Consolidated Financial Results for the Year Ended March 31, 2021

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

May 12, 2021

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, General Manager–Investor Relations & Corporate Communications Phone +81-3-6711-8121
Scheduled date of the general meeting of shareholders	: June 25, 2021
Scheduled date for submitting financial statements	: June 28, 2021
Scheduled date for dividend payment	: June 28, 2021
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, 2021

(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, 2021	393,568	(4.7)	31,723	7.0	34,683	9.1	19,713	296.0
Year ended Mar. 31, 2020	412,826	(11.2)	29,644	(42.1)	31,781	(40.5)	4,978	(85.9)

(Note) Comprehensive income: 45,214 millions of yen [1,865.9%] for the Year ended March 31, 2021 and 2,299millions of yen [(94.1%)] for the Year ended March 31, 2020

	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, 2021	65.18	–	6.6	5.6	8.1
Year ended Mar. 31, 2020	15.49	–	1.3	5.1	7.2

(Reference) Share of profit of entities accounted for using equity method: 1,785 millions of yen for the Year ended March 31, 2021 and 1,772 millions of yen for the Year ended March 31, 2020

(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, 2021	640,385	245,000	37.1	789.34
Year ended Mar. 31, 2020	597,992	392,583	60.6	1,166.56

(Reference) Shareholders' equity:237,852 millions of yen as of March 31, 2021 and 362,545 millions of yen as of March 31, 2020

(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, 2021	57,869	(34,220)	(17,050)	90,747
Year ended Mar. 31, 2020	57,193	(45,864)	(47,883)	80,674

2. Dividends

	Cash dividends per share					Dividends in total (Annual)	Dividend payout ratio (Consolidated basis)	Dividends to net assets (Consolidated basis)
(Reference data)	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended Mar. 31, 2020	–	16.00	–	18.00	34.00	10,754	219.5	2.9
Year ended Mar. 31, 2021	–	16.00	–	16.00	32.00	9,642	49.1	3.3
Year ending Mar. 31, 2022 (Forecast)	–	16.00	–	16.00	32.00		43.8	

(Note) Breakdown of the year-end dividend for the Year ended March 31, 2020: ordinary dividend 16.00 yen and commemorative dividend 2.00 yen (100th-anniversary commemoration)

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2022

(% 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, 2021	207,000	–	14,000	–	15,000	–	11,000	–	36.50
Year ending Mar. 31, 2022	420,000	–	27,000	–	29,000	–	22,000	–	73.01

(Note) The percentage changes from the previous year are not listed as the above forecast of consolidated financial results are after the adoption of the ASBJ Guidance No. 29 "Accounting Standard for Revenue Recognition" which will be applied from the beginning of the fiscal year ending March 31, 2022.

*Notes

(1) Changes in significant subsidiaries during the Year ended Mar. 31, 2021: 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: Not 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, 2021	302,942,682 shares	As of Mar. 31, 2020	315,942,682 shares
ii Number of treasury shares at the end of each period	As of Mar. 31, 2021	1,609,633 shares	As of Mar. 31, 2020	5,160,966 shares
iii Average number of shares during the each period (Cumulative from the beginning of the fiscal year)	Year ended Mar. 31, 2021	302,448,286 shares	Year ended Mar. 31, 2020	321,385,570 shares

(Reference) Overview of the Unconsolidated Financial Results

Unconsolidated Financial Results for the Year Ended March 31, 2021

(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, 2021	194,371	(4.4)	4,781	47.5	26,319	67.5	23,190	181.7
Year ended Mar. 31, 2020	203,228	(12.9)	3,240	(74.1)	15,714	(36.8)	8,231	(54.4)

	Profit per share	Diluted profit per share
	Yen	Yen
Year ended Mar. 31, 2021	76.68	–
Year ended Mar. 31, 2020	25.61	–

(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, 2021	599,050	265,492	44.3	881.06
Year ended Mar. 31, 2020	399,142	251,324	63.0	808.68

(Reference) Shareholders' equity: 265,492 millions of yen as of March 31, 2021 and 251,324 millions of yen as of March 31, 2020

*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 the quarter under review

Looking at the world trends during the fiscal year ended March 2021, although economic stagnation caused by the spread of COVID-19 has been recovering in some points, the global economy remained uncertain due to the shortage of semiconductors and the cold wave in North America toward the end of the fiscal year.

Amid such circumstances, our business was affected by sluggish demand in various industries in the first half of the fiscal year. However, the Group has steadily seized sales opportunities due to the recovery of automobile production demand, worked hard to reduce cost, and recovered its business performance over the period. In the consolidated fiscal year, these factors have resulted in lower revenue but higher profit compared to the previous fiscal year.

As a result, sales revenue for the consolidated fiscal year under review totaled ¥393,568 million (down 4.7% year-on-year). On the income front, operating income amounted to ¥31,723 (up 7.0% year-on-year), ordinary income was 34,683 (up 9.1% year-on-year), and net income attributable to owners of the parent was ¥19,713 (up 296.0% year-on-year) due mainly to Polyplastics becoming a wholly owned subsidiary of Daicel.

(Unit: Million Yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent
Year ended March 31, 2021	393,568	31,723	34,683	19,713
Year ended March 31, 2020	412,826	29,644	31,781	4,978
Change from previous year	-19,258	2,079	2,902	14,735
% of change	-4.7	7.0	9.1	296.0

Capital investment for the fiscal year under review

(Unit: Million Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(USD/JPY)
Year ended March 31, 2021	37,538	2,016	39,555	23,768	2,062	25,830	19,540	106
Year ended March 31, 2020	45,458	2,109	47,568	27,022	1,979	29,002	21,295	109
Change from previous year	-7,920	-93	-8,013	-3,254	82	-3,171	-1,755	-
% of change	-17.4	-4.4	-16.9	-12.0	4.2	-10.9	-8.2	-

Note: Depreciation and amortization do not include amortization of goodwill.

Segment information is summarized as follows.
We have changed the segmentation reporting as of the current consolidated fiscal year.

[Medical / Healthcare]

Although the sales volume of cosmetic ingredients increased under the influence of demand recovery in China, the healthcare business decreased in sales revenue due to market decline resulting from a drop in domestic demand.

The chiral separation business increased in sales revenue due to strong sales in China and India, and increased sales volume of optical resolution columns.

The overall segment sales came to ¥16,209 million (up 7.4% year-on-year). Operating income amounted to ¥1,561 million (up 16.6% year-on-year) due to an increase in sales volume.

[Smart]

Although sales volume of high-performance films for automobiles increased, sales volume of cellulose acetate for optical films decreased due to decline in demand for display applications. As a result, the display business posted a decline in sales revenue.

The IC/Semiconductor business, such as solvents for printed electronics and resist materials registered growth in sales revenue due to steady demand in the semiconductor market, resulting in higher sales.

The overall segment sales fell to ¥24,701 million (down 2.6% year-on-year). Operating income amounted to ¥3,412 million (up 1.9% year-on-year), due to a price decline of raw materials and fuel cost.

[Safety]

The automobile airbag inflator (gas-generating device) and other mobility business were affected by a decrease in automobile production volume in the first half. However, we increased our sales volume reflecting the recovery of automobile production volume in the second half, and our annual sales volume had a slight decrease. Including the impact of exchange rate fluctuation, the business posted a decrease in sales revenue.

Consequently, overall segment sales came to ¥67,218 million (down 10.1% year-on-year). Operating income also dropped to ¥2,231 million (down 32.4% year-on-year) due to a utilization rate decline from a decrease in sales volume in the first half.

[Materials]

The market conditions for acetic acid improved, reflecting a recovery in demand in the second half of the fiscal year. Although this increase in demand raised the sales volume, the sales revenue posted a decrease due to a downward trend in the market in the first half.

Sales volume of acetic acid derivatives increased due to increase in demand for some products, and the selling price also appreciated in the second half, reflecting an upward trend in the market. Even though, sales revenue fell due to declining market conditions in the first half.

Acetate tow sales volume was flat, but sales declined due to lower selling prices under the influence of exchange rates.

Although demand recovered for some applications, Caprolactone derivatives and alicyclic-epoxy-resin posted a decline due to a decrease in sales volume resulting from the continuously low demand in the European and American markets in the first half.

Consequently, overall segment sales fell to ¥104,203 million (down 4.7 % year-on-year). Operating income amounted to ¥17,921 million (up 13.3% year-on-year), due to cost reductions, lower raw material and fuel prices, and other factors.

[Engineering Plastics]

In the engineering plastics business, such as polyacetal (POM), Polybutylene terephthalate (PBT) resin and liquid crystal polymers (LCP), the demand for automobiles and smartphones decreased significantly in the first half. Although it recovered in the second half and the sales volume increased, the sales decreased due to the effect of decline in demand in the first half.

The plastic compound business, centering on ABS resin and engineering plastic alloy resin, also decreased in sales revenue resulting from the decrease in demand due to recession.

As for the plastic processing business, including molded containers and films, sales decreased due to the slowdown of sales revenue in packaging film and other factors.

Consequently, overall segment sales amounted to ¥168,556 million (down 4.3% year-on-year). Operating income was ¥21,172 million (up 1.3% year-on-year) due to a decrease in raw material and fuel price and other factors.

[Other Businesses]

Sales revenue of other businesses increased due to higher sales volume of defense-related business.

Consequently, overall segment sales increased to ¥12,679 (up 4.9% year-on-year). Operating income amounted to ¥1,482 (up 82.1% year-on-year).

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

Total assets as of March 31, 2021 were ¥640,385 million, an increase of ¥ 42,393 million from March 31, 2020, due primarily to increases in notes and accounts receivable, property, plant and equipment despite a decrease in inventory.

Total liabilities were ¥395,384 million, an increase of ¥ 189,976 million from March 31, 2020, due primarily to an increase in bonds payable and short-term loans payable.

Total net assets were ¥ 245,000 million. Total shareholders' equity, which is calculated as the net assets minus non-controlling interests, was ¥ 237,852 million. Shareholders' equity ratio was 37.1%.

(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 ¥57,869 million (vs. ¥57,193 million in the previous fiscal year). The increases in cash flow were mainly attributable to ¥33,040 million of net income before income taxes and ¥26,323 million of depreciation and amortization. Meanwhile, the main factor for the decreases in cash flow was a payment of ¥9,976 million for corporate income taxes.

Cash flow from investment activities

Cash flow from investment activities during the consolidated fiscal year under review was -¥34,220 million (vs. -¥45,864 million in the previous fiscal year). The main factors for the increase in cash flow were income of ¥5,048 million from the sale and redemption of investment securities. The main factors for the decrease in cash flow were expenditures of ¥34,698 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 -¥17,050 million (vs. -¥47,883 million in the previous fiscal year). The increases in cash flow were mainly attributable to ¥99,542 million from issuance of corporate bonds and ¥88,177 million of long-term loans payable. Meanwhile, the main factors accounting for the decrease in cash flow were an expenditure of ¥167,330 million for acquisition of subsidiary shares without change of consolidation scope, ¥10,484 million for repayment of long-term debt and ¥10,415 million in dividends paid.

As a result of the above, cash and cash equivalents on March 31, 2021 totaled ¥90,747 million.

Reference: Trends in cash flow indicators

	March 2018	March 2019	March 2020	March 2021
Shareholders' equity per total assets (%)	60.1	60.1	60.6	37.1
Shareholders' equity per total assets on market value basis (%)	61.5	60.3	41.0	40.1
Ratio of interest-bearing liabilities to cash flow (year)	1.5	1.8	1.6	4.7
Interest coverage ratio (times)	56.2	48.9	45.4	53.8

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

The future global economy is expected to continue to recover from its declining demand due to the effect of COVID-19, however, it is also expected to remain in the situation with the concerns about geopolitical risks such as the US-China conflict, the re-expansion of COVID-19, and the shortage of semiconductors.

Amid such circumstances, the Daicel group will steadily seize sales opportunities through recovery in demand and strive to reduce costs. In addition, we will promptly respond to various changes in the environment through flexible organizational management that involves delegation of authority.

Regarding the Daicel Group's business forecast for the fiscal year ending March 31, 2021, although sales increased due to the recovery in demand for automobile and other products, operating income and ordinary income declined due to the increase in depreciation cost by operating the acetic acid raw material plant and cosmetic raw material plant. Net income attributable to owners of the parent increased due to an extraordinary loss recorded in the previous fiscal year and the acquisition of Polyplastics Co., Ltd. as a wholly owned subsidiary in October 2020.

Our anticipated earnings for the fiscal year ending March 31, 2021 are as follows.

Consolidated Earnings Estimates		
Sales revenue	¥420.0 billion	(up 6.7% year-on-year)
Operating income	¥27.0 billion	(down 14.9% year-on-year)
Ordinary income	¥29.0 billion	(down 16.4% year-on-year)
Net income attributable to owners of the parent	¥22.0 billion	(up 11.9% year-on-year)

For these forecasts, we assume an exchange rate of ¥105/US dollar, (Asian spot) methanol price of US$280/ton, Dubai crude oil price of US$50/bbl and domestic naphtha price of ¥32,000/kl.

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

Outlook for the fiscal year ending March 31, 2022

(Unit: Million Yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent
Year ending March 31, 2022	420,000	27,000	29,000	22,000
Year ended March 31, 2021	393,568	31,723	34,683	19,713
Change from previous year	–	–	–	–
% change	–	–	–	–

Notes: Apply ASBJ Statement No. 29, Accounting Standard for Revenue Recognition, from the beginning of the fiscal year ending March 2022. The above consolidated earnings forecast is the amount after applying the relevant accounting standards, and the rate of increase / decrease from the previous fiscal year is not stated.

Outlook for sales by segment

(Unit: Million Yen)

	Medical / Healthcare	Smart	Safety	Material	Engineering plastics	Other Businesses
Year ending March 31, 2022	18,000	26,000	72,000	101,000	192,000	11,000
Year ended March 31, 2021	16,209	24,701	67,218	104,203	168,556	12,679
Change from previous year	–	–	–	–	–	–
% change	–	–	–	–	–	–

Notes: Apply ASBJ Statement No. 29, Accounting Standard for Revenue Recognition, from the beginning of the fiscal year ending March 2022. The above consolidated earnings forecast is the amount after applying the relevant accounting standards, and the rate of increase / decrease from the previous fiscal year is not stated.

Outlook for operating income by segment

(Unit: Million Yen)

	Medical / Healthcare	Smart	Safety	Material	Engineering plastics	Other Businesses	Corporate
Year ending March 31, 2022	1,500	3,000	4,500	10,500	22,500	1,500	-16,500
Year ended March 31, 2021	1,561	3,412	2,231	17,921	21,172	1,482	-16,058
Change from previous year	–	–	–	–	–	–	–
% change	–	–	–	–	–	–	–

Notes: Apply ASBJ Statement No. 29, Accounting Standard for Revenue Recognition, from the beginning of the fiscal year ending March 2022. The above consolidated earnings forecast is the amount after applying the relevant accounting standards, and the rate of increase / decrease from the previous fiscal year is not stated.

Outlook for capital investment, etc.

(Unit: Million Yen)

	Capital investment			Depreciation and amortization			R&D	Foreign exchange
	Tangible	Intangible	Total	Tangible	Intangible	Total		(USD/JPY)
Year ending March 31, 2022	64,000	4,000	68,000	30,000	2,000	32,000	22,000	105
Year ended March 31, 2021	37,538	2,016	39,555	23,768	2,062	25,830	19,540	106
Change from previous year	26,461	1,983	28,444	6,231	−62	6,169	2,459	-
% change	70.5	98.4	71.9	26.2	−3.0	23.9	12.6	-

Note: Depreciation and amortization do not include amortization of goodwill.

(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 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 are targeting a total return ratio of 40%, which is a combination of dividends and agile share buybacks, with the current dividend per share as the lower limit.

Based on the policy outlined above, we will hold discussions on the payment of an ordinary year-end dividend of ¥16 per share at the 155th Annual General Meeting of Shareholders to be held on June 25, 2021. This, together with the interim dividend of ¥16 per share that was already paid in December 2020, will achieve an annual dividend of ¥32 per share for a dividend payout ratio of 49.1% for the year under review.

Regarding the acquisition of treasury stock, the company acquired 9.68 million shares worth approximately ¥8.3 billion between April and July 2020. As a result, the shareholder return ration for this fiscal year will be 91.1%.

For the next fiscal year, Daicel currently plans to pay an annual dividend of ¥32 per share (including an interim dividend of ¥16).

(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, 2020	As of Mar. 31, 2021
Assets		
Current assets		
Cash and deposits	80,751	90,827
Notes and accounts receivable - trade	79,499	93,159
Securities	629	709
Inventories	117,414	108,659
Other	19,812	19,200
Allowance for doubtful accounts	(66)	(31)
Total current assets	298,040	312,524
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	61,064	61,999
Machinery, equipment and vehicles, net	65,559	67,289
Tools, furniture and fixtures, net	5,235	5,042
Land	30,132	30,306
Construction in progress	42,354	55,082
Total property, plant and equipment	204,346	219,720
Intangible assets		
Goodwill	5,194	2,410
Other	8,183	8,197
Total intangible assets	13,378	10,607
Investments and other assets		
Investment securities	61,813	75,352
Deferred tax assets	3,444	1,522
Retirement benefit asset	6,235	7,781
Other	10,788	12,935
Allowance for doubtful accounts	(54)	(58)
Total investments and other assets	82,227	97,532
Total non-current assets	299,952	327,860
Total assets	597,992	640,385

(Unit: Millions of Yen)

	As of Mar. 31, 2020	As of Mar. 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	45,007	49,419
Short-term borrowings	6,902	7,024
Current portion of long-term borrowings	10,336	5,003
Income taxes payable	2,240	4,582
Provision for repairs	–	2,852
Provision for environmental measures	1,725	–
Other	40,014	43,684
Total current liabilities	106,226	112,566
Non-current liabilities		
Bonds payable	40,003	140,003
Long-term borrowings	32,197	115,568
Deferred tax liabilities	7,861	13,684
Provision for retirement benefits for directors	62	80
Provision for repairs	1,167	–
Provision for environmental measures	547	195
Net defined benefit liability	10,992	7,923
Asset retirement obligations	1,229	1,268
Other	5,119	4,094
Total non-current liabilities	99,182	282,818
Total liabilities	205,408	395,384
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	31,692	–
Retained earnings	271,762	152,816
Treasury shares	(5,050)	(1,446)
Total shareholders' equity	334,679	187,645
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,582	36,884
Deferred gains or losses on hedges	(69)	(27)
Foreign currency translation adjustment	(656)	8,689
Remeasurements of defined benefit plans	2,009	4,660
Total accumulated other comprehensive income	27,865	50,207
Non-controlling interests	30,038	7,148
Total net assets	392,583	245,000
Total liabilities and net assets	597,992	640,385

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021
Net sales	412,826	393,568
Cost of sales	301,774	282,136
Gross profit	111,051	111,431
Selling, general and administrative expenses	81,406	79,708
Operating profit	29,644	31,723
Non-operating income		
Interest income	429	225
Dividend income	1,502	1,635
Share of profit of entities accounted for using equity method	1,772	1,785
Foreign exchange gains	–	53
Rental income from non-current assets	493	470
Subsidy income	459	233
Reversal of provision for environmental measures	–	1,083
Miscellaneous income	639	920
Total non-operating income	5,297	6,408
Non-operating expenses		
Interest expenses	1,173	1,195
Foreign exchange losses	802	–
Arrangement fee	–	430
Bond issuance costs	–	457
Miscellaneous expenses	1,185	1,364
Total non-operating expenses	3,161	3,448
Ordinary profit	31,781	34,683
Extraordinary income		
Gain on disposal of non-current assets	115	60
Gain on sales of investment securities	2,616	3,182
Total extraordinary income	2,731	3,243
Extraordinary losses		
Loss on retirement of non-current assets	3,098	1,099
Impairment loss	14,757	3,786
Total extraordinary losses	17,856	4,885
Profit before income taxes	16,656	33,040
Income taxes		
Income taxes - current	4,882	8,272
Income taxes - deferred	333	2,333
Total income taxes	5,215	10,605
Profit	11,440	22,435
Profit attributable to non-controlling interests	6,462	2,722
Profit attributable to owners of parent	4,978	19,713

(3) Consolidated Statement of Comprehensive Income

(Unit: Millions of Yen)

	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021
Profit	11,440	22,435
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,528)	10,357
Deferred gains or losses on hedges	(155)	46
Foreign currency translation adjustment	(6,089)	8,826
Remeasurements of defined benefit plans, net of tax	116	2,693
Share of other comprehensive income of entities accounted for using equity method	(484)	854
Total other comprehensive income	(9,141)	22,779
Comprehensive income	2,299	45,214
Comprehensive income attributable to		
owners of parent	(2,980)	42,055
non-controlling interests	5,280	3,159

(4) Consolidated Statement of Cash Flows

(Unit: Millions of Yen)

	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021
Cash flows from operating activities		
Profit before income taxes	16,656	33,040
Depreciation	29,396	26,323
Impairment loss	14,757	3,786
Amortization of goodwill	723	1,081
Increase (decrease) in provision for environmental measures	(2,992)	(2,077)
Interest and dividend income	(1,932)	(1,861)
Interest expenses	1,173	1,195
Share of loss (profit) of entities accounted for using equity method	(1,772)	(1,785)
Loss (gain) on disposal of non-current assets	(115)	(60)
Loss on retirement of non-current assets	3,098	1,099
Loss (gain) on sales of investment securities	(2,616)	(3,182)
Decrease (increase) in trade receivables	8,699	(10,846)
Decrease (increase) in inventories	5,709	11,091
Increase (decrease) in trade payables	(7,885)	2,183
Other, net	1,752	2,461
Subtotal	64,653	62,449
Interest and dividends received	3,620	3,086
Interest paid	(1,259)	(1,076)
Income taxes paid	(10,459)	(9,976)
Income taxes refund	639	3,385
Net cash provided by (used in) operating activities	57,193	57,869
Cash flows from investing activities		
Net decrease (increase) in time deposits	139	1
Purchase of property, plant and equipment	(44,127)	(34,698)
Proceeds from sales of property, plant and equipment	148	74
Purchase of intangible assets	(2,186)	(2,091)
Purchase of investment securities	(266)	(916)
Proceeds from sales and redemption of investment securities	4,653	5,048
Purchase of shares of subsidiaries and associates	(1,760)	–
Loan advances	(234)	(18)
Collection of loans receivable	217	809
Other, net	(2,448)	(2,427)
Net cash provided by (used in) investing activities	(45,864)	(34,220)

(Unit: Millions of Yen)

	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,581)	(238)
Proceeds from long-term borrowings	7,231	88,177
Repayments of long-term borrowings	(8,537)	(10,484)
Redemption of bonds	(10,000)	–
Proceeds from issuance of bonds	–	99,542
Purchase of treasury shares	(17,814)	(8,286)
Proceeds from sales of treasury shares	0	–
Dividends paid	(10,410)	(10,415)
Dividends paid to non-controlling interests	(4,878)	(6,940)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(167,330)
Repayments of lease liabilities	(892)	(1,076)
Net cash provided by (used in) financing activities	(47,883)	(17,050)
Effect of exchange rate change on cash and cash equivalents	(2,787)	3,475
Net increase (decrease) in cash and cash equivalents	(39,342)	10,073
Cash and cash equivalents at beginning of period	120,016	80,674
Cash and cash equivalents at the end of period	80,674	90,747

(5) Notes to Consolidated Financial Statements

(Changes in Presentation)

(Consolidated Statement of Cash Flows)

"Income taxes refund" which was included in "Income taxes paid" under cash flows from operating activities in the year ended March 31, 2020, is separately presented under cash flows from operating activities in the year ended March 31, 2021 because its quantitative materiality increased. To reflect this change in presentation, the financial statements for the year ended March 31, 2020 have been restated.

As a result, (¥9,820) million of the "Income taxes paid" have been reclassified as "Income taxes paid" (¥10,459) million and "Income taxes refund" ¥639 million under cash flows from operating activities in the Consolidated Statements of Cash Flows for the year ended March 31, 2020.

(Additional Information)

(Impact of COVID-19 on Accounting Estimates)

Daicel group is facing negative impacts mainly of demand decrease for automobile airbag inflators and engineering plastics and others due to COVID-19.

Daicel group's domestic and overseas economic activities were constrained in the first half of the fiscal year ended March 31, 2021. However, in the second half of the fiscal year ended March 31, 2021, COVID-19 impacts continued, demand recovered more than expected. We assume this trend will continue in the fiscal year ending March 31, 2022.

Under this assumption, we assessed the recoverability of deferred tax assets and made accounting estimates for tangible and intangible assets. While the prediction of infection spread and containment of COVID-19 is difficult, the assessment was carefully implemented based on information currently available. However, there may be an effect on the valuation of deferred tax assets and other assets, on the impairment of tangible and intangible assets, and on other aspects after the fiscal year ended March 31, 2021, in case the conditions changed, such as COVID-19 impacts are more prolonged than assumed.

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

(Significant Changes in Scope of Consolidation)

Sales departments of resins (general applications), long fiber (general application), and sheets business of Daicel Polymer Ltd. were split off to Daicel Miraizu Ltd. Automobile related business and production departments of Daicel Polymer Ltd. were absorbed into Daicel Corporation. Due to above, Daicel Polymer Ltd. ceased to exist and Daicel Polymer Ltd. was excluded from the scope of consolidation during the second quarter of fiscal year ending March 31, 2021.

(6) Notes to Consolidated Statements of Income

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

Year ended Mar. 31, 2020

(Unit: Millions of Yen)

Location	Use	Classification	Amount
Japan (Tatsuno-shi, Hyogo)	Manufacturing facilities for automobile airbag inflators and gas generants	Buildings and structures	1,451
		Machinery, equipment and vehicles	1,695
		Tools, furniture and fixtures	400
		Construction in progress	1,119
		Intangible assets and others	578
	Manufacturing facilities for defense-related products	Buildings and structures	307
		Machinery, equipment and vehicles	87
		Tools, furniture and fixtures	15
		Construction in progress	38
		Intangible assets and others	66
	Shared assets	Land	409
		Buildings and structures	437
		Machinery, equipment and vehicles	164
		Tools, furniture and fixtures	37
		Construction in progress	148
		Intangible assets and others	21
Japan (Himeji-shi, Hyogo)	Manufacturing facilities for defense-related products	Buildings and structures	58
		Machinery, equipment and vehicles	32
		Tools, furniture and fixtures	2
United States of America	Manufacturing facilities for automobile airbag inflators and gas generants	Buildings and structures	1,830
		Machinery, equipment and vehicles	2,557
		Tools, furniture and fixtures	178
		Construction in progress	3,118
Total			14,757

(Asset grouping method)

Assets are grouped by the in-house company or the division as a minimum unit.

(Circumstances causing impairment loss)

1. It was considered difficult to recover the investment amounts due to the decline in the profitability of the inflator business in Japan and the U.S.A. Accordingly, we have written down the book value of the assets stated above at Harima Plant or in the U.S.A. to their recoverable value, and recorded the decreased amounts as "Impairment loss" under extraordinary losses.
2. It was considered difficult to recover the investment amounts due to the decline in the profitability of the defense-related products business. Accordingly, we have written down the book value of the assets stated above at Harima Plant or Aboshi Plant to their recoverable value, and recorded the decreased amounts as "Impairment loss" under extraordinary losses.

(Calculation method of recoverable value)

The recoverable values were measured at the net selling price which was based on the appraisal value of real estate.

Year ended Mar. 31, 2021

(Unit: Millions of Yen)

Location	Use	Classification	Amount
Japan (Tatsuno-shi, Hyogo)	Manufacturing facilities for automobile airbag inflators and gas generants	Buildings and structures	2
		Machinery, equipment and vehicles	15
		Tools, furniture and fixtures	20
		Construction in progress	1,197
		Intangible assets and others	52
United States of America	Manufacturing facilities for automobile airbag inflators and gas generants	Construction in progress	304
-	Others	Goodwill	1,832
Others	Manufacturing facilities for packaging containers and others	Buildings and structures	86
		Machinery, equipment and vehicles	150
		Tools, furniture and fixtures	19
		Construction in progress	101
		Intangible assets and others	2
Total			3,786

(Asset grouping method)

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

(Circumstances causing impairment loss)

1. Manufacturing facilities for automobile airbag inflators and gas generants

It was considered difficult to recover the investment amounts due to the decline in the profitability of the inflator business in Japan and the U.S.A. Accordingly, we have written down the book value of the assets stated above at Harima Plant or in the U.S.A. to their recoverable value, and recorded the decreased amounts as "Impairment loss" under extraordinary losses.

The recoverable values were measured at the net selling price which was based on the appraisal value of real estate.

2. Others

It was considered difficult to achieve the expected revenue due to the reevaluation of the business plan of the consolidated subsidiary, PI-CRYSTAL, INC. Accordingly, we have written down the unamortized balance of goodwill which was based on excess earning power and recorded the decreased amount as "Impairment loss" under extraordinary losses.

6. Segment Information

In accordance with the shift to the organization based on "Strategic Business Units (SBUs)" as of April 1, 2020, we have changed the business segmentation from the previous reportable segments composed of "Cellulosic derivatives," "Organic chemicals," "Plastics," and "Pyrotechnic devices," to new reportable segments composed of "Medical / Healthcare," "Smart," "Safety," "Materials," and "Engineering Plastics." Main products and the net sales and operating profit for the year ended March 31, 2020 and for the year ended March 31, 2021 by new segment are as follows.

<Main Products>

	Main products
Medical / Healthcare	Cosmetic raw materials, chiral columns, nutritional supplements
Smart	TAC for optical films for LCD, organic functional products for electronic materials, high-performance films
Safety	Automobile airbag inflators (gas generation devices)
Materials	Acetate tow, acetic acid and derivatives, peracetic acid derivatives
Engineering Plastics	Polyacetal (POM), polybutylene terephthalate (PBT), liquid crystal polymer (LCP), AS/ABS resins
Others	Water treatment systems, defense-related products

Year ended Mar. 31, 2020

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	15,088	25,349	74,806	109,377	176,123	12,081	412,826	–	412,826
Intersegment sales	204	209	–	10,695	963	15,755	27,829	(27,829)	–
Total	15,293	25,558	74,806	120,072	177,087	27,837	440,655	(27,829)	412,826
Operating profit	1,339	3,350	3.302	15,817	20,898	814	45,523	(15,878)	29,644
Assets	27,114	25,965	80,684	144,786	171,424	16,459	466,434	131,557	597,992
Other									
Depreciation	1,419	1,553	7,156	9,998	6,572	561	27,261	1,740	29,002
Amortization of goodwill	238	–	484	–	–	–	723	–	723
Investment in equity method investees	–	–	–	7,277	2,577	–	9,854	–	9,854
Capital expenditure	6,000	2,074	7,988	19,189	10,300	1,021	46,576	992	47,568

Year ended Mar. 31, 2021

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total	Corporate and eliminations	Consolidated
Net sales									
Outside customers	16,209	24,701	67,218	104,203	168,556	12,679	393,568	–	393,568
Intersegment sales	278	184	–	10,070	187	11,251	21,972	(21,972)	–
Total	16,488	24,885	67,218	114,273	168,743	23,930	415,540	(21,972)	393,568
Operating profit	1,561	3,412	2,231	17,921	21,172	1,482	47,782	(16,058)	31,723
Assets	35,214	24,145	90,552	153,895	174,149	17,039	494,995	145,390	640,385
Other									
Depreciation	1,384	1,580	4,721	9,026	6,939	481	24,133	1,697	25,830
Amortization of goodwill	242	366	472	–	–	–	1,081	–	1,081
Investment in equity method investees	–	–	–	8,720	2,541	–	11,262	–	11,262
Capital expenditure	8,657	2,030	8,786	11,598	7,082	579	38,734	820	39,555

7. Related Information

(1) Product and Service Information

Year ended Mar. 31, 2021

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Total
Net sales to outside customers	16,209	24,701	67,218	104,203	168,556	12,679	393,568

(2) Geographic Information

(i) Net sales

Year ended Mar. 31, 2021

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
174,706	73,951	78,959	65,950	393,568

(ii) Property, plant and equipment

Year ended Mar. 31, 2021

(Unit: Millions of Yen)

Japan	Asia			Other	Total
	China	Malaysia	Other		
149,737	25,439	15,891	13,697	14,954	219,720

8. Information on Impairment Loss of Non-Current Assets by Reportable Segment

Year ended Mar. 31, 2021

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Corporate and eliminations	Total
Impairment loss	–	1,832	1,693	–	260	–	–	3,786

(Note) We recorded Impairment loss of goodwil by ¥1,832 million in Smart .

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

Year ended Mar. 31, 2021

(Unit: Millions of Yen)

	Medical / Healthcare	Smart	Safety	Materials	Engineering Plastics	Others	Corporate and eliminations	Total
Amortization	242	366	472	–	–	–	–	1,081
Ending balance	1,916	–	493	–	–	–	–	2,410

10. Business combinations

Daicel Corporation signed a Transaction Agreement to acquire all share of the common stock of Polyplastics Co., Ltd. from a subsidiary of Celanese Corporation and acquired on October 9, 2020.

(1) Summary of the acquisition

a. Name and business of the combined entity

Corporate name: Polyplastics Co., Ltd.

Scope of business: Manufacturing and selling of various types of engineering plastics and polymers

b. Date of the business combination

October 9, 2020

c. Legal form of the business combination

Acquisition of shares from non-controlling shareholders

d. Name of the entity after the business combination

There will be no change.

e. Percentages of voting rights acquired

Voting rights ratio before the acquisition date: 55%

Voting rights ratio after acquisition: 100%

f. Other information

The voting rights of the additional shares acquired are 45% of the total voting rights and the transaction will make Polyplastics Co., Ltd. a wholly-owned subsidiary of Daicel Corporation. This additional acquisition is intended to improve the efficiency of consolidated management and strengthen the group management system.

(2) Outline of accounting procedure to be applied

In accordance with ASBJ Statement No. 21 ″Accounting Standard for Business Combinations″ and ASBJ Guidance No. 10 ″Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,″ it will be treated as a transaction with a non-controlling shareholder among the transactions under common control.

(3) Acquisition of additional common stock

Consideration for the acquisition: Cash and deposits $1,575 million

Acquisition cost: $1,575 million

(4) Changes in equity in transactions with non-controlling shareholders

a. Major factor of changes in capital surplus and retained earnings

Acquisition of the share of subsidiary

b. Decrease in capital surplus and retained earnings due to transactions with non-controlling shareholders

Capital surplus: ¥31,572 million

Retained earnings: ¥116,527 million