

# Consolidated Financial Results for the Year Ended March 31, 2023

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

May 11, 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  
 Representative : Yoshimi Ogawa, President and CEO  
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Scheduled date of the general meeting of shareholders : June 23, 2023  
 Scheduled date for submitting financial statements : June 26, 2023  
 Scheduled date for dividend payment : June 26, 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 Year Ended March 31, 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	%
Year ended Mar. 31, 2023	538,026	15.0	47,508	(6.3)	52,035	(9.2)	40,682	30.2
Year ended Mar. 31, 2022	467,937	18.9	50,697	59.8	57,291	65.2	31,254	58.5

(Note) Comprehensive income: 44,473millions of yen [(10.9)%] for the Year ended March 31, 2023 and 49,901millions of yen [10.4%] for the Year ended March 31, 2022

	Profit per share	Diluted profit per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2023	138.87	—	14.3	7.1	8.8
Year ended Mar. 31, 2022	104.14	—	12.3	8.6	10.8

(Reference) Share of profit of entities accounted for using equity method: 2,335 millions of yen for the Year ended March 31, 2023 and 1,950 millions of yen for the Year ended March 31, 2022

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2023	765,606	310,435	38.6	1,033.52
Year ended Mar. 31, 2022	698,836	279,544	38.9	919.88

(Reference) Shareholders' equity: 295,209 millions of yen as of March 31, 2023 and 272,017 millions of yen as of March 31, 2022

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended Mar. 31, 2023	26,847	(44,093)	19,956	93,493
Year ended Mar. 31, 2022	42,993	(46,528)	(5,452)	87,986

2. Dividends

(Reference data)	Cash dividends per share					Dividends in total (Annual)	Dividend payout ratio (Consolidated basis)	Dividends to net assets (Consolidated basis)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended Mar. 31, 2022	—	16.00	—	18.00	34.00	10,150	32.6	4.0
Year ended Mar. 31, 2023	—	18.00	—	20.00	38.00	11,043	27.4	3.9
Year ending Mar. 31, 2024 (Forecast)	—	22.00	—	22.00	44.00		28.6	

### 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

#### \*Notes

- (1) Changes in significant subsidiaries during the Year ended Mar. 31, 2023: Not applicable  
(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation
- (2) Changes in accounting policies, changes in accounting estimates and restatements
- i Changes in accounting policies due to revisions of accounting standards: Applicable
  - ii Changes in accounting policies other than (2)-i: Not applicable
  - iii Changes in accounting estimates: Not applicable
  - iv Retrospective restatements: Not applicable

#### (3) Number of shares issued (common share)

i Number of shares issued at the end of each period (Including treasury shares)	As of Mar. 31, 2023	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 Mar. 31, 2023	17,307,785 shares	As of Mar. 31, 2022	7,234,296 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Year ended Mar. 31, 2023	292,957,081 shares	Year ended Mar. 31, 2022	300,115,425 shares

#### (Reference) Overview of the Unconsolidated Financial Results

#### Unconsolidated Financial Results for the Year Ended March 31, 2023

(Amounts are rounded down to the nearest million)

#### (1) Unconsolidated Operating Results

(% of change from previous year)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2023	236,535	14.6	11,653	(28.3)	26,725	(34.5)	28,035	(1.4)
Year ended Mar. 31, 2022	206,427	6.2	16,254	240.0	40,801	55.0	28,431	22.6

	Profit per share	Diluted profit per share
	Yen	Yen
Year ended Mar. 31, 2023	95.70	—
Year ended Mar. 31, 2022	94.73	—

#### (2) Unconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
Year ended Mar. 31, 2023	663,478	283,919	42.8	994.00
Year ended Mar. 31, 2022	624,190	280,442	44.9	948.37

(Reference) Shareholders' equity: 283,919 millions of yen as of March 31, 2023 and 280,442 millions of yen as of March 31, 2022

\*This Financial Results report is not subject to audit.

#### \*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 ended March 2023

Looking at the world trends during the consolidated the fiscal year ended March 2023, 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 automobile production from the lockdown of cities in China due to COVID-19 and the shortage of semiconductors, soaring raw material and fuel price and global inflation affected by Russia's prolonged military invasion of Ukraine etc., logistics disruption and foreign exchange fluctuations.

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 decreased due to the impact of the automobile production and declining demand for electronic devices.

As a result, sales revenue for the consolidated fiscal year under review totaled ¥538,026 million (up 15.0% year-on-year). On the income front, operating income amounted to ¥47,508 (down 6.3% year-on-year), ordinary income was ¥52,035 million (down 9.2% year-on-year), and net income attributable to owners of the parent was ¥40,682 (up 30.2% 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.

Segment information is summarized as follows.

##### [Medical / Healthcare]

The healthcare business increased in sales revenue due to the revision of the sales price from the rise in raw material and fuel prices and a growth in sales volume of health food ingredients although the sales volume of cosmetic ingredients decreased due to the lockdown of cities in China and other factors.

Sales revenue of the life science business increased due to a strong sales of chiral separation related products, and analysis services in India, and due to the impact of foreign exchange rates.

The overall segment sales came to ¥22,518 million (up 15.5% year-on-year). Operating income amounted to ¥699 million (down 71.3% year-on-year) due to an increase of depreciation.

##### [Smart]

The display business, such as cellulose acetate for optical films, and high-performance films, registered decrease in sales revenue due to lower sales volume of cellulose acetate for optical film as a result of LCD panel inventory adjustment by customers despite an increase in sales of high-performance films due to new adoption.

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 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 ¥29,599 million (down 8.9% year-on-year). Operating loss came to ¥642 million (operating income of ¥4,035 million in the previous fiscal 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, as well as the impact of foreign exchange rates although it was affected by the shortage of semiconductors and the lockdown of cities in China.

Consequently, overall segment sales came to ¥83,981 million (up 20.9% year-on-year). Operating loss amounted to ¥143 million (operating income of ¥2,583 million in the previous fiscal year) due to increased labor costs in the United States and an increase in logistics costs.

##### [Materials]

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 a correction of sales prices and other factors although the sales volume decreased 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 of heat-not-burn tobacco products and due to the sales prices revision from the rise in raw material and fuel prices, and the impact of foreign exchange rates.

Caprolactone derivatives and alicyclic-epoxy-resin recorded increased sales revenue driven by higher sales volume of caprolactone derivatives due to increased demand for paint protection film applications for automobiles, and correction of sales prices due to rising raw material and fuel prices.

Consequently, overall segment sales amounted to ¥154,813 million (up 26.0% year-on-year). Operating income amounted to ¥21,936 million (up 19.6% year-on-year), due to an increase in sales volume, 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 increased due to continuous sales prices revision from the rise in raw material and fuel prices and the influence of exchange rates although sales volume decreased due to inventory reduction by auto components suppliers to response to a decrease in automobile production of the second half of fiscal year by Japanese automobile manufacturers as well as a decrease in demand for smartphones, compared to the previous fiscal 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 an increase in sales volumes and the revision of sales prices result from the rise in raw material and fuel prices.

Consequently, overall segment sales amounted to ¥238,062 million (up 12.2% year-on-year). Operating income was ¥25,310 million (up 14.5% year-on-year) due to correction of selling prices and impact of foreign exchange.

#### [Other Businesses]

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

Consequently, overall segment sales amounted ¥9,051million (down 20.7% year-on-year). Operating income amounted to ¥347 million (down 70.9% year-on-year).

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

Total assets as of March 31, 2023 were ¥ 765,606 million, an increase of ¥ 66,770 million from March 31, 2022, due to increases in inventory and in property, plant and equipment.

Total liabilities were ¥455,170 million, an increase of ¥ 35,878million from March 31, 2022, due to an increase in short-term bonds payable and current portion of bonds payable.

Total net assets were ¥310,435million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥295,209million. Shareholders' equity ratio was 38.6 %.

### (3) Overview of cash flow for the fiscal year under review

#### Cash flow from operating activities

Cash flow from operating activities during the consolidated fiscal year under review was +¥26,847million (vs. +¥42,993 million in the previous fiscal year). The increases in cash flow were mainly attributable to ¥54,967 million of net income before income taxes and ¥31,516 million of depreciation and amortization. Meanwhile, the main factor for the decreases in cash flow was ¥31,875 million of Decrease (increase) in inventories and a payment of ¥14,425 million for corporate income taxes.

#### Cash flow from investment activities

Cash flow from investment activities during the consolidated fiscal year under review was -¥44,093 million (vs. -¥46,528 million in the previous fiscal year). The main factors for the increase in cash flow were income of ¥8,677 million from the sale and redemption of investment securities. The main factors for the decrease in cash flow were expenditures of ¥47,386 million for the purchase of property, plant and equipment.

#### Cash flow from financing activities

Cash flow from financing activities during the consolidated fiscal year under review was +¥19,956 million (vs. -¥5,452 million in the previous fiscal year). The increases in cash flow were mainly attributable to 13,413 million of net increase (decrease) in short-term borrowing, ¥29,998 million of net increase (decrease) in short-term bonds payable and ¥15,074 million of proceeds from long-term borrowings. Meanwhile, the main factors accounting for the decrease in cash flow were ¥13,107 million for repayments of long-term borrowing, ¥10,003 million for redemption of bonds and ¥10,651 million in dividends paid.

As a result of the above, cash and cash equivalents on March 31, 2023 totaled ¥93,493 million.

Reference: Trends in cash flow indicators

	March 2020	March 2021	March 2022	March 2023
Shareholders' equity per total assets (%)	60.6	37.1	38.9	38.6
Shareholders' equity per total assets on market value basis (%)	41.0	40.1	34.6	37.3
Ratio of interest-bearing liabilities to cash flow (year)	1.6	4.7	6.6	12.0
Interest coverage ratio (times)	45.4	53.8	32.0	19.6

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market value basis: Market capitalization/Total assets

Ratio of interest-bearing debts to cash flow: Interest-bearing debts/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/Interest expenses

1. Each indicator is calculated based on consolidated financial results.
2. Market capitalization is calculated by multiplying the closing price at year-end by the number of outstanding shares at year-end (excluding treasury stocks).
3. Cash flow from operating activities is the net cash reported on the consolidated statement of cash flow. Interest-bearing debts include all consolidated balance sheet-reported liabilities on which interest is paid. For interest expenses, the amount of interest payment reported on the consolidated statement of cash flow is used.

#### (4) Outlook

Although the future global economy is expected to continue to recover from the impact of the spread of COVID-19, it is expected to be affected by the downturn in overseas economies due to global monetary tightening and other factors, as well as the impact of rising raw material and fuel prices, which is also affected by the situation in Ukraine

Amid such circumstances, in order to steadily seize sales opportunities offered by the recovery in demand, the Daicel Group will give top priority to securing product supply to our customers by closely coordinating the supply chain and strategically reviewing inventories. In addition, the Company will work on sales price revisions corresponding to rising raw material and fuel prices, logistics costs and cost reductions.

Regarding the Daicel Group's business forecast for the fiscal year ending March 31, 2024, revenues and operating income are expected to increase due to an increase in sales volume due to a recovery in demand in the automobile and electronic device markets and a correction of selling prices.

Our anticipated earnings for the fiscal year ending March 31, 2024 are as follows.

##### Consolidated Earnings Estimates

Sales revenue	¥572.0billion	(up 6.3% year-on-year)
Operating income	¥53.0 billion	(up 11.6% year-on-year)
Ordinary income	¥55.0 billion	(up 5.7% year-on-year)
Net income attributable to owners of the parent	¥44.0 billion	(up 8.2% year-on-year)

For these forecasts, we assume an exchange rate of ¥125/US dollar, (Asian spot) methanol price of US\$380/ton, Dubai crude oil price of US\$90/bbl and domestic naphtha price of ¥68,000/kl.

The forecasts above are based on currently available information. Actual results may differ from these forecasts due to a number of factors.

\* For the forecasts of sales revenue, operating income, capital investment, depreciation, and R&D expenses by segment, please refer to the "Fiscal Year ended March 2023 Consolidated Financial Results" announced on May 11, 2023.

#### (5) Basic policy regarding profit distribution and dividends for the current and next fiscal years

Daicel's basic dividend policy is to distribute profits in a balanced manner that comprehensively considers maximizing asset efficiency, realizing optimal capital structure, securing soundness to maintain fund raising capacity, and stable dividends reflecting the consolidated business results. As for the number of dividend payments in each fiscal year, we pay dividends twice a year based on the date of record: at the end of the second quarter and at the end of the fiscal year.

Internal reserves will be applied to investment in business expansion and reinforcement of highly-profitable business structures, such as R&D for new business development and strengthening of existing businesses, new construction and expansion of facilities, and efficiency improvement measures.

Through future business development, we will ensure growing benefits to our shareholders. In our mid-term management strategic period (from the fiscal year ended March 2021 to the fiscal year ending March 2026), we have set a minimum dividend per share (¥32 per share annually) at the time of announcement of the mid-term management strategy and we are targeting a total return ratio of 40%, which is a combination of dividends and agile share buybacks.

Based on the policy outlined above, we will hold discussions on the payment of an ordinary year-end dividend of ¥20 per share at the 157th Annual General Meeting of Shareholders to be held on June 23, 2023. This, together with the interim dividend of ¥18 per share that was already paid in December 2022, will achieve an annual dividend of ¥38 per share, an increase of ¥4 per share from the prior fiscal year, for a dividend payout ratio of 27.4% for the year under review.

Regarding the acquisition of treasury stock, the company acquired approximately 10.51 million shares worth approximately ¥10 billion between November 2022 and February 2023. As a result, the shareholder return ratio for this fiscal year will be 51.7%. For the next fiscal year, Daicel currently plans to pay an annual dividend of ¥44 per share (including an interim dividend of ¥22), an increase of ¥6 per share from the prior fiscal year.

#### (6) Basic concept regarding the selection of accounting standards

The Daicel Group will continue to prepare consolidated financial statements in accordance with Japanese standards, while taking into account the need to compare consolidated financial statements across different accounting periods and companies.

The Daicel Group will adopt International Accounting Standards, as appropriate, in consideration of circumstances in Japan and overseas.

## 5. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2022	As of Mar. 31, 2023
Assets		
Current assets		
Cash and deposits	88,130	93,840
Notes receivable - trade	4,544	4,602
Accounts receivable - trade	98,017	96,932
Securities	2,398	—
Inventories	142,002	177,169
Other	25,186	34,149
Allowance for doubtful accounts	(32)	(66)
Total current assets	360,247	406,627
Non-current assets		
Property, plant and equipment		
Buildings and structures	176,710	181,794
Accumulated depreciation	(115,302)	(116,985)
Buildings and structures, net	61,408	64,809
Machinery, equipment and vehicles	573,425	591,652
Accumulated depreciation	(501,601)	(516,850)
Machinery, equipment and vehicles, net	71,823	74,802
Tools, furniture and fixtures	32,119	33,018
Accumulated depreciation	(27,448)	(27,942)
Tools, furniture and fixtures, net	4,671	5,076
Land	31,660	35,639
Construction in progress	60,279	75,803
Total property, plant and equipment	229,843	256,130
Intangible assets		
Goodwill	363	338
Other	9,702	10,853
Total intangible assets	10,066	11,191
Investments and other assets		
Investment securities	73,246	67,914
Deferred tax assets	2,474	2,425
Retirement benefit asset	8,686	7,648
Other	14,314	13,707
Allowance for doubtful accounts	(42)	(40)
Total investments and other assets	98,679	91,656
Total non-current assets	338,589	358,978
Total assets	698,836	765,606

(Unit: Millions of Yen)

	As of Mar. 31, 2022	As of Mar. 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	61,888	56,167
Short-term borrowings	22,198	36,267
Short-term bonds payable	—	30,000
Current portion of bonds payable	10,003	30,000
Current portion of long-term borrowings	12,272	12,742
Income taxes payable	5,529	5,343
Provision for repairs	—	3,565
Provision for environmental measures	14	—
Asset retirement obligations	194	—
Other	41,797	46,768
Total current liabilities	153,898	220,856
Non-current liabilities		
Bonds payable	130,000	100,000
Long-term borrowings	106,029	108,823
Deferred tax liabilities	16,311	14,394
Provision for retirement benefits for directors	89	71
Provision for repairs	1,052	—
Provision for environmental measures	125	122
Retirement benefit liability	6,623	4,735
Asset retirement obligations	1,255	1,170
Other	3,906	4,995
Total non-current liabilities	265,394	234,314
Total liabilities	419,292	455,170
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	14	132
Retained earnings	174,500	204,529
Treasury shares	(6,090)	(15,716)
Total shareholders' equity	204,699	225,221
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,813	32,906
Deferred gains or losses on hedges	27	43
Foreign currency translation adjustment	25,966	33,519
Remeasurements of defined benefit plans	4,509	3,519
Total accumulated other comprehensive income	67,317	69,988
Non-controlling interests	7,526	15,225
Total net assets	279,544	310,435
Total liabilities and net assets	698,836	765,606



## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Net sales	467,937	538,026
Cost of sales	329,329	392,214
Gross profit	138,607	145,811
Selling, general and administrative expenses	87,910	98,303
Operating profit	50,697	47,508
Non-operating income		
Interest income	236	697
Dividend income	2,671	3,277
Share of profit of entities accounted for using equity method	1,950	2,335
Foreign exchange gains	1,685	—
Rental income from non-current assets	490	482
Subsidy income	357	147
Other	1,302	696
Total non-operating income	8,694	7,637
Non-operating expenses		
Interest expenses	1,361	1,432
Foreign exchange losses	—	201
Bond issuance costs	—	1
Donations	129	550
Other	609	925
Total non-operating expenses	2,100	3,111
Ordinary profit	57,291	52,035
Extraordinary income		
Gain on disposal of non-current assets	213	74
Gain on sales of investment securities	1,664	4,208
Subsidy income	—	513
Gain on sales of investments in capital of subsidiaries and associates	—	722
Total extraordinary income	1,878	5,519
Extraordinary losses		
Loss on retirement of non-current assets	2,901	1,524
Impairment losses	9,985	—
Loss on tax purpose reduction entry of non-current assets	—	513
Loss on liquidation of business	—	548
Total extraordinary losses	12,886	2,587
Profit before income taxes	46,283	54,967
Income taxes		
Income taxes – current	12,630	13,055
Income taxes – deferred	1,598	270
Total income taxes	14,229	13,326
Profit	32,053	41,641
Profit attributable to non-controlling interests	799	958
Profit attributable to owners of parent	31,254	40,682

## (3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Profit	32,053	41,641
Other comprehensive income		
Valuation difference on available-for-sale securities	(71)	(3,910)
Deferred gains or losses on hedges	55	15
Foreign currency translation adjustment	16,916	7,579
Remeasurements of defined benefit plans, net of tax	(92)	(942)
Share of other comprehensive income of entities accounted for using equity method	1,039	89
Total other comprehensive income	17,847	2,831
Comprehensive income	49,901	44,473
Comprehensive income attributable to		
owners of parent	48,364	43,353
non-controlling interests	1,536	1,119

## (4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Cash flows from operating activities		
Profit before income taxes	46,283	54,967
Depreciation	27,490	31,516
Impairment losses	9,985	—
Amortization of goodwill	705	59
Increase (decrease) in provision for environmental measures	(56)	(16)
Interest and dividend income	(2,907)	(3,975)
Interest expenses	1,361	1,432
Share of loss (profit) of entities accounted for using equity method	(1,950)	(2,335)
Loss (gain) on disposal of non-current assets	(213)	(74)
Loss on retirement of non-current assets	2,901	1,524
Loss (gain) on sale of investment securities	(1,664)	(4,208)
Loss (gain) on sale of investments in capital of subsidiaries and associates	—	(722)
Loss on liquidation of business	—	548
Decrease (increase) in trade receivables	(3,429)	4,498
Decrease (increase) in inventories	(27,480)	(31,875)
Increase (decrease) in trade payables	7,924	(8,701)
Other, net	(8,872)	(7,365)
Subtotal	50,074	35,274
Interest and dividends received	4,261	6,063
Interest paid	(1,342)	(1,372)
Income taxes paid	(13,558)	(14,425)
Income taxes refund	3,556	1,308
Net cash provided by (used in) operating activities	42,993	26,847
Cash flows from investing activities		
Net decrease (increase) in time deposits	(55)	(208)
Purchase of property, plant and equipment	(43,494)	(47,386)
Proceeds from sale of property, plant and equipment	876	318
Purchase of intangible assets	(3,977)	(4,537)
Purchase of investment securities	(165)	(365)
Proceeds from sale and redemption of investment securities	2,809	8,677
Purchase of shares of subsidiaries and associates	(329)	—
Proceeds from sale of investments in capital of subsidiaries and associates	—	1,125
Loan advances	(400)	(807)
Proceeds from collection of loans receivable	84	445
Other, net	(1,875)	(1,353)
Net cash provided by (used in) investing activities	(46,528)	(44,093)

(Unit: Millions of Yen)

	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	14,696	13,413
Net increase (decrease) in short-term bonds payable	—	29,998
Proceeds from long-term borrowings	1,704	15,074
Repayments of long-term borrowings	(5,037)	(13,107)
Redemption of bonds	—	(10,003)
Proceeds from share issuance to non-controlling shareholders	—	7,200
Purchase of treasury shares	(4,983)	(10,000)
Proceeds from sale of treasury shares	—	0
Dividends paid	(9,645)	(10,651)
Dividends paid to non-controlling interests	(1,008)	(742)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(150)	—
Repayments of lease liabilities	(1,029)	(1,224)
Net cash provided by (used in) financing activities	(5,452)	19,956
Effect of exchange rate change on cash and cash equivalents	6,137	2,795
Net increase (decrease) in cash and cash equivalents	(2,850)	5,506
Cash and cash equivalents at beginning of period	90,747	87,986
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	89	—
Cash and cash equivalents at the end of period	87,986	93,493

(5) Notes to Consolidated Financial Statements

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) has been applied from the beginning of the fiscal year ending March 31, 2023. In accordance with the transitional treatment prescribed in paragraph 27-2 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement”, the Company has applied the new accounting policy in the “Implementation Guidance on Accounting Standard for Fair Value Measurement” prospectively. These changes has no impact on the consolidated financial statements.

(Changes in Scope of Consolidation or Scope of Equity Method Application)

(Significant Changes in Scope of Consolidation)

Daicel Beyond Ltd. was included in the scope of consolidation since it was newly established in the year ended March 31, 2023.

Daicel Safety Systems Korea, Inc. and two other companies were excluded from the scope of consolidation since they are in the process of liquidation and their materiality has decreased.

Lomapharm GmbH was excluded from the scope of consolidation since all of its shares owned by the Company were sold.

(Changes in Presentation)

Amounts presented as “Miscellaneous expenses” and “Miscellaneous income” in the year ended March 31, 2022 have been reclassified as “Other” in the year ended March 31, 2023.

“Donations” which was included in “Other” (“Miscellaneous expenses”) under Non-operating expenses in the year ended March 31, 2022, is separately presented under Non-operating expenses in the year ended March 31, 2023 because its quantitative materiality increased. To reflect this change in presentation, the financial statements for the year ended March 31, 2022 have been restated.

As a result, ¥739 million of the “Other” (“Miscellaneous expenses”) has been reclassified as “Donations” ¥129 million and “Other” (“Miscellaneous expenses”) ¥609 million under Non-operating expenses in the Consolidated Statements of Income for the year ended March 31, 2022.

(6) Notes to Consolidated Statements of Income

Daicel group has recognized impairment losses on the following asset groups.

Year ended Mar. 31, 2022

(Unit: Millions of Yen)

Location	Use	Classification	Amount
Japan (Himeji-shi, Hyogo)	Manufacturing facilities for cosmetic raw materials	Construction in progress	8,385
-	Others	Goodwill	1,394
Others	Manufacturing facilities for automobile airbag inflators and others	Machinery and equipment Construction in progress	11 193
Total			9,985

(Asset grouping method)

Assets are grouped by the in-house company, SBU, or BU as a minimum unit.

(Circumstances causing impairment losses)

1. Manufacturing facilities for cosmetic raw materials

It was considered difficult to recover the investment amounts due to decline in the profitability of the healthcare business as the cosmetics market environment deteriorated on account of the impact of the COVID-19. Accordingly, we have written down the book value of the assets stated above, and recorded the decreased amounts as "Impairment losses" under extraordinary losses.

2. Others

The goodwill of Lomapharm GmbH, the consolidated subsidiary, which evaluation based on its excess earning power at the time of stock acquisition has been written down the entire unamortized balance due to the decline of its profitability. The decreased amount is recorded as "Impairment losses" under extraordinary losses.

(Calculation method of recoverable value)

The recoverable values were determined based on value in use.

The value in use for Manufacturing facilities for cosmetic raw materials was calculated by discounting future cash flow at a rate of 8.4%, and Others at 12.0%.

Year ended Mar. 31, 2023

Not applicable.

## 6. Segment Information

### <Main Products>

	Main products
Medical / Healthcare	Cosmetic raw materials, nutritional supplements, chiral columns and others
Smart	Cellulose acetate (for optical films for LCD), high-performance optical films, resistpolymers for semiconductors, solvents for electronic materials and others
Safety	Automobile airbag inflators, Pyro-Fuses and others
Materials	Acetic acid and derivatives, cellulose acetate (other than for optical films for LCD), acetate tow, caprolactone derivatives, alicyclic-epoxy-resin and others
Engineering Plastics	Polyacetal (POM), polybutylene terephthalate (PBT), liquid crystal polymer (LCP), ABS and engineering plastic alloy resins, various synthetic resin processed products and others
Others	Defense-related products, separation membrane modules for water treatment processes, transportation warehousing and others

Year ended Mar. 31, 2022

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	19,494	32,490	69,455	122,820	212,267	11,409	467,937	—	467,937
Intersegment sales	527	640	—	11,066	264	12,043	24,543	(24,543)	—
Total	20,021	33,131	69,455	133,887	212,531	23,453	492,481	(24,543)	467,937
Operating profit	2,439	4,035	2,583	18,336	22,110	1,192	50,697	—	50,697
Assets	30,136	33,613	80,771	214,329	226,414	18,394	603,659	95,177	698,836
Other									
Depreciation	1,505	2,280	5,236	10,158	7,118	650	26,948	—	26,948
Amortization of goodwill	204	—	500	—	—	—	705	—	705
Investment in equity method investees	—	—	—	10,180	3,056	—	13,236	—	13,236
Capital expenditure	1,155	3,291	7,931	20,109	7,495	855	40,840	—	40,840

Year ended Mar. 31, 2023

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	22,518	29,599	83,981	154,813	238,062	9,051	538,026	—	538,026
Intersegment sales	196	289	—	12,913	288	12,414	26,102	(26,102)	—
Total	22,715	29,888	83,981	167,726	238,350	21,465	564,128	(26,102)	538,026
Operating profit (loss)	699	(642)	(143)	21,936	25,310	347	47,508	—	47,508
Assets	29,539	38,466	113,611	214,890	265,325	15,586	677,420	88,186	765,606
Other									
Depreciation	2,811	2,689	6,483	9,695	8,571	584	30,835	—	30,835
Amortization of goodwill	59	—	—	—	—	—	59	—	59
Investment in equity method investees	—	—	—	10,117	3,407	—	13,525	—	13,525
Capital expenditure	2,693	4,197	8,987	8,618	30,596	1,216	56,308	—	56,308

### (Matters Regarding the Changes in Reportable Segment)

From in the year ended March 31, 2023, we reviewed the method of allocating corporate expenses and changed the calculation method of Operating profit (loss), Assets and Other in order to more suitably evaluate and manage the performance of each segment.

The segment information of the year ended March 31, 2022, is presented based on the changed method.

7. Related Information

(1) Product and Service Information

Year ended Mar. 31, 2023

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total
Net sales to outside customers	22,518	29,599	83,981	154,813	238,062	9,051	538,026

(2) Geographic Information

(i) Net sales

Year ended Mar. 31, 2023

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
200,905	106,032	119,193	111,894	538,026

(ii) Property, plant and equipment

Year ended Mar. 31, 2023

(Unit: Millions of Yen)

Japan	Asia			Other	Total
	China	Malaysia	Other		
152,666	43,351	15,263	22,418	22,430	256,130

8. Information on Amortization of Goodwill and Unamortized Balances by Reportable Segment

Year ended Mar. 31, 2023

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Corporate and eliminations	Total
Amortization	59	—	—	—	—	—	—	59
Ending balance	338	—	—	—	—	—	—	338