

# FY2014 3rd Quarter Consolidated Financial Results

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

February 5, 2014

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  
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 Scheduled date for submitting financial statements : February 13, 2014  
 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, 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	%
Nine months ended Dec. 31, 2013	303,230	14.1	28,262	42.2	31,802	48.3	19,007	61.5
Nine months ended Dec. 31, 2012	265,699	4.1	19,881	15.6	21,444	20.0	11,772	18.1

(Note) Comprehensive income : 37,111 millions of yen (129.4%) for the nine months ended December 31, 2013 and 16,174 millions of yen (247.4%) for the nine months ended December 31, 2012

	Net income per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2013	54.06	-
Nine months ended Dec. 31, 2012	33.47	-

## (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, 2013	508,877	294,214	52.7	763.92
As of Mar. 31, 2013	461,512	262,899	52.2	685.11

(Note) Shareholder's equity : 268,410 millions of yen as of December 31, 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	-	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: Not applicable

## 4. Others

(1) Changes in significant subsidiaries during the nine months ended Dec. 31, 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 Dec. 31, 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 Dec. 31, 2013	13,583,632 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)	Nine months ended Dec. 31, 2013	351,619,240 shares	Nine months ended Dec. 31, 2012	351,735,015 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 FY2014 3rd Quarter Consolidated Financial Results

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

During the nine months ended December 31, 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 a surge in raw material prices.

Against this background, the Daicel Group's consolidated sales for the nine months under review totaled ¥303.2 billion (up 14.1% year-on-year). As for income, operating income amounted to ¥28.2 billion (up 42.2% year-on-year), ordinary income totaled ¥31.8 billion (up 48.3% year-on-year), and net income was ¥19.0 billion (up 61.5% 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 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 and Aboshi Plants, 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 ¥67.9 billion (up 23.7% year-on-year). Operating income totaled ¥13.5 billion (up 41.5% 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 for China and India, as well as changes in foreign exchange rates.

Consequently, overall segment sales amounted to ¥58.6 billion (up 11.4% year-on-year). Operating income was ¥4.3 billion (up 35.6% 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 nine months under review, from January to September 2013, sales revenue was buoyed by changes in foreign exchange rates, despite a decrease in sales volume resulting from decreased automobile production mainly during the first half of the year 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 material and fuel prices. Consequently, overall segment sales totaled ¥113.9 billion (up 7.2% year-on-year), while operating income amounted to ¥9.2 billion (down 6.2% 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 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 ¥58.3 billion (up 22.7% year-on-year). Operating income surged to ¥7.4 billion (up 138.3% year-on-year), reflecting an increased sales volume, changes in foreign exchange rates and other factors.

## Functional Products and Others

The membrane business posted growth in sales thanks to healthy demand for membrane modules for the medical, water treatment and other sectors.

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

Consequently, overall segment sales amounted to ¥4.3 billion (up 1.4% year-on-year). Operating income totaled ¥15 million (down 96.6% year-on-year).

Note : From this period, the indicated monetary units have changed from million yen to billion yen units.

6. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2013	As of Dec. 31, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	47,005	52,522
Notes and accounts receivable-trade	76,970	83,288
Short-term investment securities	7,741	12,257
Inventories	82,977	91,780
Other	17,696	18,125
Allowance for doubtful accounts	(190)	(106)
Total current assets	<u>232,200</u>	<u>257,867</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	45,874	47,686
Machinery, equipment and vehicles, net	53,663	57,135
Land	26,707	26,823
Construction in progress	20,545	21,484
Other, net	2,532	2,721
Total property, plant and equipment	<u>149,323</u>	<u>155,852</u>
Intangible assets		
Goodwill	5,410	5,454
Other	8,195	8,543
Total Intangible assets	<u>13,605</u>	<u>13,997</u>
Investments and other assets		
Investment securities	49,059	64,580
Other	17,524	16,798
Allowance for doubtful accounts	(201)	(218)
Total investments and other assets	<u>66,382</u>	<u>81,159</u>
Total noncurrent assets	<u>229,312</u>	<u>251,009</u>
Total assets	<u>461,512</u>	<u>508,877</u>

	As of Mar. 31, 2013	As of Dec. 31, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	49,896	57,639
Current portion of bonds	-	10,000
Short-term loans payable	19,118	14,492
Current portion of long-term loans payable	13,211	10,278
Income taxes payable	5,842	3,150
Provision for repairs	3,006	959
Other	22,150	19,467
Total current liabilities	<u>113,226</u>	<u>115,987</u>
Noncurrent liabilities		
Bonds payable	20,000	30,000
Long-term loans payable	46,768	43,844
Provision for retirement benefits	11,834	12,747
Provision for directors' retirement benefits	74	87
Provision for repairs	70	678
Asset retirement obligation	1,049	1,077
Other	5,589	10,240
Total noncurrent liabilities	<u>85,386</u>	<u>98,675</u>
Total liabilities	<u>198,613</u>	<u>214,662</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	164,927	179,363
Treasury stock	(6,025)	(6,343)
Total shareholders' equity	<u>226,757</u>	<u>240,874</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,001	22,967
Deferred gains or losses on hedges	(185)	23
Foreign currency translation adjustment	(609)	4,543
Total accumulated other comprehensive income	<u>14,207</u>	<u>27,535</u>
Minority interests	<u>21,935</u>	<u>25,804</u>
Total net assets	<u>262,899</u>	<u>294,214</u>
Total liabilities and net assets	<u>461,512</u>	<u>508,877</u>

## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2013
Net Sales	265,699	303,230
Cost of sales	205,637	230,687
Gross profit	60,061	72,543
Selling, general and administrative expenses	40,180	44,281
Operating Income	19,881	28,262
Non-operating income		
Interest income	302	318
Dividends income	963	1,053
Equity in earnings of affiliates	870	499
Foreign exchange gains	-	2,010
Other	1,079	1,066
Total non-operating income	3,215	4,947
Non-operating expenses		
Interest expenses	978	836
Foreign exchange loss	68	-
Other	606	570
Total non-operating expenses	1,653	1,407
Ordinary income	21,444	31,802
Extraordinary gain		
Gain on disposal of noncurrent assets	163	287
Gain on sales of subsidiaries and affiliates' stocks	-	1,923
Total extraordinary gain	163	2,210
Extraordinary loss		
Loss on retirement of noncurrent assets	495	648
Loss on valuation of investment securities	70	-
Loss on employees' pension fund withdrawal	566	-
Total extraordinary loss	1,132	648
Income before income taxes and minority interests	20,475	33,363
Income Taxes		
Income taxes-current	6,846	8,303
Income taxes-deferred	(472)	3,306
Total income taxes	6,373	11,610
Income before minority interests	14,101	21,753
Minority interests in income	2,328	2,745
Net income	11,772	19,007

## (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2013
Income before minority interests	14,101	21,753
Other comprehensive income		
Valuation difference on available-for-sale securities	(344)	8,040
Deferred gains or losses on hedges	26	341
Foreign currency translation adjustment	2,379	6,242
Share of other comprehensive income of associates accounted for using equity method	11	733
Total other comprehensive income	<u>2,072</u>	<u>15,357</u>
Comprehensive income	<u>16,174</u>	<u>37,111</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,522	32,335
Comprehensive income attributable to minority interests	2,651	4,775

## 7. Segment information

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

Nine months ended Dec. 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	67,970	58,634	113,905	58,357	4,363	303,230	-	303,230
Intersegment sales	1,941	12,709	2	-	7,113	21,767	(21,767)	-
Total	69,912	71,344	113,907	58,357	11,476	324,997	(21,767)	303,230
Operating income	13,598	4,385	9,266	7,437	15	34,703	(6,441)	28,262