



3rd Quarter (Apr. to Dec.) of Fiscal Year ending March 2023
Consolidated Financial Results

February 2, 2023



DAICEL CORPORATION

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Highlights

◇ 2023/3 3rd Quarter (Apr. to Dec.) Financial Results

Sales Revenue: 404.5 billion yen, Operating Income: 36.6 billion yen,

EBITDA: 58.7 billion yen

<Y on Y>

- Sales revenue increased due mainly to the effects of the revision of sales prices, cost reduction efforts, and the impact of foreign exchange rates. On the other hand, operating income decreased due to the impact of sluggish automobile production and weak demand for electronic devices, as well as increases in raw materials and logistics costs.

< vs Forecasts >

- Sales revenue and operating income fell short of the plan due to lower-than-expected sales volumes of related products caused by delayed recovery in demand in the automotive and LCD markets, despite efforts to expand sales and revise sales prices of main products in the Materials business.

◇ Revision of Mid-Term Management Strategy (From FY 2024/3 to FY 2026/3)

- We will announce the detail of Revision of Mid-Term Management Strategy on May 11, 2023, together with financial results for the fiscal year ending March 2023.



Trend in Market

Segment	Main Product	Main Market	Results of 2023/3 3Q (Apr. to Dec.)	Outlook for 2023/3 4Q (Jan. to Mar.)
Medical / Healthcare	Raw Material for Cosmetics and Health Food	Cosmetics Healthcare	<p>In the cosmetics, the domestic market stayed on its recovery trend. The Chinese market has been sluggish due to a lockdown in China.</p> <p>The domestic health food market remained strong.</p>	<p>The domestic cosmetics market is expected to continue its moderate recovery trend. The Chinese cosmetic market is expected to recover in demand due to the easing of the zero-COVID policy.</p> <p>The domestic market of health food is expected to remain strong.</p>
	Chiral Columns	Life Science	Regarding chiral columns and stationary phases, overseas demand was strong overall, although the demand in China temporarily decreased due to the impact of a spread of COVID-19 in December.	Although there is a concern about the impact of spreading COVID-19 in China, the demand for chiral columns is expected to remain strong mainly in Europe, U.S. and India market.
Smart	TAC(*), High Performance Films, Resist Materials and Solvents for Electronic Materials	Electronic Devices Semiconductor	<p>The LCD panels have been in continuous production adjustment due to the sluggish demand caused by passing the peak of increase its production, which had been recovered from the COVID-19 in the previous fiscal year.</p> <p>The semiconductor market had remained strong until the first half, but there were signs in the third quarter that the market will decrease in demand due to growth slowdown.</p>	<p>Although there are signs that the LCD panel inventory will be normalized, the progress is behind the schedule by assumptions and the inventory is expected to be normalized in the next fiscal year.</p> <p>The demand in semiconductor expected to fall short of our expectation due to growth slowdown.</p>

*TAC (Tri-acetyl cellulose) : Acetic Acid cellulose for LCD film use


Trend in Market

Segment	Main Product	Main Market	Results of 2023/3 3Q (Apr. to Dec.)	Outlook for 2023/3 4Q (Jan. to Mar.)
Safety	Inflator for Air Bag	Automotive	Although the number of production in automotive was recovering from the lockdown in China in the first quarter, it fell short of the assumption in the plan due to the impact of the semiconductor shortage and a spread of COVID-19 in China.	The number of production in automotive expected to recover moderately but fall short of assumption in the plan.
Materials	Acetyl (Acetic Acid, Acetic Acid Derivatives and Acetate Tow)	Raw Materials for Resins and Inks, Solvents for Paints	The demand for VAM and PTA, the main applications of acetic acid, showed a downward trend from the third quarter. The acetic acid market remained weak due to the recovery in supply. The demand for ethyl acetate for LCD applications was declining, but for ink for food packaging remained strong.	The demand for VAM and PTA is expected to be sluggish. The acetic acid market is expected to continue weak. The demand for ethyl acetate is expected to continue to the same trend as well as the third quarter.
		Fiber Filter	The number of worldwide cigarette production is as same level as the previous year. The demand for acetate tow remained strong due to an increase in demand for heat-not-burn cigarettes.	The demand for acetate tow is expected to continue to the same trend as well as the third quarter.
	Chemical Epoxy, Caprolactone Derivatives and Other Chemical Products)	Raw Materials for Electrical Materials and Coatings	For caprolactone derivatives, the demand of application for automotive paint protection film (PPF), one of applications we focus on, remained strong. For the epoxy compounds, the demand of application for LCD materials and electronic substrate decreased.	The demand for caprolactone derivatives and epoxy compounds is expected to continue to the same trend as well as the third quarter.



Trend in Market

Segment	Main Product	Main Market	Results of 2023/3 3Q (Apr. to Dec.)	Outlook for 2023/3 4Q (Jan. to Mar.)
Engineering Plastics	POM PBT PPS	Automobile Component	The demand for automobile components remained sluggish due to not only automobile production cuts but also inventory reductions by component manufacturers, although its demand for HEVs and EVs remained strong.	Although the demand is expected to recover moderately, the number of production in automotive is expected to fall short of assumption in the plan.
		Electricity, Electronic Devices and Precision Machines	The production volume of electronic devices such as smartphones, PCs and electronics appliances decreased due to a lockdown in China and sluggish demand resulting from the slowdown in consumer spending against a background of unstable economic conditions.	The production of electronic devices such as smartphones, PCs and electronic appliances, is expected to remain sluggish due to the continuous decline in personal consumption.
	LCP	Electronic Devices	The number of production in smartphone decreased due to the impact of a lockdown in China and sluggish demand resulting from the slowdown in consumer spending against a background of unstable economic conditions.	The production of electronic devices such as smartphones is expected to remain sluggish due to the continuous decline in personal consumption.

Financial Results

(billion yen)

	22/3 3Q Results	23/3 3Q Results	Y on Y	
			Change	%
Net sales	343.0	404.5	+61.5	+17.9%
Operating income	39.3	36.6	-2.7	-6.9%
Ordinary income	43.2	39.8	-3.4	-7.9%
Income attributable to owners of parent	23.5	29.5	+6.0	+25.7%
Exchange rate USD/JPY	111	137		
EBITDA	61.2	58.7		

- Sales revenue increased due to company-wide efforts to revise sales prices corresponding to rising raw material, fuel prices and the effect of exchange rates, despite the impact of delayed recovery in automobile production because of the shortage of semiconductor and decreases in demand for electronic devices.
- Operating income and ordinary income decreased due to a decrease in sales volume and the impact of rise in raw material and fuel and distribution costs, despite efforts to revise the sales.
- In same period of previous fiscal year, an impairment loss of 9.8 billion yen was recorded in Medical/Healthcare Business. Income attributable to owners of parent increased, compared with the previous fiscal year.

Net Sales and Operating Income by Segment (Y on Y Analysis)

(billion yen)

Net Sales	22/3 3Q Results	23/3 3Q Results	Change	%	Analysis		
					Quantity	Prices	Exchange Rate Impact
Medical / Healthcare	14.6	16.5	+1.9	+13.0%	-0.4	+2.3	+2.0
Smart	24.0	23.2	-0.8	-3.4%	-2.3	+1.5	+1.0
Safety	50.3	62.1	+11.8	+23.4%	+5.1	+6.6	+6.6
Materials	89.2	113.5	+24.3	+27.2%	-0.1	+24.4	+16.5
Engineering Plastics	156.8	183.1	+26.3	+16.8%	-6.4	+32.7	+19.8
Others	8.0	6.1	-1.9	-23.5%	-1.9	-	-
Total	343.0	404.5	+61.5	+17.9%	-6.0	+67.5	+46.0

Operating Income	22/3 3Q Results	23/3 3Q Results	Change	%	Analysis			
					Quantity	Prices	Others	Exchange Rate Impact*
Medical / Healthcare	1.9	1.1	-0.8	-41.9%	+0.2	+0.8	-1.8	+0.9
Smart	3.6	-0.2	-3.9	-	-1.4	-1.8	-0.6	+0.1
Safety	2.4	0.9	-1.6	-64.5%	+2.1	+0.7	-4.3	+1.5
Materials	13.9	13.7	-0.3	-1.9%	+1.9	-0.9	-1.3	+7.6
Engineering Plastics	16.7	20.9	+4.2	+24.9%	-0.7	+12.0	-7.1	+7.2
Others	0.7	0.3	-0.4	-56.3%	-0.4	-	-	-
Total	39.3	36.6	-2.7	-6.9%	+1.6	+10.9	-15.2	+17.1

*Exchange rate impact is included in prices and others.

Operating Income by Segment (Y on Y Analysis)

(billion yen)

	Analysis	Operating Income	Main Factors for Operating Income Changes
Medical / Healthcare	Quantity	+0.2	(Increase) 1,3-BG (cosmetics ingredient) new plant started in August 2022)
	Prices	+0.8	(Increase) Exchange rate fluctuations
	Others	-1.8	(Decrease) Increase in depreciation and other expenses
Smart	Quantity	-1.4	(Decrease) Decrease in sales volume of TAC for optical films
	Prices	-1.8	(Decrease) Increase in raw material and fuel prices
	Others	-0.6	(Decrease) Cost increases
Safety	Quantity	+2.1	(Increase) Increase in sales volume, and increased operation rate
	Prices	+0.7	(Increase) Increase in raw material and fuel prices
	Others	-4.3	(Decrease) Cost increases
Materials	Quantity	+1.9	(Increase) Increase in sales volume of acetate tow, lactone and other products and increased operation rate
	Prices	-0.9	(Decrease) Increase in raw material and fuel prices
	Others	-1.3	(Decrease) Increase in direct selling expenses and other expenses
Engineering Plastics	Quantity	-0.7	(Decrease) Decrease in sales volume
	Prices	+12.0	(Increase) Increase in sales prices due to rise in costs, and exchange rate fluctuations
	Others	-7.1	(Decrease) Increase in direct selling expenses, other expenses and inventory prices

Segment Information – Results of 3rd Quarter (Apr. to Dec.)

<Y on Y>

Medical / Healthcare	<ul style="list-style-type: none"> • Sales revenue of cosmetic ingredients such as 1,3-BG decreased due to the decrease in sales volume by the impact of a lockdown in China. • Sales revenue of chiral-related products increased because of an increase in sales volume due to strong sales of chiral columns and stationary phases to overseas markets, and growth in sales of service businesses (analytical services / synthesis services / purification services) in India, as well as effects of foreign exchange rate.
Smart	<ul style="list-style-type: none"> • Sales revenue of cellulose acetate for LCD film (TAC) decreased due to a decline in sales volume because of production adjustments by panel manufactures. Sales revenue of high-performance films increased because of an increase in sales volume due to sales expansion for in-vehicle display applications. • Sales revenue of solvents for electronic materials increased due to sales expansion for semiconductor and aggressive efforts to revise prices corresponding to rising raw material prices, despite the impact of production adjustments in the LCD panel market. Sales revenue of photoresist materials increased due to sales expansion for the semiconductor material applications despite a decline in sales volume of LCD panel material applications.
Safety	<ul style="list-style-type: none"> • Sales revenue of inflators increased due to the increase in sales volume and the impact of exchange rates under the circumstances in a recovery trend in automobile production, despite the impact of a lockdown in China and semiconductor shortage.

Segment Information – Results of 3rd Quarter (Apr. to Dec.)

<Y on Y>

<p>Materials</p>	<ul style="list-style-type: none"> • Sales revenue of acetic acid decreased due to a decline in market conditions and the impact of sales adjustments because of periodic maintenance. • Sales revenue of acetate tow increased due to an increase in sales volume because of an increase in demand for heat-not-burn cigarette application, in addition to an effect of a change in accounting standards which had been a factor of a decrease in sales revenue in previous fiscal year, as well as an increase in selling prices due to effects of foreign exchange rate and sales price corrections. • Sales revenue of caprolactone derivatives increased due to sales expansion of applications for automotive paint protection film (PPF) which we focus on ,and efforts to correct prices corresponding to rising raw material and fuel prices. • Sales revenue of epoxy compounds decreased due to a decrease in sales volume because of decrease in demand for applications for LCD display and electronic substrate.
<p>Engineering Plastics</p>	<ul style="list-style-type: none"> • Sales volume of Engineering Plastics decreased due mainly to the effects of inventory reduction by customers caused by the slow recovery of automobile production and decreased demand for electronic devices. However, sales revenue increased due to the efforts to correct prices corresponding to rising raw material, fuel and distribution costs and the impact of exchange rates.

Progression Rate to the Full-year Forecasts*

(billion yen)

Statements of Income	23/3 3Q Results	23/3 Forecasts (Full Year)	Progression Rate (%)	Net Sales and Operating Income by Segment	Net sales			Operating income		
					23/3 3Q Results	23/3 Forecasts (Full Year)	Progression Rate (%)	23/3 3Q Results	23/3 Forecasts (Full Year)	Progression Rate (%)
Net sales	404.5	579.0	69.9%	Medical / Healthcare	16.5	24.0	68.7%	1.1	2.3	46.8%
Operating income	36.6	54.0	67.7%	Smart	23.2	37.0	62.7%	-0.2	1.5	-
Ordinary income	39.8	59.0	67.4%	Safety	62.1	93.0	66.8%	0.9	5.7	15.1%
Income attributable to owners of parent	29.5	41.0	72.1%	Materials	113.5	157.0	72.3%	13.7	16.0	85.4%
Exchange rate USD/JPY	137	137		Engineering Plastics	183.1	259.0	70.7%	20.9	28.0	74.5%
EBITDA	58.7	86.0	68.3%	Others	6.1	9.0	68.2%	0.3	0.5	62.8%
				Total	404.5	579.0	69.9%	36.6	54.0	67.7%

- Operating income for third quarter fell short of the plan. Although Materials and Engineering Plastics business exceeded the plan, Medical/Healthcare, Smart and Safety business fell short of the plan.
- Materials business expanded sales of key products and implemented price correction corresponding to rising costs.
- Engineering Plastics business secured profits due to the effort to maintain sales prices amid a downward trend in the product market, even though sales volumes fell short of the plan.
- Regarding the automotive and LCD markets, we had expected a gradual recovery in demand towards the end of the fiscal year. However, sales volumes of related products in each segment were lower than expected due to a delay in the recovery of demand.

* The forecasts were announced on November 2, 2022.

Segment Information – Results of 3rd Quarter (Oct. to Dec.)

<vs Forecasts announced in Nov. 2022>

Medical / Healthcare	<ul style="list-style-type: none"> • Sales revenue of cosmetic ingredients such as 1,3-BG fell short of the plan due to a decrease in sales volume because of periodic maintenance. • Sales revenue of chiral-related products fell short of the plan due mainly to the impact of a spread of COVID-19 in China to the sales of chiral columns.
Smart	<ul style="list-style-type: none"> • Sales revenue of cellulose acetate for LCD film (TAC) fell short of the plan due to a decline in sales volume, because the impact of operation adjustments by panel manufacturers was much more than our expectations. Sales revenue of high-performance films was slightly lower than we planned because of the impact of a slow recovery in demand in the display market, although the demand for in-vehicle display applications remained strong. • Sales revenue of solvents for electronic materials fell short of the plan, because the sales volume for semiconductor and LCD panel materials applications was lower than we planned. Sales revenue of resist materials was almost as same level as we planned due to solid sales of semiconductor applications, although sales volumes for LCD panel materials applications fell short of the plan.
Safety	<ul style="list-style-type: none"> • Sales revenue of inflators fell short of the plan due to the decrease in sales volume resulting from the impact of automobile production cuts because of semiconductor shortage and a spread of COVID-19 in China.

Segment Information – Results of 3rd Quarter (Oct. to Dec.)

<vs Forecasts announced in Nov. 2022>

Materials	<ul style="list-style-type: none"> • Sales revenue of acetic acid fell short of the plan due mainly to a low demand for PTA and VAM. • Sales revenue of acetate tow exceeded the plan due to an increase in sales volume to meet the increased demand for heat-not-burn cigarette application, and sales price corrections. • Sales revenue of caprolactone derivatives was as same level as we planned, because of the strong demand for applications for automotive paint protection film (PPF) . Sales revenue of epoxy compounds fell short of the plan due to a low demand for LCD applications.
Engineering Plastics	<ul style="list-style-type: none"> • Sales revenue of Engineering Plastics fell short of the plan, because sales volume fell below our expectation due to the impact of decline in automotive production and decrease in demand for electronic devices, despite the efforts to maintain its sales prices.

Actions to realize the trend in increase in profit

To realize the trend in increase in profit in this and next fiscal year, we will both steadily proceed the sales expansion of the products in high demand, also promptly and flexibly implement appropriate actions for the products in the delay of recovery in demand.

- Review and reduce in corporate expenses in consideration of current sales condition.
- Implement inventory reduction by reviewing our production plan considering the trend in market.
- Taking into consideration for sales condition and plant operating rate, we will promptly and flexibly review and reduce production expenses as well as maintenance expenses.
- Implement additional cost reduction in each plant.
- Establish the structure to surely grasp the sales opportunities without increase in expenses at the phase in demand recovery.
- (Medical /Health Care) Expand sales of 1,3-BG by developing new sales channels and applications.
- (Smart)Increase in a market share of TAC for display and expand sales of solvents for electronic materials by developing new sales channels.
- (Safety)Accelerate the improvement in profit on the premise of ensuring stable production and product quality.
- (Materials)Expand supply capacity of acetate tow by utilizing existing facilities.
- (Engineering Plastics) Expand sales of general-purpose grade products to meet declining demand in high-end product market.

Consolidated Balance Sheet

(billion yen)

	Mar. 31, 2022	Dec. 31, 2022	Change
Total Current Assets	360.2	408.2	+48.0
Cash, Deposits and Short-term Investment Securities	90.5	89.5	-1.0
Notes and Accounts Receivable-trade	102.6	105.8	+3.3
Inventories	142.0	178.1	+36.1
Other	25.2	34.8	+9.6
Total Non-Current Assets	338.6	349.9	+11.4
Property, Plant and Equipment	229.8	249.2	+19.3
Intangible Fixed Assets	10.1	11.3	+1.2
Investments and Other Assets	98.7	89.5	-9.2
Total Assets	698.8	758.2	+59.3
Liabilities	419.3	465.5	+46.2
Interest-bearing Liabilities	283.6	322.1	+38.5
Other	135.7	143.4	+7.7
Total Net Assets	279.5	292.7	+13.1
Total Liabilities and Net Assets	698.8	758.2	+59.3

- Of the total asset increase of 59.3 billion yen, 11.0 billion yen of total assets increased because of foreign exchange.
- The reason of increases in inventories following:
 - The effects of foreign exchange and rise in raw materials & fuel prices
 - Building up inventories for relocation of engineering plastics business base in China.
- Property, Plant and Equipment increased due mainly to newly investment of POM in China.
- Interest-bearing debt increased because of short-term funding due to increased working capital.

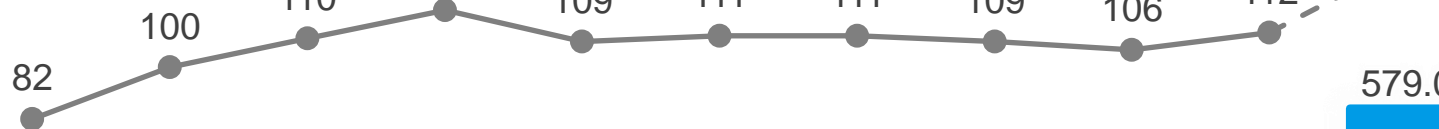
REFERENCES

Trend in Net Sales, Operating Income, and EPS

● Methanol(Asian spot price) (USD / ton)



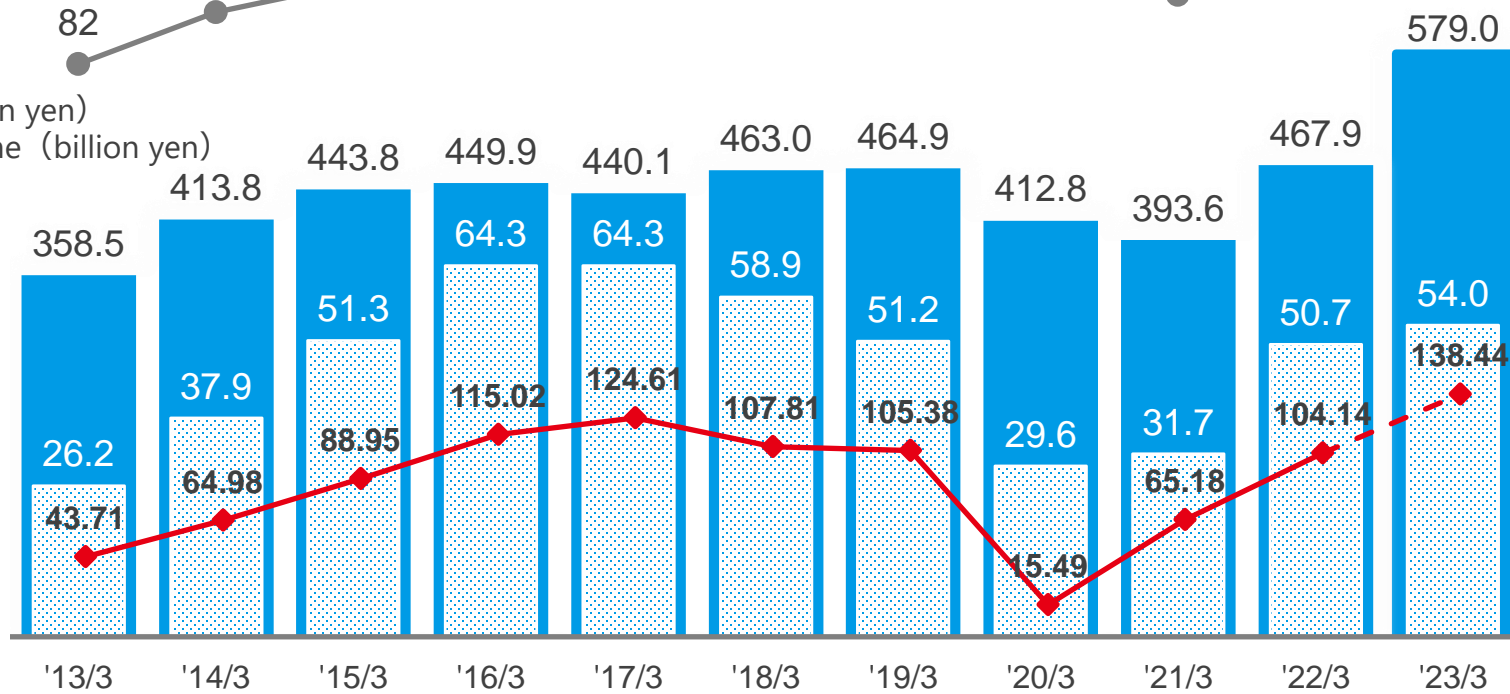
● Exchange Rate(USD/JPY)



■ Net Sales (billion yen)

▨ Operating Income (billion yen)

◆ EPS (yen)



Forecasts*

* The forecasts were announced on November 2, 2022.

Quarterly Results for Sales and Operating income

(billion yen)

Net Sales	2022/3				2023/3		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Medical / Healthcare	4.8	4.8	5.0	4.9	5.4	5.5	5.6
Smart	8.0	7.5	8.6	8.5	9.6	6.6	7.1
Safety	16.3	15.6	18.5	19.1	17.8	22.0	22.4
Materials	28.3	29.8	31.2	33.6	34.7	37.7	41.1
Engineering Plastics	51.5	52.9	52.4	55.5	58.7	64.8	59.5
Others	2.6	2.8	2.6	3.4	1.8	1.7	2.6
Total	111.4	113.5	118.2	125.0	128.0	138.3	138.3

Operating income	2022/3				2023/3		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Medical / Healthcare	0.6	0.8	0.5	0.6	0.7	0.4	-0.0
Smart	1.5	1.1	1.1	0.4	1.1	-0.8	-0.6
Safety	-0.0	1.1	1.3	0.2	-0.4	0.0	1.2
Materials	4.4	4.2	5.3	4.4	4.9	5.5	3.3
Engineering Plastics	7.1	6.0	3.6	5.4	6.6	7.9	6.4
Others	0.4	0.1	0.3	0.5	0.1	0.0	0.2
Total	13.9	13.3	12.0	11.4	13.0	13.0	10.5

Financial Forecast (FY ending March 2023)

(billion yen)

		2022/3 Results			2023/3 Forecasts*			Change (B)-(A)
		1 st Half	2 nd Half	Total(A)	1 st Half	2 nd Half	Total(B)	
	Medical / Healthcare	9.6	9.9	19.5	10.9	13.1	24.0	+4.5
	Smart	15.4	17.0	32.5	16.2	20.8	37.0	+4.5
	Safety	31.9	37.6	69.5	39.7	53.3	93.0	+23.5
	Materials	58.0	64.8	122.8	72.4	84.6	157.0	+34.2
	Engineering Plastics	104.4	107.9	212.3	123.6	135.4	259.0	+46.7
	Others	5.4	6.0	11.4	3.5	5.5	9.0	-2.4
Net sales		224.8	243.1	467.9	266.2	312.8	579.0	+111.1
	Medical / Healthcare	1.4	1.0	2.4	1.1	1.2	2.3	-0.1
	Smart	2.6	1.5	4.0	0.4	1.1	1.5	-2.5
	Safety	1.1	1.5	2.6	-0.4	6.1	5.7	+3.1
	Materials	8.6	9.7	18.3	10.3	5.7	16.0	-2.3
	Engineering Plastics	13.2	9.0	22.1	14.5	13.5	28.0	+5.9
	Others	0.5	0.7	1.2	0.1	0.4	0.5	-0.7
Operating income		27.3	23.4	50.7	26.0	28.0	54.0	+3.3
Ordinary income		29.8	27.5	57.3	30.2	28.8	59.0	+1.7
Income attributable to owners of parent		22.0	9.2	31.3	22.2	18.8	41.0	+9.7
(ref.) Exchange rate USD/JPY		110	115	112	134	140	137	

* The forecasts were announced on November 2, 2022.

Assumptions

		2022/3		2023/3		
		1 st Half (Results)	2 nd Half (Results)	1 st Half (Results)	2 nd Half (Forecasts*1)	3 rd Quarter (Oct. to Dec.) (Results)
Exchange rate (USD/JPY)		110	115	134	140	142
Raw Materials	Methanol Asian spot price (USD/ton)	368	427	374	400	345
	Crude Oil Dubai (USD/bbl.)	70	87	102	100	86
	Domestic Naphtha (JPY/kl)	50,500	62,650	83,750	76,000	72,000*2

*1 The forecasts were announced on November 2, 2022.

*2 Estimated figure as of February 2, 2023.

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