

3rd Quarter Consolidated Financial Results for the Year Ending March 31, 2023

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

February 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
Representative	: Yoshimi Ogawa, President and CEO
Contact person	: Masahiko Hirokawa, Executive Officer, Deputy General Manager, Corporate Support Headquarters, General Manager-Investor Relations & Corporate Communications Phone +81-3-6711-8121
Scheduled date for submitting financial statements	: February 13, 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 Nine Months Ended December 31, 2022 (Amounts are rounded down to the nearest million)

(1) Consolidated Operating Results (% of change from previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended Dec. 31, 2022	404,513	17.9	36,566	(6.9)	39,766	(7.9)	29,548	25.7
Nine months ended Dec. 31, 2021	342,979	21.9	39,281	109.8	43,181	113.5	23,502	109.2

(Note) Comprehensive income: 30,930 millions of yen [(15.6%)] for the nine months ended December 31, 2022 and 36,664 millions of yen [66.9%] for the nine months ended December 31, 2021

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended Dec. 31, 2022	100.18	-
Nine months ended Dec. 31, 2021	78.02	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Dec. 31, 2022	758,173	292,681	37.6	985.93
As of Mar. 31, 2022	698,836	279,544	38.9	919.88

(Reference) Shareholders' equity: 285,056 millions of yen as of December 31, 2022 and 272,017 millions of yen as of March 31, 2022

2. Dividends

(Reference data)	Cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2022	-	16.00	-	18.00	34.00
Year ending Mar. 31, 2023	-	18.00	-		
Year ending Mar. 31, 2023 (Forecast)				20.00	38.00

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

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

(% of change from same period of previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending Mar. 31, 2023	579,000	23.7	54,000	6.5	59,000	3.0	41,000	31.2	138.44

(Note) Revisions to the latest announced forecast of consolidated financial results: Not applicable

*Notes

- (1) Changes in significant subsidiaries during the nine months ended Dec. 31, 2022: Not applicable
(Note) Changes in specified subsidiaries that caused a change in the scope of consolidation
- (2) Adoption of specific accounting methods for presenting quarterly financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- i Changes in accounting policies due to revisions of accounting standards: Not applicable
 - ii Changes in accounting policies other than (3)-i: Not applicable
 - iii Changes in accounting estimates: Not applicable
 - iv Retrospective restatements: Not applicable

(4) Number of shares issued (common share)

i Number of shares issued at the end of each period (including treasury shares)	As of Dec. 31, 2022	302,942,682 shares	As of Mar. 31, 2022	302,942,682 shares
ii Number of treasury shares at the end of each period	As of Dec. 31, 2022	13,818,817 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)	Nine months ended Dec. 31, 2022	294,939,316 shares	Nine months ended Dec. 31, 2021	301,233,559 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 third quarter of the fiscal year ending March 2023 (nine months ended December 31, 2022), although economic stagnation caused by the spread of COVID-19 has been recovering to some extent, the global economy remained uncertain and has been affected by 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 of the Daicel Group decreased due to the impact of the lockdown of cities in China and the reduction in automobile production.

The sales revenue for the consolidated third quarter of the fiscal year under review totaled ¥404,513 million (up 17.9% year-on-year). On the income front, operating income amounted to ¥36,566 million (down 6.9% year-on-year), ordinary income was ¥39,766 million (down 7.9% year-on-year) and net income attribute to owners of the parent was ¥29,548 million (up 25.7% 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 ¥16,479 million (up 13.0% year-on-year). Operating income amounted to ¥1,076 million (down 41.9% 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, for which demand grew, 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 ¥23,217 million (down 3.4% year-on-year). Operating loss came to ¥209 million (operating income of ¥3,647 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]

The automobile airbag inflator (gas-generation devices) and other mobility business increased in sales due to an increase in sales volume by the recovery trend in automobile production and due to 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 ¥62,110 million (up 23.4% year-on-year). Operating income amounted to ¥858 million (down 64.5% year-on-year) due to increased labor costs in the United States.

[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 an increase in sales volume of ethyl acetate.

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. In addition, it is also no longer affected by changes in accounting standards, which was a factor in the decrease in sales in the same period of the previous year.

Caprolactone derivatives and alicyclic-epoxy-resin recorded increased sales revenue driven by higher sales volume 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, and the impact of foreign exchange.

Consequently, overall segment sales amounted to ¥113,506 million (up 27.2% year-on-year). Operating income amounted to ¥13,658 million (down 1.9% year-on-year), due to increases in raw material and fuel prices and an increase in the allocation of corporate expenses.

[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 respond to the expected decrease in automobile production by Japanese automobile manufacturers, compared to the same period of the previous year when the sales volume increased sharply due to the recovery of demand from the influence of COVID-19.

In the business of Daicel Miraizu Ltd., including ABS and engineering plastic alloy resins, film barriers for food and water-soluble polymers, sales revenue increased due to 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 ¥183,059 million (up 16.8% year-on-year). Operating income was ¥20,868 million (up 24.9% year-on-year) due to an increase of 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 ¥6,139 million (down 23.5% year-on-year). Operating income amounted to ¥314 million (down 56.3% year-on-year).

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

Total assets as of December 31, 2022 were ¥758,173 million, an increase of ¥59,337 million from March 31, 2022, due to increases in inventory and in property, plant and equipment.

Total liabilities were ¥465,491 million, an increase of ¥46,199 million from March 31, 2022, due to an increase in bills payable, accounts payable and short-term bonds payable.

Total net assets were ¥292,681million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥285,056million. Shareholders' equity ratio was 37.6%.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2022	As of Dec. 31, 2022
Assets		
Current assets		
Cash and deposits	88,130	88,535
Notes and accounts receivable – trade	102,562	105,826
Securities	2,398	999
Inventories	142,002	178,088
Other	25,186	34,833
Allowance for doubtful accounts	(32)	(53)
Total current assets	360,247	408,230
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	61,408	64,561
Machinery, equipment and vehicles, net	71,823	77,040
Land	31,660	32,836
Construction in progress	60,279	69,479
Other, net	4,671	5,239
Total property, plant and equipment	229,843	249,157
Intangible assets		
Goodwill	363	350
Other	9,702	10,921
Total intangible assets	10,066	11,272
Investments and other assets		
Investment securities	73,246	64,719
Deferred tax assets	2,474	2,286
Retirement benefit asset	8,686	9,402
Other	14,314	13,144
Allowance for doubtful accounts	(42)	(40)
Total investments and other assets	98,679	89,512
Total non-current assets	338,589	349,942
Total assets	698,836	758,173

(Unit: Millions of Yen)

	As of Mar. 31, 2022	As of Dec. 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	61,888	66,293
Short-term borrowings	22,198	33,221
Short-term bonds payable	–	34,000
Current portion of bonds payable	10,003	30,000
Current portion of long-term borrowings	12,272	11,789
Income taxes payable	5,529	4,101
Provision for repairs	–	2,774
Provision for environmental measures	14	–
Asset retirement obligations	194	–
Other	41,797	46,953
Total current liabilities	153,898	229,135
Non-current liabilities		
Bonds payable	130,000	100,000
Long-term borrowings	106,029	110,341
Deferred tax liabilities	16,311	16,463
Provision for retirement benefits for directors	89	70
Provision for repairs	1,052	–
Provision for environmental measures	125	124
Retirement benefit liability	6,623	4,552
Asset retirement obligations	1,255	1,285
Other	3,906	3,518
Total non-current liabilities	265,394	236,356
Total liabilities	419,292	465,491
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	14	6
Retained earnings	174,500	193,394
Treasury shares	(6,090)	(12,478)
Total shareholders' equity	204,699	217,198
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,813	31,567
Deferred gains or losses on hedges	27	43
Foreign currency translation adjustment	25,966	30,495
Remeasurements of defined benefit plans	4,509	5,751
Total accumulated other comprehensive income	67,317	67,858
Non-controlling interests	7,526	7,625
Total net assets	279,544	292,681
Total liabilities and net assets	698,836	758,173

2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022
Net sales	342,979	404,513
Cost of sales	240,035	293,491
Gross profit	102,944	111,021
Selling, general and administrative expenses	63,663	74,455
Operating profit	39,281	36,566
Non-operating income		
Interest income	173	445
Dividend income	1,612	1,591
Share of profit of entities accounted for using equity method	1,550	1,817
Foreign exchange gains	694	-
Other	1,422	1,023
Total non-operating income	5,453	4,878
Non-operating expenses		
Interest expenses	1,015	1,097
Foreign exchange losses	-	20
Bond issuance costs	-	1
Other	537	558
Total non-operating expenses	1,553	1,677
Ordinary profit	43,181	39,766
Extraordinary income		
Gain on disposal of non-current assets	206	71
Gain on sales of investment securities	773	4,168
Total extraordinary income	980	4,239
Extraordinary losses		
Loss on retirement of non-current assets	1,156	1,034
Impairment losses	9,779	-
Loss on liquidation of business	-	864
Total extraordinary losses	10,935	1,898
Profit before income taxes	33,226	42,108
Income taxes		
Income taxes – current	8,180	9,640
Income taxes – deferred	1,065	2,067
Total income taxes	9,245	11,708
Profit	23,980	30,400
Profit attributable to non-controlling interests	478	851
Profit attributable to owners of parent	23,502	29,548

(3) Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022
Profit	23,980	30,400
Other comprehensive income		
Valuation difference on available-for-sale securities	6,011	(5,247)
Deferred gains or losses on hedges	42	15
Foreign currency translation adjustment	6,479	4,632
Remeasurements of defined benefit plans, net of tax	(274)	1,243
Share of other comprehensive income of entities accounted for using equity method	424	(114)
Total other comprehensive income	12,684	530
Comprehensive income	36,664	30,930
Comprehensive income attributable to		
owners of parent	35,802	30,088
non-controlling interests	862	841

6. Segment Information

Nine months ended Dec. 31, 2021

1. Sales and Profit (Loss) by Reportable Segment

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	14,585	24,040	50,348	89,223	156,755	8,025	342,979	-	342,979
Intersegment sales	381	364	-	8,132	200	8,918	17,997	(17,997)	-
Total	14,967	24,405	50,348	97,355	156,955	16,944	360,977	(17,997)	342,979
Operating profit	1,851	3,647	2,419	13,929	16,714	718	39,281	-	39,281

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

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Corporate and eliminations	Total
Impairment losses	9,779	-	-	-	-	-	-	9,779

(Note) Medical / Healthcare has determined that it could not expect to generate cash inflows sufficient to recover the invested capital in future and we recorded Impairment losses of noncurrent assets and goodwill by ¥9,779 million for the nine months ended December 31, 2021.

Nine months ended Dec. 31, 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	16,479	23,217	62,110	113,506	183,059	6,139	404,513	-	404,513
Intersegment sales	151	161	-	10,712	232	9,188	20,447	(20,447)	-
Total	16,631	23,378	62,110	124,219	183,292	15,327	424,960	(20,447)	404,513
Operating profit (loss)	1,076	(209)	858	13,658	20,868	314	36,566	-	36,566

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

Not applicable.

3. Matters Regarding the Changes in Reportable Segment

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

The segment information of the fiscal year ended December 31, 2021, is presented based on the changed method.