

# FY2014 1st Quarter Consolidated Financial Results

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

August 1, 2013

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	: Yoshifumi Hata, General Manager-Investor Relations & Corporate communications Phone +81-3-6711-8121
Scheduled date for submitting financial statements	: August 9, 2013
The additional materials of the Financial Results	: Not applicable
The briefing session of the Financial Results	: Not applicable

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2013

(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, 2013	94,879	7.8	7,782	19.3	9,092	37.4	6,410	68.7
Three months ended Jun. 30, 2012	87,981	6.8	6,521	7.5	6,617	△ 2.4	3,799	17.1

(Note) Comprehensive income : 12,979 millions of yen (383.9%) for the three months ended June 30, 2013 and 2,682 millions of yen (△41.3%) for the three months ended June 30, 2013

	Net income per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2013	18.23	-
Three months ended Jun. 30, 2012	10.80	-

## (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 Jun. 30, 2013	470,349	272,914	53.1	709.79
As of Mar. 31, 2013	461,512	262,899	52.2	685.11

(Note) Shareholder's equity : 249,639 millions of yen as of June 30, 2013 and 240,964 millions of yen as of March 31, 2013

## 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, 2013	-	5.00	-	7.00	12.00
Year ending Mar. 31, 2014	-	-	-	-	-
Year ending Mar. 31, 2014 (forecast)	-	6.00	-	6.00	12.00

(Note) Revisions to the latest announced dividend forecast: Not applicable

## 3. Forecast of consolidated financial results for the Year Ending March 31, 2014

(% 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, 2013	196,000	10.5	16,000	17.4	16,500	20.2	9,500	32.1	27.01
Year ending Mar. 31, 2014	405,000	13.0	35,000	33.6	36,000	26.0	20,000	30.1	56.86

(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, 2013: Not applicable

(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation

(2) Adoption of specific accounting methods: Not applicable

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

i Changes due to revisions to accounting standards: Not applicable

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

iii Changes accounting estimate : Not applicable

iv Retrospective restatement : Not applicable

(4) Number of shares issued (common share)

i Number of shares issued at the end of each period (including treasury stocks)	As of Jun. 30, 2013	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 Jun. 30, 2013	13,232,680 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)	Three months ended Jun. 30, 2013	351,713,664 shares	Three months ended Jun. 30, 2012	351,739,243 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 on First-Quarter Financial Results

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

During the consolidated first quarter of the fiscal year ending March 2014, the Japanese economy showed some improvements in the export environment and growing expectations for economic recovery, against a backdrop of a reversal of the yen's appreciation and rising stock prices. However, the recovery in actual demand was still weak and the economic situation remained unpredictable with downside risks to overseas economies, as well as fluctuations in foreign exchange rates and stock prices.

Amid such an environment, Group sales for the consolidated first quarter under review amounted to ¥94,879 million (up 7.8% year-on-year). With regard to income, operating income was ¥7,782 million (up 19.3% year-on-year), ordinary income was ¥9,092 million (up 37.4% year-on-year) and net income was ¥6,410 million (up 68.7% year-on-year).

Segment information is summarized as follows.

#### [Cellulosic Derivatives]

Sales of cellulose acetate increased driven by sales growth of cigarette filter applications, while LCD film applications remained unchanged.

As for acetate tow for cigarette filters, the sales volume decreased due to the implementation of the biennial periodical repairs of our Himeji Production Sector's Aboshi Plant and production shut off at our Otake Plant prior to the production ramp-up. Meanwhile, the sales amount increased owing to a selling price correction and favorable foreign exchange rates.

Consequently, overall segment sales amounted to ¥21,019 million (up 13.2% year-on-year). The selling price correction and favorable foreign exchange rates pushed up operating income to ¥4,289 million (up 25.5% year-on-year).

#### [Organic Chemicals]

The sales volume of acetic acid dropped due to the implementation of the biennial periodical repairs of our Himeji Production Sector's Aboshi Plant and a decrease in demand for purified terephthalic acid (PTA), resulting in a decrease of the sales amount.

Looking at general products, such as acetic acid derivatives and solvents, sales turned flat. Although sales for electronic materials including LCD panels increased, demand for other markets was sluggish.

Performance chemical products such as caprolactone derivatives, epoxy compounds and others posted sales growth backed by an increase in the sales volume of electronic materials and favorable foreign exchange rates.

Sales of the chiral separation business, such as optical resolution columns also increased, buoyed by robust column sales and favorable foreign exchange rates.

Consequently, overall segment sales amounted to ¥18,862 million (up 2.4% year-on-year). Operating income also rose to ¥1,690 million (up 29.0% year-on-year) due primarily to favorable foreign exchange rates.

#### [Plastics]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), is operated by the group of Polyplastics Co., Ltd., whose closing month is December. During the first quarter of the consolidated fiscal year under review, from January to March 2013, the sales volume declined as it was adversely affected by a decline in the production volume of automobiles and slow sales of electronic devices. On the other hand, the sales amount remained unchanged due to the influence of foreign exchange rate fluctuations.

The resin compound business centering on ABS resins and engineering plastic alloy resins enjoyed sales growth thanks to the steady performance of applications for automobile parts.

The resin processing business, including for sheets, molded containers and films, increased sales slightly as a result of a selling price correction in response to high raw fuel prices, despite a downturn in demand for the electronic material and other markets.

Consequently, overall segment sales amounted to ¥35,305 million (up 2.9% year-on-year). Operating income was ¥2,160 million (down 23.3% year-on-year), reflecting the drop in the sales volume.

#### [Pyrotechnic Devices]

Automobile airbag inflators (gas-generating devices) and gas-generating devices for seat belt pretensioners (PGG) achieved sales growth, which is attributable to the continuous expansion trend of the North American automobile market, a recovery of Japanese car sales in China and other factors.

In the aerospace & defense businesses, which cover items such as gunpowder, missile components and pilot emergency-escape systems, an increase in the volume of some products procured by the Ministry of Defense pushed up sales.

Consequently, overall segment sales amounted to ¥18,505 million (up 19.9% year-on-year). Operating income jumped to ¥1,962 million (up 94.1% year-on-year), reflecting the increase in the sales volume and other factors.

#### [Functional Products and Others]

In the membrane business, including membrane modules for water treatment, sales leveled off. Demand for the water discharge market was strong, whereas demand for the sewage market was weak.

Sales fell in the warehousing business and other business areas.

Consequently, overall segment sales amounted to ¥1,186 million (down 6.1% year-on-year). On the income front, we posted an operating loss of ¥113 million (compared with an operating income of ¥126 million for the same period last year).

#### (2) Qualitative Information Regarding Financial Position

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

Total assets at June 30, 2013 were ¥470,349 million, an increase of ¥8,837 million from March 31, 2013.

Although there were decreases in cash and deposits, marketable securities and others, there were also increases in inventories, property, plant & equipment, investment securities and others.

Total liabilities were ¥197,435 million, a decrease of ¥1,178 million from March 31, 2013, due partly to a decrease in income taxes payable.

Total net assets were ¥272,914 million. Total shareholders' equity, which is net assets minus minority interests, was ¥249,639 million. The shareholders' equity ratio was 53.1%.

6. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2013	As of Jun. 30, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	47,005	44,482
Notes and accounts receivable-trade	76,970	78,681
Short-term investment securities	7,741	1,027
Inventories	82,977	88,452
Other	17,696	16,211
Allowance for doubtful accounts	(190)	(134)
Total current assets	232,200	228,721
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	45,874	46,926
Machinery, equipment and vehicles, net	53,663	53,288
Land	26,707	26,741
Construction in progress	20,545	25,372
Other, net	2,532	2,626
Total property, plant and equipment	149,323	154,954
Intangible assets		
Goodwill	5,410	5,474
Other	8,195	8,362
Total Intangible assets	13,605	13,837
Investments and other assets		
Investment securities	49,059	55,078
Other	17,524	17,982
Allowance for doubtful accounts	(201)	(224)
Total investments and other assets	66,382	72,836
Total noncurrent assets	229,312	241,628
Total assets	461,512	470,349
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	49,896	50,190
Short-term loans payable	19,118	20,860
Current portion of long-term loans payable	13,211	12,873
Income taxes payable	5,842	1,624
Provision for repairs	3,006	725
Other	22,150	22,771
Total current liabilities	113,226	109,046
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	46,768	47,242
Provision for retirement benefits	11,834	12,196
Provision for directors' retirement benefits	74	78
Provision for repairs	70	-
Asset retirement obligation	1,049	1,058
Other	5,589	7,813
Total noncurrent liabilities	85,386	88,389
Total liabilities	198,613	197,435
<b>Net assets</b>		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	164,927	168,875
Treasury stock	(6,025)	(6,030)
Total shareholders' equity	226,757	230,699
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,001	17,211
Deferred gains or losses on hedges	(185)	(73)
Foreign currency translation adjustment	(609)	1,802
Total accumulated other comprehensive income	14,207	18,940
Minority interests	21,935	23,274
Total net assets	262,899	272,914
Total liabilities and net assets	461,512	470,349

## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2012	Three months ended Jun. 30, 2013
Net Sales	87,981	94,879
Cost of sales	67,698	72,404
Gross profit	20,282	22,475
Selling, general and administrative expenses	13,761	14,693
Operating Income	6,521	7,782
Non-operating income		
Interest income	80	98
Dividends income	464	535
Equity in earnings of affiliates	331	210
Foreign exchange gains	-	705
Other	356	249
Total non-operating income	1,232	1,799
Non-operating expenses		
Interest expenses	304	305
Foreign exchange loss	583	-
Other	247	183
Total non-operating expenses	1,135	488
Ordinary income	6,617	9,092
Extraordinary gain		
Gain on disposal of noncurrent assets	4	252
Gain on sales of investment securities	-	1,923
Total extraordinary gain	4	2,175
Extraordinary loss		
Loss on retirement of noncurrent assets	56	157
Loss on valuation of investment securities	74	-
Total extraordinary loss	130	157
Income before income taxes and minority interests	6,491	11,111
Income Taxes		
Income taxes-current	1,647	2,229
Income taxes-deferred	398	2,111
Total income taxes	2,046	4,341
Income before minority interests	4,445	6,770
Minority interests in income	645	360
Net income	3,799	6,410

## (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2012	Three months ended Jun. 30, 2013
Income before minority interests	4,445	6,770
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,048)	2,249
Deferred gains or losses on hedges	8	142
Foreign currency translation adjustment	1,043	3,385
Share of other comprehensive income of associates accounted for using equity method	232	431
Total other comprehensive income	(1,763)	6,209
Comprehensive income	2,682	12,979
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	914	11,142
Comprehensive income attributable to minority interests	1,767	1,836

## 7. Segment information

Three months ended Jun. 30, 2012

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	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

Three months ended Jun. 30, 2013

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Functional Products and others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	21,019	18,862	35,305	18,505	1,186	94,879	-	94,879
Intersegment sales	423	3,749	0	-	2,382	6,557	(6,557)	-
Total	21,443	22,612	35,306	18,505	3,569	101,436	(6,557)	94,879
Operating income	4,289	1,690	2,160	1,962	(113)	9,989	(2,207)	7,782