

FY2015 1st Quarter Consolidated Financial Results

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

August 1, 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
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 Scheduled date for submitting financial statements : August 11, 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 Three Months Ended June 30, 2014

(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, 2014	108,505	14.4	12,501	60.6	12,704	39.7	9,156	42.8
Three months ended Jun. 30, 2013	94,879	7.8	7,782	19.3	9,092	37.4	6,410	68.7

(Note) Comprehensive income : 10,693 millions of yen (Δ 17.6%) for the three months ended June 30, 2014 and 12,979 millions of yen (383.9%) for the three months ended June 30, 2013

	Net income per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2014	26.06	-
Three months ended Jun. 30, 2013	18.23	-

(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, 2014	510,385	303,750	59.5	789.83
As of Mar. 31, 2014	509,834	295,805	58.2	764.51

(Note) Shareholder's equity : 277,506 millions of yen as of June 30, 2014 and 268,612 millions of yen as of March 31, 2014

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, 2014	-	6.00	-	9.00	15.00
Year ending Mar. 31, 2015	-	-	-	-	-
Year ending Mar. 31, 2015 (forecast)	-	8.00	-	8.00	16.00

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

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	Δ 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

(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, 2014: Not applicable

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

(2) Adoption of specific accounting methods: Not applicable

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

i Changes due to revisions to accounting standards: Applicable

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

iii Changes accounting estimate : 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, 2014	364,942,682 shares	As of Mar. 31, 2014	364,942,682 shares
ii Number of treasury stocks at the end of each period	As of Jun. 30, 2014	13,595,281 shares	As of Mar. 31, 2014	13,590,663 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2014	351,350,025 shares	Three months ended Jun. 30, 2013	351,713,664 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.

1. 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 2015, the Japanese economy continued to recover gradually as indicated by improved corporate earnings and increased capital investment. However, the economic situation remained uncertain due to a backlash following the spike in demand before the consumption tax hike and downside risks to overseas economies.

Amid such an environment, Group sales for the consolidated first quarter under review amounted to ¥108.5 billion (up 14.4% year-on-year). With regard to income, operating income was ¥12.5 billion (up 60.6% year-on-year), ordinary income was ¥12.7 billion (up 39.7% year-on-year) and net income was ¥9.1 billion (up 42.8% year-on-year), driven by an increase in sales quantity and other factors.

Segment information is summarized as follows.

Cellulosic Derivatives

Sales of cellulose acetate registered growth thanks to an increase in demand for cigarette filter applications, despite a decrease for LCD film applications.

As for acetate tow for cigarette filters, sales increased buoyed by strong overseas sales, as well as the fact that the biennial periodical repairs of our Himeji Production Sector's Aboshi Plant were not implemented in the consolidated fiscal year under review.

Consequently, overall segment sales amounted to ¥24.8 billion (up 18.2% year-on-year). Operating income was ¥6.4 billion (up 49.5% year-on-year).

Organic Chemicals

Sales of acetic acid, our key product, increased supported by healthy sales for vinyl acetate and other applications, a selling price correction and the fact that the biennial periodical repairs of our Himeji Production Sector's Aboshi Plant were not implemented in the consolidated fiscal year under review.

Looking at general products, such as acetic acid derivatives and solvents, sales posted growth thanks to an increase in sales quantity of electronic materials and other applications, as well as a selling price correction, despite a decrease in sales quantity of paint and other applications.

Functional products such as caprolactone derivatives, epoxy compounds and other products posted sales growth backed by strong sales in overseas markets.

Sales of the chiral separation business, such as optical resolution columns, also increased, buoyed by healthy column sales in China, India and other countries.

Consequently, overall segment sales amounted to ¥22.6 billion (up 20.2% year-on-year). Operating income also rose to ¥2.0 billion (up 22.3% year-on-year).

Plastics

The group of Polyplastics Co., Ltd., who operates the engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), has changed its closing month from December to March, effective from the consolidated fiscal year under review.

During the first quarter (April–June) of the current year, compared with the first quarter (January–March) of the previous year, sales increased buoyed by robust overseas automobile sales particularly in the Chinese, US and European markets, as well as favorable foreign exchange rates.

As for the resin compound business centering on ABS resins and engineering plastic alloy resins, sales leveled off as automobile applications were affected by the backlash following the spike in demand before the consumption tax hike, although sales for housing equipment and other sectors did well.

Sales of the resin processing business, including for sheets, molded containers and films, also turned flat. Sales of molded containers and highly foamed plastic products declined, despite growth posted for films for food and other applications.

Consequently, overall segment sales amounted to ¥40.6 billion (up 15.2% year-on-year). Operating income was ¥4.0 billion (up 87.0% year-on-year).

Pyrotechnic Devices

The automobile airbag inflators (gas-generating devices) and other automobile safety parts business achieved sales growth over the same period of the previous year, which is attributable to an increase in sales quantity in China, Japan, Thailand and other countries, despite the backlash following the spike in demand before the consumption tax hike in Japan.

In the aerospace & defense businesses, which cover items such as gunpowder, missile components and pilot emergency-escape systems, sales fell due to a decrease in the volume of some products procured by the Ministry of Defense.

Consequently, overall segment sales amounted to ¥19.2 billion (up 3.9% year-on-year). Operating income was ¥2.4 billion (up 24.3% year-on-year).

Others

In the membrane business, including membrane modules for water treatment, sales declined. Demand for the sewage market was strong, whereas demand for the water discharge and other markets was sluggish. Sales fell in the warehousing business and other business areas.

Consequently, overall segment sales amounted to ¥1.1 billion (down 6.7% year-on-year). On the income front, we posted an operating loss of ¥81 million (compared with an operating loss of ¥0.1 billion for the same period last year).

(2) Qualitative Information Regarding Financial Position

Changes in assets, liabilities and equity

Total assets at June 30, 2014 were ¥510.3 billion, an increase of ¥0.5 billion from March 31, 2014.

Although there were decreases in cash and deposits, notes and accounts receivable, there were also increases in inventories, investment securities and other assets.

Total liabilities were ¥206.6 billion, a decrease of to ¥7.3 billion from March 31, 2014, due partly to decreases in income taxes payable and long-term debt.

Total net assets were ¥303.7 billion. Total shareholders' equity, which is net assets minus minority interests, was ¥277.5 billion. The shareholders' equity ratio was 54.4%.

6. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2014	As of Jun. 30, 2014
Assets		
Current assets		
Cash and deposits	46,533	41,582
Notes and accounts receivable-trade	85,567	82,682
Short-term investment securities	21,667	25,460
Inventories	89,832	93,402
Other	17,614	17,793
Allowance for doubtful accounts	(168)	(204)
Total current assets	261,046	260,718
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,853	49,971
Machinery, equipment and vehicles, net	55,139	66,282
Land	26,811	26,782
Construction in progress	24,532	10,196
Other, net	2,700	2,733
Total property, plant and equipment	157,038	155,965
Intangible assets		
Goodwill	5,298	4,847
Other	8,324	7,966
Total Intangible assets	13,623	12,813
Investments and other assets		
Investment securities	60,070	62,378
Other	18,276	18,671
Allowance for doubtful accounts	(219)	(162)
Total investments and other assets	78,127	80,887
Total noncurrent assets	248,788	249,667
Total assets	509,834	510,385

	As of Mar. 31, 2014	As of Jun. 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	55,936	52,379
Current portion of bonds	10,000	10,000
Short-term loans payable	14,553	14,436
Current portion of long-term loans payable	9,651	13,846
Income taxes payable	5,395	2,087
Provision for repairs	124	1,357
Other	20,233	21,787
Total current liabilities	<u>115,894</u>	<u>115,893</u>
Noncurrent liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	41,630	34,933
Provision for directors' retirement benefits	91	97
Provision for repairs	1,085	271
Net defined benefit liability	15,995	13,708
Asset retirement obligation	1,098	1,092
Other	8,233	10,637
Total noncurrent liabilities	<u>98,134</u>	<u>90,740</u>
Total liabilities	<u>214,029</u>	<u>206,634</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	183,199	192,193
Treasury stock	(6,349)	(6,353)
Total shareholders' equity	<u>244,704</u>	<u>253,694</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,517	22,276
Deferred gains or losses on hedges	79	2
Foreign currency translation adjustment	5,374	3,536
Remeasurements of defined benefit plans	(2,063)	(2,004)
Total accumulated other comprehensive income	<u>23,907</u>	<u>23,812</u>
Minority interests	<u>27,193</u>	<u>26,244</u>
Total net assets	<u>295,805</u>	<u>303,750</u>
Total liabilities and net assets	<u>509,834</u>	<u>510,385</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014
Net Sales	94,879	108,505
Cost of sales	72,404	80,818
Gross profit	22,475	27,686
Selling, general and administrative expenses	14,693	15,184
Operating Income	7,782	12,501
Non-operating income		
Interest income	98	94
Dividends income	535	595
Equity in earnings of affiliates	210	231
Foreign exchange gains	705	-
Other	249	329
Total non-operating income	1,799	1,251
Non-operating expenses		
Interest expenses	305	365
Foreign exchange loss	-	520
Other	183	162
Total non-operating expenses	488	1,048
Ordinary income	9,092	12,704
Extraordinary gain		
Gain on disposal of noncurrent assets	252	342
Gain on sales of investment securities	1,923	-
Subsidies from municipal governments	-	500
Total extraordinary gain	2,175	842
Extraordinary loss		
Loss on retirement of noncurrent assets	157	42
Loss on valuation of investment securities	-	475
Total extraordinary loss	157	517
Income before income taxes and minority interests	11,111	13,028
Income Taxes		
Income taxes-current	2,229	2,974
Income taxes for prior periods	-	(842)
Income taxes-deferred	2,111	700
Total income taxes	4,341	2,833
Income before minority interests	6,770	10,195
Minority interests in income	360	1,038
Net income	6,410	9,156

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2013	Three months ended Jun. 30, 2014
Income before minority interests	6,770	10,195
Other comprehensive income		
Valuation difference on available-for-sale securities	2,249	1,794
Deferred gains or losses on hedges	142	(91)
Foreign currency translation adjustment	3,385	(1,169)
Remeasurements of defined benefit plans, net of tax	-	65
Share of other comprehensive income of associates accounted for using equity method	431	(100)
Total other comprehensive income	6,209	498
Comprehensive income	12,979	10,693
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,142	9,802
Comprehensive income attributable to minority interests	1,836	890

7. Segment information

Three months ended Jun. 30, 2013

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	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 (loss)	4,289	1,690	2,160	1,962	(113)	9,989	(2,207)	7,782

Three months ended Jun. 30, 2014

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	24,836	22,671	40,659	19,232	1,106	108,505	-	108,505
Intersegment sales	756	4,468	0	-	2,465	7,691	(7,691)	-
Total	25,592	27,139	40,660	19,232	3,571	116,196	(7,691)	108,505
Operating income (loss)	6,414	2,067	4,040	2,438	(81)	14,878	(2,376)	12,501