

FY2014 Consolidated Financial Results

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

May 9, 2014

Company name	: DAICEL CORPORATION
Stock Exchange on which the shares are listed	: Tokyo Stock Exchange in Japan
Code number	: 4202
URL	: http://www.daicel.com
Representative	: Misao Fudaba, President and CEO
Contact person	: Masahiko Hirokawa, General Manager-Investor Relations & Corporate communications Phone +81-3-6711-8121
Scheduled date of the general meeting of shareholders	: June 20, 2014
Scheduled date for submitting financial statements	: June 23, 2014
Scheduled date for dividend payment	: June 23, 2014
The additional materials of the Financial Results	: Yes
The briefing session of the Financial Results	: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended March 31, 2014

(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	%
Year ended Mar. 31, 2014	413,786	15.4	37,912	44.7	41,433	45.0	22,843	48.6
Year ended Mar. 31, 2013	358,513	4.8	26,196	28.2	28,580	35.5	15,372	30.0

(Note) Comprehensive income : 41,187 millions of yen (34.4%) for the year ended March 31, 2014 and 30,644 millions of yen (171.3%) for the Year ended March 31, 2013

	Net income per share	Diluted earnings per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2014	64.98	-	9.0	8.5	9.2
Year ended Mar. 31, 2013	43.71	-	6.7	6.6	7.3

(Reference) Equity in earnings of affiliates : 726 millions of yen for the year ended March 31, 2014 and 1,147 millions of yen for the year ended March 31, 2013

(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
Year ended Mar. 31, 2014	509,834	295,805	52.7	764.51
Year ended Mar. 31, 2013	461,512	262,899	52.2	685.11

(Note) Shareholder's equity : 268,612 millions of yen as of March 31, 2014 and 240,964 millions of yen as of March 31, 2013

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended Mar. 31, 2014	44,777	△ 34,984	△ 4,472	62,573
Year ended Mar. 31, 2013	44,480	△ 35,312	5,737	53,238

2. Dividends

(Reference data)	Cash dividends per share					Dividends in total (Annual)	Dividend payout ratio (consolidated basis)	Dividends on net assets (consolidated basis)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Year ended Mar. 31, 2013	-	5.00	-	7.00	12.00	4,220	27.5	1.8
Year ended Mar. 31, 2014	-	6.00	-	9.00	15.00	5,272	23.1	2.1
Year ending Mar. 31, 2015 (Forecast)	-	8.00	-	8.00	16.00		23.4	

3. Forecast of consolidated financial results for the Year Ending March 31, 2015

(% 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
Six months ending Sep. 30, 2014	213,000	8.1	20,000	13.7	20,500	6.7	12,000	△ 1.2	34.15
Year ending Mar. 31, 2015	432,000	4.4	41,000	8.1	42,000	1.4	24,000	5.1	68.31

*Notes

(1) Changes in significant subsidiaries during the year ended Mar. 31, 2014: Not applicable
(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation

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

i Changes due to revisions to accounting standards: Applicable

ii Changes other than (2)-i: Not applicable

iii Changes accounting estimate : Not applicable

iv Retrospective restatement : Not applicable

(3) Number of shares issued (common share)

i Number of shares issued at the end of each period (including treasury stocks)	As of Mar. 31, 2014	364,942,682 shares	As of Mar. 31, 2013	364,942,682 shares
ii Number of treasury stocks at the end of each period	As of Mar. 31, 2014	13,590,663 shares	As of Mar. 31, 2013	13,226,066 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Year ended Mar. 31, 2014	351,554,150 shares	Year ended Mar. 31, 2013	351,731,769 shares

(Reference) Overview of the Unconsolidated Financial Results

Unconsolidated Financial Results for the Year Ended March 31, 2014

(Amounts are rounded down to the nearest million)

(1) Unconsolidated 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	%
Year ended Mar. 31, 2014	217,125	16.0	15,001	58.2	24,082	70.2	17,508	80.5
Year ended Mar. 31, 2013	187,111	0.3	9,483	169.4	14,147	96.3	9,699	△ 31.6

	Net income per share	Diluted earnings per share
	Yen	Yen
Year ended Mar. 31, 2014	49.80	-
Year ended Mar. 31, 2013	27.58	-

(2) Unconsolidated Financial Position

	Total assets	Net assets	Shareholder's equity per total assets	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2014	349,277	207,569	59.4	590.77
Year ended Mar. 31, 2013	313,430	188,189	60.0	535.06

(Reference) Shareholder's equity : 207,569 millions of yen as of March 31, 2014 and 188,189 millions of yen as of March 31, 2013

※Implementation status of annual review procedures

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

At the time of disclosure of this report, the review procedures for the 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.

4. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1. Operating results for the fiscal year under review

[1] Overview of performance for the fiscal year under review

During the consolidated fiscal year ended March 31, 2014, the Japanese economy showed signs of recovery as exemplified in the improvement of the export environment backed by a reversal in the high value of the yen. The recovery of actual demand, however, continued to lack robustness, and the economic situation remained unpredictable with downside risk and a surge in raw material and fuel prices.

Amid such circumstances, the Daicel Group has been committed to improving its business performance through such initiatives as the selling price correction in response to the surge in raw material and fuel prices coupled with continuous cost reduction. As a result, consolidated sales for the fiscal year under review totaled ¥413.7 billion (up 15.4% year-on-year), reflecting an increase in sales volume, the selling price correction and changes in foreign exchange rates. On the income front, operating income amounted to ¥37.9 billion (up 44.7% year-on-year), ordinary income totaled ¥41.4 billion (up 45.0% year-on-year), and net income was ¥22.8 billion (up 48.6% year-on-year).

[2] Operating performance by business segment

Cellulosic Derivatives

Sales of cellulose acetate increased due to an increase in cigarette filter applications despite a decline in demand for LCD film applications.

Sales of acetate tow for cigarette filters increased buoyed by the launch of a joint venture business with Toyama Filter Tow Co., Ltd., the production hike at our Ohtake and Aboshi Plants, strong sales in most international markets, the selling price correction and changes in foreign exchange rates, despite decreased production at the Aboshi Plant due to the implementation of the scheduled biennial repair.

As a result, overall segment sales totaled ¥92.6 billion (up 24.4% year-on-year). Operating income totaled ¥19 billion (up 40.2% year-on-year), reflecting the price adjustment, changes in foreign exchange rates and other factors.

Organic Chemicals

Sales of acetic acid, the segment's principal product, grew thanks to an increase in sales volume for vinyl acetate and solvent applications, the selling price correction and changes in foreign exchange rates, despite the implementation of the scheduled biennial repair of the Aboshi Plant and a decline in demand for purified terephthalic acid.

Other organic chemicals, including acetic acid derivatives and solvents, posted an increase in sales revenue buoyed by an increased sales volume for LCD panels and other electronic materials as well as changes in foreign exchange rates, despite a decreased sales volume of coating applications.

Growth of sales revenue was also registered for organic designed products such as caprolactone derivatives and epoxy compounds, backed by an increased sales volume for electronic materials and changes in foreign exchange rates.

The chiral separation business, such as optical resolution columns, also experienced an increase in sales thanks to steady column sales for China and India, as well as changes in foreign exchange rates.

Consequently, overall segment sales amounted to ¥80.6 billion (up 12.9% year-on-year). Operating income was ¥6 billion (up 14.6% year-on-year) due partly to the selling price correction and changes in foreign exchange rates.

Plastics

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), is operated by the Polyplastics Co., Ltd. Group whose closing month is December. During the fiscal year under review, sales increased, buoyed by an increase in overseas automobile production and changes in foreign exchange rates, despite a decrease in domestic automobile production volume and weak sales of electronic device products.

In the resin compound business, which is focused on ABS resins and engineering plastic alloy resins, sales increased supported by the solid performance of automotive and other parts, as well as the selling price correction.

The plastic processing business — which includes sheets, molded containers and films — also posted an increase in sales as a result of strong sales of molded containers and the selling price correction.

Consequently, overall segment sales totaled ¥154.0 billion (up 9.8% year-on-year), while operating income amounted to ¥11.0 billion (down 1.2% year-on-year) due partly to an increase in expenses related to the construction of the engineering plastic global business structure.

Pyrotechnic Devices

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seat belt pretensioners (PGG) recorded sales growth. This is attributable to the continued expansion of the North American automobile market, a recovery in Japanese automobile sales in China and last-minute demand before the consumption tax hike.

Meanwhile, the aerospace & defense business — 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 ¥80 billion (up 21.4% year-on-year). Operating income surged to ¥10.4 billion (up 156.5% year-on-year), reflecting an increased sales volume, changes in foreign exchange rates and other factors.

Others

The membrane business, such as separation membrane modules for water treatment, posted growth in sales thanks to healthy demand for the sewage sector.

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

Consequently, overall segment sales amounted to ¥6.4 billion (up 0.9% year-on-year). Operating income totaled ¥200 million (down 64.2% year-on-year).

2. Outlook for Fiscal 2015

Looking at the Japanese economy in the coming years, it is expected to move toward a moderate recovery by maintaining consumer confidence through improvement in employment and wages, execution of the supplementary budget and the enhancement of capital investment and tax relief on housing loans, although there is concern over the influence of the consumption tax hike. On the other hand, however, since there are risks that will negatively affect the economy, such as less monetary easing in the United States, deceleration of the economic expansion in Asian countries including China and political instability in certain regions, the state of uncertainty is likely to continue.

Under these circumstances, as for the Daicel Group's business performance for the year ending March 31, 2015, we forecast sales of ¥432.0 billion, operating income of ¥41.0 billion, ordinary income of ¥42.0 billion, and net income of ¥24.0 billion, taking into account increases in the sales volume of engineering plastics and automobile airbag inflators accompanying the increase in car production, as well as our continuous cost reduction efforts.

The above consolidated business performance forecast has been prepared based on the information currently available. Actual results may differ from the forecast due to various factors that may arise in the future.

3. Progress of the Mid-Term Management Plan and Achievement Status of the Target Management Benchmark

The Daicel Group has implemented the “3D-I” mid-term plan, a 3-year mid-term plan ending fiscal 2014 (fiscal year ended March 2014), as the first step toward the achievement of our long-term vision, “Grand Vision 2020.”

During the first half of the said mid-term plan, we struggled through a number of external changes, including the Great East Japan Earthquake of 2011, the first year of the plan, and Thai flooding. Despite such an environment, we have steadily carried out the measures of the mid-term plan, such as increasing capacity and setting up a joint venture company in the acetate tow business for cigarette filters, launching of the large-scale Malaysian plant and setting up new global sales sites in the polyacetal business, increasing capacity of automobile airbag inflators at all sites and also realizing cost reduction through process innovation. As a result, the Daicel

Group's business performance for the year under review, which is the final year of the mid-term plan, fell short of the target, but hit an all-time high in income due partly to a reversal in the yen's appreciation and other environmental improvements.

Additionally, the Daicel Group has formulated its new "3D-II" mid-term plan, a 3-year mid-term plan ending fiscal 2017 (fiscal year ended March 2017), as the second step toward the achievement of our long-term vision, "Grand Vision 2020." The "3D-II" has set the target of achieving Group consolidated sales of ¥500.0 billion and operating income of ¥50.0 billion in fiscal 2017, the final year, by putting into practice the framework of growth designed in "3D-I."

For an overview of the "Grand Vision 2020" and "3D-II," please see "(2) Mid- to long-term corporate management strategies and target management index" of "2. Management Policy".

(2) Analysis of Financial Position

1. Changes in assets, liabilities, and net assets

Total assets at March 31, 2014 were ¥509.8 billion, an increase of ¥48.3 billion from March 31, 2013, due primarily to increases in trade receivables, inventories and marketable securities.

Total liabilities were ¥214.0 billion, an increase of ¥15.4 billion from March 31, 2013, due primarily to the issuance of debentures.

Total net assets were ¥295.8 billion. Total shareholders' equity, which is net assets minus minority interests, was ¥268.6 billion. The shareholders' equity ratio was 52.7%.

2. Situation of cash flow

Cash flows from operating activities

Cash flow from operating activities during the consolidated fiscal year under review increased by ¥44.4 billion (an increase of ¥44.4 billion for the same period last year). The increase in funds was mainly attributable to ¥40.8 billion of net income before income taxes, and ¥24.2 billion of depreciation and amortization. Meanwhile, the main factors for the decrease in funds were an increase of ¥4.8 billion in trade receivables and ¥11.5 billion of payment for corporate income taxes.

Cash flows from investment activities

Cash flow from investment activities during the consolidated fiscal year under review decreased by ¥34.9 billion (vs. a decrease of ¥35.3 billion in the same period last year). Main factors for the decrease in funds were an expenditure of ¥27 billion for the purchase of property, plant and equipment.

Cash flows from financing activities

Cash flow from financing activities during the consolidated fiscal year under review decreased by ¥4.4 billion (vs. an increase of ¥5.7 billion in the previous year). The increase in funds was mainly attributable to ¥19.8 billion for the issuance of debentures and ¥1.0 billion for proceeds from long-term loans, while the decrease in funds was mainly due to expenditures of ¥13.3 billion for repayment of long-term loans, ¥6.2 billion for reduction in short-term loans and ¥4.5 billion for dividend payments.

As a result of the above, cash and cash equivalents at March 31, 2014 totaled ¥62.5 billion.

The table below shows trends in cash flow indicators.

	March 2011	March 2012	March 2013	March 2014
Shareholders' equity ratio (%)	51.6	54.7	52.2	52.7
Shareholders' equity ratio on a market value basis (%)	44.4	47.1	56.9	58.3
Ratio of interest-bearing debts to cash flow (year)	1.8	2.4	2.2	2.4
Interest coverage ratio (times)	29.4	21.9	37.5	42.5

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market value basis: Market capitalization/Total assets

Ratio of interest-bearing debts to cash flow: Interest-bearing debts/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/Interest expenses

1. Each indicator is calculated based on consolidated financial results.
2. Market capitalization is calculated by multiplying the closing price at year-end by the number of outstanding shares at year-end (excluding treasury stocks).
3. Cash flow from operating activities is net cash reported on the consolidated statement of cash flow. Interest-bearing debts include all consolidated balance sheet-reported liabilities on which interest is paid. For interest expenses, the amount of interest payment reported on the consolidated statement of cash flow is used.

(3) Basic Policy for Profit Distribution and Dividends for Fiscal 2014 and 2015

Daicel's basic dividend policy is to distribute profits in a balanced manner, taking into comprehensive consideration a shareholder return that is in line with the Company's consolidated financial results in each fiscal year, as well as enhancement of internal reserves to improve medium-to long-term shareholder value based on a more solid revenue base. The Company will also facilitate acquisition of its treasury stocks as a shareholder return measure to complement dividend payments in an agile manner.

As for the number of dividend payments in each fiscal year, we pay dividends twice a year based on the record dates: at the end of the second quarter and at the end of the year.

Internal reserves will be applied to investment in business expansion and reinforcement of highly-profitable business structures, such as R&D for new business development and the strengthening of existing businesses, new construction and extension of facilities, efficiency improvement measures and so on. Through future business development, we will ensure a growing benefit to our shareholders.

In our 3-year 3D-I mid-term plan from Fiscal 2012 to 2014, we set a target of 30% for the shareholder return ratio (amount of dividends plus amount of treasury stocks acquired divided by consolidated net income for the year) to be achieved by the final year. Furthermore we seek to achieve the target of our 3-year 3D-II mid-term plan from fiscal 2015 to 2017, which has again set the shareholder return ratio at 30%.

Daicel's consolidated business results for fiscal 2014 achieved growth in both sales and profits, mainly driven by the reversal in the yen's appreciation, an increase in sales volume and the selling price correction in response to the surge in raw material and fuel prices. In view of these results and based on our policy as outlined above, we will hold discussions at our 148th ordinary general meeting of shareholders to be held on June 20, 2014 concerning payment of an ordinary year-end dividend of ¥9 per share, an increase of ¥2 per share. This, together with the interim dividend of ¥6 per share already paid in December 2013, will achieve an annual dividend of ¥15 per share for the year ended March 2014. As a result, the dividend payout ratio for the year ended March 31, 2014 will be 23.1%. For the next fiscal year, Daicel currently plans to pay an annual dividend of ¥16 per share (including an interim dividend of ¥8).

5. Management Policy

(1) Basic policy of corporate management

In April 2010, Daicel reconfirmed its “Basic Philosophy” that the Group had valued thus far and reconstructed it as its “Corporate Goal,” the reason for the Group’s existence and “The Daicel Spirit,” a sense of value shared by the members of the Group.

An outline is as follows:

“Outline of the Daicel Group’s Basic Philosophy”

<Corporate Goal>

Contributing to an improved quality of life by meeting the needs of society. At the Daicel Group, we believe in the unlimited potential of chemistry. By applying our unique technologies and expertise in the most effective manner, we are meeting the diverse needs of society. Our industrial group contributes to a better society and an improved quality of life.

< The Daicel Spirit >

[1] Sincerity and steady efforts

We believe that honest effort is the key to creativity. Through a commitment to perfection, we excel at innovation.

[2] Commitment to Creativity

We are committed to creativity, a concept that imbues all our business operations from developing innovations to creating value.

[3] We value each individual as well as his or her achievements.

We believe that each Group member must take advantage of his/her strengths and realize what he/she should be in order to gain a sense of accomplishment, and that this will be a driving force for the growth of the Group.

Under this basic philosophy, the Daicel Group seeks to become a corporate group that continuously “grows with profitability” and is attractive to its stakeholders including shareholders, customers, suppliers, regional societies and employees.

(2) Mid- to long-term corporate management strategies and target management index

[1] Regarding “Grand Vision 2020”

The business environment surrounding the chemical industry is expected to go through major changes caused by further accelerated globalization, development of emerging nations, response to resource/energy saving and other issues concerning the global environment. For this reason, we have decided to share the long-term vision “Grand Vision 2020,” which describes “what we want to be in the future as a group,” among the entire group in order to mobilize all available resources and achieve even greater growth.

Under the above-mentioned “Daicel Group’s Basic Philosophy” of (1) Basic policy of corporate management, “Grand Vision 2020” defines finding needs in line with the society’s sense of value or from our customers’ viewpoint and creating and offering the best-suited solutions as the “Best Solution.” It also defines “being a corporate group that materializes world-class ‘best solutions’: The Best Solution for You” as what we want to be in the future, placing this vision at the center of our future business operation.

Our specific goals as of 2020 are set as follows:

- Each business unit will have an edge that is recognized by its customers as “the world’s number one.”
- We will create five new business units that will be able to achieve sales revenue of ¥10 billion.

To continuously achieve the “Best Solution”, the Daicel Group will acquire business strengths that are recognized as “the world’s number one” together with united and concerted efforts through cultivating more efficient use of the Group’s management resources, such as a variety of technologies and products, the relationship of trust with its customers and suppliers, and information and sales channels. We will utilize these advantages in business to materialize the “Best Solution” for our customers and devote our resources not only to create new product groups but also to provide/propose functions for existing products, aiming for further growth with strengthened global competitiveness of existing businesses, and develop into new fields and explore broader applications.

[2] New “3D-II” mid-term plan and target management index

As the second step toward “a corporate group that materializes world-class ‘best solutions’,” our future image described in the “Grand Vision 2020,” the Daicel Group has formulated its new 3-year 3D-II mid-term plan, which will end in 2016, and set up management goals of consolidated sales of ¥500 billion and operating income of ¥50 billion (over 10% of operating income ratio) in the final year

of the mid-term plan. To achieve these goals, we will further develop the following seven basic strategies continued from the previous mid-term plan.

a. Creation of new business

We will promote the setting of research projects to reach beyond the boundaries of business, enhancement of the search function of next-generation technologies from a mid-to-long viewpoint, strengthening of the commercialization function of cultivated development themes, and create new business units in the promising fields of electronics, medicine and healthcare.

b. Further strengthening of the core businesses

We will further strengthen our core businesses – cellulosic derivatives, organic chemicals, plastics and pyrotechnic devices – and membrane business with specific measures for each business.

c. Enhancement of cost competitiveness

We will further strengthen our cost competitiveness, including the development of process innovation.

d. Expansion/enhancement of global business operations

We will work to expand/enhance global business operations and localize R&D to ensure meeting demand, which is growing mainly in Asia.

e. Strengthening of collaboration with business partners

We will proactively collaborate with our business partners to move forward with the “Creation of new business” and “Further strengthening of the core businesses” in a speedy manner.

f. Utilization of strategic M&A

To accelerate construction of a new business model and creation of new businesses, we will secure a total budget of ¥100 billion and seek strategic M&A.

g. Reinforcement of infrastructure

Corporate divisions will exhibit its strategic/horizontal deployment functions and work with Internal Companies and Group companies to address prioritized issues, such as further improvement of productivity, cost reductions and promotion of innovative energy saving.

The mid-term plan also defines ROE (return on equity), an index that shows how efficiently our shareholders’ funds are used, as a prioritized management index. We will strive to achieve ROE of 10%.

(3) Issues for the company to address

While maintaining safe operation, product safety and quality assurance – the basics for a manufacturer – as our all-time top priority, we have formulated our new 3-year “3D-II” mid-term plan for the period from fiscal 2015 to 2017, toward realization of our long-term vision “Grand Vision 2020.” The new mid-term plan aims to firmly put into practice the framework for becoming a corporate group that materializes best solutions designed in our 3-year “3D-I” mid-term plan from fiscal 2012 to 2014, and to achieve a “leap/evolution to a new value.”

While directly taking over the framework of the basic strategy that we have been working on since the “3D-I,” we will further develop “Creation of new business,” “Further strengthening of the core businesses,” “Expansion and strengthening of global business operation,” “Enhancement of cost competitiveness,” “Strengthening of collaboration with business partners,” “Utilization of strategic M&A” and “Reinforcement of infrastructure.”

Specifically, in order to expedite new business creation, we are steadily promoting the search for new products, development of the industrialization process and consideration of M&A, aiming to acquire new platforms, under a new structure designed to strengthen technology/product searches and commercialization functions.

Above all, we will fulfill our social responsibility as a company by proactively working on familiarization of corporate ethics, enhancement of internal control, appropriate information disclosure, promotion of environmentally safe management and other matters.

6. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2013	As of Mar. 31, 2014
Assets		
Current assets		
Cash and deposits	47,005	46,533
Notes and accounts receivable-trade	76,970	85,567
Short-term investment securities	7,741	21,667
Inventories	82,977	89,832
Deferred tax assets	4,435	3,342
Other	13,261	14,272
Allowance for doubtful accounts	(190)	(168)
Total current assets	<u>232,200</u>	<u>261,046</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	45,874	47,853
Machinery, equipment and vehicles, net	53,663	55,139
Land	26,707	26,811
Construction in progress	20,545	24,532
Other, net	2,532	2,700
Total property, plant and equipment	<u>149,323</u>	<u>157,038</u>
Intangible assets		
Goodwill	5,410	5,298
Other	8,195	8,324
Total Intangible assets	<u>13,605</u>	<u>13,623</u>
Investments and other assets		
Investment securities	49,059	60,070
Deferred tax assets	1,598	1,277
Net defined benefit asset	-	2,329
Other	15,926	14,669
Allowance for doubtful accounts	(201)	(219)
Total investments and other assets	<u>66,382</u>	<u>78,127</u>
Total noncurrent assets	<u>229,312</u>	<u>248,788</u>
Total assets	<u>461,512</u>	<u>509,834</u>

	As of Mar. 31, 2013	As of Mar. 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	49,896	55,936
Current portion of bonds	-	10,000
Short-term loans payable	19,118	14,553
Current portion of long-term loans payable	13,211	9,651
Income taxes payable	5,842	5,395
Provision for repairs	3,006	124
Other	22,150	20,233
Total current liabilities	<u>113,226</u>	<u>115,894</u>
Noncurrent liabilities		
Bonds payable	20,000	30,000
Long-term loans payable	46,768	41,630
Deferred tax liabilities	4,360	7,410
Provision for retirement benefits	11,834	-
Net defined benefit liability	-	15,995
Provision for directors' retirement benefits	74	91
Provision for repairs	70	1,085
Asset retirement obligation	1,049	1,098
Other	1,229	822
Total noncurrent liabilities	<u>85,386</u>	<u>98,134</u>
Total liabilities	<u>198,613</u>	<u>214,029</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	164,927	183,199
Treasury stock	(6,025)	(6,349)
Total shareholders' equity	<u>226,757</u>	<u>244,704</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,001	20,517
Deferred gains or losses on hedges	(185)	79
Foreign currency translation adjustment	(609)	5,374
Remeasurements of defined benefit plans	-	(2,063)
Total accumulated other comprehensive income	<u>14,207</u>	<u>23,907</u>
Minority interests	<u>21,935</u>	<u>27,193</u>
Total net assets	<u>262,899</u>	<u>295,805</u>
Total liabilities and net assets	<u>461,512</u>	<u>509,834</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2013	Year ended Mar. 31, 2014
Net Sales	358,513	413,786
Cost of sales	277,644	316,207
Gross profit	80,869	97,578
Selling, general and administrative expenses	54,672	59,666
Operating Income	26,196	37,912
Non-operating income		
Interest income	337	436
Dividends income	971	1,123
Equity in earnings of affiliates	1,147	726
Foreign exchange gains	687	1,733
Other	1,392	1,451
Total non-operating income	4,536	5,471
Non-operating expenses		
Interest expenses	1,232	1,113
Other	920	836
Total non-operating expenses	2,153	1,950
Ordinary income	28,580	41,433
Extraordinary gain		
Gain on disposal of noncurrent assets	326	374
Gain on sales of investment securities	-	1,923
Subsidies from municipal governments	-	98
Total extraordinary gain	326	2,396
Extraordinary loss		
Loss on retirement of noncurrent assets	1,389	1,744
Impairment loss	304	-
Loss on reduction of noncurrent assets	-	66
Loss on valuation of investment securities	59	-
Loss on employees' pension fund withdrawal	566	-
Loss on claim compensation	1,303	514
Loss on closure of business facilities	-	680
Total extraordinary loss	3,623	3,005
Income before income taxes and minority interests	25,282	40,823
Income Taxes		
Income taxes-current	8,867	10,732
Income taxes-deferred	(1,376)	4,085
Total income taxes	7,490	14,817
Income before minority interests	17,791	26,006
Minority interests in income	2,419	3,162
Net income	15,372	22,843

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2013	Year ended Mar. 31, 2014
Income before minority interests	17,791	26,006
Other comprehensive income		
Valuation difference on available-for-sale securities	3,500	5,612
Deferred gains or losses on hedges	(182)	405
Foreign currency translation adjustment	8,974	7,926
Share of other comprehensive income of associates accounted for using equity method	561	1,236
Total other comprehensive income	<u>12,852</u>	<u>15,181</u>
Comprehensive income	<u>30,644</u>	<u>41,187</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	26,148	34,607
Comprehensive income attributable to minority interests	4,495	6,579

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Mar. 31, 2013	Year ended Mar. 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	25,282	40,823
Depreciation and amortization	24,604	24,256
Impairment loss	304	-
Amortization of goodwill	818	835
Interest and dividends income	(1,309)	(1,559)
Interest expenses	1,232	1,113
Equity in (earnings) losses of affiliates	(1,147)	(726)
Loss (gain) on disposal of noncurrent assets	(326)	(374)
Loss on retirement of noncurrent assets	1,389	1,744
Loss (gain) on sales of investment securities	-	(1,923)
Decrease (increase) in notes and accounts receivable-trade	4,625	(4,824)
Decrease (increase) in inventories	(7,858)	(3,323)
Increase (decrease) in notes and accounts payable-trade	664	2,510
Other, net	(1,414)	(3,910)
Subtotal	46,864	54,642
Interest and dividends income received	1,929	2,697
Interest expenses paid	(1,186)	(1,055)
Income taxes paid	(3,126)	(11,507)
Net cash provided by (used in) operating activities	44,480	44,777
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	261	483
Net decrease (increase) in short-term investment securities	1,000	(3,632)
Purchase of property, plant and equipment	(24,873)	(27,090)
Proceeds from sales of property, plant and equipment	486	463
Purchase of intangible assets	(1,193)	(935)
Purchase of investment securities	(319)	(3,711)
Proceeds from sales and redemption of investment securities	327	3,237
Purchase of investments in subsidiaries	(9,437)	-
Purchase of shares of subsidiaries and associates	-	(2,910)
Payments of loans receivable	(8)	(41)
Collection of loans receivable	39	7
Proceeds from liquidation of subsidiaries and affiliates	39	-
Other, net	(1,633)	(853)
Net cash provided by (used in) investing activities	(35,312)	(34,984)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,331	(6,223)
Proceeds from long-term loans payable	30,736	1,014
Repayment of long-term loans payable	(13,898)	(13,355)
Redemption of bonds	(10,000)	-
Proceeds from issuance of bonds	-	19,894
Proceeds from issuance of stock	82	-
Purchase of treasury stock	(13)	(324)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(3,517)	(4,572)
Cash dividends paid to minority shareholders	(983)	(906)
Net cash provided by (used in) financing activities	5,737	(4,472)
Effect of exchange rate change on cash and cash equivalents	4,221	4,014
Net increase (decrease) in cash and cash equivalents	19,126	9,335
Cash and cash equivalents at beginning of period	33,435	53,238
Increase in cash and cash equivalents from newly consolidated subsidiary	7	-
Amount of increase of cash equivalent of beginning of period due to changes in the accounting period of consolidated subsidiaries	349	-
Increase in cash and cash equivalents resulting from consolidation	318	-
Cash and cash equivalents at the end of period	53,238	62,573

7. Segment information

Year ended Mar. 31, 2013

(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	74,492	71,475	140,233	65,961	6,349	358,513	-	358,513
Intersegment sales	2,529	15,103	6	-	9,784	27,424	(27,424)	-
Total	77,022	86,579	140,240	65,961	16,134	385,938	(27,424)	358,513
Operating income	13,620	5,275	11,177	4,075	796	34,945	(8,749)	26,196
Assets	85,792	67,276	148,113	80,400	7,872	389,456	72,055	461,512
Depreciation	7,578	5,387	5,714	4,551	243	23,475	551	24,026
Amortization of goodwill	-	-	76	741	-	818	-	818
Investment in equity method investees	4,733	138	2,440	-	-	7,313	-	7,313
Capital expenditure	5,935	3,843	13,044	15,737	255	38,816	874	39,690

Year ended Mar. 31, 2014

(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	92,639	80,662	154,003	80,076	6,404	413,786	-	413,786
Intersegment sales	2,395	18,983	2	-	9,571	30,953	(30,953)	-
Total	95,034	99,646	154,005	80,076	15,976	444,739	(30,953)	413,786
Operating income	19,091	6,045	11,047	10,452	285	46,922	(9,010)	37,912
Assets	94,878	67,932	168,922	82,263	9,102	423,099	86,735	509,834
Depreciation	7,632	4,918	5,089	5,208	271	23,210	548	23,669
Amortization of goodwill	-	-	389	446	-	835	-	835
Investment in equity method investees	8,370	139	2,485	-	-	10,994	-	10,994
Capital expenditure	7,119	3,836	10,083	3,686	270	24,997	619	25,617

6. Related information

(1) Product and Service information

Year ended Mar. 31, 2014

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics and films	Pyrotechnic devices	Functional Products and others	Total
Sales to outside customers	92,639	80,662	154,003	80,076	6,404	413,786

(2) Geographic information

(i) Net sales

Year ended Mar. 31, 2014

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
214,388	55,458	79,199	64,739	413,786

(ii) Property, Plant and equipment

Year ended Mar. 31, 2014

(Unit: Millions of Yen)

Japan	Asia	Other	Total
101,009	45,731	10,297	157,038

7. Information of Impairment loss

Year ended Mar. 31, 2014

(Unit: Millions of Yen)

Cellulosic derivatives	Organic chemicals	Plastics and films	Pyrotechnic devices	Functional Products and others	Corporate and eliminations	Total
-	-	-	-	-	-	-

8. Information of goodwill

Year ended Mar. 31, 2014

	Cellulosic derivatives	Organic chemicals	Plastics and films	Pyrotechnic devices	Functional Products and others	Corporate and eliminations	Total
Amortization	-	-	389	446	-	-	835
Final Balance	-	-	1,631	3,666	-	-	5,298