

FY2015 2nd Quarter Consolidated Financial Results

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

November 6, 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 for submitting financial statements | : November 13, 2014 |
| Scheduled date for dividend payment | : December 2, 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 Six Months Ended September 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 | % |
| Six months ended Sep. 30, 2014 | 218,689 | 11.0 | 25,384 | 44.3 | 26,468 | 37.7 | 16,959 | 39.7 |
| Six months ended Sep. 30, 2013 | 196,961 | 11.1 | 17,589 | 29.1 | 19,218 | 40.0 | 12,143 | 68.9 |

(Note) Comprehensive income : 29,632 millions of yen (32.8%) for the Six months ended September 30, 2014 and 22,306 millions of yen (452.0%) for the Six months ended September 30, 2013

| | Net income per share | Diluted earnings per share |
|--------------------------------|----------------------|----------------------------|
| Six months ended Sep. 30, 2014 | Yen 48.27 | Yen - |
| Six months ended Sep. 30, 2013 | 34.53 | - |

(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, 2014 | 537,355 | 322,462 | 54.7 | 836.26 |
| As of Mar. 31, 2014 | 509,834 | 295,805 | 52.7 | 764.51 |

(Note) Shareholder's equity : 293,806 millions of yen as of September 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 |
| Year ended Mar. 31, 2014 | Yen - | Yen 6.00 | Yen - | Yen 9.00 | Yen 15.00 |
| Year ending Mar. 31, 2015 | - | 8.00 | - | - | - |
| Year ending Mar. 31, 2015 (forecast) | - | - | - | 10.00 | 18.00 |

(Note) Revisions to the latest announced dividend forecast: 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 |
| Year ending Mar. 31, 2015 | 440,000 | 6.3 | 47,000 | 24.0 | 48,500 | 17.1 | 28,500 | 24.8 | 81.12 |

(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, 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 Sep. 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 Sep. 30, 2014 | 13,610,617 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) | Six months ended Sep. 30, 2014 | 351,344,745 shares | Six months ended Sep. 30, 2013 | 351,709,018 shares |

※Implementation status of quarterly review procedures

This Financial Results report for the 2nd quarter was exempt from quarterly review procedures which was based on Financial Instruments and Exchange Law of Japan.

As of the 2nd 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 FY2015 2nd Quarter Consolidated Financial Results

(1) Qualitative Information Regarding Consolidated Operating Results

During the six months ended September 30, 2014, 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 reaction following the spike in demand before the consumption tax hike and downside risks to overseas economies.

Amid such an environment, an increase in sales quantity and favorable foreign exchange rates pushed up the Group sales for the six months under review to ¥218.6 billion (up 11.0% year-on-year). With regard to income, operating income was ¥25.3 billion (up 44.3% year-on-year), ordinary income was ¥26.4 billion (up 37.7% year-on-year) and quarterly net income was ¥16.9 billion (up 39.7% year-on-year).

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, favorable foreign exchange rates and the fact that the biennial periodic repairs of our Aboshi Plant were not implemented in the consolidated fiscal year under review.

Consequently, overall segment sales amounted to ¥48.0 billion (up 10.3% year-on-year). Operating income were ¥12.7 billion (up 42.6% year-on-year).

Organic Chemicals

Sales of acetic acid, our key product, increased supported by healthy sales for vinyl acetate and other applications, selling price correction and the fact that the biennial periodical repairs of our 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 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 for China, India and other destinations, as well as an increase in orders for custom separation services. Consequently, overall segment sales amounted to ¥44.9 billion (up 16.5% year-on-year). Operating income also rose to ¥4.4 billion (up 34.3% year-on-year).

Plastics

The Polyplastics Co., Ltd. Group who operate the engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), have changed their closing month from December to March, effective from the consolidated fiscal year under review. During the cumulative second quarter (April–September) under review, compared with the cumulative second quarter (January–June) of the previous year, sales increased buoyed by robust sales in the automobile and electronic device fields, as well as favorable foreign exchange rates.

As for the resin compound business centering on ABS resins and engineering plastic alloy resins, healthy demand for the electric/electronic sectors helped spur growth in sales.

Sales of the resin processing business, including sheets, molded containers and films, increased buoyed by healthy demand for sheets and films.

Consequently, overall segment sales amounted to ¥83.6 billion (up 12.9% year-on-year). Operating income was ¥8.0 billion (up 48.4% year-on-year).

Pyrotechnic Devices

Automobile airbag inflators (gas-generating devices) and other automobile safety parts business achieved sales growth on an annual basis, which is attributable to an increase in sales quantity in China, Southeast Asia and other areas, as well as favorable exchange rates, despite the reaction 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 ¥39.2 billion (up 3.8% year-on-year). Operating income was ¥4.8 billion (up 13.7% year-on-year).

Others

In the membrane business, including membrane modules for water treatment, slow growth in the sewage market caused sales to decline.

The transportation and warehousing business and other business areas also experienced a decline in sales.

Consequently, overall segment sales amounted to ¥2.7 billion (down 3.3% year-on-year). Operating income was ¥38 million (up 2.7% year-on-year).

(2) Qualitative Information Regarding Financial Position

1. Changes in assets, liabilities and equity

Total assets rose to ¥537.3 billion, representing an increase of ¥27.5 billion measured against the preceding fiscal year-end of March 31, 2014, supported primarily by increases in inventories and investment securities.

Total liabilities amounted to ¥214.8 billion, representing an increase of ¥864 million from March 31, 2014.

Total net assets were ¥322.4 billion. Total shareholders' equity, which is net assets minus minority interests, was ¥293.8 billion. The shareholders' equity ratio was 54.7%.

2. Cash flows

Cash flows from operating activities

Cash flow from operating activities during the period under review increased by ¥24.6 billion (against an increase of ¥17.7 billion for the same period last year). The increase in funds was mainly attributable to ¥26.3 billion in net income before income taxes and ¥11.7 billion in depreciation and amortization. Main factors in the decrease in funds were an increase of ¥8.5 billion in inventories and ¥6.6 billion for payment of income taxes.

Cash flows from investment activities

Cash flow from investment activities during the period under review decreased by ¥14.0 billion (against a decrease of ¥15.2 billion for the same period last year). The decrease in funds was mainly attributable to an expenditure of ¥11.3 billion for acquisition of property, plant and equipment.

Cash flows from financing activities

Cash flow from financing activities during the fiscal year under review decreased by ¥10.5 billion (against an increase of ¥2.6 billion for the same period last year). The decrease in funds was mainly attributable to ¥5.3 billion in repayment of in long-term loans and ¥3.1 billion in dividend payments.

As a result of the above, cash and cash equivalents at September 30, 2014 totaled ¥66.0 billion.

(3) Forecast of consolidated performance and other future predictions

Japan's economic outlook remains uncertain due to a prolonged reaction against the spike in demand prior to the consumption tax hike, downside risks to overseas economies and other factors.

Under such circumstances, the Daicel Group has been steadily pursuing the basic strategy of its medium-term plan "3D-II". The strategy consists of new business creation, further strengthening of our core business, expansion and reinforcement of business operations in the global market, enhancement of production infrastructure and other efforts.

In view of our performance during the six months ended September 30, 2014, which exceeded the previously announced forecast, foreign exchange rates and review of the projected raw material prices for the second half year, despite the unclear economic outlook, the Daicel Group projects full-year consolidated sales of ¥440.0 billion, operating income of ¥47.0 billion, ordinary income of ¥48.5 billion and net income of ¥28.5 billion.

Forecast of FY 2015 consolidated performance

| | Net Sales | Operating income | Ordinary income | Net income | Net income per share |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|
| Last announcement | billion yen 432.0 | billion yen 41.0 | billion yen 42.0 | billion yen 24.0 | Yen 68.31 |
| This Announcement | 440.0 | 47.0 | 48.5 | 28.5 | 81.12 |
| Change | 8.0 | 6.0 | 6.5 | 4.5 | |
| % of change | 1.9% | 14.6% | 15.5% | 18.8% | |
| (Reference data) Year ending Mar. 31, 2014 | 413.8 | 37.9 | 41.4 | 22.8 | 64.98 |

(Notes) The above business outlook is based on the information that is available at the time of writing. There are many uncertain factors inherent in projections, and there might be cases in which actual results materially differ from projections of this material.

6. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

| | As of Mar. 31, 2014 | As of Sep. 30, 2014 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 46,533 | 47,252 |
| Notes and accounts receivable-trade | 85,567 | 84,454 |
| Short-term investment securities | 21,667 | 25,852 |
| Inventories | 89,832 | 102,089 |
| Other | 17,614 | 19,147 |
| Allowance for doubtful accounts | (168) | (146) |
| Total current assets | <u>261,046</u> | <u>278,649</u> |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 47,853 | 50,273 |
| Machinery, equipment and vehicles, net | 55,139 | 65,475 |
| Land | 26,811 | 26,852 |
| Construction in progress | 24,532 | 12,168 |
| Other, net | 2,700 | 2,901 |
| Total property, plant and equipment | <u>157,038</u> | <u>157,671</u> |
| Intangible assets | | |
| Goodwill | 5,298 | 5,156 |
| Other | 8,324 | 8,312 |
| Total Intangible assets | <u>13,623</u> | <u>13,468</u> |
| Investments and other assets | | |
| Investment securities | 60,070 | 68,150 |
| Other | 18,276 | 19,575 |
| Allowance for doubtful accounts | (219) | (160) |
| Total investments and other assets | <u>78,127</u> | <u>87,565</u> |
| Total noncurrent assets | <u>248,788</u> | <u>258,706</u> |
| Total assets | <u>509,834</u> | <u>537,355</u> |

(Unit: Millions of Yen)

| | As of Mar. 31, 2014 | As of Sep. 30, 2014 |
|---|---------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 55,936 | 56,538 |
| Current portion of bonds | 10,000 | 10,000 |
| Short-term loans payable | 14,553 | 13,547 |
| Current portion of long-term loans payable | 9,651 | 13,907 |
| Income taxes payable | 5,395 | 6,794 |
| Provision for repairs | 124 | 1,696 |
| Other | 20,233 | 21,597 |
| Total current liabilities | <u>115,894</u> | <u>124,082</u> |
| Noncurrent liabilities | | |
| Bonds payable | 30,000 | 30,000 |
| Long-term loans payable | 41,630 | 32,854 |
| Provision for directors' retirement benefits | 91 | 71 |
| Provision for repairs | 1,085 | 388 |
| Net defined benefit liability | 15,995 | 13,983 |
| Asset retirement obligation | 1,098 | 1,087 |
| Other | 8,233 | 12,423 |
| Total noncurrent liabilities | <u>98,134</u> | <u>90,810</u> |
| Total liabilities | <u>214,029</u> | <u>214,893</u> |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 36,275 | 36,275 |
| Capital surplus | 31,579 | 31,579 |
| Retained earnings | 183,199 | 199,996 |
| Treasury stock | (6,349) | (6,370) |
| Total shareholders' equity | <u>244,704</u> | <u>261,480</u> |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 20,517 | 25,326 |
| Deferred gains or losses on hedges | 79 | 9 |
| Foreign currency translation adjustment | 5,374 | 8,942 |
| Remeasurements of defined benefit plans | (2,063) | (1,952) |
| Total accumulated other comprehensive income | <u>23,907</u> | <u>32,326</u> |
| Minority interests | <u>27,193</u> | <u>28,655</u> |
| Total net assets | <u>295,805</u> | <u>322,462</u> |
| Total liabilities and net assets | <u>509,834</u> | <u>537,355</u> |

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

| | Six months ended Sep. 30, 2013 | Six months ended Sep. 30, 2014 |
|---|-----------------------------------|-----------------------------------|
| Net Sales | 196,961 | 218,689 |
| Cost of sales | 150,223 | 162,159 |
| Gross profit | 46,738 | 56,529 |
| Selling, general and administrative expenses | 29,149 | 31,144 |
| Operating Income | 17,589 | 25,384 |
| Non-operating income | | |
| Interest income | 188 | 203 |
| Dividends income | 586 | 609 |
| Equity in earnings of affiliates | 377 | 510 |
| Foreign exchange gains | 866 | 158 |
| Other | 633 | 694 |
| Total non-operating income | 2,652 | 2,175 |
| Non-operating expenses | | |
| Interest expenses | 553 | 715 |
| Other | 469 | 375 |
| Total non-operating expenses | 1,022 | 1,091 |
| Ordinary income | 19,218 | 26,468 |
| Extraordinary gain | | |
| Gain on disposal of noncurrent assets | 285 | 345 |
| Gain on sales of investment securities | 1,923 | - |
| Subsidies from municipal governments | - | 500 |
| Total extraordinary gain | 2,208 | 845 |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 499 | 446 |
| Loss on valuation of investment securities | - | 90 |
| Loss on employees' pension fund withdrawal | - | 475 |
| Total extraordinary loss | 499 | 1,012 |
| Income before income taxes and minority interests | 20,927 | 26,301 |
| Income Taxes | | |
| Income taxes-current | 5,560 | 8,092 |
| Income taxes for prior periods | (131) | (842) |
| Income taxes-deferred | 1,757 | (193) |
| Total income taxes | 7,187 | 7,056 |
| Income before minority interests | 13,740 | 19,245 |
| Minority interests in income | 1,596 | 2,285 |
| Net income | 12,143 | 16,959 |

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

| | Six months ended Sep. 30, 2013 | Six months ended Sep. 30, 2014 |
|--|-----------------------------------|-----------------------------------|
| Income before minority interests | 13,740 | 19,245 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,268 | 4,880 |
| Deferred gains or losses on hedges | 334 | (45) |
| Foreign currency translation adjustment | 4,254 | 5,068 |
| Remeasurements of defined benefit plans, net of tax | - | 121 |
| Share of other comprehensive income of associates accounted for using equity method | 709 | 362 |
| Total other comprehensive income | 8,566 | 10,387 |
| Comprehensive income | 22,306 | 29,632 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 18,466 | 26,119 |
| Comprehensive income attributable to minority interests | 3,839 | 3,512 |

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

| | Six months ended Sep. 30, 2013 | Six months ended Sep. 30, 2014 |
|--|-----------------------------------|-----------------------------------|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 20,927 | 26,301 |
| Depreciation and amortization | 11,513 | 11,747 |
| Impairment loss | - | 90 |
| Amortization of goodwill | 408 | 604 |
| Interest and dividends income | (774) | (812) |
| Interest expenses | 553 | 715 |
| Equity in (earnings) losses of affiliates | (377) | (510) |
| Loss (gain) on sales and retirement of noncurrent assets | 214 | 101 |
| Loss (gain) on sales of investment securities | (1,923) | - |
| Decrease (increase) in notes and accounts receivable-trade | (92) | (611) |
| Decrease (increase) in inventories | (1,685) | (8,585) |
| Increase (decrease) in notes and accounts payable-trade | (1,768) | 198 |
| Other, net | (3,103) | 156 |
| Subtotal | 23,892 | 29,395 |
| Interest and dividends income received | 1,736 | 1,857 |
| Interest expenses paid | (525) | (730) |
| Income taxes paid | (7,407) | (6,649) |
| Income taxes refund | 91 | 732 |
| Net cash provided by (used in) operating activities | 17,786 | 24,604 |
| Net cash provided by (used in) investing activities | | |
| Net decrease (increase) in short-term investment securities | (507) | 1,100 |
| Purchase of property, plant and equipment | (12,731) | (11,377) |
| Proceeds from sales of property, plant and equipment | 262 | 327 |
| Purchase of intangible assets | (594) | (277) |
| Purchase of investment securities | (1,885) | (2,411) |
| Proceeds from sales and redemption of investment securities | 3,223 | 13 |
| Purchase of stocks of subsidiaries and affiliates | (2,910) | - |
| Payments of loans receivable | (116) | (261) |
| Collection of loans receivable | 4 | 3 |
| Other, net | 29 | (1,175) |
| Net cash provided by (used in) investing activities | (15,226) | (14,058) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | (6,961) | (1,522) |
| Proceeds from long-term loans payable | 814 | - |
| Repayment of long-term loans payable | (7,696) | (5,316) |
| Proceeds from issuance of bonds | 19,894 | - |
| Purchase of treasury stock | (14) | (20) |
| Cash dividends paid | (2,462) | (3,162) |
| Cash dividends paid to minority shareholders | (906) | (558) |
| Net cash provided by (used in) financing activities | 2,668 | (10,580) |
| Effect of exchange rate change on cash and cash equivalents | 2,268 | 2,078 |
| Net increase (decrease) in cash and cash equivalents | 7,497 | 2,044 |
| Cash and cash equivalents at beginning of period | 53,238 | 62,573 |
| Increase in cash and cash equivalents resulting from consolidation | - | 1,452 |
| Cash and cash equivalents at the end of period | 60,735 | 66,070 |

7. Segment information

Six months ended Sep. 30, 2013

(Unit: Millions of Yen)

| | Cellulosic derivatives | Organic chemicals | Plastics | Pyrotechnic devices | 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 |

Six months ended Sep. 30, 2014

(Unit: Millions of Yen)

| | Cellulosic derivatives | Organic chemicals | Plastics | Pyrotechnic devices | Others | Total | Corporate and eliminations | Consolidated |
|--------------------|------------------------|-------------------|----------|---------------------|--------|---------|----------------------------|--------------|
| Net sales | | | | | | | | |
| Outside customers | 48,039 | 44,998 | 83,672 | 39,242 | 2,735 | 218,689 | - | 218,689 |
| Intersegment sales | 1,365 | 9,485 | 1 | - | 4,950 | 15,803 | (15,803) | - |
| Total | 49,405 | 54,484 | 83,673 | 39,242 | 7,686 | 234,492 | (15,803) | 218,689 |
| Operating income | 12,784 | 4,444 | 8,014 | 4,837 | 38 | 30,119 | (4,734) | 25,384 |