

1st Quarter Consolidated Financial Results for the Year Ending March 31, 2019

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

August 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
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 Scheduled date for submitting financial statements : August 10, 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 Three Months Ended June 30, 2018 (Amounts are rounded down to the nearest million)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Jun. 30, 2018	115,522	2.9	14,716	(6.6)	16,646	0.3	10,409	14.3
Three months ended Jun. 30, 2017	112,281	8.3	15,759	(8.2)	16,602	3.9	9,110	(13.7)

(Note) Comprehensive income: 11,442 millions of yen [(7.1%)] for the three months ended June 30, 2018 and 12,323 millions of yen [-%] for the three months ended June 30, 2017

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2018	30.73	-
Three months ended Jun. 30, 2017	26.31	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Jun. 30, 2018	639,607	416,334	60.8	1,147.86
As of Mar. 31, 2018	640,284	413,541	60.1	1,136.32

(Reference) Shareholders' equity: 388,784 millions of yen as of June 30, 2018 and 384,876 millions of yen as of March 31, 2018

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, 2018	-	16.00	-	16.00	32.00
Year ending Mar. 31, 2019	-				
Year ending Mar. 31, 2019 (Forecast)		16.00	-	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, 2019

(% of change from same period of previous year)

	Net sales		Operating income		Ordinary income		Net income 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, 2018	235,000	2.6	26,500	(15.9)	27,500	(17.0)	19,000	(3.0)	56.10
Year ending Mar. 31, 2019	478,000	3.2	51,000	(13.5)	53,000	(13.2)	37,000	(0.2)	109.24

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

*Notes

- (1) Changes in significant subsidiaries during the three months ended Jun. 30, 2018: Not applicable
(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation
- (2) Adoption of specific accounting methods for presenting quarterly financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- i Changes in accounting policies due to revisions of accounting standards: Not applicable
 - ii Changes in accounting policies other than (3)-i: Not applicable
 - iii Changes in accounting estimates: Not applicable
 - iv Retrospective restatements: 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 Jun. 30, 2018	349,942,682 shares	As of Mar. 31, 2018	349,942,682 shares
ii Number of treasury shares at the end of each period	As of Jun. 30, 2018	11,239,505 shares	As of Mar. 31, 2018	11,239,478 shares
iii Average number of shares during each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2018	338,703,182 shares	Three months ended Jun. 30, 2017	346,204,631 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) Overview of the operating results for the quarter under review

Looking at the world trends during the consolidated first quarter of the fiscal year ending March 2019 (three months ended June 30, 2018), 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. Meanwhile, as there still exists a concern over the global economy exemplified by the US protectionist trade policy, the outlook remained uncertain.

Amid such circumstances, the Group sales revenue for the consolidated three months under review totaled ¥115,522 million (up 2.9% year-on-year). Operating income amounted to ¥14,716 million (down 6.6% year-on-year), and ordinary income was ¥16,646 million (up 0.3% year-on-year). Net income attributable to owners of the parent came to ¥10,409 million (up 14.3% year-on-year).

Information by Segment is summarized as follows.

[Cellulosic Derivatives]

Sales revenue of cellulose acetate declined due to a decrease in sales volume for LCD film applications.

As for acetate tow for cigarette filters, amid the worldwide glut, sales revenue posted a decline due primarily to the softening of the market and a decrease in sales volume due to shipment of some products ahead of schedule, despite our efforts in strengthening relationships with main customers and finding new customers.

Consequently, overall segment sales revenue amounted to ¥19,906 million (down 10.1% year-on-year).

Operating income fell to ¥3,884 million (down 29.1% year-on-year), due mainly to the negative impact of rising raw material and fuel prices and the softening of the market on acetate tow for cigarette filters.

[Organic Chemicals]

Acetic acid, our key product, posted an increase in sales revenue due mainly to solid demand and an upward trend in the market.

Sales revenue of organic chemicals also posted growth because of the revision of selling prices following the rise in raw material and fuel prices and other factors.

Performance chemicals posted an increase in sales revenue. The increase is attributable to the revision of selling prices following the rise in raw material and fuel prices, solid demand for some products in cosmetics / health care and other factors, although sales volume of some products decreased.

The chiral separation business, such as optical resolution columns, posted growth in sales revenue. Increased column and chiral stationary phases (CSPs) sales, growth of the new business in India and other factors are the main drivers behind the increase in sales revenue.

Consequently, overall segment sales rose to ¥22,713 million (up 15.9 % year-on-year). Operating income jumped to ¥3,816 million (up 81.0% year-on-year), due mainly to the increase in sales volume and a positive impact of the revision of selling prices following the rise in raw material and fuel prices.

[Plastics]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) and liquid crystal polymers (LCP), registered growth in sales revenue, supported by an increase in sales volume resulting from increased demand for automobile parts and progress in new parts adoption, the revision of selling prices following the rise in raw material and fuel prices 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 an increase in domestic sales volume and the revision of selling prices following the rise in raw material and fuel prices, despite a decrease in sales volume registered by overseas sites.

As for the plastic processing business, including sheets, molded containers and films, sales revenue increased, supported mainly by an increase in film sales.

Consequently, overall segment sales amounted to ¥44,138 million (up 7.2% year-on-year). Operating income was ¥5,918 million (up 3.1% year-on-year), thanks mainly to the increase in sales volume, despite the impact of rising raw material and fuel procurement prices.

[Pyrotechnic Devices]

Sales revenue of the automobile airbag inflator (gas-generating device) and other automobile safety parts business turned flat due to a change in sales product mix and other factors, despite an increase in inflator sales volume.

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

Consequently, overall segment sales came to ¥27,328 million (down 2.5% year-on-year). Operating income fell to ¥4,980 million (down 17.4% year-on-year) due to the impact of the change in sales product mix and other factors.

[Other Businesses]

The membrane business, including membrane modules for water treatment, saw an increase in sales revenue, due to an increase in apparatus sales and other factors.

Other businesses including the warehousing business also posted growth in sales revenue.

Consequently, overall segment sales amounted to ¥1,434 million (up 7.7% year-on-year). Operating income surged to ¥116 million (up 404.3% 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 ¥639,607 million, representing a decrease of ¥677 million measured against the end of the previous consolidated fiscal year-end, or March 31, 2018, due primarily to a decrease in cash and deposits despite increases in inventories and property, plant and equipment.

Total liabilities amounted to ¥223,273 million, representing a decrease of ¥3,469 million from March 31, 2018, due primarily to a decrease in notes and accounts payable.

Total net assets were ¥416,334 million. Total shareholders' equity, which is net assets minus non-controlling interests, was ¥388,784 million. The shareholders' equity ratio was 60.8%.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2018	As of Jun. 30, 2018
Assets		
Current assets		
Cash and deposits	125,358	112,099
Notes and accounts receivable – trade	93,256	93,767
Securities	3,929	4,515
Inventories	109,295	113,642
Other	17,418	18,587
Allowance for doubtful accounts	(44)	(46)
Total current assets	349,214	342,566
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,320	59,867
Machinery, equipment and vehicles, net	79,607	77,878
Land	26,754	26,795
Construction in progress	14,053	22,165
Other, net	5,305	5,226
Total property, plant and equipment	184,041	191,933
Intangible assets		
Goodwill	1,894	1,844
Other	6,694	6,929
Total intangible assets	8,589	8,774
Investments and other assets		
Investment securities	76,390	75,041
Other	22,225	21,466
Allowance for doubtful accounts	(174)	(174)
Total investments and other assets	98,440	96,333
Total non-current assets	291,070	297,041
Total assets	640,284	639,607

(Unit: Millions of Yen)

	As of Mar. 31, 2018	As of Jun. 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	56,213	53,199
Short-term loans payable	10,117	10,251
Current portion of bonds	10,000	10,000
Current portion of long-term loans payable	3,733	3,784
Income taxes payable	4,271	2,970
Provision for repairs	37	850
Other	33,806	33,853
Total current liabilities	118,181	114,910
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	25,884	26,574
Provision for directors' retirement benefits	39	43
Provision for repairs	869	371
Provision for environmental measures	4,000	3,989
Net defined benefit liability	12,279	12,227
Asset retirement obligations	1,238	1,288
Deferred tax liabilities	11,069	10,564
Other	3,180	3,302
Total non-current liabilities	108,561	108,362
Total liabilities	226,742	223,273
Net assets		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,642	31,649
Retained earnings	292,104	297,094
Treasury shares	(14,004)	(14,004)
Total shareholders' equity	346,017	351,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,410	32,529
Deferred gains or losses on hedges	58	77
Foreign currency translation adjustment	4,805	4,565
Remeasurements of defined benefit plans	583	597
Total accumulated other comprehensive income	38,858	37,769
Non-controlling interests	28,665	27,549
Total net assets	413,541	416,334
Total liabilities and net assets	640,284	639,607

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2018
Net sales	112,281	115,522
Cost of sales	77,477	81,145
Gross profit	34,803	34,377
Selling, general and administrative expenses	19,043	19,660
Operating income	15,759	14,716
Non-operating income		
Interest income	52	82
Dividend income	652	572
Share of profit of entities accounted for using equity method	249	478
Foreign exchange gains	67	524
Other	264	845
Total non-operating income	1,285	2,504
Non-operating expenses		
Interest expenses	279	301
Other	163	272
Total non-operating expenses	443	574
Ordinary income	16,602	16,646
Extraordinary income		
Gain on disposal of non-current assets	1	5
Gain on sales of investment securities	118	183
Total extraordinary income	119	189
Extraordinary losses		
Loss on retirement of non-current assets	276	241
Total extraordinary losses	276	241
Net income before income taxes	16,444	16,595
Income taxes		
Income taxes – current	4,377	3,966
Income taxes – deferred	1,133	192
Total income taxes	5,510	4,159
Net income	10,934	12,435
Net income attributable to non-controlling interests	1,823	2,026
Net income attributable to owners of parent	9,110	10,409

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2018
Net income	10,934	12,435
Other comprehensive income		
Valuation difference on available-for-sale securities	673	(875)
Deferred gains or losses on hedges	(38)	29
Foreign currency translation adjustment	539	(60)
Remeasurements of defined benefit plans, net of tax	149	11
Share of other comprehensive income of entities accounted for using equity method	64	(98)
Total other comprehensive income	1,389	(993)
Comprehensive income	12,323	11,442
Comprehensive income attributable to		
owners of parent	10,495	9,320
non-controlling interests	1,828	2,122

(4) Additional Information

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been adopted from the beginning of the first quarter of FY ending March 2019, whereby deferred tax assets are presented under Investments and other assets, while deferred tax liabilities are presented under Non-current liabilities.

6. Segment Information

Three months ended Jun. 30, 2017

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	22,140	19,596	41,171	28,041	1,331	112,281	-	112,281
Intersegment sales	420	3,654	2	-	2,600	6,677	(6,677)	-
Total	22,561	23,250	41,173	28,041	3,932	118,958	(6,677)	112,281
Operating income	5,479	2,108	5,741	6,029	23	19,382	(3,622)	15,759

Three months ended Jun. 30, 2018

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	19,906	22,713	44,138	27,328	1,434	115,522	-	115,522
Intersegment sales	589	4,395	4	-	2,694	7,683	(7,683)	-
Total	20,496	27,109	44,143	27,328	4,129	123,206	(7,683)	115,522
Operating income	3,884	3,816	5,918	4,980	116	18,717	(4,000)	14,716