

3rd Quarter Consolidated Financial Results for the Year Ending March 31, 2018

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

February 2, 2018

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 for submitting financial statements	: February 13, 2018
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, 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	%
Nine months ended Dec. 31, 2017	345,703	7.1	46,144	(4.1)	49,095	(0.8)	28,481	(11.8)
Nine months ended Dec. 31, 2016	322,714	(5.7)	48,118	(2.6)	49,476	(3.0)	32,291	(4.7)

(Note) Comprehensive income : 44,298 millions of yen (5.9%) for the nine months ended December 31, 2017 and 41,817 millions of yen (25.7%) for the nine months ended December 31, 2016

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	82.49	-
Nine months ended Dec. 31, 2016	93.11	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Dec. 31, 2017	652,457	416,265	59.6	1,141.23
As of Mar. 31, 2017	599,708	399,429	61.6	1,067.63

(Reference) Shareholders' equity : 388,794 millions of yen as of December 31, 2017 and 369,620 millions of yen as of March 31, 2017

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, 2017	-	13.00	-	17.00	30.00
Year ending Mar. 31, 2018	-	16.00	-	-	-
Year ending Mar. 31, 2018 (Forecast)	-	-	-	16.00	32.00

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

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
Year ending Mar. 31, 2018	462,000	5.0	58,500	(9.0)	61,000	(7.9)	37,000	(14.3)	106.97

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

*Notes

(1) Changes in significant subsidiaries during the nine months ended Dec. 31, 2017 : 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 : Not 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 shares)	As of Dec. 31, 2017	349,942,682 shares	As of Mar. 31, 2017	349,942,682 shares
ii Number of treasury shares at the end of each period	As of Dec. 31, 2017	9,263,714 shares	As of Mar. 31, 2017	3,737,941 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Nine months ended Dec. 31, 2017	345,269,158 shares	Nine months ended Dec. 31, 2016	346,809,562 shares

*This Quarter Consolidated Financial Results report is not subject to quarterly review.

*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) Operating results for the quarter under review

Looking at world trends during the cumulative third quarter of FY2017 (nine months ended December 31, 2017), the economy remained on a recovery track in the United States and Europe, and there were signs of recovery in the Chinese economy. The Japanese economy also continued to recover at a slow pace.

Amid such circumstances, the Group sales revenue for the nine months under review totaled ¥345.703 billion (up 7.1% year-on-year). Operating income amounted to ¥46.144 billion (down 4.1% year-on-year), and ordinary income was ¥49.095 billion (down 0.8% year-on-year). Net income attributable to owners of the parent came to ¥28.481 billion (down 11.8% year-on-year).

Segment information is summarized as follows.

[Cellulosic Derivatives]

Sales revenue of cellulose acetate remained flat. Demand decreased for LCD film applications, however it increased for other applications.

As for acetate tow for cigarette filters, despite the softening of the market resulting from the world-wide glut, sales revenue posted growth due to our efforts in strengthening relationships with main customers, growth of sales volume by cultivation of new customers, favorable foreign exchange rates and other factors.

Consequently, overall segment sales revenue amounted to ¥67.874 billion (up 4.1% year-on-year). Operating income fell to ¥15.677 billion (down 8.2% year-on-year), due mainly to the negative impact of the softening of the market on acetate tow for cigarette filters and an increase in raw material and fuel prices.

[Organic Chemicals]

Acetic acid, our key product, posted a decline in sales volume as the biennial periodical maintenance of our Aboshi Plant was implemented during the period under review. However, sales revenue posted growth due mainly to an upward trend in the market.

Sales revenue of organic chemicals also increased because of an increase in sales volume and other factors.

Sales revenue of performance chemicals remained flat. While sales volume of peracetic acid derivative decreased due to a fire that occurred on July 18, 2017 at the peracetic acid plant of the Ohtake Plant, sales volume of other products for electronic materials registered an increase.

Sales revenue of the chiral separation business, such as optical resolution columns, increased as it was buoyed by increases in column and chiral stationary phase (CSPs) sales, as well as the growth of new business in India.

Consequently, overall segment sales amounted to ¥59.584 billion (up 7.7 % year-on-year). Operating income fell to ¥5.583 billion (down 34.4% year-on-year), due to the impact of rising raw material and fuel procurement prices, increases in R&D and depreciation costs, and other factors.

[Plastics]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), registered growth in sales revenue, supported by increases in demand for automobile parts and smartphones, an increase in sales volume resulting from progress in new parts adoption, favorable foreign exchange rates and other factors.

Growth in sales revenue was also recorded by the plastic compound business centering on ABS resins and engineering plastic alloy resins, due primarily to rising raw material and fuel procurement prices and the subsequent revision of selling prices, and favorable foreign exchange rates.

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

Consequently, overall segment sales amounted to ¥127.154 billion (up 8.5% year-on-year). Despite a rise in raw material and fuel procurement prices, operating income rose to ¥17.616 billion (up 5.5% year-on-year), thanks to an increase in sales volume and other factors.

[Pyrotechnic Devices]

The automobile airbag inflator (gas-generating device) and other automobile safety parts business achieved growth in sales revenue, thanks to an increase in inflator sales volume, favorable foreign exchange rates and other factors.

Aerospace & Defense business, which cover defense-related products, registered a decline in sales revenue due to a decrease in volume of some products procured by the Ministry of Defense.

Consequently, overall segment sales came to ¥86.493 billion (up 7.4% year-on-year). Operating income also rose to ¥17.326 billion (up 14.2% year-on-year), due to an increase in sales volume and other factors.

[Other Businesses]

Regarding the membrane business, including membrane modules for water treatment, sales revenue remained unchanged, due to the growth of sales for sewage treatment, despite the fact that partial sales of some products are not included in this result.

Other businesses including the warehousing business posted increases in sales revenue.

Consequently, overall segment sales amounted to ¥4.596 billion (up 1.6% year-on-year). Operating income was ¥0.407 billion (down 19.9% year-on-year).

(2) Overview of the consolidated financial position for the quarter under review

Changes in assets, liabilities and equity

Total assets amounted to ¥652.457 billion, representing an increase of ¥52.749 billion measured against the end of the previous consolidated fiscal year-end, or March 31, 2017, due primarily to increases in cash and deposits, and investment securities.

Total liabilities amounted to ¥236.192 billion, representing an increase of ¥35.913 billion from March 31, 2017, due primarily to increases in notes and accounts payable and bonds payable.

Total net assets were ¥416.265 billion. Total shareholders' equity, which is net assets minus non-controlling interests, was ¥388.794 billion. The shareholders' equity ratio was 59.6%.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Dec. 31, 2017
Assets		
Current assets		
Cash and deposits	96,586	112,701
Notes and accounts receivable - trade	88,307	95,774
Securities	328	8,540
Inventories	100,657	107,677
Other	21,416	22,326
Allowance for doubtful accounts	(80)	(66)
Total current assets	307,216	346,953
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,285	57,610
Machinery, equipment and vehicles, net	80,214	82,796
Land	26,760	26,845
Construction in progress	19,762	16,498
Other, net	4,158	5,309
Total property, plant and equipment	185,180	189,059
Intangible assets		
Goodwill	2,712	2,139
Other	6,915	7,110
Total intangible assets	9,627	9,250
Investments and other assets		
Investment securities	76,238	86,558
Other	21,606	20,810
Allowance for doubtful accounts	(162)	(175)
Total investments and other assets	97,683	107,193
Total non-current assets	292,491	305,504
Total assets	599,708	652,457

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Dec. 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	46,575	53,540
Current portion of bonds	-	10,000
Short-term loans payable	7,788	14,099
Current portion of long-term loans payable	4,513	3,964
Income taxes payable	7,432	2,105
Provision for repairs	3,305	35
Other	39,712	35,860
Total current liabilities	109,327	119,605
Non-current liabilities		
Bonds payable	30,000	50,000
Long-term loans payable	29,983	28,303
Provision for directors' retirement benefits	89	36
Provision for repairs	17	518
Provision for environmental measures	-	4,000
Net defined benefit liability	12,159	12,534
Asset retirement obligations	1,036	1,063
Other	17,665	20,130
Total non-current liabilities	90,951	116,586
Total liabilities	200,278	236,192
Net assets		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,867	31,801
Retained earnings	266,462	283,524
Treasury shares	(4,025)	(11,364)
Total shareholders' equity	330,579	340,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,978	40,010
Deferred gains or losses on hedges	(16)	23
Foreign currency translation adjustment	4,212	8,280
Remeasurements of defined benefit plans	(134)	242
Total accumulated other comprehensive income	39,040	48,557
Non-controlling interests	29,809	27,471
Total net assets	399,429	416,265
Total liabilities and net assets	599,708	652,457

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2016	Nine months ended Dec. 31, 2017
Net sales	322,714	345,703
Cost of sales	221,918	241,911
Gross profit	100,795	103,791
Selling, general and administrative expenses	52,677	57,646
Operating profit	48,118	46,144
Non-operating income		
Interest income	242	186
Dividend income	1,385	1,368
Share of profit of entities accounted for using equity method	740	1,058
Foreign exchange gains	-	290
Other	999	1,454
Total non-operating income	3,367	4,358
Non-operating expenses		
Interest expenses	706	895
Foreign exchange losses	779	-
Other	523	511
Total non-operating expenses	2,009	1,407
Ordinary profit	49,476	49,095
Extraordinary income		
Gain on disposal of non-current assets	5	15
Gain on sales of investment securities	2,376	2,037
Insurance income	-	715
Total extraordinary income	2,382	2,767
Extraordinary losses		
Loss on retirement of non-current assets	1,590	941
Claim compensation expenses	-	85
Loss on disaster	-	677
Provision for environmental measures	-	4,000
Total extraordinary losses	1,590	5,704
Profit before income taxes	50,268	46,158
Income Taxes		
Income taxes - current	12,305	10,545
Income taxes for prior periods	688	-
Income taxes - deferred	(417)	1,565
Total income taxes	12,577	12,111
Profit	37,691	34,047
Profit attributable to non-controlling interests	5,399	5,565
Profit attributable to owners of parent	32,291	28,481

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2016	Nine months ended Dec. 31, 2017
Profit	37,691	34,047
Other comprehensive income		
Valuation difference on available-for-sale securities	3,118	5,075
Deferred gains or losses on hedges	211	42
Foreign currency translation adjustment	818	4,301
Remeasurements of defined benefit plans, net of tax	241	436
Share of other comprehensive income of entities accounted for using equity method	(263)	395
Total other comprehensive income	4,126	10,251
Comprehensive income	41,817	44,298
Comprehensive income attributable to owners of parent	35,935	37,998
non-controlling interests	5,882	6,300

(4) Additional Information

In order to provide for costs possibly arisen by specific measures including soil improvement, we have recorded Provisions for environmental measures in the third quarter of the FY ending March 2018.

Due to formulation of the plant construction plan at Himeji Production Sector/Aboshi Plant, we have decided to implement soil improvement work at planned construction site so as to meet applicable laws and regulations. An estimated improvement cost is 4,000 million yen and is reported as Provisions for environmental measures in Extraordinary Losses.

6. Segment Information

Nine months ended Dec. 31, 2016

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	65,222	55,318	117,152	80,498	4,522	322,714	-	322,714
Intersegment sales	1,381	8,268	11	-	7,820	17,482	(17,482)	-
Total	66,604	63,586	117,164	80,498	12,343	340,197	(17,482)	322,714
Operating profit	17,077	8,511	16,704	15,165	508	57,966	(9,848)	48,118

Nine months ended Dec. 31, 2017

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	67,874	59,584	127,154	86,493	4,596	345,703	-	345,703
Intersegment sales	1,468	11,904	7	-	7,890	21,270	(21,270)	-
Total	69,342	71,488	127,161	86,493	12,487	366,973	(21,270)	345,703
Operating profit	15,677	5,583	17,616	17,326	407	56,610	(10,466)	46,144