Consolidated Financial Results for the Year Ended March 31, 2017

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

May 10, 2017

Company name	: DAICEL CORPORATION
Stock Exchange on which the shares are listed	: Tokyo Stock Exchange in Japan
Code number	: 4202
URL	: https://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 of the general meeting of shareholders	: June 23, 2017
Scheduled date for submitting financial statements	: June 26, 2017
Scheduled date for dividend payment	: June 26, 2017
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, 2017 (Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results (% of change from previous year)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2017	440,061	△ 2.2	64,306	△ 0.1	66,215	1.2	43,198	7.2
Year ended Mar. 31, 2016	449,878	1.4	64,349	25.4	65,404	18.8	40,313	29.0

(Note) Comprehensive income : 51,939 millions of yen (72.7%) for the Year ended March 31, 2017 and 30,079 millions of yen (△54.7%) for the Year ended March 31, 2016

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2017	124.61	–	12.2	11.4	14.6
Year ended Mar. 31, 2016	115.02	–	12.2	11.6	14.3

(Reference) Share of profit of entities accounted for using equity method : 870 millions of yen for the Year ended March 31, 2017 and 1,094 millions of yen for the Year ended March 31, 2016

(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, 2017	599,708	399,429	61.6	1,067.63
Year ended Mar. 31, 2016	560,190	368,720	60.2	966.36

(Reference) Shareholders' equity : 369,620 millions of yen as of March 31, 2017 and 337,424 millions of yen as of March 31, 2016

(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, 2017	86,168	△ 34,722	△ 19,942	96,275
Year ended Mar. 31, 2016	65,419	△ 31,407	△ 31,470	65,237

2. Dividends

	Cash dividends per share					Dividends in total (Annual)	Dividend payout ratio (consolidated basis)	Dividends to net assets (consolidated basis)
(Reference data)	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended Mar. 31, 2016	–	13.00	–	13.00	26.00	9,106	22.6	2.8
Year ended Mar. 31, 2017	–	13.00	–	17.00	30.00	10,386	24.1	2.9
Year ending Mar. 31, 2018 (Forecast)	–	16.00	–	16.00	32.00		29.9	

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2018

(% of change from same period of previous year)

	Net sales		Operating profit		Ordinary profit		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, 2017	227,500	8.4	30,500	△ 0.3	31,000	5.0	18,000	△ 5.6	51.99
Year ending Mar. 31, 2018	460,000	4.5	61,000	△ 5.1	62,000	△ 6.4	37,000	△ 14.3	106.87

*Notes
(1) Changes in significant subsidiaries during the Year ended Mar. 31, 2017 : 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 shares)	As of Mar. 31, 2017	349,942,682 shares	As of Mar. 31, 2016	364,942,682 shares
ⅱ Number of treasury shares at the end of each period	As of Mar. 31, 2017	3,737,941 shares	As of Mar. 31, 2016	15,770,285 shares
ⅲ Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Year ended Mar. 31, 2017	346,660,483 shares	Year ended Mar. 31, 2016	350,498,782 shares

(Reference) Overview of the Unconsolidated Financial Results

Unconsolidated Financial Results for the Year Ended March 31, 2017 (Amounts are rounded down to the nearest million)
(1) Unconsolidated Operating Results (% of change from previous year)

	Net Sales		Operating profit		Ordinary profit		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2017	229,544	△ 2.8	27,715	△ 14.5	38,593	△ 10.3	32,681	△ 4.5
Year ended Mar. 31, 2016	236,213	3.4	32,434	32.8	43,017	42.4	34,223	68.1

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 31, 2017	94.27	-
Year ended Mar. 31, 2016	97.67	-

(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, 2017	423,755	279,009	65.8	805.91
Year ended Mar. 31, 2016	385,842	256,267	66.4	733.93

(Reference) Shareholder's equity : 279,009 millions of yen as of March 31, 2017 and 256,267 millions of yen as of March 31, 2016

*This Financial Results report is not subject to audit.

*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. Overview of the operating results

(1) Overview of operating results for the fiscal year under review

During the fiscal year ended March 31, 2017, despite the fact that a deceleration in the Chinese economy was seen for a period, the global economy as a whole remained on a mild recovery track. The Japanese economy continued to recover at a slow pace with some weaknesses seen. However, the situation was unpredictable due primarily to changes in the foreign exchange environment and increasing uncertainty in international affairs.

Amid such circumstances, the Daicel Group has been continuously working hard on strengthening its corporate foundation, mainly through construction of an optimal production system that meets product demand and offers organizational reinforcement to expand business as well as continuous cost reduction.

As a result, sales revenue for the consolidated fiscal year under review totaled ¥440.061 billion (down 2.2% year-on-year), and was adversely affected by foreign exchange rates and other factors. On the income front, operating income amounted to ¥64.306 billion (down 0.1% year-on-year), ordinary income was ¥66.215 billion (up 1.2% year-on-year) and net income attributable to owners of the parent rose to ¥43.198 billion (up 7.2% year-on-year).

(Unit: Billion Yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Year ended March 31, 2017	440.061	64.306	66.215	43.198
Year ended March 31, 2016	449.878	64.349	65.404	40.313
Change from previous year	−9.817	−0.043	0.811	2.885
% of change	−2.2	−0.1	1.2	7.2

Capital investment for the fiscal year under review

(Unit: Billion Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(Dollar/Yen)
Year ended March 31, 2017	38.648	0.880	39.528	27.511	1.519	29.031	16.806	109
Year ended March 31, 2016	39.100	1.155	40.256	22.407	1.507	23.914	15.306	120
Change from previous year	−0.452	−0.275	−0.728	5.104	0.012	5.117	1.500	-
% of change	−1.2	−23.8	−18.1	22.8	0.8	21.4	9.8	-

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

Information by Segment is summarized as follows.

[Cellulosic Derivatives]

Sales revenue of cellulose acetate posted a decline. Demand remained almost unchanged for LCD film applications, but decreased for other applications. Also, unfavorable foreign exchange rates and other factors had a negative impact.

As for acetate tow for cigarette filters, amid slack demand around the world, contributions to boosting sales volume were made by strengthened relationships with main customers, development of new customers, and an increase in production at our Ohtake Plant. Meanwhile, sale revenue dropped due mainly to unfavorable foreign exchange rates.

Consequently, overall segment sales revenue amounted to ¥89.476 billion (down 14.4% year-on-year). Operating income fell to ¥23.0 billion (down 22.5% year-on-year) due to the influence of exchange rates, an increase in depreciation cost and other factors.

[Organic Chemicals]
Acetic acid, our key product, posted a growth in sales volume as the biennial periodical maintenance of our Aboshi Plant was not implemented during the period under review. However, unfavorable foreign exchange rates and sluggish market conditions pushed down sales revenue.
Sales revenue of organic chemicals also fell, adversely affected by unfavorable foreign exchange rates, the impact of falling crude oil prices on selling prices and other factors, despite an increase in sales volume.
Performance chemicals posted a slight increase in sales revenue thanks to solid demand for some products in the electronic materials, cosmetics/healthcare and other markets, despite the effect of unfavorable foreign exchange rates.
Sales revenue of the chiral separation business, such as optical resolution columns, decreased due mainly to unfavorable foreign exchange rates, despite healthy column sales for India and other destinations.
Consequently, overall segment sales amounted to ¥76.193 billion (down 6.8% year-on-year). Operating income rose to ¥11.538 billion (up 3.2% year-on-year), reflecting a decline in raw material and fuel procurement prices and other factors.

[Plastics]
The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), registered a growth in sales volume buoyed by solid automobile production in China and Southeast Asia, despite deceleration in emerging economies including China and a slowdown in the electronic device market. Meanwhile, unfavorable foreign exchange rates, the impact of falling raw material and fuel prices on selling prices and other factors pushed down sales revenue.
A decline in sales revenue was also recorded by the plastic compound business centering on ABS resins and engineering plastic alloy resins, due primarily to unfavorable foreign exchange rates and the impact of falling crude oil prices on selling prices, despite an increase in sales volume.
As for the plastic processing business, including sheets, molded containers and films, sales revenue decreased, reflecting a decline in sales of sheets and other products.
Consequently, overall segment sales amounted to ¥156.946 billion (down 2.6% year-on-year). Operating income rose to ¥21.551 billion (up 5.1% year-on-year), thanks to the increase in sales volume, falling raw material and fuel procurement prices, improved profitability achieved by each company, and other factors.
[Pyrotechnic Devices]
The automobile airbag inflator (gas-generating device) and other automobile safety parts business achieved a growth in sales revenue, thanks to an increase in inflator sales volume and other factors, despite unfavorable exchange rates.
Aerospace & defense businesses, which cover items such as gunpowder, missile components and pilot emergency-escape systems, saw a decline in sales revenue.
Consequently, overall segment sales came to ¥111.199 billion (up 15.9% year-on-year). Operating income rose to ¥21.278 billion (up 53.3% year-on-year) thanks to the increase in sales volume and other factors.

[Other Businesses]
In the membrane business, including membrane modules for water treatment, sales revenue decreased due to decreased sales including those of apparatus.
Other businesses including the warehousing business also posted a decline in sales revenue.
Consequently, overall segment sales amounted to ¥6.244 billion (down 5.5% year-on-year). Operating income was ¥741 million (up 309.4% year-on-year).

(2) Overview of financial position for the fiscal year under review

Total assets as of March 31, 2017 were ¥599.708 billion, an increase of ¥39.518 billion from March 31, 2016, due primarily to increases in cash and deposits as well as notes and accounts receivable, despite a decrease in inventories and other factors.

Total liabilities were ¥200.278 billion, an increase of ¥8.809 billion from March 31, 2016 due primarily to increases in deferred tax liabilities and provision for repairs, despite decreases in notes and accounts payable and other factors.

Total net assets were ¥ 399.429 billion. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥369.620 billion. Shareholders' equity ratio was 61.6%.

(3) Overview of cash flow for the fiscal year under review

Cash flow from operating activities

Cash flow from operating activities during the consolidated fiscal year under review increased by ¥86.861 billion (vs. an increase of ¥65.419 billion in the same period last year). The increase in funds was mainly attributable to ¥64.373 billion of net income before income taxes and ¥29.926 billion of depreciation and amortization. Meanwhile, the main factor for the decrease in funds was a payment of ¥16.272 billion for corporate income taxes.

Cash flow from investment activities

Cash flow from investment activities during the consolidated fiscal year under review decreased by ¥34.722 billion (vs. a decrease of ¥31.407 billion in the same period last year). The main factors for the decrease in funds were expenditures of ¥37.201 billion for the purchase of property, plant, and equipment.

Cash flow from financing activities

Cash flow from operating activities during the consolidated fiscal year under review decreased by ¥19.942 billion (vs. a decrease of ¥31.470 billion in the same period last year). The increase in funds was mainly attributable to ¥5.771 billion of income from long-term borrowings. Meanwhile, main factors accounting for the decrease in funds were ¥5.318 billion of repayment of long-term loans, an expenditure of ¥4.001 billion for acquisition of treasury stock, ¥9.036 billion in dividend payments and ¥6.259 billion in dividends paid to non-controlling interests.

As a result of the above, cash and cash equivalents on March 31, 2017 totaled ¥96.275 billion

Reference: Trends in cash flow indicators

	March 2014	March 2015	March 2016	March 2017
Shareholders' equity per total assets (%)	52.7	57.3	60.2	61.6
Shareholders' equity per total assets on market value basis (%)	58.3	89.1	95.9	77.4
Ratio of interest-bearing liabilities to cash flow (year)	2.4	1.5	1.1	0.8
Interest coverage ratio (times)	42.5	40.0	56.3	88.7

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.

(4) Forecast of consolidated performance and other future predictions

With regard to the world's economy going forward, moderate recovery is expected to continue, supported by resilient consumer spending against the backdrop of an improved employment environment in developed countries. Meanwhile, an uncertain business environment is likely to continue, given that anti-globalization movements triggered by economic disparity and immigration issues, as well as geopolitical risks, may exert a material impact on the economic outlook.

Amid these circumstances, regarding the Daicel Group's business forecast for the fiscal year ending March 31, 2018, while sales volumes of acetate tow for cigarette filters, automobile airbag inflators and other products are expected to grow, the biennial periodical maintenance of our Aboshi Plant is scheduled and a rise in raw material and fuel prices is anticipated. Taking these factors into consideration, the Company forecasts net sales of ¥460.0 billion, operating income of ¥61.0 billion, ordinary income of ¥62.0, and net income attributable to owners of the parent of ¥37.0 billion. For these forecasts, we assume an exchange rate (US$/¥) of ¥110, (Asian spot) methanol price of US$300/ton, Dubai crude oil price of US$55/bbl and domestic naphtha price of ¥42,000/kl.

Our consolidated 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, 2018

(Unit: Billion Yen)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Year ending March 31, 2018	460.000	61.000	62.000	37.000
Year ended March 31, 2017	440.061	64.306	66.215	43.198
Change from previous year	19.939	-3.306	-4.215	-6.198
% change	4.5	-5.1	-6.4	-14.3

Outlook for sales by segment

(Unit: Billion Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Other Businesses
Year ending March 31, 2018	89.700	82.000	160.000	121.500	6.800
Year ended March 31, 2017	89.476	76.193	156.946	111.199	6.244
Change from previous year	0.224	5.807	3.054	10.301	0.556
% change	0.3	7.6	1.9	9.3	8.9

Outlook for operating income by segment

(Unit: Billion Yen)

	Cellulosic Derivatives	Organic Chemicals	Plastics	Pyrotechnic Devices	Others	Corporate & Eliminations
Year ending March 31, 2018	20.700	9.000	20.000	24.500	0.800	-14.000
Year ended March 31, 2017	23.000	11.538	21.551	21.278	0.741	-13.804
Change from previous year	-2.300	-2.538	-1.551	3.222	0.059	-0.196
% change	-10.0	-22.0	-7.2	15.1	8.0	-1.4

Outlook for capital investment, etc.

(Unit: Billion Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(Dollar/Yen)
Year ending March 31, 2018	43.500	1.500	45.000	30.000	2.000	32.000	19.900	110
Year ended March 31, 2017	38.648	0.880	39.528	27.511	1.519	29.031	16.806	109
Change from previous year	4.852	0.620	5.472	2.489	0.481	2.969	3.094	-
% change	12.6	70.5	13.8	9.0	31.7	10.2	18.4	-

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

(5) Basic policy regarding profit distribution and dividends for the current and next fiscal years

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 an agile 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 growing benefits to our shareholders.

In our 3-year "3D-II" mid-term plan, which started in FY2014, we set a target of 30% for the shareholder return ratio, continued from "3D-I", a 3-year mid-term plan started in FY2011. This ratio is calculated as the amount of dividends plus the acquired amount of treasury stocks divided by the consolidated net income 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 ¥17 per share at our 151st Annual General Meeting of Shareholders to be held on June 23, 2017. This, together with the interim dividend of ¥13 per share that was already paid in December 2016, will achieve an annual dividend of ¥30 per share. Meanwhile, the Company acquired 2,970,000 shares of treasury stock worth approximately ¥4.0 billion in May 2016. As a result of these actions, the dividend payout ratio for the year under review will be 33.3%.

Our new mid-term plan "3D-III", a 3-year plan starting from FY2017, has set a target dividend ratio of 30%, and aims to acquire treasury stock in an agile manner. For the next fiscal year, Daicel currently plans to pay an annual dividend of ¥32 per share (including an interim dividend of ¥16).

5. Management Policy

(1) Basic policy on corporate management

Daicel Group's basic philosophy

< Corporate Goals>

Contributing to an improved quality of life by meeting the needs of society.

At the Daicel Group, we believe in the unlimited potential of chemistry. By applying our unique technologies and expertise in the most effective manner, we are meeting the diverse needs of society. Our industrial group contributes to a better society and an improved quality of life.

<The Daicel Spirit>

[1] Sincerity and steady efforts

We believe that honest effort is the key to creativity. Through a commitment to perfection, we excel at innovation.

[2] Commitment to Creativity

We are committed to creativity, a concept that imbues all our business operations from developing innovations to creating value.

[3] We value each individual as well as his or her achievements.

We believe that each Group member must take advantage of his/her strengths and realize what he/she should be in order to gain a sense of accomplishment, and that this will be a driving force for the growth of the Group.

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

[1] "Grand Vision 2020"

Based on "Daicel Group's basic philosophy" as stated above in (1) Basic policy on corporate management, "Grand Vision 2020" defines seeing needs from the perspective of a social sense of value and our customers' viewpoint, creating and providing optimal solutions, as the "Best Solution". Further, it sets out "Being a corporate group that can be proudly presented to the world by achieving the 'Best Solution' (The Best Solution for You)" as our vision of we want to be in the future, which will be the backbone of our future business operations.

As for our specific goals for 2020, we have set the following.

- Each business unit will have an edge that is recognized by its customers as "the world's number one."
- We will create five new business units that will be able to achieve sales revenue of ¥10 billion.

[2] New mid-term plan "3D-III" and important management indices

The Daicel Group has declared its ambition to become "The company that delivers the best solutions to the global market" by "Grand Vision 2020" as the long-term vision showing goals the Group should be achieving in the decade of 2011- 2020. We are implementing three mid-term plans during this period.

We regard an environment with rapid change as an opportunity for growth and will accelerate our efforts by changing our work style. With the development of new technologies, greater globalization, and the pursuit of security, safety and advances in health, the world will continue to evolve and the functions demanded from society will grow more and more diverse. We will realize steady growth by continuing to offer solutions to society.

3D-III in Detail

1. Objectives and targets

1) Realize continuous growth by providing the best solutions that respond to change.

2) Consolidated performance for fiscal 2019 (year ending March, 2020)

Sales: 500 billion yen,　Operating profits: 70 billion yen
< Important management indices >
Operating Profit Ratio (ROS) and Return on Equity (ROE)

2. Basic policy

a) Foundational Ways of Thinking

Change Consciousness　～　3C Spirit "Change, Challenge, Courage"

- Change : We will CHANGE the approach of inventing strategies by abolishing simple extensions of conventional thinking.
- Challenge : We will continue to CHALLENGE to break down the status quo and accomplish major results and growth.
- Courage :　We will have the COURAGE to jump into areas we have never been in before

Change actions, working environment

- Change actions
- Change to business unit (BU) approach in planning and carrying out strategies
- Integration of diversified views in values and common cultural grounds forming the company
- Accelerate all business actions and processes, including decision making
- Change working environment
- Prepare and develop the environment to accelerate innovation Proactive utilization of IoT and Big Data

b) Basic Strategies

We will aim for continuous growth with the following basic strategies and thinking.

- Priority allocation of resources to "Growth BU"
- Acceleration of creation and development of "Growth BU" through open innovation

c) Main policy

In developing the basic strategies, we will mainly implement the following policies.

1)　Promote selection and concentration through business unit (BU)　management
BU management will provide the foundations for continuous growth. Promote growth through priority allocation of resources to "Growth BU".

2)　Strategic investment to proactively induce technologies and new products from outside
Implement proactive investment that was not fully carried out in 3D-II. Accelerate the creation and growth of BU that will become the driving force for continuous growth, through M&A, etc.
We are focusing on five new business unit prospects in the medical/healthcare and electronics fields, on which we intend to concentrate management resources.
We will also aggressively work on collaboration with outside companies and M & A planned in existing business areas, and accelerate growth.

3)　Improve the environment to promote growth
We will construct a system to promote the main policies of (1) and (2) above.
- Open laboratories for strengthening collaboration with customers, universities and research institutes
- Open office environment in order to encourage greater communication
- Introduction of new IT technology
- Implementation of individualized system that enables diverse work styles

The Daicel group will prepare an environment to promote growth.

Through action on these policies, we will advance with continuous growth toward the next decade and century.

(3) Issues for the company to address

In parallel with maintaining safe operation, product safety and quality assurance—the basics for a manufacturer—as our time-honored top priorities, the Daicel Group has worked out its new 3-year "3D-III" mid-term plan for the period from FY2017 to FY2019, toward realization of its long-term "Grand Vision 2020." Under this mid-term plan, we will further expand our initiatives to become a company that achieves "Best Solution" as we did in "3D-I" and "3D-II", and accelerates the growth of existing businesses and the creation of new business units as well, through proactive investments including M&A. As for the new business units, we will seek to build businesses that will become the pillar of future growth by utilizing open innovation as a device to incorporate a broad range of ideas from customers, universities and others outside the Group.

6. Basic concept regarding the selection of 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, 2016	As of Mar. 31, 2017
Assets		
Current assets		
Cash and deposits	66,040	96,586
Notes and accounts receivable - trade	84,450	88,307
Securities	661	328
Inventories	104,886	100,657
Deferred tax assets	4,891	6,631
Other	15,999	14,785
Allowance for doubtful accounts	(103)	(80)
Total current assets	276,828	307,216
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,947	54,285
Machinery, equipment and vehicles, net	59,430	80,214
Tools, furniture and fixtures, net	3,311	4,158
Land	27,109	26,760
Construction in progress	36,777	19,762
Total property, plant and equipment	175,576	185,180
Intangible assets		
Goodwill	3,694	2,712
Other	7,651	6,915
Total Intangible assets	11,346	9,627
Investments and other assets		
Investment securities	73,721	76,238
Deferred tax assets	858	1,505
Net defined benefit asset	5,594	5,303
Other	16,496	14,797
Allowance for doubtful accounts	(231)	(162)
Total investments and other assets	96,439	97,683
Total non-current assets	283,362	292,491
Total assets	560,190	599,708

(Unit: Millions of Yen)

	As of Mar. 31, 2016	As of Mar. 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	50,108	46,575
Short-term loans payable	7,196	7,788
Current portion of long-term loans payable	5,361	4,513
Income taxes payable	6,938	7,432
Provision for repairs	47	3,305
Other	33,014	39,712
Total current liabilities	102,667	109,327
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	28,709	29,983
Deferred tax liabilities	14,786	16,158
Net defined benefit liability	11,686	12,159
Provision for directors' retirement benefits	87	89
Provision for repairs	1,246	17
Asset retirement obligations	1,091	1,036
Other	1,194	1,506
Total non-current liabilities	88,802	90,951
Total liabilities	191,469	200,278
Net assets		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,579	31,867
Retained earnings	242,657	266,462
Treasury shares	(10,388)	(4,025)
Total shareholders' equity	300,123	330,579
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,499	34,978
Deferred gains or losses on hedges	(146)	(16)
Foreign currency translation adjustment	5,885	4,212
Remeasurements of defined benefit plans	62	(134)
Total accumulated other comprehensive income	37,301	39,040
Non-controlling interests	31,296	29,809
Total net assets	368,720	399,429
Total liabilities and net assets	560,190	599,708

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2016	Year ended Mar. 31, 2017
Net sales	449,878	440,061
Cost of sales	316,049	303,229
Gross profit	133,829	136,832
Selling, general and administrative expenses	69,479	72,526
Operating profit	64,349	64,306
Non-operating income		
Interest income	510	305
Dividend income	1,857	1,515
Share of profit of entities accounted for using equity method	1,094	870
Rent income on non-current assets	538	529
Miscellaneous income	930	1,944
Total non-operating income	4,931	5,165
Non-operating expenses		
Interest expenses	1,131	958
Foreign exchange losses	2,065	1,599
Miscellaneous expenses	680	698
Total non-operating expenses	3,877	3,256
Ordinary profit	65,404	66,215
Extraordinary income		
Gain on disposal of non-current assets	1,176	70
Gain on sales of investment securities	2,719	2,513
Subsidy income	793	－
Total extraordinary income	4,689	2,584
Extraordinary losses		
Loss on sales of non-current assets	172	23
Loss on retirement of non-current assets	4,311	3,361
Loss on sales of investment securities	－	51
Loss on reduction of non-current assets	561	－
Claim compensation expenses	1,557	989
Total extraordinary losses	6,602	4,426
Profit before income taxes	63,491	64,373
Income Taxes		
Income taxes-current	16,630	15,996
Income taxes for prior periods	－	690
Income taxes-deferred	305	(2,439)
Total income taxes	16,935	14,246
Profit	46,555	50,126
Profit attributable to non-controlling interests	6,242	6,928
Profit attributable to owners of parent	40,313	43,198

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2016	Year ended Mar. 31, 2017
Profit	46,555	50,126
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,563)	3,546
Deferred gains or losses on hedges	(94)	222
Foreign currency translation adjustment	(10,503)	(1,340)
Remeasurements of defined benefit plans, net of tax	(1,578)	(210)
Share of other comprehensive income of entities accounted for using equity method	(736)	(404)
Total other comprehensive income	(16,476)	1,813
Comprehensive income	30,079	51,939
Comprehensive income attributable to		
owners of parent	26,394	44,937
non-controlling interests	3,684	7,001

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Mar. 31, 2016	Year ended Mar. 31, 2017
Cash flows from operating activities		
Profit before income taxes	63,491	64,373
Depreciation	24,958	29,926
Amortization of goodwill	1,011	910
Interest and dividend income	(2,367)	(1,821)
Interest expenses	1,131	958
Share of (profit) loss of entities accounted for using equity method	(1,094)	(870)
Loss (gain) on disposal of non-current assets	(1,003)	(47)
Loss on retirement of non-current assets	4,311	3,361
Loss (gain) on sales of investment securities	(2,719)	(2,461)
Decrease (increase) in notes and accounts receivable - trade	(4,987)	(4,161)
Decrease (increase) in inventories	(1,317)	3,778
Increase (decrease) in notes and accounts payable - trade	1,325	(3,165)
Other, net	818	9,220
Subtotal	83,558	99,999
Interest and dividend income received	3,917	3,412
Interest expenses paid	(1,161)	(971)
Income taxes paid	(20,895)	(16,272)
Net cash provided by (used in) operating activities	65,419	86,168
Cash flows from investing activities		
Net decrease (increase) in time deposits	640	468
Net decrease (increase) in short-term investment securities	(397)	59
Purchase of property, plant and equipment	(34,694)	(37,201)
Proceeds from sales of property, plant and equipment	1,433	521
Purchase of intangible assets	(1,156)	(812)
Purchase of investment securities	(23)	(524)
Proceeds from sales and redemption of investment securities	5,622	5,232
Payments of loans receivable	(413)	(76)
Collection of loans receivable	107	51
Other, net	(2,524)	(2,440)
Net cash provided by (used in) investing activities	(31,407)	(34,722)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,930)	831
Proceeds from long-term loans payable	382	5,771
Repayments of long-term loans payable	(8,415)	(5,318)
Purchase of treasury shares	(4,003)	(4,001)
Proceeds from sales of treasury shares	0	-
Cash dividends paid	(9,105)	(9,036)
Dividends paid to non-controlling interests	(3,858)	(6,259)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(540)	(1,930)
Net cash provided by (used in) financing activities	(31,470)	(19,942)
Effect of exchange rate change on cash and cash equivalents	(4,041)	(465)
Net increase (decrease) in cash and cash equivalents	(1,500)	31,037
Cash and cash equivalents at beginning of period	66,737	65,237
Cash and cash equivalents at the end of period	65,237	96,275

8. Segment Information

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 profit	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

Year ended Mar. 31, 2017 (Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	89,476	76,193	156,946	111,199	6,244	440,061	−	440,061
Intersegment sales	2,009	12,725	16	−	10,456	25,207	(25,207)	−
Total	91,485	88,919	156,963	111,199	16,701	465,269	(25,207)	440,061
Operating profit	23,000	11,538	21,551	21,278	741	78,111	(13,804)	64,306
Assets	112,748	74,563	158,135	111,154	6,598	463,200	136,507	599,708
Depreciation	9,293	5,364	5,043	7,906	271	27,880	1,151	29,031
Amortization of goodwill	−	−	427	482	−	910	−	910
Investment in equity method investees	6,674	140	2,562	−	−	9,377	−	9,377
Capital expenditure	8,267	9,192	5,145	12,625	368	35,598	3,930	39,528

9. Related Information

(1) Product and service information

Year ended Mar. 31, 2017 (Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total
Sales to outside customers	89,476	76,193	156,946	111,199	6,244	440,061

(2) Geographic information

(i) Net sales

Year ended Mar. 31, 2017 (Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
210,526	67,619	78,113	83,802	440,061

(ii) Property, plant and equipment

Year ended Mar. 31, 2017 (Unit: Millions of Yen)

Japan	Asia			Other	Total
	China	Malaysia	Other		
119,352	19,248	17,149	13,129	16,301	185,180

10. Information of Goodwill

Year ended Mar. 31, 2017 (Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Corporate and eliminations	Total
Amortization	−	−	427	482	−	−	910
Final Balance	−	−	215	2,496	−	−	2,712