

# FY2014 2nd Quarter Consolidated Financial Results

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

November 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	: November 13, 2013
Scheduled date for dividend payment	: December 3, 2013
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 Six Months Ended September 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	%
Six months ended Sep. 30, 2013	196,961	11.1	17,589	29.1	19,218	40.0	12,143	68.9
Six months ended Sep. 30, 2012	177,320	5.4	13,625	18.7	13,731	17.2	7,190	24.7

(Note) Comprehensive income : 22,306 millions of yen (452.0%) for the Six months ended September 30, 2013 and 4,041 millions of yen (44.3%) for the Six months ended September 30, 2012

	Net income per share	Diluted earnings per share
Six months ended Sep. 30, 2013	Yen 34.53	Yen -
Six months ended Sep. 30, 2012	20.44	-

## (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 Sep. 30, 2013	487,815	281,823	52.7	730.61
As of Mar. 31, 2013	461,512	262,899	52.2	685.11

(Note) Shareholder's equity : 256,955 millions of yen as of September 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
Year ended Mar. 31, 2013	Yen -	Yen 5.00	Yen -	Yen 7.00	Yen 12.00
Year ending Mar. 31, 2014	-	6.00	-	-	-
Year ending Mar. 31, 2014 (forecast)	-	-	-	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
Year ending Mar. 31, 2014	407,000	13.5	36,000	37.4	38,000	33.0	21,000	36.6	59.71

(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, 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 Sep. 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 Sep. 30, 2013	13,242,927 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)	Six months ended Sep. 30, 2013	351,709,018 shares	Six months ended Sep. 30, 2012	351,737,370 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 FY2014 2nd Quarter Consolidated Financial Results

### (1) Management discussion of Consolidated Operating Results

During the six months ended September 30, 2013, the Japanese economy showed visible signs of recovery as exemplified in the improvement of the export environment backed by a reversal in the value of the yen. The recovery of actual demand, however, lacked robustness, and the unpredictable economic situation continued with downside risk and exchange rate fluctuations.

Against this background, the Daicel Group's consolidated sales for the six months under review totaled ¥196,961 million (up 11.1% year-on-year). As for income, operating income amounted to ¥17,589 million (up 29.1% year-on-year), ordinary income totaled ¥19,218 million (up 40.0% year-on-year), and net income was ¥12,143 million (up 68.9% year-on-year).

Segment information is summarized as follows.

#### Cellulosic Derivatives

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

Sales of acetate tow for cigarette filters increased due to strong sales in most international markets, the production hike since July at our Ohtake Plant and Aboshi Plant, a price adjustment as well as changes in foreign exchange rates, although production decreased at the Aboshi Plant due to the implementation of the scheduled biennial repair.

As a result, overall segment sales totaled ¥43,541 million (up 20.0% year-on-year). Operating income totaled ¥8,963 million (up 33.1% 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, registered decreased volume adversely affected by the implementation of the scheduled biennial repair of the Aboshi Plant and a decline in demand for purified terephthalic acid (PTA). However, sales revenue increased due to a price adjustment and changes in foreign exchange rates.

General products, 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 performance chemical 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 and changes in foreign exchange rates.

Consequently, overall segment sales amounted to ¥38,626 million (up 8.1% year-on-year). Operating income was ¥3,310 million (up 36.4% year-on-year) due partly to 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 six months under review, from January to June 2013, sales revenue was buoyed by changes in foreign exchange rates, despite a decrease in sales volume resulting from decreased automobile production 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 steady sales for automotive and other parts.

The plastic processing business — which includes sheets, molded packages, and films — also posted an increase in sales as a result of sales price adjustments in response to higher raw fuel prices.

Consequently, overall segment sales totaled ¥74,140 million (up 5.3% year-on-year), while operating income amounted to ¥5,401 million (down 13.5% year-on-year), reflecting the decrease in sales volume.

## 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 changes in foreign exchange rates.

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 ¥37,823 million (up 18.4% year-on-year). Operating income surged to ¥4,255 million (up 92.1% year-on-year), reflecting an increased sales volume, changes in foreign exchange rates and other factors.

## Functional Products and Others

The membrane business recorded decreased sales of membrane modules for water treatment and other products. Demand from the medical sector and other sectors declined, although the sewage treatment sector did well.

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

Consequently, overall segment sales amounted to ¥2,829 million (down 4.9% year-on-year). Operating income totaled ¥37 million (down 90.2% year-on-year).

## (2) Management discussion of financial position

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

Total assets climbed to ¥487,815 million, representing an increase of ¥26,303 million measured against the preceding fiscal year-end of March 31, 2013. This increase was due primarily to an increase in securities, inventories, property, plant and equipment that more than offset a decrease in cash and deposits.

Total liabilities rose to ¥205,992 million, representing an increase of ¥7,379 million from March 31, 2013, attributable mainly to an increase in corporate bonds, despite a decrease in short-term loans and other factors.

Total net assets were ¥281,823 million. Total shareholders' equity, or net assets minus minority interests was ¥256,955 million. The shareholders' equity ratio was 52.7%.

## 2. Cash flows

### Cash flows from operating activities

Cash flow from operating activities during the period under review increased by ¥17,786 million (against an increase of ¥22,909 million for the same period a year earlier). The increase in funds was mainly attributable to ¥20,927 million in net income before income taxes and ¥11,513 million in depreciation and amortization. The main contributor to the decrease in funds was ¥7,316 million for payment of income taxes.

### Cash flows from investment activities

Cash flow from investment activities during the period under review decreased by ¥15,226 million (against a decrease of ¥18,472 million for the same period a year earlier). The decrease in funds was mainly attributable to an expenditure of ¥12,731 million for purchases of property, plant and equipment, and an expenditure of ¥2,910 million for acquisition of shares in affiliates.

### Cash flows from financing activities

Cash flow from financing activities during the fiscal year under review increased by ¥2,668 million (against a decrease of ¥5,918 million for the same period a year earlier). The increase in funds was mainly attributable to ¥19,894 million in proceeds from issuance of corporate bonds. The decrease in funds was mainly attributable to a ¥6,961 million net decrease in short-term loans, repayment of ¥7,696 million in long-term loans and ¥2,462 million in dividend payments.

As a result of the above, cash and cash equivalents at September 30, 2013 totaled ¥60,735 million.

## (3) Forecast of consolidated performance and other future predictions

Japan's economic outlook remains clouded by actual demand that lacks robustness and downside risk, although a rebound is expected.

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

Taking into consideration that the performance during the six months ended September 30, 2013 exceeded the previously announced forecast, despite the uncertain economic outlook and the expected surge in raw material and fuel prices, the Daicel Group projects full-year consolidated sales of ¥407,000 million, operating income of ¥36,000 million, ordinary income of ¥38,000 million and net income of ¥21,000 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, 2013	As of Sep. 30, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	47,005	40,458
Notes and accounts receivable-trade	76,970	79,150
Short-term investment securities	7,741	21,134
Inventories	82,977	86,666
Other	17,696	16,315
Allowance for doubtful accounts	(190)	(134)
Total current assets	<u>232,200</u>	<u>243,590</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	45,874	47,426
Machinery, equipment and vehicles, net	53,663	57,072
Land	26,707	26,774
Construction in progress	20,545	22,015
Other, net	2,532	2,546
Total property, plant and equipment	<u>149,323</u>	<u>155,836</u>
Intangible assets		
Goodwill	5,410	5,339
Other	8,195	8,324
Total Intangible assets	<u>13,605</u>	<u>13,664</u>
Investments and other assets		
Investment securities	49,059	57,904
Other	17,524	17,040
Allowance for doubtful accounts	(201)	(220)
Total investments and other assets	<u>66,382</u>	<u>74,724</u>
Total noncurrent assets	<u>229,312</u>	<u>244,225</u>
Total assets	<u>461,512</u>	<u>487,815</u>

(Unit: Millions of Yen)

	As of Mar. 31, 2013	As of Sep. 30, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	49,896	50,087
Short-term loans payable	19,118	13,069
Current portion of long-term loans payable	13,211	10,174
Income taxes payable	5,842	3,909
Provision for repairs	3,006	858
Other	22,150	20,670
Total current liabilities	<u>113,226</u>	<u>98,769</u>
Noncurrent liabilities		
Bonds payable	20,000	40,000
Long-term loans payable	46,768	45,185
Provision for retirement benefits	11,834	12,502
Provision for directors' retirement benefits	74	82
Provision for repairs	70	339
Asset retirement obligation	1,049	1,070
Other	5,589	8,043
Total noncurrent liabilities	<u>85,386</u>	<u>107,223</u>
Total liabilities	<u>198,613</u>	<u>205,992</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	164,927	174,609
Treasury stock	(6,025)	(6,039)
Total shareholders' equity	<u>226,757</u>	<u>236,424</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,001	18,211
Deferred gains or losses on hedges	(185)	19
Foreign currency translation adjustment	(609)	2,299
Total accumulated other comprehensive income	<u>14,207</u>	<u>20,530</u>
Minority interests	<u>21,935</u>	<u>24,868</u>
Total net assets	<u>262,899</u>	<u>281,823</u>
Total liabilities and net assets	<u>461,512</u>	<u>487,815</u>

## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2012	Six months ended Sep. 30, 2013
Net Sales	177,320	196,961
Cost of sales	136,717	150,223
Gross profit	40,603	46,738
Selling, general and administrative expenses	26,978	29,149
Operating Income	13,625	17,589
Non-operating income		
Interest income	171	188
Dividends income	494	586
Equity in earnings of affiliates	663	377
Foreign exchange gains	-	866
Other	726	633
Total non-operating income	2,055	2,652
Non-operating expenses		
Interest expenses	634	553
Foreign exchange loss	828	-
Other	486	469
Total non-operating expenses	1,949	1,022
Ordinary income	13,731	19,218
Extraordinary gain		
Gain on disposal of noncurrent assets	6	285
Gain on sales of investment securities	-	1,923
Total extraordinary gain	6	2,208
Extraordinary loss		
Loss on retirement of noncurrent assets	313	499
Loss on valuation of investment securities	507	-
Loss on employees' pension fund withdrawal	566	-
Total extraordinary loss	1,386	499
Income before income taxes and minority interests	12,350	20,927
Income Taxes		
Income taxes-current	4,316	5,429
Income taxes-deferred	(646)	1,757
Total income taxes	3,670	7,187
Income before minority interests	8,680	13,740
Minority interests in income	1,490	1,596
Net income	7,190	12,143

## (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2012	Six months ended Sep. 30, 2013
Income before minority interests	8,680	13,740
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,205)	3,268
Deferred gains or losses on hedges	17	334
Foreign currency translation adjustment	(524)	4,254
Share of other comprehensive income of associates accounted for using equity method	72	709
Total other comprehensive income	<u>(4,639)</u>	<u>8,566</u>
Comprehensive income	<u>4,041</u>	<u>22,306</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,183	18,466
Comprehensive income attributable to minority interests	1,858	3,839



## (4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2012	Six months ended Sep. 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	12,350	20,927
Depreciation and amortization	11,823	11,513
Amortization of goodwill	177	408
Interest and dividends income	(666)	(774)
Interest expenses	634	553
Equity in (earnings) losses of affiliates	(663)	(377)
Loss (gain) on sales and retirement of noncurrent assets	306	214
Loss (gain) on sales of investment securities	-	(1,923)
Decrease (increase) in notes and accounts receivable-trade	825	(92)
Decrease (increase) in inventories	(5,103)	(1,685)
Increase (decrease) in notes and accounts payable-trade	1,127	(1,768)
Other, net	2,677	(3,103)
Subtotal	23,489	23,892
Interest and dividends income received	1,098	1,736
Interest expenses paid	(623)	(525)
Income taxes paid	(1,054)	(7,316)
Net cash provided by (used in) operating activities	22,909	17,786
Net cash provided by (used in) investing activities		
Net decrease (increase) in short-term investment securities	1,000	(507)
Purchase of property, plant and equipment	(11,082)	(12,731)
Proceeds from sales of property, plant and equipment	5	262
Purchase of intangible assets	(329)	(594)
Purchase of investment securities	(10)	(1,885)
Purchase of investments in subsidiaries	(7,297)	-
Purchase of stocks of subsidiaries and affiliates	-	(2,910)
Proceeds from sales and redemption of investment securities	13	3,223
Payments of loans receivable	(6)	(116)
Collection of loans receivable	29	4
Other, net	(794)	29
Net cash provided by (used in) investing activities	(18,472)	(15,226)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,501	(6,961)
Proceeds from long-term loans payable	1,518	814
Repayment of long-term loans payable	(8,192)	(7,696)
Proceeds from issuance of bonds	-	19,894
Purchase of treasury stock	(3)	(14)
Cash dividends paid	(1,758)	(2,462)
Cash dividends paid to minority shareholders	(983)	(906)
Net cash provided by (used in) financing activities	(5,918)	2,668
Effect of exchange rate change on cash and cash equivalents	(470)	2,268
Net increase (decrease) in cash and cash equivalents	(1,952)	7,497
Cash and cash equivalents at beginning of period	33,435	53,238
Increase in cash and cash equivalents from newly consolidated subsidiary	7	-
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	349	-
Increase in cash and cash equivalents resulting from consolidation	318	-
Cash and cash equivalents at the end of period	32,158	60,735

## 7. Segment information

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

Six months ended Sep. 30, 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	43,541	38,626	74,140	37,823	2,829	196,961	-	196,961
Intersegment sales	1,292	8,690	1	-	4,620	14,604	(14,604)	-
Total	44,833	47,316	74,141	37,823	7,450	211,566	(14,604)	196,961
Operating income	8,963	3,310	5,401	4,255	37	21,969	(4,379)	17,589