

# Consolidated Financial Results for the Year Ended March 31, 2016

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

May 11, 2016

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  
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 Phone +81-3-6711-8121  
 Scheduled date of the general meeting of shareholders : June 17, 2016  
 Scheduled date for submitting financial statements : June 20, 2016  
 Scheduled date for dividend payment : June 20, 2016  
 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 Year Ended March 31, 2016

(Amounts are rounded down to the nearest million)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2016	449,878	1.4	64,349	25.4	65,404	18.8	40,313	29.0
Year ended Mar. 31, 2015	443,775	7.2	51,303	35.3	55,063	32.9	31,252	36.8

(Note) Comprehensive income : 30,079 millions of yen ( $\Delta$ 54.7%) for the Year ended March 31, 2016 and 66,419 millions of yen (61.3%) for the Year ended March 31, 2015

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2016	115.02	-	12.2	11.6	14.3
Year ended Mar. 31, 2015	88.95	-	10.5	10.2	11.6

(Reference) Investment profit (loss) on equity method : 1,094 millions of yen for the Year ended March 31, 2016 and 1,172 millions of yen for the Year ended March 31, 2015

## (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2016	560,190	368,720	60.2	966.36
Year ended Mar. 31, 2015	565,332	356,177	57.3	922.71

(Note) Shareholder's equity : 337,424 millions of yen as of March 31, 2016 and 324,167 millions of yen as of March 31, 2015

## (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended Mar. 31, 2016	65,419	$\Delta$ 31,407	$\Delta$ 31,470	65,237
Year ended Mar. 31, 2015	57,412	$\Delta$ 30,283	$\Delta$ 29,230	66,737

## 2. Dividends

(Reference data)	Cash dividends per share					Dividends in total (Annual)	Dividend payout ratio (consolidated basis)	Dividends to net assets (consolidated basis)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
Year ended Mar. 31, 2015	Yen -	Yen 8.00	Yen -	Yen 13.00	Yen 21.00	Million Yen 7,377	% 23.6	% 2.5
Year ended Mar. 31, 2016	-	13.00	-	13.00	26.00	9,106	22.6	2.8
Year ending Mar. 31, 2017 (Forecast)	-	13.00	-	13.00	26.00		22.7	

## 3. Forecast of consolidated financial results for the Year Ending March 31, 2017

(% of change from same period of previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending Sep. 30, 2016	217,000	$\Delta$ 4.2	30,000	$\Delta$ 5.2	31,000	$\Delta$ 5.2	20,000	$\Delta$ 6.3	57.28
Year ending Mar. 31, 2017	444,000	$\Delta$ 1.3	61,000	$\Delta$ 5.2	63,500	$\Delta$ 2.9	40,000	$\Delta$ 0.8	114.56

\*Notes

(1) Changes in significant subsidiaries during the Year ended Mar. 31, 2016: Not applicable  
(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation

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

- i Changes due to revisions to accounting standards: Applicable
- ii Changes other than (2)-i: Not applicable
- iii Changes accounting estimate : Not applicable
- iv Retrospective restatement : Not applicable

(3) Number of shares issued (common share)

i Number of shares issued at the end of each period (including treasury stocks)	As of Mar. 31, 2016	364,942,682 shares	As of Mar. 31, 2015	364,942,682 shares
ii Number of treasury stocks at the end of each period	As of Mar. 31, 2016	15,770,285 shares	As of Mar. 31, 2015	13,622,163 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Year ended Mar. 31, 2016	350,498,782 shares	Year ended Mar. 31, 2015	351,334,634 shares

**(Reference) Overview of the Unconsolidated Financial Results**

Unconsolidated Financial Results for the Year Ended March 31, 2016

(Amounts are rounded down to the nearest million)

(1) Unconsolidated Operating Results

(% of change from previous year)

	Net Sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2016	236,213	3.4	32,434	32.8	43,017	42.4	34,223	68.1
Year ended Mar. 31, 2015	228,533	5.3	24,421	62.8	30,212	25.5	20,360	16.3

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 31, 2016	97.67	-
Year ended Mar. 31, 2015	57.95	-

(2) Unconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2016	385,842	256,267	66.4	733.93
Year ended Mar. 31, 2015	376,813	238,647	63.3	679.29

(Reference) Shareholder's equity : 256,267 millions of yen as of March 31, 2016 and 238,647 millions of yen as of March 31, 2015

※Implementation status of annual review procedures

This Financial Results report was exempt from the review procedures which was based on Financial Instruments and Exchange Law of Japan. At the time of disclosure of this report, the review procedures for the 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.

#### 4. Analysis of Operating Results and Financial Position

##### (1) Analysis of Operating Results

##### 1. Operating results for the fiscal year under review

##### [1] Overview of performance for the fiscal year under review

Looking at the global economic conditions during the consolidated fiscal year ended March 31, 2016, while the US economy stayed on a recovery trend and moderate economic recovery continued in Europe, a deceleration was seen in the Chinese economy. Meanwhile, the Japanese economy continued to recover at a slow pace as exemplified by improved corporate earnings, though some weaknesses were seen.

Amid such circumstances, the Daicel Group has continuously been working hard on strengthening its corporate foundations through the construction of an optimal production system to meet product demand, continuous cost reduction and other efforts.

As a result, sales revenue for the consolidated fiscal year under review totaled ¥449.878 billion (up 1.4% year-on-year), thanks to favorable foreign exchange rates and other factors. On the income front, operating income amounted to ¥64.349 billion (up 25.4% year-on-year), ordinary income was ¥65.404 billion (up 18.8% year-on-year) and profit attributable to owners of the parent rose to ¥40.313 billion (up 29.0% year-on-year).

(Unit: Billion Yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
<b>Year ended March 31, 2016</b>	449.878	64.349	65.404	40.313
Year ended March 31, 2015	443.775	51.303	55.063	31.252
Change from previous year	6.103	13.046	10.341	9.061
% of change	1.4	25.4	18.8	29.0

##### Capital investment for the fiscal year under review

(Unit: Billion Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Current	Non-current	Total	Current	Non-current	Total		(Yen/Dollar)
<b>Year ended March 31, 2016</b>	39.100	1.155	40.256	22.407	1.507	23.914	15.306	120
Year ended March 31, 2015	30.053	0.575	30.629	22.000	1.408	23.409	14.031	110
Change from previous year	9.047	0.580	9.627	0.407	0.099	0.505	1.275	–
% of change	30.1	100.9	31.4	1.9	7.0	2.2	9.1	–

(Note) Depreciation and amortization do not include amortization of goodwill.

## [2] Operating performance by business segment

### **Cellulosic Derivatives**

Sales revenue of cellulose acetate posted growth. Demand decreased for LCD film applications, but increased for other applications.

As for acetate tow for cigarette filters, a slight increase in sales volume and favorable foreign exchange rates pushed up sales revenue, despite a slowdown in demand worldwide and an inventory adjustment in the Chinese market.

Consequently, overall segment sales revenue amounted to ¥104.481 billion (up 9.2% year-on-year).

Operating income was ¥29.667 billion (up 15.4% year-on-year).

### **Organic Chemicals**

Sales revenue of acetic acid, one of our key products, decreased due to a decline in sales volume resulting from the implementation of biennial maintenance at our Aboshi Plant during the period under review, as well as deterioration in market conditions.

Looking at general products such as acetic acid derivatives and solvents, sales revenue declined due to a decrease in sales volumes of electronic materials, paints and other applications, and the effects that the downfall in crude oil prices had on our asking prices.

Functional products such as caprolactone derivatives, epoxy compounds and others posted a slight increase in sales revenue owing to favorable exchange rates and other factors, despite sluggish sales of some products.

Sales revenue of the chiral separation business, such as optical resolution columns, decreased mainly due to the termination of a major spot custom service contract, despite healthy column sales in China and India.

Consequently, overall segment sales revenue amounted to ¥81.793 billion (down 8.1% year-on-year).

Operating income rose to ¥11.179 billion (up 18.2% year-on-year).

### **Plastics**

The engineering plastics business that includes products such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), saw a decline in sales, despite favorable foreign exchange rates. The decline was largely attributable to China's economic deceleration, slowing growth in the production of Japanese automobile manufacturers and sluggish sales of electronic devices.

A decline in sales was also recorded in our resin compound business centering on ABS resins and engineering plastic alloy resins, primarily because of stagnant domestic sales, despite growth in overseas sales and favorable foreign exchange rates.

As for the resin processing business, including sheets, molded containers and films, sales revenue decreased due to a decline in sheet sales.

Consequently, overall segment sales amounted to ¥161.085 billion (down 5.0% year-on-year).

Operating income rose to ¥20.508 billion (up 28.9% year-on-year).

### **Pyrotechnic Devices**

Our business in automobile airbag inflators (gas-generating devices) and other automobile safety parts achieved growth in sales revenue thanks to increases in the sales volume of inflators and initiators (parts for igniting the inflator), favorable exchange rates and other factors.

Aerospace and 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 revenue amounted to ¥95.914 billion (up 14.8% year-on-year).

Operating income was ¥13.884 billion (up 38.2% year-on-year).

### **Other Businesses**

Sales revenue in the membrane business, including membrane modules for water treatment, increased due to sales growth in the medical field.

Meanwhile, the warehousing business and other businesses posted growth in sales revenue.

Consequently, overall segment sales amounted to ¥6.604 billion (up 11.4% year-on-year). Operating income jumped to ¥181 million (up 503.3% year-on-year).

### 2. Forecast of consolidated performance and other future predictions

With regard to the world economy going forward, while the Japanese, US and European economies are expected to recover moderately, the situation still does not warrant optimism, given concerns such as the economic deceleration in China and other emerging countries.

Amid these circumstances, regarding the Daicel Group's business forecast for the fiscal year ending March 31, 2017, while sales volumes of acetate tow for cigarette filters, automobile airbag inflators and other products are expected to grow, further appreciation of the yen from what was seen in the current fiscal year is assumed. Taking these assumptions into consideration, we forecast sales of ¥444.0 billion, operating income of ¥61.0 billion, ordinary income of ¥63.5 and profit attributable to owners of the parent of ¥40.0 billion.

The business performance forecasts above have been prepared based on currently available information. Actual results may differ from these forecasts due to a number of factors.

Outlook for the fiscal year ending March 31, 2017

(Unit: Billion Yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
<b>Year ending March 31, 2017</b>	444.000	61.000	63.500	40.000
Year ended March 31, 2016	449.878	64.349	65.404	40.313
Change from previous year	△5.878	△3.349	△1.904	△0.313
% change	△1.3	△5.2	△2.9	△0.8

Outlook for sales by segment

(Unit: Billion Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Other Businesses
<b>Year ending March 31, 2017</b>	94.000	80.000	155.000	108.900	6.100
Year ended March 31, 2016	104.481	81.793	161.085	95.914	6.604
Change from previous year	△10.481	△1.793	△6.085	12.986	△0.504
% change	△10.0	△2.2	△3.8	13.5	△7.6

Outlook for operating income by segment

(Unit: Billion Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Total
<b>Year ending March 31, 2017</b>	24.000	11.600	19.800	18.100	0.400	△12.900
Year ended March 31, 2016	29.667	11.179	20.508	13.884	0.181	△11.071
Change from previous year	△5.667	0.421	△0.708	4.216	0.219	△1.829
% change	△19.1	3.8	△3.5	30.4	121.0	△16.5

Outlook for capital investment, etc.

(Unit: Billion Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange (Yen/Dollar)
	Current	Non-current	Total	Current	Non-current	Total		
<b>Year ending March 31, 2017</b>	44.500	0.500	45.000	29.000	1.500	30.500	17.000	110
Year ended March 31, 2016	39.100	1.155	40.256	22.407	1.507	23.914	15.306	120
Change from previous year	5.400	△0.655	4.744	6.593	△0.007	6.586	1.694	–
% change	13.8	△56.7	11.8	29.4	△0.5	27.5	11.1	–

Note: Depreciation and amortization do not include amortization of goodwill.

### 3. Progress of the Mid-term Management Plan and Achievement of Target Management Benchmarks

The Daicel Group formulated the current “3D-II” mid-term plan as a 3-year mid-term plan ending in FY2016 (fiscal year ending March 2017) and the second step toward achieving our long-term “Grand Vision 2020.”

The target operating profit for the final year (FY2016) of the “3D-II” mid-term plan is ¥50 billion. In the fiscal year under review, which is the second year of the mid-term plan, we achieved our target operating income (¥50 billion) for two consecutive years, marking record-high profits. This operating income, however, was largely attributable to the fluctuations in foreign exchange rates, raw materials and fuel prices against the conditions of the mid-term plan, and not all concrete measures set out in the plan have been implemented. With this mid-term plan remaining as the target, we will push ahead with plans to increase our production capacity of acetate tow for cigarette filters, globally expand sales of engineering plastics, enhance the automobile airbag inflator business at each site, reduce costs through process innovation, create new businesses in the medical, healthcare and electronics domains, improve the efficiency of R&D activities with the use of our research center in China, and thoroughly implement safety and quality measures, among other efforts.

#### (2) Qualitative Information Regarding Financial Position

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

Total assets as of March 31, 2016 were ¥560.190 billion, a decrease of ¥5.142 billion from March 31, 2015 due primarily to decreases in inventories, and market value of investment securities.

Total liabilities were ¥191.469 billion, a decrease of ¥17.685 billion from March 31, 2015 due primarily to repayment of short-term loans payable and current portion of long-term loans payable.

Total net assets were ¥368.720 billion. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥337.424 billion. Shareholders' equity ratio was 60.2%

##### 2. Situation of cash flow

###### Cash flow from operating activities

Cash flow from operating activities during the consolidated fiscal year under review increased by ¥65.419 billion (vs. an increase of ¥57.412 billion in the same period last year). The increase in funds was mainly attributable to ¥63.491 billion of profit before income taxes and ¥24.958 billion of depreciation and amortization. Meanwhile, the main factor for the decrease in funds was a payment of ¥20.895 billion for corporate income taxes.

###### Cash flow from investment activities

Cash flow from investment activities during the consolidated fiscal year under review decreased by ¥31.407 billion (vs. a decrease of ¥30.283 billion in the same period last year). The main factor for the decrease in funds was expenditures of ¥34.694 billion for the purchase of property, plant, and equipment.

###### Cash flow from financing activities

Cash flow from financing activities during the consolidated fiscal year under review decreased by ¥31.470 billion (vs. a decrease of ¥29.230 billion in the same period last year). The decrease in funds was mainly due to expenditures of ¥8.415 billion for repayment of long-term loans and ¥9.105 billion for dividend payments.

As a result of the above, cash and cash equivalents on March 31, 2016 totaled ¥65.237 billion.

The table below shows the trends in cash flow indicators.

	March 2013	March 2014	March 2015	March 2016
Shareholder's equity per total assets (%)	52.2	52.7	57.3	60.2
Shareholder's equity per total assets on market value basis (%)	56.9	58.3	89.1	95.9
Ratio of interest-bearing liabilities to cash flow (year)	2.2	2.4	1.5	1.1
Interest coverage ratio (times)	37.5	42.5	40.0	56.3

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market value basis: Market capitalization/Total assets

Ratio of interest-bearing debts to cash flow: Interest-bearing debts/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/Interest expenses

1. Each indicator is calculated based on consolidated financial results.
2. Market capitalization is calculated by multiplying the closing price at year-end by the number of outstanding shares at year-end (excluding treasury stocks).
3. Cash flow from operating activities is the net cash reported on the consolidated statement of cash flow. Interest-bearing debts include all consolidated balance sheet-reported liabilities on which interest is paid. For interest expenses, the amount of interest payment reported on the consolidated statement of cash flow is used.

### (3) Basic Policy for Profit Distribution and Dividends for FY2015 and FY2016

Daicel's basic dividend policy is to distribute profits in a balanced manner, taking fully into consideration a shareholder return that is in line with the Company's consolidated financial results in each fiscal year, as well as the need to build internal reserves in order to improve medium-to-long-term shareholder value based on a more robust revenue base. The Company will also buy back its treasury stocks in a flexible manner as another form of shareholder return intended to complement dividend payments.

As for the number of dividend payments in each fiscal year, we pay dividends twice a year based on the date of record: at the end of the second quarter and at the end of the year.

Internal reserves will be applied to investment in business expansion and reinforcement of highly-profitable business structures, such as R&D for new business development and strengthening of existing businesses, new construction and expansion of facilities, and efficiency improvement measures. Through future business development, we will ensure a growing benefit to our shareholders.

In our 3-year "3D-II" mid-term plan, which started in FY2014, we have set a target of 30% for the shareholder return ratio. This ratio is calculated as the amount of dividends plus the acquired amount of treasury stocks divided by the consolidated profit attributable to owners of the parent for the year.

Based on our policy as outlined above, we will hold discussions on the payment of an ordinary year-end dividend of ¥13 per share for the fiscal year under review at our 150<sup>th</sup> Ordinary General Meeting of Shareholders to be held on June 17, 2016. This, together with the interim dividend of ¥13 per share that was already paid in December 2015, will achieve an annual dividend of ¥26 per share, an increase of ¥5 per share. Meanwhile, the Company acquired 2,150,000 shares of treasury stock worth approximately ¥4.0 billion in November 2015. As a result of these actions, the dividend payout ratio for the year under review will be 32.5%.

For the next fiscal year, Daicel currently plans to pay an annual dividend of ¥26 per share (including an interim dividend of ¥13).



## 5. Management Policy

### (1) Basic policy on corporate management

### (2) Mid-to-long-term corporate management strategies and target management indices

These sections are omitted since there are no significant changes in the information disclosed in the Consolidated Financial Results for the year ended March 31, 2014 (released on May 9, 2014).

The above-mentioned Consolidated Financial Results are available at the following URL.

Daicel's website:

<http://www.daicel.com/ir/irlibrary.html>

Japan Exchange Group's website (Information on listed companies):

<http://www.jpx.co.jp/listing/co-search/index.html>

### (3) Issues for the company to address

Parallel to maintaining safe operations, product safety and quality assurance—the basics for a manufacturer—as our time-honored top priorities, the Daicel Group is carrying out its 3-year “3D-II” mid-term plan for the period from FY2014 to 2016, toward realization of our long-term “Grand Vision 2020.”

This mid-term plan aims to firmly put into practice a framework for becoming a company that materializes the best solutions laid out in our 3-year “3D-I” mid-term plan (FY2011–2013), and seek our “leap/evolution to new values.” While directly taking over the context of the basic strategy that we have been working on since the “3D-I,” we will further develop “Creation of new business,” “Further strengthening of the core businesses,” “Expansion and strengthening of global business operation,” “Enhancement of cost competitiveness,” “Strengthening of collaboration with business partners,” “Utilization of strategic M&A” and “Reinforcement of infrastructure.” Specifically, in order to expeditiously create new business, we are steadily searching for new products, developing industrialization processes and considering M&As as a means for acquiring new platforms, under a new structure designed to strengthen technology/product search and commercialization functions.

In FY2016, the final year of the “3D-II,” we will continue to work on these tasks and also formulate the next step, our new mid-term plan “3D-III.”

## 6. Basic Policies for Selecting Accounting Standards

The Daicel Group will continue to prepare consolidated financial statements in accordance with Japanese standards, while taking into account the need to compare consolidated financial statements across different accounting periods and companies.

The Daicel Group will adopt International Accounting Standards, as appropriate, in consideration of circumstances in Japan and overseas.

7. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2015	As of Mar. 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	64,594	66,040
Notes and accounts receivable-trade	83,394	84,450
Short-term investment securities	5,185	661
Inventories	107,101	104,886
Deferred tax assets	5,771	4,891
Other	13,856	15,999
Allowance for doubtful accounts	(115)	(103)
Total current assets	<u>279,788</u>	<u>276,828</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,048	48,947
Machinery, equipment and vehicles, net	62,300	59,430
Land	27,793	27,109
Construction in progress	23,604	36,777
Other, net	3,148	3,311
Total property, plant and equipment	<u>166,896</u>	<u>175,576</u>
Intangible assets		
Goodwill	4,919	3,694
Other	8,315	7,651
Total Intangible assets	<u>13,234</u>	<u>11,346</u>
Investments and other assets		
Investment securities	81,662	73,721
Deferred tax assets	1,044	858
Net defined benefit asset	6,440	5,594
Other	16,406	16,496
Allowance for doubtful accounts	(141)	(231)
Total investments and other assets	<u>105,412</u>	<u>96,439</u>
Total non-current assets	<u>285,543</u>	<u>283,362</u>
Total assets	<u>565,332</u>	<u>560,190</u>

	As of Mar. 31, 2015	As of Mar. 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	51,690	50,108
Short-term loans payable	13,481	7,196
Current portion of long-term loans payable	8,577	5,361
Income taxes payable	10,467	6,938
Provision for repairs	3,152	47
Other	25,202	33,014
Total current liabilities	<u>112,572</u>	<u>102,667</u>
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	34,896	28,709
Deferred tax liabilities	18,705	14,786
Net defined benefit liability	10,609	11,686
Provision for directors' retirement benefits	79	87
Provision for repairs	46	1,246
Asset retirement obligation	1,093	1,091
Other	1,149	1,194
Total non-current liabilities	<u>96,581</u>	<u>88,802</u>
Total liabilities	<u>209,154</u>	<u>191,469</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	211,478	242,657
Treasury stock	(6,385)	(10,388)
Total shareholders' equity	<u>272,947</u>	<u>300,123</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,014	31,499
Deferred gains or losses on hedges	(88)	(146)
Foreign currency translation adjustment	14,674	5,885
Remeasurements of defined benefit plans	1,619	62
Total accumulated other comprehensive income	<u>51,219</u>	<u>37,301</u>
Non-controlling interests	<u>32,010</u>	<u>31,296</u>
Total net assets	<u>356,177</u>	<u>368,720</u>
Total liabilities and net assets	<u>565,332</u>	<u>560,190</u>

## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2015	Year ended Mar. 31, 2016
Net Sales	443,775	449,878
Cost of sales	327,628	316,049
Gross profit	116,147	133,829
Selling, general and administrative expenses	64,844	69,479
Operating Income	51,303	64,349
Non-operating income		
Interest income	445	510
Dividends income	1,357	1,857
Share of profit of entities accounted for using equity method	1,172	1,094
Foreign exchange gains	1,822	-
Rent income on non-current assets	354	538
Other	936	930
Total non-operating income	6,088	4,931
Non-operating expenses		
Interest expenses	1,376	1,131
Foreign exchange loss	-	2,065
Other	951	680
Total non-operating expenses	2,328	3,877
Ordinary income	55,063	65,404
Extraordinary gain		
Gain on disposal of non-current assets	436	1,176
Gain on sales of investment securities	52	2,719
Subsidy income	500	793
Total extraordinary gain	988	4,689
Extraordinary loss		
Loss on sales of non-current assets	-	172
Loss on retirement of non-current assets	2,539	4,311
Impairment loss	90	-
Loss on reduction of non-current assets	475	561
Claim compensation expenses	-	1,557
Total extraordinary loss	3,105	6,602
Profit before income taxes	52,947	63,491
Income Taxes		
Income taxes-current	15,695	16,630
Income taxes-deferred	1,155	305
Total income taxes	16,850	16,935
Profit	36,096	46,555
Profit attributable to non-controlling interests	4,843	6,242
Profit attributable to owners of parent	31,252	40,313

## (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2015	Year ended Mar. 31, 2016
Profit	36,096	46,555
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	14,603	(3,563)
Deferred gains or losses on hedges	(219)	(94)
Foreign currency translation adjustment	11,166	(10,503)
Remeasurements of defined benefit plans	3,783	(1,578)
Share of other comprehensive income (loss) of entities accounted for using equity method	987	(736)
Total other comprehensive income (loss)	30,322	(16,476)
Comprehensive income	66,419	30,079
Comprehensive income attributable to		
owners of parent	59,306	26,394
non-controlling interests	7,112	3,684

## (4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Mar. 31, 2015	Year ended Mar. 31, 2016
Net cash provided by (used in) operating activities		
Profit before income taxes	52,947	63,491
Depreciation and amortization	24,520	24,958
Impairment loss	90	-
Amortization of goodwill	1,113	1,011
Interest and dividends income	(1,802)	(2,367)
Interest expenses	1,376	1,131
Share of (profit) loss of entities accounted for using equity metho	(1,172)	(1,094)
Loss (gain) on disposal of non-current assets	(436)	(1,003)
Loss on retirement of non-current assets	2,539	4,311
Loss (gain) on sales of investment securities	(52)	(2,719)
Decrease (increase) in notes and accounts receivable-trade	2,801	(4,987)
Decrease (increase) in inventories	(12,063)	(1,317)
Increase (decrease) in notes and accounts payable-trade	(6,680)	1,325
Other, net	3,202	818
Subtotal	<u>66,383</u>	<u>83,558</u>
Interest and dividends income received	3,255	3,917
Interest expenses paid	(1,434)	(1,161)
Income taxes paid	(10,791)	(20,895)
Net cash provided by (used in) operating activities	<u>57,412</u>	<u>65,419</u>
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(293)	640
Net decrease (increase) in short-term investment securities	3,600	(397)
Purchase of property, plant and equipment	(29,060)	(34,694)
Proceeds from sales of property, plant and equipment	559	1,433
Purchase of intangible assets	(569)	(1,156)
Purchase of investment securities	(3,910)	(23)
Proceeds from sales and redemption of investment securities	2,117	5,622
Payments of loans receivable	(221)	(413)
Collection of loans receivable	13	107
Other, net	(2,517)	(2,524)
Net cash provided by (used in) investing activities	<u>(30,283)</u>	<u>(31,407)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,167)	(5,930)
Proceeds from long-term loans payable	5,000	382
Repayment of long-term loans payable	(15,314)	(8,415)
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(36)	(4,003)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(5,972)	(9,105)
Cash dividends paid to non-controlling interests	(739)	(3,858)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(540)
Net cash provided by (used in) financing activities	<u>(29,230)</u>	<u>(31,470)</u>
Effect of exchange rate change on cash and cash equivalents	4,812	(4,041)
Net increase (decrease) in cash and cash equivalents	<u>2,711</u>	<u>(1,500)</u>
Cash and cash equivalents at beginning of period	62,573	66,737
Amount of increase of cash equivalent of beginning of period due to changes in the accounting period of consolidated subsidiaries	1,452	-
Cash and cash equivalents at the end of period	<u>66,737</u>	<u>65,237</u>

## 8. Segment information

Year ended Mar. 31, 2015

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	95,704	89,041	169,520	83,578	5,930	443,775	-	443,775
Intersegment sales	2,567	17,517	5	-	9,792	29,883	(29,883)	-
Total	98,272	106,559	169,525	83,578	15,722	473,659	(29,883)	443,775
Operating income	25,712	9,456	15,912	10,043	30	61,155	(9,852)	51,303
Assets	110,583	70,783	174,552	97,015	9,921	462,857	102,474	565,332
Depreciation	6,168	4,503	6,261	5,264	235	22,431	977	23,409
Amortization of goodwill	-	-	623	489	-	1,113	-	1,113
Investment in equity method investees	9,012	139	2,539	-	-	11,692	-	11,692
Capital expenditure	14,914	6,363	2,286	6,170	378	30,112	516	30,629

Year ended Mar. 31, 2016

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	104,481	81,793	161,085	95,914	6,604	449,878	-	449,878
Intersegment sales	2,176	13,732	17	-	10,134	26,059	(26,059)	-
Total	106,657	95,525	161,102	95,914	16,738	475,938	(26,059)	449,878
Operating income	29,667	11,179	20,508	13,884	181	75,421	(11,071)	64,349
Assets	113,120	68,730	166,727	104,812	11,716	465,108	95,081	560,190
Depreciation	6,745	4,431	5,574	5,858	273	22,882	1,032	23,914
Amortization of goodwill	-	-	476	534	-	1,011	-	1,011
Investment in equity method investees	7,806	140	2,571	-	-	10,517	-	10,517
Capital expenditure	13,472	5,801	4,296	15,100	279	38,949	1,306	40,256

## 9. Related information

(1) Product and Service information

Year ended Mar. 31, 2016

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total
Sales to outside customers	104,481	81,793	161,085	95,914	6,604	449,878

(2) Geographic information

(i) Net sales

Year ended Mar. 31, 2016

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
204,777	72,106	81,695	91,299	449,878

(ii) Property, Plant and equipment

Year ended Mar. 31, 2016

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	Malaysia	Other		
115,406	17,248	26,513	16,407	175,576

## 10. Information of Impairment loss

Year ended Mar. 31, 2016

(Unit: Millions of Yen)

Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Corporate and eliminations	Total
-	-	-	-	-	-	-

## 11. Information of goodwill

Year ended Mar. 31, 2016

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Corporate and eliminations	Total
Amortization	-	-	476	534			1,011
Final Balance	-	-	687	3,006			3,694