

# 1st Quarter Consolidated Financial Results for the Year Ending March 31, 2020

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

August 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 : Yoshimi Ogawa, President and CEO  
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 Scheduled date for submitting financial statements : August 13, 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 Three Months Ended June 30, 2019 (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	%
Three months ended Jun. 30, 2019	103,884	(10.1)	9,168	(37.7)	9,490	(43.0)	5,322	(48.9)
Three months ended Jun. 30, 2018	115,522	2.9	14,716	(6.6)	16,646	0.3	10,409	14.3

(Note) Comprehensive income: 4,533 millions of yen [(60.4%)] for the three months ended June 30, 2019 and 11,442 millions of yen [(7.1%)] for the three months ended June 30, 2018

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended Jun. 30, 2019	16.29	-
Three months ended Jun. 30, 2018	30.73	-

### (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, 2019	636,888	416,316	61.0	1,195.04
As of Mar. 31, 2019	654,791	423,243	60.1	1,198.77

(Reference) Shareholders' equity: 388,567 millions of yen as of June 30, 2019 and 393,597 millions of yen as of March 31, 2019

## 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, 2019	-	16.00	-	16.00	32.00
Year ending Mar. 31, 2020	-				
Year ending Mar. 31, 2020 (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, 2020

(% of change from same period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending Sep. 30, 2019	226,000	(3.9)	20,000	(32.2)	20,500	(36.4)	10,500	(53.1)	31.98
Year ending Mar. 31, 2020	461,000	(0.8)	43,000	(16.0)	45,000	(15.8)	26,500	(24.9)	80.71

(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, 2019: 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, 2019	331,942,682 shares	As of Mar. 31, 2019	331,942,682 shares
ii Number of treasury shares at the end of each period	As of Jun. 30, 2019	6,791,708 shares	As of Mar. 31, 2019	3,609,174 shares
iii Average number of shares during each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2019	326,697,103 shares	Three months ended Jun. 30, 2018	338,703,182 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 2020 (three months ended June 30, 2019), the economy remained on a recovery track in the United States and other regions, although the Chinese economy slowed down moderately. The Japanese economy also continued to recover gradually despite sluggish exports and production. Meanwhile, as exemplified by the intensifying US-China trade conflict, the outlook remained uncertain.

Amid such circumstances, the Group sales revenue for the consolidated three months under review totaled ¥103,884 million (down 10.1% year-on-year). Operating income amounted to ¥9,168 million (down 37.7% year-on-year), and ordinary income was ¥9,490 million (down 43.0% year-on-year). Net income attributable to owners of the parent came to ¥5,322 million (down 48.9% year-on-year).

Segment information is summarized as follows.

##### [Cellulosic Derivatives]

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

As for acetate tow for cigarette filters, amid the worldwide glut, both sales volume and sales revenue posted growth due to our efforts in increasing share of main customers and finding new customers.

Consequently, overall segment sales revenue amounted to ¥18,172 million (down 8.7% year-on-year). Operating income was ¥3,301 million (down 15.0% year-on-year), due mainly to a decrease in sales volume of cellulose acetate.

##### [Organic Chemicals]

Acetic acid, our key product, posted a decrease in sales revenue due to a downward trend in the market.

As for organic chemicals, while sales volume remained at the previous year's level, sales revenue declined due to the falling selling price of acetic acid derivatives along with the downward trend of the acetic acid market.

Performance chemicals posted an increase in sales volume of some products. Overall, however, sales revenue decreased due primarily to the decelerating Chinese economy.

The chiral separation business, such as optical resolution columns, posted a decline in sales revenue due to a decrease in chiral stationary phases (CSPs) sales despite steady growth of the new business.

Consequently, overall segment sales fell to ¥20,667 million (down 9.0 % year-on-year). Operating income also dropped to ¥3,313 million (down 13.2% year-on-year), due to the slowdown in the product market and other factors.

#### [Plastics]

The engineering plastics business, such as polyacetal (POM), polybutylene terephthalate (PBT) resin and liquid crystal polymers (LCP), registered a decline in sales revenue, adversely affected by sluggish demand for automobiles, smartphones, etc., due to the decelerating Chinese economy.

Decline in sales revenue was also recorded by the plastic compound business, centering on ABS resin and engineering plastic alloy resin, due to a decrease in sales volume resulting from the slowdown in the Chinese market and other factors.

As for the plastic processing business, including molded containers and films, sales revenue decreased due to a decrease of sheet sales despite an increase in high-performance film sales.

Consequently, overall segment sales amounted to ¥41,393 million (down 6.2% year-on-year). Operating income was ¥5,300 million (down 10.4% year-on-year).

#### [Pyrotechnic Devices]

Sales revenue of the automobile airbag inflator (gas-generating device) and other automobile safety parts business posted a decrease in sales revenue, due to a decrease in inflator sales volume.

Aerospace & defense businesses, which cover defense-related products, enjoyed an increase in sales revenue due mainly to an increase in sales volume.

Consequently, overall segment sales came to ¥21,398 million (down 21.7% year-on-year). Operating income plunged to ¥1,294 million (down 74.0% year-on-year) due primarily to a decrease in sales volume of inflators for automobile airbags.

#### [Other Businesses]

Sales revenue of other businesses increased due mainly to the acquisition of an overseas pharmaceutical manufacturing company.

Consequently, overall segment sales increased to ¥2,252 million (up 57.0% year-on-year). Operating income amounted to ¥39 million (down 66.4% year-on-year) due mainly to an increased expense of goodwill amortization.

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

Total assets as of June 30, 2019 were ¥636,888 million, a decrease of ¥17,903 million from March 31, 2019, due primarily to a decrease in cash and deposits despite an increase in property, plant and equipment.

Total liabilities were ¥220,572 million, a decrease of ¥10,975 million from March 31, 2019 due primarily to a decrease in notes and accounts payable.

Total net assets were ¥ 416,316 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥388,567 million. Shareholders' equity ratio was 61.0%.

### (3) Explanation Regarding Future Forecast Information of Consolidated Financial Results

The Group sales revenue for the consolidated three months under review, compared to the forecast, decreased because China's economic slowdown was greater than expected. On the other hand, operating income was as expected due to efforts towards cost reduction. There are still concerns towards the markets for automobile and electronic devices under the influence of economic slowdown in China, but the Group will make an effort toward cost reduction and other measures.

The Company did not revise the forecast of the fiscal year ending March 2020 from the previous forecast announced on May 9, 2019.

## 5. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2019	As of Jun. 30, 2019
Assets		
Current assets		
Cash and deposits	114,044	98,249
Notes and accounts receivable – trade	90,173	84,338
Securities	6,230	187
Inventories	126,153	125,466
Other	17,504	16,918
Allowance for doubtful accounts	(67)	(89)
Total current assets	<u>354,038</u>	<u>325,070</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,387	61,603
Machinery, equipment and vehicles, net	72,920	72,237
Land	26,931	29,019
Construction in progress	31,630	41,189
Other, net	5,561	5,455
Total property, plant and equipment	<u>197,432</u>	<u>209,505</u>
Intangible assets		
Goodwill	3,832	3,563
Other	8,835	8,762
Total intangible assets	<u>12,668</u>	<u>12,326</u>
Investments and other assets		
Investment securities	68,018	70,233
Other	22,802	19,898
Allowance for doubtful accounts	(167)	(146)
Total investments and other assets	<u>90,652</u>	<u>89,985</u>
Total non-current assets	<u>300,753</u>	<u>311,817</u>
Total assets	<u>654,791</u>	<u>636,888</u>

(Unit: Millions of Yen)

	As of Mar. 31, 2019	As of Jun. 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	53,933	46,821
Short-term borrowings	9,965	6,759
Current portion of bonds	10,000	10,000
Current portion of long-term borrowings	8,285	8,664
Income taxes payable	4,008	2,055
Provision for repairs	2,828	1,131
Other	36,487	38,097
Total current liabilities	125,509	113,530
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	36,043	35,121
Deferred tax liabilities	7,673	9,451
Provision for retirement benefits for directors	55	58
Provision for repairs	13	–
Provision for environmental measures	5,265	5,265
Net defined benefit liability	12,430	11,081
Asset retirement obligations	1,256	1,239
Other	3,298	4,822
Total non-current liabilities	106,038	107,042
Total liabilities	231,547	220,572
<b>Net assets</b>		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	31,692	31,692
Retained earnings	294,149	294,218
Treasury shares	(4,344)	(7,881)
Total shareholders' equity	357,772	354,304
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,024	30,712
Deferred gains or losses on hedges	13	(26)
Foreign currency translation adjustment	4,968	1,280
Remeasurements of defined benefit plans	1,817	2,297
Total accumulated other comprehensive income	35,825	34,263
Non-controlling interests	29,645	27,748
Total net assets	423,243	416,316
Total liabilities and net assets	654,791	636,888

## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2019
Net sales	115,522	103,884
Cost of sales	81,145	74,565
Gross profit	34,377	29,319
Selling, general and administrative expenses	19,660	20,150
Operating profit	14,716	9,168
Non-operating income		
Interest income	82	116
Dividend income	572	582
Share of profit of entities accounted for using equity method	478	496
Foreign exchange gains	524	-
Other	845	411
Total non-operating income	2,504	1,607
Non-operating expenses		
Interest expenses	301	341
Foreign exchange losses	-	679
Other	272	264
Total non-operating expenses	574	1,285
Ordinary profit	16,646	9,490
Extraordinary income		
Gain on disposal of non-current assets	5	15
Gain on sales of investment securities	183	-
Total extraordinary income	189	15
Extraordinary losses		
Loss on retirement of non-current assets	241	271
Total extraordinary losses	241	271
Profit before income taxes	16,595	9,234
Income taxes		
Income taxes - current	3,966	774
Income taxes - deferred	192	1,381
Total income taxes	4,159	2,155
Profit	12,435	7,078
Profit attributable to non-controlling interests	2,026	1,756
Profit attributable to owners of parent	10,409	5,322

## (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2019
Profit	12,435	7,078
Other comprehensive income		
Valuation difference on available-for-sale securities	(875)	1,658
Deferred gains or losses on hedges	29	(69)
Foreign currency translation adjustment	(60)	(4,283)
Remeasurements of defined benefit plans, net of tax	11	492
Share of other comprehensive income of entities accounted for using equity method	(98)	(342)
Total other comprehensive income	(993)	(2,544)
Comprehensive income	11,442	4,533
Comprehensive income attributable to		
owners of parent	9,320	3,760
non-controlling interests	2,122	772



## 6. Segment Information

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 profit	3,884	3,816	5,918	4,980	116	18,717	(4,000)	14,716

Three months ended Jun. 30, 2019

(Unit: Millions of Yen)

	Cellulosic derivatives	Organic chemicals	Plastics	Pyrotechnic devices	Others	Total	Corporate and eliminations	Consolidated
Net sales								
Outside customers	18,172	20,667	41,393	21,398	2,252	103,884	-	103,884
Intersegment sales	406	4,056	2	-	2,790	7,255	(7,255)	-
Total	18,579	24,723	41,395	21,398	5,042	111,140	(7,255)	103,884
Operating profit	3,301	3,313	5,300	1,294	39	13,248	(4,080)	9,168