

3rd 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)

February 1, 2019

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 12, 2019
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, 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	%
Nine months ended Dec. 31, 2018	356,936	3.2	44,795	(2.9)	47,937	(2.4)	33,075	16.1
Nine months ended Dec. 31, 2017	345,703	7.1	46,144	(4.1)	49,095	(0.8)	28,481	(11.8)

(Note) Comprehensive income: 31,191 millions of yen [(29.6%)] for the nine months ended December 31, 2018 and 44,298 millions of yen [5.9%] for the nine months ended December 31, 2017

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2018	98.29	-
Nine months ended Dec. 31, 2017	82.49	-

(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, 2018	634,722	418,463	61.4	1,178.65
As of Mar. 31, 2018	640,284	413,541	60.1	1,136.32

(Reference) Shareholders' equity: 390,014 millions of yen as of December 31, 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	-	16.00	-	-	-
Year ending Mar. 31, 2019 (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, 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
Year ending Mar. 31, 2019	479,000	3.5	54,000	(8.4)	58,000	(5.1)	40,000	7.9	120.88

(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, 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 Dec. 31, 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 Dec. 31, 2018	19,044,579 shares	As of Mar. 31, 2018	11,239,478 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Nine months ended Dec. 31, 2018	336,507,943 shares	Nine months ended Dec. 31, 2017	345,269,158 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 period under review

Looking at the world trends during the consolidated third quarter of the fiscal year ending March 2019 (nine months ended December 31, 2018), the global economy continued to gradual recover, mainly in the United States, while the Japanese economy remained on a moderate recovery track. On the other hand, the outlook remained uncertain due to the deepening trade friction between the United States and China.

Amid such circumstances, the Group recorded net sales of ¥356,936 million (up 3.2% year-on-year), operating income of ¥44,795 million (down 2.9% year-on-year), ordinary income of ¥47,937 million yen (down 2.4% year-on-year), and quarterly net income attributable to shareholders of the parent company of ¥33,075 million (up 16.1% year-on-year).

Segment information is summarized as follows.

[Cellulosic Derivatives]

Sales revenue of cellulose acetate decreased due to a slight decrease in sales volume for LCD film applications and a decrease in sales volume for cigarette filter 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, although flat sales volumes were mitigated by our efforts to strengthen relationships with main customers and find new customers.

Consequently, sales revenue in this segment was ¥64,470 million (down 5.0% year-on-year) and operating income was ¥12,933 million (down 17.5% year-on-year) due mainly to factors such as rising raw material and fuel prices and the softening of the market on acetate tow for cigarette filters.

[Organic Chemicals]

Sales revenue of acetic acid, our key product, increased due to strong demand and an upward trend in the market.

Sales revenue of organic chemicals also increased due to an increase in sales volume and a rise in market prices.

Sales revenue of performance chemicals increased due to recovery from the fire at the peracetic acid plant in the previous fiscal year, revisions to selling prices due to rising raw material and fuel prices, and strong demand for the products in cosmetics / healthcare.

Sales revenue of chiral separation businesses, such as optical resolution separation columns, increased due to higher sales of columns and chiral stationary phases (CSPs) and growth of new businesses in India.

Consequently, sales revenue in this segment was ¥68,380 million (up 14.8% year-on-year), and operating income was ¥11,455 million (up 105.2% year-on-year), due mainly to factors such as an increase in sales volume and revisions to selling prices due to rising raw material and fuel prices.

[Plastics]

Sales revenue of engineering plastics, such as polyacetal(POM), polybutylene terephthalate (PBT), and liquid crystal polymers (LCP), despite the impact of sluggish smartphone sales, increased due to greater demand for automobile parts and progress in new parts adoption, as well as price revisions accompanying higher raw material and fuel prices.

Sales revenue in the plastic compound business, centering on ABS resin and engineering plastic alloy resin, increased due to revisions to selling prices due to rising raw material and fuel prices.

Sales revenue in the plastic processing business, such as sheets, molded containers and films, increased mainly due to an increase in film sales.

Consequently, sales revenue in this segment was ¥135,257 million (up 6.4% year-on-year), and operating income was ¥16,960 million (down 3.7% year-on-year), due mainly to factors such as rising raw material and fuel prices, despite an increase in sales volume.

[Pyrotechnic Devices]

In the automobile airbag inflator (gas-generating device) and other automobile safety parts business, sales volume of inflators increased, but sales revenue declined due mainly to changes in sales product mix.

Sales revenue of the aerospace & defense business, which cover defense-related products, decreased due to a decrease in sales volume.

Consequently, sales revenue in this segment was ¥83,183 million (down 3.8% year-on-year) and operating income was ¥14,697 million (down 15.2% year-on-year) due to changes in the product mix and other factors.

[Other Businesses]

Sales revenue of membrane business, including membrane modules for water treatment, increased.

Sales revenue in other businesses including warehousing business increased.

Consequently, sales revenue in this segment was ¥5,644 million (up 22.8% year-on-year) and operating income was ¥368 million (down 9.6% year-on-year).

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

Changes in assets, liabilities and equity

Total assets amounted to ¥634,722 million, representing a decrease of ¥5,562 million measured against the end of the previous consolidated fiscal year-end, or March 31, 2018, due primarily to decreases in cash and deposits and investment securities, despite increases in inventories and property, plant and equipment.

Total liabilities amounted to ¥216,258 million, representing a decrease of ¥10,484 million from March 31, 2018, due primarily to a decrease in bonds.

Total net assets were ¥418,463 million. Total shareholders' equity, which is net assets minus non-controlling interests, was ¥390,014 million. The shareholders' equity ratio was 61.4%.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
Assets		
Current assets		
Cash and deposits	125,358	103,291
Notes and accounts receivable – trade	93,256	95,040
Securities	3,929	2,129
Inventories	109,295	122,746
Other	17,418	18,178
Allowance for doubtful accounts	(44)	(107)
Total current assets	349,214	341,279
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,320	60,741
Machinery, equipment and vehicles, net	79,607	76,548
Land	26,754	26,925
Construction in progress	14,053	24,812
Other, net	5,305	5,592
Total property, plant and equipment	184,041	194,621
Intangible assets		
Goodwill	1,894	3,695
Other	6,694	7,095
Total intangible assets	8,589	10,790
Investments and other assets		
Investment securities	76,390	66,300
Other	22,225	21,898
Allowance for doubtful accounts	(174)	(167)
Total investments and other assets	98,440	88,031
Total non-current assets	291,070	293,443
Total assets	640,284	634,722

(Unit: Millions of Yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	56,213	55,093
Short-term loans payable	10,117	7,815
Current portion of bonds	10,000	10,000
Current portion of long-term loans payable	3,733	3,534
Income taxes payable	4,271	3,218
Provision for repairs	37	2,094
Other	33,806	34,368
Total current liabilities	118,181	116,125
Non-current liabilities		
Bonds payable	50,000	40,000
Long-term loans payable	25,884	30,134
Provision for directors' retirement benefits	39	51
Provision for repairs	869	9
Provision for environmental measures	4,000	4,295
Net defined benefit liability	12,279	13,298
Asset retirement obligations	1,238	1,217
Deferred tax liabilities	11,069	9,916
Other	3,180	1,211
Total non-current liabilities	108,561	100,133
Total liabilities	226,742	216,258
Net assets		
Shareholders' equity		
Capital stock	36,275	36,275
Capital surplus	31,642	31,692
Retained earnings	292,104	314,389
Treasury shares	(14,004)	(23,813)
Total shareholders' equity	346,017	358,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,410	27,011
Deferred gains or losses on hedges	58	48
Foreign currency translation adjustment	4,805	3,714
Remeasurements of defined benefit plans	583	695
Total accumulated other comprehensive income	38,858	31,470
Non-controlling interests	28,665	28,449
Total net assets	413,541	418,463
Total liabilities and net assets	640,284	634,722

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Net sales	345,703	356,936
Cost of sales	241,911	251,505
Gross profit	103,791	105,430
Selling, general and administrative expenses	57,646	60,634
Operating income	46,144	44,795
Non-operating income		
Interest income	186	256
Dividend income	1,368	1,737
Share of profit of entities accounted for using equity method	1,058	1,274
Foreign exchange gains	290	231
Other	1,454	1,484
Total non-operating income	4,358	4,984
Non-operating expenses		
Interest expenses	895	907
Provision for environmental measures	-	298
Other	511	637
Total non-operating expenses	1,407	1,842
Ordinary income	49,095	47,937
Extraordinary income		
Gain on disposal of non-current assets	15	10
Gain on sales of investment securities	2,037	2,991
Gain on sales of investments in capital of subsidiaries and associates	-	290
Insurance income	715	1,028
Total extraordinary income	2,767	4,321
Extraordinary losses		
Loss on retirement of non-current assets	941	1,096
Claim compensation expenses	85	-
Loss on disaster	677	692
Provision for environmental measures	4,000	-
Total extraordinary losses	5,704	1,789
Net income before income taxes	46,158	50,469
Income taxes		
Income taxes - current	10,545	10,858
Income taxes - deferred	1,565	920
Total income taxes	12,111	11,779
Net income	34,047	38,689
Net income attributable to non-controlling interests	5,565	5,614
Net income attributable to owners of parent	28,481	33,075

(3) Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
Net income	34,047	38,689
Other comprehensive income		
Valuation difference on available-for-sale securities	5,075	(6,467)
Deferred gains or losses on hedges	42	(19)
Foreign currency translation adjustment	4,301	(870)
Remeasurements of defined benefit plans, net of tax	436	160
Share of other comprehensive income of entities accounted for using equity method	395	(300)
Total other comprehensive income	10,251	(7,498)
Comprehensive income	44,298	31,191
Comprehensive income attributable to		
owners of parent	37,998	25,687
non-controlling interests	6,300	5,504

(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

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 income	15,677	5,583	17,616	17,326	407	56,610	(10,466)	46,144

Nine months ended Dec. 31, 2018

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	64,470	68,380	135,257	83,183	5,644	356,936	-	356,936
Intersegment sales	2,050	16,077	14	-	8,299	26,442	(26,442)	-
Total	66,520	84,458	135,272	83,183	13,943	383,378	(26,442)	356,936
Operating income	12,933	11,455	16,960	14,697	368	56,416	(11,620)	44,795