	1,067	963
Equity in earnings of affiliates	1,095	870
Other	822	1,079
Total non-operating income	3,195	3,215
Non-operating expenses		
Interest expenses	1,124	978
Foreign exchange loss	812	68
Other	576	606
Total non-operating expenses	2,513	1,653
Ordinary income	17,876	21,444
Extraordinary gain		
Gain on disposal of noncurrent assets	8	163
Gain on sales of subsidiaries and affiliates' stocks	239	-
Gain on liquidation of subsidiaries and affiliates	821	-
Subsidies from municipal governments	1,000	-
Total extraordinary gain	2,069	163
Extraordinary loss		
Loss on retirement of noncurrent assets	631	495
Impairment loss	374	-
Loss on reduction of noncurrent assets	911	-
Loss on valuation of investment securities	69	70
Loss on employees' pension fund withdrawal	-	566
Loss on disaster	434	-
Total extraordinary loss	2,422	1,132
Income before income taxes and minority interests	17,523	20,475
Income Taxes		
Income taxes-current	3,826	6,846
Income taxes-deferred	1,462	(472)
Total income taxes	5,289	6,373
Income before minority interests	12,233	14,101
Minority interests in income	2,265	2,328
Net income	9,968	11,772

## (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2011	Nine months ended Dec. 31, 2012
Income before minority interests	12,233	14,101
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,105)	(344)
Deferred gains or losses on hedges	23	26
Foreign currency translation adjustment	(3,443)	2,379
Share of other comprehensive income of associates accounted for using equity method	(51)	11
Total other comprehensive income	<u>(7,577)</u>	<u>2,072</u>
Comprehensive income	<u>4,656</u>	<u>16,174</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,428	13,522
Comprehensive income attributable to minority interests	1,227	2,651

## 7. Segment information

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

Nine months ended Dec. 31, 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	54,945	52,616	106,287	47,546	4,302	265,699	-	265,699
Intersegment sales	1,775	10,800	5	-	7,378	19,960	(19,960)	-
Total	56,721	63,417	106,293	47,546	11,681	285,660	(19,960)	265,699
Operating income	9,609	3,233	9,875	3,121	437	26,278	(6,396)	19,881