

FY2015 3rd Quarter Consolidated Financial Results

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

February 4, 2015

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	: February 12, 2015
Scheduled date for dividend payment	: -
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 Nine Months Ended December 31, 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	%
Nine months ended Dec. 31, 2014	333,067	9.8	39,432	39.5	43,648	37.2	26,014	36.9
Nine months ended Dec. 31, 2013	303,230	14.1	28,262	42.2	31,802	48.3	19,007	61.5

(Note) Comprehensive income : 50,816 millions of yen (36.9%) for the nine months ended December 31, 2014 and 37,111 millions of yen (129.4%) for the nine months ended December 31, 2013

	Net income per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2014	74.04	-
Nine months ended Dec. 31, 2013	54.06	-

(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, 2014	561,027	340,757	55.2	881.18
As of Mar. 31, 2014	509,834	295,805	52.7	764.51

(Note) Shareholder's equity : 309,576 millions of yen as of December 31, 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	-	8.00	-	-	-
Year ending Mar. 31, 2015 (forecast)	-	-	-	12.00	20.00

(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	445,000	7.5	51,000	34.5	54,500	31.5	30,000	31.3	85.39

(Note) Revisions to the latest announced forecast of consolidated financial results: Applicable

4. Others

(1) Changes in significant subsidiaries during the nine months ended Dec. 31, 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 Dec. 31, 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 Dec. 31, 2014	13,621,003 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)	Nine months ended Dec. 31, 2014	351,339,104 shares	Nine months ended Dec. 31, 2013	351,619,240 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 FY2015 3rd Quarter Consolidated Financial Results

(1) Qualitative Information Regarding Consolidated Operating Results

During the nine months ended December 31, 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, which was seen at the beginning of the term, as well as 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 nine months under review to ¥333.0 billion (up 9.8% year-on-year). On the income front, operating income was ¥39.4 billion (up 39.5% year-on-year), ordinary income was ¥43.6 billion (up 37.2% year-on-year), and net income reached ¥26.0 billion (up 36.9% 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 recorded growth driven by healthy 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 ¥72.6 billion (up 6.8% year-on-year). Operating income was ¥19.6 billion (up 44.2% 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 ¥67.9 billion (up 15.8% year-on-year). Operating income also rose to ¥7.0 billion (up 60.5% 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 third quarter (April–December) under review, compared with the cumulative third quarter (January–September) 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 ¥127.8 billion (up 12.2% year-on-year). Operating income was ¥11.9 billion (up 29.3% year-on-year).

Pyrotechnic Devices

Automobile airbag inflators (gas-generating devices) and other automobile safety part business achieved sales growth thanks to an increase in sales quantity at our sites in Europe, Southeast Asia, and South Korea, which started full-fledge operation in 2013, as well as favorable exchange rates, despite a decline in domestic sales due to the reaction following the spike in demand before the consumption tax hike.

Aerospace & defense businesses, which cover items such as gunpowder, missile components, and pilot emergency-escape systems, also enjoyed sales growth buoyed by an increase in the quantity of some products procured by the Ministry of Defense.

Consequently, overall segment sales amounted to ¥60.6 billion (up 3.9% year-on-year). Operating income was ¥7.6 billion (up 3.2% year-on-year).

Others

In the membrane business, including membrane modules for water treatment, slow growth in the medical field is partly attributable to a decline in sales.

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

Consequently, overall segment sales amounted to ¥4.0 billion (down 7.2% year-on-year). On the income front, we posted an operating loss of ¥53 million (operating income of ¥15 million in the same period of the previous year).

(2) Qualitative Information Regarding Financial Position

Changes in assets, liabilities, and equity

Total assets rose to ¥561.0 billion, representing an increase of ¥51.1 billion measured against the previous consolidated fiscal year-end of March 31, 2014, due primarily to increases in inventories and investment securities, despite a decrease in short-term investment securities and other factors.

Total liabilities amounted to ¥220.2 billion, representing an increase of ¥6.2 billion from March 31, 2014, due primarily to increases in short-term loans and income taxes payable, despite a decrease in current portion of bonds and other factors.

Total net assets were ¥340.7 billion. Equity, which is net assets minus minority interests, was ¥309.5 billion. The equity ratio was 55.2%.

(3) Forecast of consolidated performance and other future predictions

Japan's economic outlook remains uncertain due to weak consumer confidence, downside risks to overseas economies, and other factors.

Under such circumstances, the Daicel Group has been steadily pursuing the basic strategy of its mid-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 the performance during the nine months ending December 31, 2014, as well as the review of the projected foreign exchange rates and raw material prices for the fourth quarter of the current fiscal year, despite the unclear economic outlook, the Daicel Group projects full-year consolidated sales of ¥445.0 billion, operating income of ¥51.0 billion, ordinary income of ¥54.5 billion and net income of ¥30.0 billion.

Forecast of FY 2015 consolidated performance

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
Last announcement (A)	billion yen 440.0	billion yen 47.0	billion yen 48.5	billion yen 28.5	Yen 81.12
This Announcement (B)	445.0	51.0	54.5	30.0	85.39
Change (B-A)	5.0	4.0	6.0	1.5	
% of change	1.1%	8.5%	12.4%	5.3%	
(Reference data) Year ended Mar. 31, 2014	413.8	37.92	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 Dec. 31, 2014
Assets		
Current assets		
Cash and deposits	46,533	58,505
Notes and accounts receivable-trade	85,567	95,637
Short-term investment securities	21,667	2,928
Inventories	89,832	105,812
Other	17,614	22,041
Allowance for doubtful accounts	(168)	(103)
Total current assets	<u>261,046</u>	<u>284,823</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,853	50,920
Machinery, equipment and vehicles, net	55,139	66,243
Land	26,811	26,945
Construction in progress	24,532	19,707
Other, net	2,700	3,251
Total property, plant and equipment	<u>157,038</u>	<u>167,068</u>
Intangible assets		
Goodwill	5,298	5,343
Other	8,324	8,721
Total Intangible assets	<u>13,623</u>	<u>14,065</u>
Investments and other assets		
Investment securities	60,070	74,698
Other	18,276	20,532
Allowance for doubtful accounts	(219)	(161)
Total investments and other assets	<u>78,127</u>	<u>95,070</u>
Total noncurrent assets	<u>248,788</u>	<u>276,204</u>
Total assets	<u>509,834</u>	<u>561,027</u>

(Unit: Millions of Yen)

	As of Mar. 31, 2014	As of Dec. 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	55,936	57,347
Current portion of bonds	10,000	-
Short-term loans payable	14,553	20,449
Current portion of long-term loans payable	9,651	13,723
Income taxes payable	5,395	6,896
Provision for repairs	124	2,561
Other	20,233	23,671
Total current liabilities	<u>115,894</u>	<u>124,650</u>
Noncurrent liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	41,630	33,586
Provision for directors' retirement benefits	91	75
Provision for repairs	1,085	31
Net defined benefit liability	15,995	14,103
Asset retirement obligation	1,098	1,105
Other	8,233	16,716
Total noncurrent liabilities	<u>98,134</u>	<u>95,619</u>
Total liabilities	<u>214,029</u>	<u>220,269</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	183,199	206,240
Treasury stock	(6,349)	(6,384)
Total shareholders' equity	<u>244,704</u>	<u>267,710</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,517	28,742
Deferred gains or losses on hedges	79	(47)
Foreign currency translation adjustment	5,374	15,068
Remeasurements of defined benefit plans	(2,063)	(1,898)
Total accumulated other comprehensive income	<u>23,907</u>	<u>41,865</u>
Minority interests	<u>27,193</u>	<u>31,181</u>
Total net assets	<u>295,805</u>	<u>340,757</u>
Total liabilities and net assets	<u>509,834</u>	<u>561,027</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2013	Nine months ended Dec. 31, 2014
Net Sales	303,230	333,067
Cost of sales	230,687	246,254
Gross profit	72,543	86,813
Selling, general and administrative expenses	44,281	47,380
Operating Income	28,262	39,432
Non-operating income		
Interest income	318	324
Dividends income	1,053	1,183
Equity in earnings of affiliates	499	988
Foreign exchange gains	2,010	2,282
Other	1,066	1,021
Total non-operating income	4,947	5,800
Non-operating expenses		
Interest expenses	836	1,069
Other	570	515
Total non-operating expenses	1,407	1,585
Ordinary income	31,802	43,648
Extraordinary gain		
Gain on disposal of noncurrent assets	287	354
Gain on sales of investment securities	1,923	-
Subsidies from municipal governments	-	500
Total extraordinary gain	2,210	854
Extraordinary loss		
Loss on retirement of noncurrent assets	648	762
Impairment loss	-	90
Loss on reduction of noncurrent assets	-	475
Total extraordinary loss	648	1,328
Income before income taxes and minority interests	33,363	43,174
Income Taxes		
Income taxes-current	8,435	12,136
Income taxes for prior periods	(131)	(848)
Income taxes-deferred	3,306	2,267
Total income taxes	11,610	13,555
Income before minority interests	21,753	29,619
Minority interests in income	2,745	3,605
Net income	19,007	26,014

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2013	Nine months ended Dec. 31, 2014
Income before minority interests	21,753	29,619
Other comprehensive income		
Valuation difference on available-for-sale securities	8,040	8,294
Deferred gains or losses on hedges	341	(143)
Foreign currency translation adjustment	6,242	11,884
Remeasurements of defined benefit plans, net of tax	-	181
Share of other comprehensive income of associates accounted for using equity method	733	979
Total other comprehensive income	<u>15,357</u>	<u>21,196</u>
Comprehensive income	<u>37,111</u>	<u>50,816</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	32,335	44,713
Comprehensive income attributable to minority interests	4,775	6,102

7. Segment information

Nine months ended Dec. 31, 2013

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	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

Nine months ended Dec. 31, 2014

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	72,620	67,917	127,837	60,641	4,049	333,067	-	333,067
Intersegment sales	2,063	13,406	2	-	7,323	22,795	(22,795)	-
Total	74,683	81,324	127,839	60,641	11,373	355,863	(22,795)	333,067
Operating income (loss)	19,607	7,040	11,977	7,673	(53)	46,245	(6,813)	39,432