

1st Quarter Consolidated Financial Results for the Year Ending March 31, 2016

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

July 30, 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
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 Scheduled date for submitting financial statements : August 12, 2015
 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, 2015

(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 | % |
| Three months ended Jun. 30, 2015 | 113,443 | 4.6 | 15,936 | 27.5 | 17,091 | 34.5 | 11,642 | 27.2 |
| Three months ended Jun. 30, 2014 | 108,505 | 14.4 | 12,501 | 60.6 | 12,704 | 39.7 | 9,156 | 42.8 |

(Note) Comprehensive income : 15,238 millions of yen (42.5%) for the three months ended June 30, 2015 and 10,693 millions of yen (△17.6%) for the three months ended June 30, 2014

| | Net income per share | Diluted earnings per share |
|----------------------------------|----------------------|----------------------------|
| | Yen | Yen |
| Three months ended Jun. 30, 2015 | 33.14 | - |
| Three months ended Jun. 30, 2014 | 26.06 | - |

(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 Jun. 30, 2015 | 569,570 | 364,732 | 58.5 | 948.20 |
| As of Mar. 31, 2015 | 565,332 | 356,177 | 57.3 | 922.71 |

(Note) Shareholder's equity : 333,120 millions of yen as of June 30, 2015 and 324,167 millions of yen as of March 31, 2015

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, 2015 | - | 8.00 | - | 13.00 | 21.00 |
| Year ending Mar. 31, 2016 | - | - | - | - | - |
| Year ending Mar. 31, 2015 (forecast) | - | 13.00 | - | 13.00 | 26.00 |

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

3. Forecast of consolidated financial results for the Year Ending March 31, 2016

(% 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, 2015 | 230,000 | 5.2 | 26,500 | 4.4 | 27,500 | 3.9 | 17,500 | 3.2 | 49.81 |
| Year ending Mar. 31, 2016 | 467,000 | 5.2 | 54,000 | 5.3 | 56,000 | 1.7 | 35,000 | 12.0 | 99.62 |

(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, 2015: 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, 2015 | 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 Jun. 30, 2015 | 13,622,526 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) | Three months ended Jun. 30, 2015 | 351,320,298 shares | Three months ended Jun. 30, 2014 | 351,350,025 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.

5. Qualitative Information on First Quarter Consolidated Financial Results

(1) Explanation on Operating Results

Looking at the world trends during the first quarter of the fiscal year ending March 2016, while the economy remained on a recovery trend in the United States and also continued to pick up in Europe, economic growth slowed down in China. The Japanese economy stayed on a moderate recovery track as indicated by improved corporate earnings and increased capital investment.

Amid such circumstances, favorable foreign exchange rates and other factors pushed up the Group sales for the three months under review to ¥113.443 billion (up 4.6% year-on-year). Operating income was ¥15.936 billion (up 27.5% year-on-year), ordinary income was ¥17.091 billion (up 34.5% year-on-year), and net income attributable to owners of the parent rose to ¥11.642 billion (up 27.2% year-on-year).

Segment information is summarized as follows.

Cellulosic Derivatives

Sales of cellulose acetate remained flat. Demand decreased for LCD film application, but increased for other applications.

As for acetate tow for cigarette filters, sales recorded growth thanks to favorable foreign exchange rates and other factors, despite a slight decline in sales quantity that resulted from globally decelerating demand and inventory adjustment in the Chinese market.

Consequently, overall segment sales amounted to ¥26.890 billion (up 8.3% year-on-year). Operating income was ¥7.785 billion (up 21.4% year-on-year).

Organic Chemicals

Sales of acetic acid, our key product, decreased as sales quantity declined due to the implementation of the biennial periodical repairs of our Aboshi Plant during the period under review.

Sales of general products such as acetic acid derivatives and solvents also fell. Although sales quantity of electronic materials remained unchanged, that of paint and other applications posted a decline.

Functional products such as caprolactone derivatives, epoxy compounds and others posted sales growth backed by strong overseas sales, favorable exchange rates and other factors.

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 ¥21.182 billion (down 6.6% year-on-year). Operating income also rose to ¥3.389 billion (up 64.0% year-on-year).

Plastics

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), registered growth in sales. Favorable foreign exchange rates contributed to the increase in sales, despite adverse effects of production decreases by the Japanese automobile manufacturers and weak sales of electronic devices.

Sales growth was also recorded by the resin compound business centering on ABS resins and engineering plastic alloy resins due primarily to overseas sales growth and favorable foreign exchange rates, while domestic sales remained flat.

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

Consequently, overall segment sales amounted to ¥41.906 billion (up 3.1% year-on-year). Operating income was ¥4.770 billion (up 18.1% year-on-year).

Pyrotechnic Devices

The automobile airbag inflator (gas-generating device) and other automobile safety part business achieved sales growth thanks to an increase in initiator (part for igniting the inflator) sales quantity, favorable exchange rates and other factors, while inflator sales remained almost unchanged.

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 ¥22.260 billion (up 15.7% year-on-year). Operating income was ¥2.817 billion (up 15.5% year-on-year).

Others

In the membrane business, including membrane modules for water treatment, sales declined partly due to weak sales for the sewage sector.

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

Consequently, overall segment sales amounted to ¥1.203 billion (up 8.8% year-on-year). On the income front, we posted an operating loss of ¥0.161 billion (operating loss of ¥81 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 ¥569.570 billion, representing an increase of ¥4.238 billion measured against the end of the previous consolidated fiscal year-end, or March 31, 2015, due primarily to increases in cash and deposits, and in property, plant and equipment, despite a decrease in marketable securities and others.

Total liabilities amounted to ¥204.837 billion, representing a decrease of ¥4.317 billion from March 31, 2015, due primarily to decreases in notes and accounts payable, income taxes payable and others.

Total net assets were ¥364.732 billion. Total shareholders' equity, which is net assets minus non-controlling interests, was ¥333.120 billion. The shareholders' equity ratio was 58.5%.

6. Matters concerning summary information (Notes)

(1) Changes in important subsidiaries during the three months ended June 30, 2015

Not applicable

(2) Changes in accounting policy/changes of estimation in accounting and modified restatement

Changes in accounting policy

(Adoption of Accounting Standards for Business Combination)

Effective from the first three months ended June 30, 2015, the Company has adopted the "Accounting Standards for Business Combination" (ASBJ Statement No. 21, issued on September 13, 2013; hereinafter "Business Combination Standards"), "Accounting Standards for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013; hereinafter, "Consolidated Accounting Standards"), "Accounting Standards for Business Divestiture" (ASBJ Statement No. 7, issued on September 13, 2013; hereinafter "Business Divestiture Standards") and others.

Accordingly, the Company's accounting policies have been changed; the difference arising from a change

in the Company's ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year during which they are incurred.

In addition, for business combinations to be performed at and after the beginning of the first quarter of the fiscal year under review, a method was changed to recognize an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost in the consolidated financial statements for the quarter to which the date of business combination belongs. Furthermore, the Company has changed the presentation of net income and other related items, and the presentation of "minority interests" to "non-controlling interests." To reflect this change in presentation, a reclassification of accounts has been made to the consolidated financial statements for the three months ended June 30, 2014 and the fiscal year ended March 31, 2015.

The Business Combination Standards and others were adopted in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combination Standards, Paragraph 44-5 (4) of Consolidated Accounting Standards and Paragraph 57-4 (4) of the Business Divestiture Standards, and they have been prospectively adopted from the beginning of the first quarter of the fiscal year ending March 2016.

These changes have no impact on profit or loss.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

| | As of Mar. 31, 2015 | As of Jun. 30, 2015 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 64,594 | 67,266 |
| Notes and accounts receivable-trade | 83,394 | 84,772 |
| Short-term investment securities | 5,185 | 3,634 |
| Inventories | 107,101 | 106,174 |
| Other | 19,628 | 18,746 |
| Allowance for doubtful accounts | (115) | (102) |
| Total current assets | <u>279,788</u> | <u>280,491</u> |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 50,048 | 50,361 |
| Machinery, equipment and vehicles, net | 62,300 | 64,889 |
| Land | 27,793 | 27,627 |
| Construction in progress | 23,604 | 24,015 |
| Other, net | 3,148 | 3,110 |
| Total property, plant and equipment | <u>166,896</u> | <u>170,004</u> |
| Intangible assets | | |
| Goodwill | 4,919 | 4,790 |
| Other | 8,315 | 8,293 |
| Total Intangible assets | <u>13,234</u> | <u>13,083</u> |
| Investments and other assets | | |
| Investment securities | 81,662 | 82,398 |
| Other | 23,891 | 23,731 |
| Allowance for doubtful accounts | (141) | (138) |
| Total investments and other assets | <u>105,412</u> | <u>105,991</u> |
| Total noncurrent assets | <u>285,543</u> | <u>289,079</u> |
| Total assets | <u>565,332</u> | <u>569,570</u> |

| Liabilities | | |
|---|----------------|----------------|
| Current liabilities | | |
| Notes and accounts payable-trade | 51,690 | 47,283 |
| Short-term loans payable | 13,481 | 17,966 |
| Current portion of long-term loans payable | 8,577 | 8,219 |
| Income taxes payable | 10,467 | 2,337 |
| Provision for repairs | 3,152 | 783 |
| Other | 25,202 | 30,660 |
| Total current liabilities | <u>112,572</u> | <u>107,251</u> |
| Noncurrent liabilities | | |
| Bonds payable | 30,000 | 30,000 |
| Long-term loans payable | 34,896 | 35,144 |
| Provision for directors' retirement benefits | 79 | 75 |
| Provision for repairs | 46 | - |
| Net defined benefit liability | 10,609 | 10,743 |
| Asset retirement obligation | 1,093 | 1,094 |
| Other | 19,855 | 20,527 |
| Total noncurrent liabilities | <u>96,581</u> | <u>97,586</u> |
| Total liabilities | <u>209,154</u> | <u>204,837</u> |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 36,275 | 36,275 |
| Capital surplus | 31,579 | 31,579 |
| Retained earnings | 211,478 | 218,553 |
| Treasury stock | (6,385) | (6,386) |
| Total shareholders' equity | <u>272,947</u> | <u>280,022</u> |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 35,014 | 36,049 |
| Deferred gains or losses on hedges | (88) | (55) |
| Foreign currency translation adjustment | 14,674 | 15,443 |
| Remeasurements of defined benefit plans | 1,619 | 1,660 |
| Total accumulated other comprehensive income | <u>51,219</u> | <u>53,098</u> |
| Non-controlling interests | <u>32,010</u> | <u>31,612</u> |
| Total net assets | <u>356,177</u> | <u>364,732</u> |
| Total liabilities and net assets | <u>565,332</u> | <u>569,570</u> |

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

| | Three months ended Jun. 30, 2014 | Three months ended Jun. 30, 2015 |
|---|-------------------------------------|-------------------------------------|
| Net Sales | 108,505 | 113,443 |
| Cost of sales | 80,818 | 80,670 |
| Gross profit | 27,686 | 32,773 |
| Selling, general and administrative expenses | 15,184 | 16,836 |
| Operating Income | 12,501 | 15,936 |
| Non-operating income | | |
| Interest income | 94 | 143 |
| Dividends income | 595 | 614 |
| Equity in earnings of affiliates | 231 | 222 |
| Foreign exchange gains | - | 452 |
| Other | 329 | 250 |
| Total non-operating income | 1,251 | 1,683 |
| Non-operating expenses | | |
| Interest expenses | 365 | 328 |
| Foreign exchange loss | 520 | - |
| Other | 162 | 199 |
| Total non-operating expenses | 1,048 | 528 |
| Ordinary income | 12,704 | 17,091 |
| Extraordinary gain | | |
| Gain on disposal of noncurrent assets | 342 | 439 |
| Gain on sales of investment securities | - | 1,306 |
| Subsidies from municipal governments | 500 | 130 |
| Total extraordinary gain | 842 | 1,877 |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 42 | 549 |
| Loss on valuation of investment securities | 475 | 130 |
| Total extraordinary loss | 517 | 680 |
| Income before income taxes and minority interests | 13,028 | 18,288 |
| Income Taxes | | |
| Income taxes-current | 2,974 | 3,940 |
| Income taxes for prior periods | (842) | - |
| Income taxes-deferred | 700 | 1,388 |
| Total income taxes | 2,833 | 5,328 |
| Profit | 10,195 | 12,959 |
| Profit attributable to non-controlling interests | 1,038 | 1,317 |
| Profit attributable to owners of parent | 9,156 | 11,642 |

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

| | Three months ended Jun. 30, 2014 | Three months ended Jun. 30, 2015 |
|--|-------------------------------------|-------------------------------------|
| Income before minority interests | 10,195 | 12,599 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,794 | 1,108 |
| Deferred gains or losses on hedges | (91) | 56 |
| Foreign currency translation adjustment | (1,169) | 930 |
| Remeasurements of defined benefit plans, net of tax | 65 | 54 |
| Share of other comprehensive income of associates accounted for using equity method | (100) | 128 |
| Total other comprehensive income | 498 | 2,278 |
| Comprehensive income | 10,693 | 15,238 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 9,802 | 13,520 |
| Comprehensive income attributable to minority interests | 890 | 1,717 |

8. Segment information

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 |

Three months ended Jun. 30, 2015

(Unit: Millions of Yen)

| | Cellulosic derivatives | Organic chemicals | Plastics | Pyrotechnic devices | Others | Total | Corporate and eliminations | Consolidated |
|-------------------------|------------------------|-------------------|----------|---------------------|--------|---------|----------------------------|--------------|
| Net sales | | | | | | | | |
| Outside customers | 26,890 | 21,182 | 41,906 | 22,260 | 1,203 | 113,443 | - | 113,443 |
| Intersegment sales | 382 | 3,452 | 0 | - | 3,835 | 6,292 | (6,292) | - |
| Total | 22,273 | 24,634 | 41,907 | 22,260 | 3,659 | 119,735 | (6,292) | 113,443 |
| Operating income (loss) | 7,785 | 3,389 | 4,770 | 2,817 | (161) | 18,601 | (2,664) | 15,936 |