

1st Quarter Consolidated Financial Results for the Year Ending March 31, 2024

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

August 3, 2023

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
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 Scheduled date for submitting financial statements : August 10, 2023
 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, 2023 (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, 2023	130,802	2.2	9,118	(29.8)	12,693	(17.8)	14,984	68.3
Three months ended Jun. 30, 2022	127,981	14.9	12,989	(6.8)	15,447	1.4	8,903	(27.5)

(Note) Comprehensive income: 30,924 millions of yen [26.1%] for the three months ended June 30, 2023 and 24,514 millions of yen [28.6%] for the three months ended June 30, 2022

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended Jun. 30, 2023	52.46	—
Three months ended Jun. 30, 2022	30.11	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Jun. 30, 2023	784,705	335,604	40.8	1,120.05
As of Mar. 31, 2023	765,606	310,435	38.6	1,033.52

(Reference) Shareholders' equity: 319,922 millions of yen as of June 30, 2023 and 295,209 millions of yen as of March 31, 2023

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, 2023	—	18.00	—	20.00	38.00
Year ending Mar. 31, 2024	—				
Year ending Mar. 31, 2024 (Forecast)		22.00	—	22.00	44.00

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

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2024

(% 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, 2023	271,000	1.8	21,000	(19.3)	21,500	(28.9)	15,000	(32.5)	52.51
Year ending Mar. 31, 2024	572,000	6.3	53,000	11.6	55,000	5.7	44,000	8.2	154.04

(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, 2023: 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, 2023	286,942,682 shares	As of Mar. 31, 2023	302,942,682 shares
ii Number of treasury shares at the end of each period	As of Jun. 30, 2023	1,311,123 shares	As of Mar. 31, 2023	17,307,785 shares
iii Average number of shares during each period (Cumulative from the beginning of the fiscal year)	Three months ended Jun. 30, 2023	285,632,636 shares	Three months ended Jun. 30, 2022	295,708,227 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 2024 (three months ended June 30, 2023), although the global economy continued to show signs of a gradual recovery as economic activity normalized, it remained uncertain due to the effects of global monetary tightening, rising prices, and the prolonged situation in Ukraine.

The business environment of the Daicel Group was challenging, with demand recovering in some key markets but recovering only slowly. Amid such circumstances, we have steadily seized sales opportunities of the products for which demand is growing and increased sales volume. In addition, we have accelerated efforts to improve profits, and implemented thorough cost reductions.

As a result, sales revenue for the consolidated first quarter of the fiscal year under review totaled ¥130,802 million (up 2.2% year-on-year). On the income front, operating income amounted to ¥9,118 million (down 29.8% year-on-year), ordinary income was ¥12,693 million (down 17.8% year-on-year), and net income attributable to owners of the parent was ¥14,984 million (up 68.3% year-on-year) mainly due to gain on sale of investment securities.

Segment information is summarized as follows.

From the current consolidated fiscal year, 1,3-butylene glycol, a raw material for cosmetics, has been transferred from the Medical / Healthcare Segment to the Materials Segment, and the research and development function for new administration devices has been transferred from the Safety Segment to the Medical / Healthcare Segment. Year-on-year comparisons are made by rearranging figures for the same period of the previous fiscal year according to the segments after the transfer.

[Medical / Healthcare]

Sales revenue of the life science business decreased due to the sale of a subsidiary of the contract development and manufacturing organization business at the end of the previous fiscal year, despite strong sales of chiral separation-related products.

The healthcare business decreased in sales revenue due to decreased sales volume of cosmetic ingredients.

The overall segment sales came to ¥3,375 million (down 15.1% year-on-year). Operating income amounted to ¥315 million (down 10.5% year-on-year) due to a decrease in sales volumes of the healthcare business.

[Smart]

The display/Optical business, such as cellulose acetate for optical films, and high-performance films, registered a decrease in sales revenue due to lower sales volume of cellulose acetate for optical film because a full-fledged recovery in demand did not materialize, despite progress in LCD panel inventory adjustments. In addition, sales volume of high-performance films decreased due to delays in sales to major customers.

The IC/Semiconductor business, which includes solvents for printed electronics and resist materials, decreased in sales revenue due to lower sales volume resulting from declining demand for semiconductors and lack of a full-fledged recovery in demand for liquid crystal panels.

The overall segment sales came to ¥7,547 million (down 21.1% year-on-year). Operating loss came to ¥643 million (operating income of ¥1,139 million in the same period of the previous year), due to a decrease of sales volume and the soaring raw material and fuel prices.

[Safety]

Sales revenue of the automobile airbag inflator (gas-generation devices) and other mobility business increased due to an increase in sales volume as automobile production recovered from the previous fiscal year.

Consequently, overall segment sales came to ¥22,394 million (up 25.9% year-on-year). Operating loss amounted to ¥651 million (operating loss of ¥176 million in the same period of the previous year) due to increased expenses for associated with the consolidation of production areas, etc..

[Materials]

Sales revenue of acetic acid decreased due to a decline in demand for vinyl acetate and purified terephthalic acid, which are the main uses of acetic acid, and a softening of the acetic acid market.

Sales of acetic acid derivatives decreased due to a lower sales volume because of lower demand for electronic materials and displays.

Sales revenue of acetate tow increased due to an increase in sales volumes from the strong demand for heat-not-burn tobacco products and due to sales price revisions from the rise in raw material and fuel prices and strong demand.

Sale revenue of caprolactone derivatives, alicyclic-epoxy-resin and 1,3-butylene glycol business recorded decreases in

sales revenue due to lower sales volumes of alicyclic-epoxy-resin resulting from declining demand for electronic materials and displays, although the sales volume of 1,3-butylene glycol increased due to the recovery of domestic demand for cosmetics.

Consequently, overall segment sales amounted to ¥45,997 million (up 27.4% year-on-year). Operating income amounted to ¥9,396 million (up 87.9% year-on-year), due to correction of selling prices, and impact of foreign exchange rates.

[Engineering Plastics]

In the business of Polyplastics Co., Ltd., such as polyacetal (POM), polybutylene terephthalate (PBT) resin, and liquid crystal polymer (LCP), sales revenue decreased due to lower sale volume from sluggish demand in the overseas automobile market and IT-related industries although demand for automobiles in Japan is on a recovery trend.

In the business of Daicel Miraizu Ltd., including ABS and engineering plastic alloy resins, film barriers for food and water-soluble polymers, sales revenue decreased due to a decrease in sales volumes because of a drop in stay-at-home demand and the impact of customer inventories.

Consequently, overall segment sales amounted to ¥50,325 million (down 14.3% year-on-year). Operating income was ¥734 million (down 88.8% year-on-year) due to decreased sales volume.

[Other Businesses]

Sales revenue of other businesses decreased due to withdrawal from defense-related business.

Consequently, overall segment sales amounted to ¥1,161million (down 35.8% year-on-year). Operating loss amounted to ¥33 million (operating income of ¥102 million in in the same period of the previous year).

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

Total assets as of June 30, 2023 were ¥ 784,705 million, an increase of ¥ 19,098 million from March 31, 2023, due to increases in cash and deposits, and in property, plant and equipment.

Total liabilities were ¥449,101 million, a decrease of ¥ 6,069 million from March 31, 2023, due to a decrease in short-term bonds payable.

Total net assets were ¥335,604 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥319,922 million. Shareholders' equity ratio was 40.8 %.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2023	As of Jun. 30, 2023
Assets		
Current assets		
Cash and deposits	93,840	98,819
Notes and Accounts receivable - trade	101,534	97,177
Inventories	177,169	179,752
Other	34,149	33,168
Allowance for doubtful accounts	(66)	(82)
Total current assets	406,627	408,834
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	64,809	65,916
Machinery, equipment and vehicles, net	74,802	75,307
Land	35,639	36,084
Construction in progress	75,803	85,370
Other, net	5,076	5,606
Total property, plant and equipment	256,130	268,284
Intangible assets		
Goodwill	338	351
Other	10,853	11,153
Total intangible assets	11,191	11,504
Investments and other assets		
Investment securities	67,914	71,649
Deferred tax assets	2,425	2,390
Retirement benefit asset	7,648	7,575
Other	13,707	14,503
Allowance for doubtful accounts	(40)	(37)
Total investments and other assets	91,656	96,081
Total non-current assets	358,978	375,870
Total assets	765,606	784,705

(Unit: Millions of Yen)

	As of Mar. 31, 2023	As of Jun. 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	56,167	53,788
Short-term borrowings	36,267	32,053
Short-term bonds payable	30,000	20,000
Current portion of bonds payable	30,000	30,000
Current portion of long-term borrowings	12,742	13,008
Income taxes payable	5,343	3,064
Provision for repairs	3,565	1,378
Other	46,768	51,559
Total current liabilities	220,856	204,854
Non-current liabilities		
Bonds payable	100,000	100,000
Long-term borrowings	108,823	111,817
Deferred tax liabilities	14,394	18,870
Provision for retirement benefits for directors	71	33
Provision for environmental measures	122	122
Retirement benefit liability	4,735	4,746
Asset retirement obligations	1,170	1,204
Other	4,995	7,450
Total non-current liabilities	234,314	244,246
Total liabilities	455,170	449,101
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	132	126
Retained earnings	204,529	199,280
Treasury shares	(15,716)	(1,189)
Total shareholders' equity	225,221	234,492
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,906	37,472
Deferred gains or losses on hedges	43	43
Foreign currency translation adjustment	33,519	44,515
Remeasurements of defined benefit plans	3,519	3,398
Total accumulated other comprehensive income	69,988	85,430
Non-controlling interests	15,225	15,681
Total net assets	310,435	335,604
Total liabilities and net assets	765,606	784,705

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Net sales	127,981	130,802
Cost of sales	89,756	97,081
Gross profit	38,225	33,720
Selling, general and administrative expenses	25,235	24,602
Operating profit	12,989	9,118
Non-operating income		
Interest income	64	285
Dividend income	600	841
Share of profit of entities accounted for using equity method	544	595
Foreign exchange gains	1,480	1,996
Other	334	437
Total non-operating income	3,024	4,156
Non-operating expenses		
Interest expenses	362	418
Bond issuance costs	—	0
Other	203	162
Total non-operating expenses	566	581
Ordinary profit	15,447	12,693
Extraordinary income		
Gain on sale of investment securities	—	7,917
Gain on disposal of non-current assets	6	3
Total extraordinary income	6	7,920
Extraordinary losses		
Loss on retirement of non-current assets	298	175
Loss on liquidation of business	552	—
Total extraordinary losses	851	175
Profit before income taxes	14,603	20,438
Income taxes		
Income taxes – current	3,123	2,948
Income taxes – deferred	2,292	2,500
Total income taxes	5,415	5,449
Profit	9,187	14,989
Profit attributable to non-controlling interests	284	5
Profit attributable to owners of parent	8,903	14,984

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Profit	9,187	14,989
Other comprehensive income		
Valuation difference on available-for-sale securities	(979)	4,566
Deferred gains or losses on hedges	12	—
Foreign currency translation adjustment	14,050	11,195
Remeasurements of defined benefit plans, net of tax	1,646	(115)
Share of other comprehensive income of entities accounted for using equity method	597	288
Total other comprehensive income	15,327	15,935
Comprehensive income	24,514	30,924
Comprehensive income attributable to		
owners of parent	23,795	30,425
non-controlling interests	719	499

6. Segment Information

I 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	3,977	9,561	17,786	36,102	58,744	1,808	127,981	—	127,981
Intersegment sales	50	35	—	4,345	79	3,126	7,637	(7,637)	—
Total	4,027	9,596	17,786	40,448	58,824	4,935	135,619	(7,637)	127,981
Operating profit (loss)	352	1,139	(176)	5,001	6,570	102	12,989	—	12,989

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

Not applicable.

II Three months ended Jun. 30, 2023

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	3,375	7,547	22,394	45,997	50,325	1,161	130,802	—	130,802
Intersegment sales	—	84	—	2,386	53	3,398	5,923	(5,923)	—
Total	3,375	7,632	22,394	48,384	50,378	4,559	136,725	(5,923)	130,802
Operating profit (loss)	315	(643)	(651)	9,396	734	(33)	9,118	—	9,118

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, 2023, we made changes in reportable segments. The cosmetic ingredient 1,3-butylene glycol (1,3BG), which was previously included in the “Medical & Healthcare” segment, has been reclassified to the “Materials” segment. Furthermore, research and development function regarding the new medical device, which was previously included in the “Safety” segment, has been reclassified to the “Medical & Healthcare” segment.

The segment information of the fiscal year ended June 30, 2022, is presented based on the reclassified segment.

7. Significant Subsequent Events

On July 4, 2023, a ransomware attack occurred on certain servers of the consolidated company, Daicel Safety Systems (Thailand) Co., Ltd.(DSST). We are currently investigating with the assistance of external experts and proceeding with efforts to protect and restore the system.

The impact of this matter on the future consolidated performance is currently being assessed. If a significant impact on business performance is expected in the future, we will promptly announce it.