

3rd 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)

February 3, 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
Contact person	: Masahiko Hirokawa, General Manager-Investor Relations & Corporate communications Phone +81-3-6711-8121
Scheduled date for submitting financial statements	: February 12, 2016
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, 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	%
Nine months ended Dec. 31, 2015	342,142	2.7	49,388	25.2	51,024	16.9	33,871	30.2
Nine months ended Dec. 31, 2014	333,067	9.8	39,432	39.5	43,648	37.2	26,014	36.9

(Note) Comprehensive income : 33,258 millions of yen (Δ 34.6%) for the nine months ended December 31, 2015 and 50,816 millions of yen (36.9%) for the nine months ended December 31, 2014

	Net income per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2015	96.52	-
Nine months ended Dec. 31, 2014	74.04	-

(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, 2015	576,082	372,441	59.3	978.04
As of Mar. 31, 2015	565,332	356,177	57.3	922.71

(Note) Shareholder's equity : 341,505 millions of yen as of December 31, 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	-	13.00	-	-	-
Year ending Mar. 31, 2016 (forecast)	-	-	-	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
Year ending Mar. 31, 2016	459,000	3.4	61,000	18.9	63,000	14.4	39,000	24.8	111.69

(Note) Revisions to the latest announced forecast of consolidated financial results: Not Applicable

4. Others

(1) Changes in significant subsidiaries during the Nine months ended Dec. 31, 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 Dec. 31, 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 Dec. 31, 2015	15,769,731 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)	Nine months ended Dec. 31, 2015	350,937,641 shares	Nine months ended Dec. 31, 2014	351,339,104 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) Explanation about Operating Results

Reviewing the global economic conditions during the nine months ended December 31, 2015, while the US economy stayed on a recovery trend and moderate economic recovery continued in Europe, a gradual deceleration was seen in the Chinese economy. Meanwhile, the Japanese economy continued to recover at a slow pace as exemplified in improved corporate earnings, though some weaknesses were seen.

Amid such circumstances, favorable foreign exchange rates and other factors pushed up the Group sales revenue for the nine months under review to ¥342.142 billion (up 2.7% year-on-year). Operating income was ¥49.388 billion (up 25.2% year-on-year), ordinary income was ¥51.024 billion (up 16.9% year-on-year), and net income attributable to owners of the parent rose to ¥33.871 billion (up 30.2% year-on-year).

Segment information is summarized as follows.

[Cellulosic Derivatives]

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

As for acetate tow for cigarette filters, a slight increase in sales quantity 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 ¥81.052 billion (up 11.6% year-on-year). Operating income was ¥23.492 billion (up 19.8% year-on-year).

[Organic Chemicals]

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

Sales revenue of general products such as acetic acid derivatives and solvents also fell, affected by decreases in the sales quantity of electronic materials, paint and other applications.

Functional products such as caprolactone derivatives, epoxy compounds and others posted a slight increase in sales revenue supported by 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 due mainly to the termination of a major spot custom service contract, despite healthy column sales for China, India.

Consequently, overall segment sales revenue amounted to ¥61.884 billion (down 8.9% year-on-year). Operating income rose to ¥8.436 billion (up 19.8% year-on-year).

[Plastics]

Despite favorable foreign exchange rates, the engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), was adversely affected by the economic slowdown in China, decelerating growth in the production of Japanese automobile manufacturers and weak sales of electronic devices, resulting in only a slight decline in sales revenue.

A decline in sales was recorded by the resin compound business centering on ABS resins and engineering plastic alloy resins due primarily to 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 ¥123.931 billion (down 3.1% year-on-year). Operating income rose to ¥15.208 billion (up 27.0% year-on-year).

[Pyrotechnic Devices]

The automobile airbag inflator (gas-generating device) and other automobile safety parts business achieved growth in sales revenue thanks to increases in the sales quantity 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 ¥70.575 billion (up 16.4% year-on-year). Operating income was ¥10.200 billion (up 32.9% year-on-year).

[Other Businesses]

In the membrane business, including membrane modules for water treatment, sales revenue increased due partly to frontloaded product releases in the medical sector.

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

Consequently, overall segment sales revenue amounted to ¥4.697 billion (up 16.0% year-on-year). On the income front, we posted an operating loss of ¥46 million (operating loss of ¥53 million in the same period of the previous year).

(2) Qualitative Information Regarding Financial Position

Changes in assets, liabilities and equity

Total assets amounted to ¥576.082 billion, representing an increase of ¥10.750 billion measured against the end of the previous consolidated fiscal year-end, or March 31, 2015, due primarily to increases in notes and accounts receivable, and property, plant and equipment.

Total liabilities amounted to ¥203.641 billion, representing a decrease of ¥5.512 billion from March 31, 2015, due primarily to decreases in long-term loans and income taxes payable.

Total net assets were ¥372.441 billion. Total shareholders' equity, which is net assets minus non-controlling interests, was ¥341.505 billion. The shareholders' equity ratio was 59.3%.

6. Matters concerning summary information (Notes)

(1) Changes in important subsidiaries during the nine months ended December 31, 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, the 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 nine months ended December 31, 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 FY 2015.

These changes have no impact on profit and loss.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2015	As of Dec. 31, 2015
Assets		
Current assets		
Cash and deposits	64,594	63,592
Notes and accounts receivable-trade	83,394	93,506
Short-term investment securities	5,185	1,184
Inventories	107,101	103,843
Other	19,628	22,056
Allowance for doubtful accounts	(115)	(112)
Total current assets	<u>279,788</u>	<u>284,070</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,048	48,873
Machinery, equipment and vehicles, net	62,300	62,375
Land	27,793	27,474
Construction in progress	23,604	31,217
Other, net	3,148	3,224
Total property, plant and equipment	<u>166,896</u>	<u>173,165</u>
Intangible assets		
Goodwill	4,919	4,179
Other	8,315	7,955
Total Intangible assets	<u>13,234</u>	<u>12,134</u>
Investments and other assets		
Investment securities	81,662	82,674
Other	23,891	24,279
Allowance for doubtful accounts	(141)	(242)
Total investments and other assets	<u>105,412</u>	<u>106,712</u>
Total non-current assets	<u>285,543</u>	<u>292,011</u>
Total assets	<u>565,332</u>	<u>576,082</u>

	As of Mar. 31, 2015	As of Dec. 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	51,690	53,364
Short-term loans payable	13,481	13,511
Current portion of long-term loans payable	8,577	6,434
Income taxes payable	10,467	4,910
Provision for repairs	3,152	50
Other	25,202	29,557
Total current liabilities	<u>112,572</u>	<u>107,828</u>
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	34,896	32,131
Provision for directors' retirement benefits	79	83
Provision for repairs	46	784
Net defined benefit liability	10,609	11,015
Asset retirement obligation	1,093	1,102
Other	19,855	20,695
Total non-current liabilities	<u>96,581</u>	<u>95,813</u>
Total liabilities	<u>209,154</u>	<u>203,641</u>
Net assets		
Shareholders' equity		
Common stock	36,275	36,275
Capital surplus	31,579	31,579
Retained earnings	211,478	236,216
Treasury stock	(6,385)	(10,388)
Total shareholders' equity	<u>272,947</u>	<u>293,682</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,014	36,770
Deferred gains or losses on hedges	(88)	(61)
Foreign currency translation adjustment	14,674	9,437
Remeasurements of defined benefit plans	1,619	1,675
Total accumulated other comprehensive income	<u>51,219</u>	<u>47,822</u>
Non-controlling interests	<u>32,010</u>	<u>30,935</u>
Total net assets	<u>356,177</u>	<u>372,441</u>
Total liabilities and net assets	<u>565,332</u>	<u>576,082</u>

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2014	Nine months ended Dec. 31, 2015
Net Sales	333,067	342,142
Cost of sales	246,254	240,957
Gross profit	86,813	101,184
Selling, general and administrative expenses	47,380	51,795
Operating Income	39,432	49,388
Non-operating income		
Interest income	324	394
Dividends income	1,183	1,282
Equity in earnings of affiliates	988	852
Foreign exchange gains	2,282	-
Other	1,021	1,050
Total non-operating income	5,800	3,579
Non-operating expenses		
Interest expenses	1,069	890
Foreign exchange loss	-	414
Other	515	639
Total non-operating expenses	1,585	1,943
Ordinary income	43,648	51,024
Extraordinary gain		
Gain on disposal of non-current assets	354	1,114
Gain on sales of investment securities	-	2,719
Subsidies from municipal governments	500	130
Total extraordinary gain	854	3,963
Extraordinary loss		
Loss on retirement of non-current assets	762	2,238
Impairment loss	90	-
Loss on reduction of non-current assets	475	130
Total extraordinary loss	1,328	2,369
Income before income taxes and minority interests	43,174	52,618
Income Taxes		
Income taxes-current	11,288	12,946
Income taxes-deferred	2,267	1,308
Total income taxes	13,555	14,255
Profit	29,619	38,363
Profit attributable to non-controlling interests	3,605	4,491
Profit attributable to owners of parent	26,014	33,871

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2014	Nine months ended Dec. 31, 2015
Profit	29,619	38,363
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	8,294	1,789
Deferred gains or losses on hedges	(143)	60
Foreign currency translation adjustment	11,884	(6,684)
Defined defined benefit plans	181	107
Share of other comprehensive income (loss) in associates	979	(377)
Total other comprehensive income (loss)	21,196	(5,104)
Comprehensive income	50,816	33,258
Comprehensive income attributable to		
owners of the parent	44,713	30,474
non-controlling interests	6,102	2,784

8. Segment information

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	19,607	7,040	11,977	7,673	(53)	46,245	(6,813)	39,432

Nine months ended Dec. 31, 2015

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	81,052	61,884	123,931	70,575	4,697	342,142	-	342,142
Intersegment sales	1,730	10,731	12	-	7,468	19,943	(19,943)	-
Total	82,783	72,615	123,944	70,575	12,166	362,085	(19,943)	342,142
Operating income	23,492	8,436	15,208	10,200	(46)	57,291	(7,902)	49,388