

1st Quarter Consolidated Financial Results for the Year Ending March 31, 2023

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

August 4, 2022

Company name : DAICEL CORPORATION
 Stock Exchange on which the shares are listed : Tokyo Stock Exchange in Japan
 Code number : 4202
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Scheduled date for submitting financial statements : August 10, 2022
 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, 2022 (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, 2022	127,981	14.9	12,989	(6.8)	15,447	1.4	8,903	(27.5)
Three months ended Jun. 30, 2021	111,358	34.3	13,944	350.7	15,235	293.3	12,283	1,834.3

(Note) Comprehensive income: 24,514 millions of yen [28.6%] for the three months ended June 30, 2022 and 19,069 millions of yen [3,231.6%] for the three months ended June 30, 2021

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended Jun. 30, 2022	30.11	-
Three months ended Jun. 30, 2021	40.76	-

(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, 2022	740,589	298,686	39.2	982.36
As of Mar. 31, 2022	698,836	279,544	38.9	919.88

(Reference) Shareholders' equity: 290,489 millions of yen as of June 30, 2022 and 272,017 millions of yen as of March 31, 2022

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, 2022	-	16.00	-	18.00	34.00
Year ending Mar. 31, 2023	-				
Year ending Mar. 31, 2023 (Forecast)		18.00	-	18.00	36.00

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

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2023

(% 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, 2022	266,000	18.3	23,000	(15.6)	24,000	(19.6)	18,500	(16.1)	62.56
Year ending Mar. 31, 2023	540,000	15.4	46,500	(8.3)	48,500	(15.3)	37,000	18.4	125.12

(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, 2022: 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 issued shares (common share)

i Number of issued shares at the end of each period (including treasury shares)	As of Jun. 30, 2022	302,942,682 shares	As of Mar. 31, 2022	302,942,682 shares
ii Number of treasury shares at the end of each period	As of Jun. 30, 2022	7,235,445 shares	As of Mar. 31, 2022	7,234,296 shares
iii Average number of shares during each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2022	295,708,227 shares	Three months ended Jun. 30, 2021	301,333,049 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. Qualitative Information on the Period under Review

(1) Overview of the operating results

Looking at the world trends during the consolidated first quarter of the fiscal year ending March 2023 (three months ended June 30, 2022), although economic stagnation caused by the spread of COVID-19 has been recovering to some extent, the global economy remained uncertain and has been affected by a decline in automobile production from the shortage of semiconductors and the lockdown of cities in China due to COVID-19, soaring raw material and fuel price and global inflation affected by Russia's prolonged military invasion of Ukraine etc. and logistics disruption.

Amid such circumstances, the Daicel Group has steadily seized sales opportunities of the products for which demand is growing and increased sales volume, in addition, we have passed on the soaring raw material and fuel prices and distribution costs to the selling prices and have implemented thorough cost reductions although the sales volume of some products of the Daicel Group decreased due to the impact of the lockdown of cities in China and the reduction in automobile production.

The sales revenue for the consolidated first quarter of the fiscal year under review totaled ¥127,981 million (up 14.9% year-on-year). On the income front, operating income amounted to ¥12,989 million (down 6.8% year-on-year), ordinary income was ¥15,447 million (up 1.4% year-on-year) and net income attribute to owners of the parent was ¥8,903 million (down 27.5 % year-on-year).

Segment information is summarized as follows.

From the current consolidated fiscal year, the company has changed the method of allocating corporate expenses to each business in order to shift to a system in which each business bears the costs to be borne and manages them responsibly. For the year-on-year comparison, the figures for the same period of the previous year are compared by rearranging the figures based on the changed allocation method.

[Medical / Healthcare]

The healthcare business decreased in sales revenue due to a decrease in sales volume of cosmetic ingredients due to the lockdown of cities in China although the sales volume of health food ingredients increased.

The life science business increased in sales revenue due to an increase in sales volume of chiral separation related products resulting from the recovery in demand and strong sales at other overseas bases despite the effects of the lockdown in China.

The overall segment sales came to ¥5,418 million (up 13.1% year-on-year). Operating income amounted to ¥672 million (up 17.5% year-on-year) due to an increase of sales volume.

[Smart]

The display business, such as cellulose acetate for optical films, and high-performance films, registered growth in sales revenue due to higher sales volume of high-performance films although sales volume of cellulose acetate for optical film decreased as a result of LCD panel inventory adjustment by customers.

The IC/Semiconductor business, which includes solvents for printed electronics and resist materials, increased in sales revenue driven by higher sales volume for semiconductor materials, for which demand remained strong, and an increase in sales prices due to a rise in raw material and fuel prices although sales volumes for LCD panel materials decreased.

The overall segment sales came to ¥9,561 million (up 19.7% year-on-year). Operating income amounted to ¥1,139 million (down 24.1% year-on-year), due to the soaring raw material and fuel prices and an increasing of research and development expenses.

[Safety]

The automobile airbag inflator (gas-generation devices) and other mobility business increased in sales due to an increase in sales volume compared to the same period of the previous year, which was on a recovery trend from the effects of COVID-19 and due to the impact of foreign exchange although it was affected by the reduction in automobile production due to the shortage of semiconductors and the lockdown of cities in China.

Consequently, overall segment sales came to ¥17,786 million (up 9.4% year-on-year). Operating loss came to ¥360 million (operating loss of ¥31 million in the same period of the previous year) due to the soaring raw material prices and distribution costs.

[Material]

Sales revenue of acetic acid decreased due to sales adjustments associated with regular repairs and the softening of the acetic acid market, which had soared the previous year.

Sales of acetic acid derivatives increased due to an increase in sales volume of ethyl acetate.

Sales revenue of acetate tow increased due to an increase in sales volumes from the securing of inventory by customers caused by distribution disruptions and due to the impact of foreign exchange. In addition, it is also no longer affected by changes in accounting standards, which was a factor in the decrease in sales in the same period of the previous year.

Caprolactone derivatives and alicyclic-epoxy-resin recorded increased sales revenue driven by higher sales volume due to a strong demand for polyurethane and electronic material applications and correction of sales prices due to rising raw material and fuel prices.

Consequently, overall segment sales amounted to ¥34,661 million (up 22.5 % year-on-year). Operating income amounted to ¥4,864 million (up 11.0% year-on-year), due to an increase of sales volume.

[Engineering Plastics]

In the business of Polyplastics Co., Ltd., such as polyacetal (POM), polybutylene terephthalate (PBT) resin, and liquid crystal polymer (LCP), sales revenue increased due to continuous sales prices revision from the rise in raw material and fuel prices and the influence of exchange rates although the sales volume decreased due to lockdown of cities in China and compared to the same period of the previous year when the sales volume increased sharply due to the recovery of demand from the influence of COVID-19.

In the business of Daicel Miraizu Ltd., including ABS and engineering plastic alloy resins, film barriers for food and water-soluble polymers, sales revenue increased due to the revision of sales prices because of the rise in raw material and fuel prices despite the lockdown of cities in China.

Consequently, overall segment sales amounted to ¥58,744 million (up 14.1% year-on-year). Operating income was ¥6,570 million (down 8.1% year-on-year) due to a decrease of sales volume.

[Other Businesses]

Sales revenue of other businesses decreased due to lower sales volume of defense-related business.

Consequently, overall segment sales amounted ¥1,808 million (down 29.3% year-on-year). Operating income amounted to ¥102 million (down 72.7% year-on-year).

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

Total assets as of June 30, 2022, were ¥740,589 million, an increase of ¥41,753 million from March 31, 2022, due to increases in Cash and deposits and inventory.

Total liabilities were ¥441,902 million, an increase of ¥2,2610 million from March 31, 2022, due to an increase in Short-term borrowings.

Total net assets were ¥298,686 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥290,489 million. Shareholders' equity ratio was 39.2%.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2022	As of Jun. 30, 2022
Assets		
Current assets		
Cash and deposits	88,130	100,020
Notes and accounts receivable – trade	102,562	105,060
Securities	2,398	1,595
Inventories	142,002	160,900
Other	25,186	28,426
Allowance for doubtful accounts	(32)	(43)
Total current assets	360,247	395,961
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	61,408	63,031
Machinery, equipment and vehicles, net	71,823	73,092
Land	31,660	32,118
Construction in progress	60,279	62,206
Other, net	4,671	4,648
Total property, plant and equipment	229,843	235,097
Intangible assets		
Goodwill	363	391
Other	9,702	10,188
Total intangible assets	10,066	10,579
Investments and other assets		
Investment securities	73,246	71,893
Deferred tax assets	2,474	2,546
Retirement benefit asset	8,686	9,537
Other	14,314	15,014
Allowance for doubtful accounts	(42)	(40)
Total investments and other assets	98,679	98,951
Total non-current assets	338,589	344,628
Total assets	698,836	740,589

(Unit: Millions of Yen)

	As of Mar. 31, 2022	As of Jun. 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	61,888	65,021
Short-term borrowings	22,198	39,805
Current portion of long-term bonds payable	10,003	10,003
Current portion of long-term borrowings	12,272	13,153
Income taxes payable	5,529	3,665
Provision for environmental measures	14	14
Asset retirement obligations	194	172
Other	41,797	42,394
Total current liabilities	153,898	174,230
Non-current liabilities		
Bonds payable	130,000	130,000
Long-term borrowings	106,029	107,112
Deferred tax liabilities	16,311	19,083
Provision for retirement benefits for directors	89	86
Provision for repairs	1,052	1,481
Provision for environmental measures	125	124
Net defined benefit liability	6,623	4,553
Asset retirement obligations	1,255	1,277
Other	3,906	3,952
Total non-current liabilities	265,394	267,672
Total liabilities	419,292	441,902
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	14	14
Retained earnings	174,500	178,080
Treasury shares	(6,090)	(6,090)
Total shareholders' equity	204,699	208,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,813	35,835
Deferred gains or losses on hedges	27	40
Foreign currency translation adjustment	25,966	40,180
Remeasurements of defined benefit plans	4,509	6,153
Total accumulated other comprehensive income	67,317	82,209
Non-controlling interests	7,526	8,196
Total net assets	279,544	298,686
Total liabilities and net assets	698,836	740,589

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2021	Three months ended Jun. 30, 2022
Net sales	111,358	127,981
Cost of sales	75,891	89,756
Gross profit	35,467	38,225
Selling, general and administrative expenses	21,522	25,235
Operating profit	13,944	12,989
Non-operating income		
Interest income	64	64
Dividend income	577	600
Share of profit of entities accounted for using equity method	527	544
Foreign exchange gains	62	1,480
Other	491	334
Total non-operating income	1,724	3,024
Non-operating expenses		
Interest expenses	342	362
Other	91	203
Total non-operating expenses	433	566
Ordinary profit	15,235	15,447
Extraordinary income		
Gain on disposal of non-current assets	7	6
Total extraordinary income	7	6
Extraordinary losses		
Loss on retirement of non-current assets	122	298
Loss on liquidation of business	-	552
Total extraordinary losses	122	851
Profit before income taxes	15,121	14,603
Income taxes		
Income taxes - current	1,837	3,123
Income taxes - deferred	919	2,292
Total income taxes	2,756	5,415
Profit	12,364	9,187
Profit attributable to non-controlling interests	81	284
Profit attributable to owners of parent	12,283	8,903

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2021	Three months ended Jun. 30, 2022
Profit	12,364	9,187
Other comprehensive income		
Valuation difference on available-for-sale securities	6,068	(979)
Deferred gains or losses on hedges	12	12
Foreign currency translation adjustment	729	14,050
Remeasurements of defined benefit plans, net of tax	(92)	1,646
Share of other comprehensive income of entities accounted for using equity method	(12)	597
Total other comprehensive income	6,704	15,327
Comprehensive income	19,069	24,514
Comprehensive income attributable to		
owners of parent	18,884	23,795
non-controlling interests	184	719

6. Segment Information

I Three months ended Jun. 30, 2021

1. Sales and Profit (Loss) by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	4,790	7,989	16,262	28,293	51,467	2,556	111,358	-	111,358
Intersegment sales	175	86	291	4,554	72	3,022	8,203	(8,203)	-
Total	4,966	8,075	16,553	32,847	51,540	5,579	119,562	(8,203)	111,358
Operating profit (loss)	572	1,501	(31)	4,381	7,147	373	13,944	-	13,944

2. Information on Impairment Losses of Non-Current Assets by Reportable Segment

Not applicable.

II Three months ended Jun. 30, 2022

1. Sales and Profit (Loss) by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	5,418	9,561	17,786	34,661	58,744	1,808	127,981	-	127,981
Intersegment sales	50	35	-	4,345	79	3,126	7,637	(7,637)	-
Total	5,468	9,596	17,786	39,006	58,824	4,935	135,619	(7,637)	127,981
Operating profit (loss)	672	1,139	(360)	4,864	6,570	102	12,989	-	12,989

2. Information on Impairment Losses of Non-Current Assets by Reportable Segment

Not applicable.

3. Matters Regarding the Changes in Reportable Segment

From the first quarter ended June 30, 2022, we reviewed the method of allocating corporate expenses and changed the calculation method of Operating profit (loss) in order to more suitably evaluate and manage the performance of each segment.

The segment information of the fiscal year ended June 30, 2021, is presented based on the changed method.