

2nd 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)

November 2, 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 : November 10, 2023
 Scheduled date for dividend payment : December 4, 2023
 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 Six Months Ended September 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	%
Six months ended Sep. 30, 2023	271,004	1.8	26,607	2.2	30,702	1.5	29,751	34.0
Six months ended Sep. 30, 2022	266,232	18.4	26,026	(4.5)	30,242	1.4	22,210	0.7

(Note) Comprehensive income: 50,951 millions of yen [35.8%] for the six months ended September 30, 2023 and 37,518 millions of yen [7.5%] for the six months ended September 30, 2022

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended Sep. 30, 2023	104.13	—
Six months ended Sep. 30, 2022	75.08	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Sep. 30, 2023	808,627	355,209	42.0	1,189.06
As of Mar. 31, 2023	765,606	310,435	38.6	1,033.52

(Reference) Shareholders' equity: 340,018 millions of yen as of September 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	—	25.00			
Year ending Mar. 31, 2024 (Forecast)			—	25.00	50.00

(Note) Revisions to the latest announced dividend forecast: 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
Year ending Mar. 31, 2024	562,000	4.5	61,000	28.4	65,500	25.9	54,000	32.7	188.84

(Note) Revisions to the latest announced forecast of consolidated financial results: Applicable

*Notes

- (1) Changes in significant subsidiaries during the six months ended Sep. 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 Sep. 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 Sep. 30, 2023	987,288 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)	Six months ended Sep. 30, 2023	285,710,046 shares	Six months ended Sep. 30, 2022	295,807,413 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 second quarter of the fiscal year ending March 2024 (six months ended September 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 second quarter of the fiscal year under review totaled ¥271,004 million (up 1.8% year-on-year). On the income front, operating income amounted to ¥26,607 million (up 2.2% year-on-year), ordinary income was ¥ 30,702 million (up 1.5% year-on-year), and net income attributable to owners of the parent was ¥29,751 million (up 34.0% 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 drug delivery 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 increased in sales revenue due to increased sales volume by an increase in inbound tourists.

The overall segment sales came to ¥6,877 million (down 14.4% year-on-year). Operating income amounted to ¥481 million (down 31.5% year-on-year) due to an increase in marketing activity costs.

[Smart]

The display/Optical business, such as cellulose acetate for optical films, and high-performance films, registered an increase in sales revenue due to higher sales volume of cellulose acetate for optical films because completion of LCD panel inventory adjustments and expansion of overseas sales despite sluggish demand, although the sales volume of high-performance films decreased.

The IC/Semiconductor business, which includes solvents for electronics and photoresist materials, decreased in sales revenue due to lower sales volume resulting from continued sluggish demand for semiconductors and LCD panels.

The overall segment sales came to ¥14,683 million (down 9.2% year-on-year). Operating loss came to ¥1,101 million (operating income of ¥373 million in the same period of the previous year), due to a decrease of sales volume and the impact of moving average differences, etc..

[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 by alleviation of semiconductor shortage compared with the same period of the previous fiscal year.

Consequently, overall segment sales came to ¥47,132 million (up 18.6% year-on-year). Operating loss amounted to ¥140 million (operating loss of ¥16 million in the same period of the previous year) due to increased expenses for associated with the consolidation of production sites, etc..

[Materials]

Sales revenue of acetic acid in acetyl business decreased as the acetic acid market has softened due to a decline in demand for major derivatives such as vinyl acetate and high-purity terephthalic acid.

Sales of acetic acid derivatives decreased due to a lower sales volume because of lower demand for electronic materials and LCD 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 chemical business recorded decreases in sales revenue due to lower sales volume of caprolactone

derivatives due to decreased demand for urethane applications in China, and due to lower sales volumes of alicyclic-epoxy-resin resulting from declining demand for electronic materials and LCD displays although the sales volume of 1,3-butylene glycol increased due to the recovery of domestic demand for cosmetics by inbound tourists.

Consequently, overall segment sales amounted to ¥91,125 million (up 21.2% year-on-year). Operating income amounted to ¥21,119 million (up 103.3% 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 due to the impact of inventory adjustments for auto parts that continued from the previous fiscal year until the beginning of this second quarter, and sluggish demand in IT-related industries.

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 lower sales volumes because of decreased demand for OA equipment and housing equipment.

Consequently, overall segment sales amounted to ¥108,696 million (down 12.0% year-on-year). Operating income was ¥6,125 million (down 57.6% 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 ¥2,490 million (down 29.2% year-on-year). Operating income was ¥122 million (up 3.4% year on year).

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

Total assets as of September 30, 2023 were ¥808,627 million, an increase of ¥43,020 million from March 31, 2023, due to increases in cash and deposits, and in property, plant and equipment.

Total liabilities were ¥453,418 million, a decrease of ¥1,752 million from March 31, 2023, due to a decrease in short-term bonds payable.

Total net assets were ¥355,209 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥340,018 million. Shareholders' equity ratio was 42.0 %.

(3) Overview of cash flow for the period under review

Cash flow from operating activities

Cash flow from operating activities during the consolidated second quarter under review was +¥49,192million (vs. +¥7,770 million in the previous fiscal year). The increases in cash flow were mainly attributable to ¥40,070 million of net income before income taxes and ¥15,283 million of depreciation and amortization. Meanwhile, the main factor for the decreases in cash flow was ¥2,627 million of Decrease (increase) in trade receivables.

Cash flow from investment activities

Cash flow from investment activities during the consolidated second quarter under review was -¥26,773 million (vs. -¥17,201 million in the previous fiscal year). The main factors for the increase in cash flow were income of ¥11,400 million from the sale and redemption of investment securities. The main factors for the decrease in cash flow were expenditures of ¥32,576 million for the purchase of property, plant and equipment.

Cash flow from financing activities

Cash flow from financing activities during the consolidated second quarter under review was -¥28,102 million (vs. +¥1,156 million in the previous fiscal year). The increases in cash flow were mainly attributable to 9,519 million of proceeds from long-term borrowings. The main factors accounting for the decrease in cash flow were ¥10,000 million of net increase (decrease) in short-term bonds payable, ¥10,000 million for redemption of bonds and ¥5,713 million in dividends paid.

As a result of the above, cash and cash equivalents on September 30, 2023 totaled ¥929,19 million.

(4) Explanation regarding future forecast information of consolidated financial results

Based on the business results for the consolidated second quarter of the current fiscal year, the Company has revised its consolidated earnings forecasts for the full fiscal year ending March 31, 2024 announced on May 11, 2023. For details, please refer to the " Notice Regarding Differences between Consolidated Financial Forecast and Actual Results for Six-month Period ended September 30, 2023, and Revision to Consolidated Financial Forecast for Fiscal Year ending March 31, 2024 " released today.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2023	As of Sep. 30, 2023
Assets		
Current assets		
Cash and deposits	93,840	97,622
Notes and Accounts receivable - trade	101,534	109,816
Inventories	177,169	183,284
Other	34,149	27,385
Allowance for doubtful accounts	(66)	(118)
Total current assets	406,627	417,990
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	64,809	66,052
Machinery, equipment and vehicles, net	74,802	75,198
Land	35,639	37,908
Construction in progress	75,803	98,214
Other, net	5,076	5,452
Total property, plant and equipment	256,130	282,825
Intangible assets		
Goodwill	338	345
Other	10,853	11,068
Total intangible assets	11,191	11,414
Investments and other assets		
Investment securities	67,914	71,386
Deferred tax assets	2,425	2,567
Retirement benefit asset	7,648	7,504
Other	13,707	14,973
Allowance for doubtful accounts	(40)	(36)
Total investments and other assets	91,656	96,396
Total non-current assets	358,978	390,637
Total assets	765,606	808,627

(Unit: Millions of Yen)

	As of Mar. 31, 2023	As of Sep. 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	56,167	68,321
Short-term borrowings	36,267	31,002
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	13,625
Income taxes payable	5,343	4,228
Provision for repairs	3,565	1,585
Other	46,768	44,470
Total current liabilities	220,856	213,233
Non-current liabilities		
Bonds payable	100,000	90,000
Long-term borrowings	108,823	115,095
Deferred tax liabilities	14,394	18,375
Provision for retirement benefits for directors	71	35
Provision for repairs	—	342
Provision for environmental measures	122	122
Retirement benefit liability	4,735	4,626
Asset retirement obligations	1,170	1,208
Other	4,995	10,377
Total non-current liabilities	234,314	240,184
Total liabilities	455,170	453,418
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	132	126
Retained earnings	204,529	214,182
Treasury shares	(15,716)	(895)
Total shareholders' equity	225,221	249,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,906	37,536
Deferred gains or losses on hedges	43	—
Foreign currency translation adjustment	33,519	49,544
Remeasurements of defined benefit plans	3,519	3,247
Total accumulated other comprehensive income	69,988	90,329
Non-controlling interests	15,225	15,191
Total net assets	310,435	355,209
Total liabilities and net assets	765,606	808,627

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023
Net sales	266,232	271,004
Cost of sales	190,145	196,069
Gross profit	76,087	74,935
Selling, general and administrative expenses	50,061	48,327
Operating profit	26,026	26,607
Non-operating income		
Interest income	190	681
Dividend income	884	1,045
Share of profit of entities accounted for using equity method	1,183	1,055
Foreign exchange gains	2,293	1,932
Other	705	719
Total non-operating income	5,258	5,434
Non-operating expenses		
Interest expenses	667	832
Bond issuance costs	—	0
Other	374	505
Total non-operating expenses	1,042	1,338
Ordinary profit	30,242	30,702
Extraordinary income		
Gain on disposal of non-current assets	14	3
Gain on sale of investment securities	3,354	9,712
Total extraordinary income	3,369	9,716
Extraordinary losses		
Loss on retirement of non-current assets	421	348
Loss on liquidation of business	719	—
Total extraordinary losses	1,141	348
Profit before income taxes	32,471	40,070
Income taxes		
Income taxes – current	8,565	8,359
Income taxes – deferred	1,106	1,847
Total income taxes	9,671	10,207
Profit	22,799	29,863
Profit attributable to non-controlling interests	588	111
Profit attributable to owners of parent	22,210	29,751

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2023
Profit	22,799	29,863
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,234)	4,633
Deferred gains or losses on hedges	15	(43)
Foreign currency translation adjustment	17,885	16,192
Remeasurements of defined benefit plans, net of tax	1,448	(267)
Share of other comprehensive income of entities accounted for using equity method	604	574
Total other comprehensive income	14,719	21,088
Comprehensive income	37,518	50,951
Comprehensive income attributable to		
owners of parent	36,524	50,092
non-controlling interests	994	858

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Sep. 30, 2022	Year ended Sep. 30, 2023
Cash flows from operating activities		
Profit before income taxes	32,471	40,070
Depreciation	14,251	15,283
Amortization of goodwill	29	31
Interest and dividend income	(1,075)	(1,727)
Interest expenses	667	832
Share of loss (profit) of entities accounted for using equity method	(1,183)	(1,055)
Loss (Gain) on sale and retirement of non-current assets	406	345
Gain on sale of investment securities	(3,354)	(9,712)
Decrease (increase) in trade receivables	3,097	(2,627)
Decrease (increase) in inventories	(28,586)	(658)
Increase (decrease) in trade payables	(925)	7,872
Other, net	(1,781)	8,915
Subtotal	14,016	57,568
Interest and dividends received	1,081	1,982
Interest paid	(802)	(808)
Income taxes paid	(6,524)	(9,549)
Net cash provided by (used in) operating activities	7,770	49,192
Cash flows from investing activities		
Net decrease (increase) in time deposits	(36)	(4,165)
Purchase of property, plant and equipment	(21,015)	(32,576)
Proceeds from sale of property, plant and equipment	225	26
Purchase of intangible assets	(959)	(1,165)
Purchase of investment securities	(54)	(63)
Proceeds from sale and redemption of investment securities	4,949	11,400
Loan advances	(71)	(4)
Proceeds from collection of loans receivable	312	406
Other, net	(550)	(630)
Net cash provided by (used in) investing activities	(17,201)	(26,773)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	22,604	(6,264)
Net increase (decrease) in short-term bonds payable	—	(10,000)
Proceeds from long-term borrowings	5,419	9,519
Repayments of long-term borrowings	(10,301)	(4,107)
Redemption of bonds	(10,000)	(10,000)
Purchase of treasury shares	(0)	(0)
Dividends paid	(5,321)	(5,713)
Dividends paid to non-controlling interests	(742)	(893)
Repayments of lease liabilities	(501)	(642)
Net cash provided by (used in) financing activities	1,156	(28,102)
Effect of exchange rate change on cash and cash equivalents	5,871	5,108
Net increase (decrease) in cash and cash equivalents	(2,403)	(574)
Cash and cash equivalents at beginning of period	87,986	93,493
Cash and cash equivalents at the end of period	85,583	92,919

6. Segment Information

I Six months ended Sep. 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	8,030	16,164	39,745	75,215	123,559	3,517	266,232	—	266,232
Intersegment sales	103	74	—	7,397	157	6,200	13,933	(13,933)	—
Total	8,133	16,238	39,745	82,613	123,717	9,718	280,166	(13,933)	266,232
Operating profit (loss)	702	373	(16)	10,386	14,461	118	26,026	—	26,026

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

Not applicable.

II Six months ended Sep. 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	6,877	14,683	47,132	91,125	108,696	2,490	271,004	—	271,004
Intersegment sales	—	153	—	4,619	71	6,907	11,751	(11,751)	—
Total	6,877	14,837	47,132	95,744	108,767	9,397	282,756	(11,751)	271,004
Operating profit (loss)	481	(1,101)	(140)	21,119	6,125	122	26,607	—	26,607

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 September 30, 2022, is presented based on the reclassified segment.