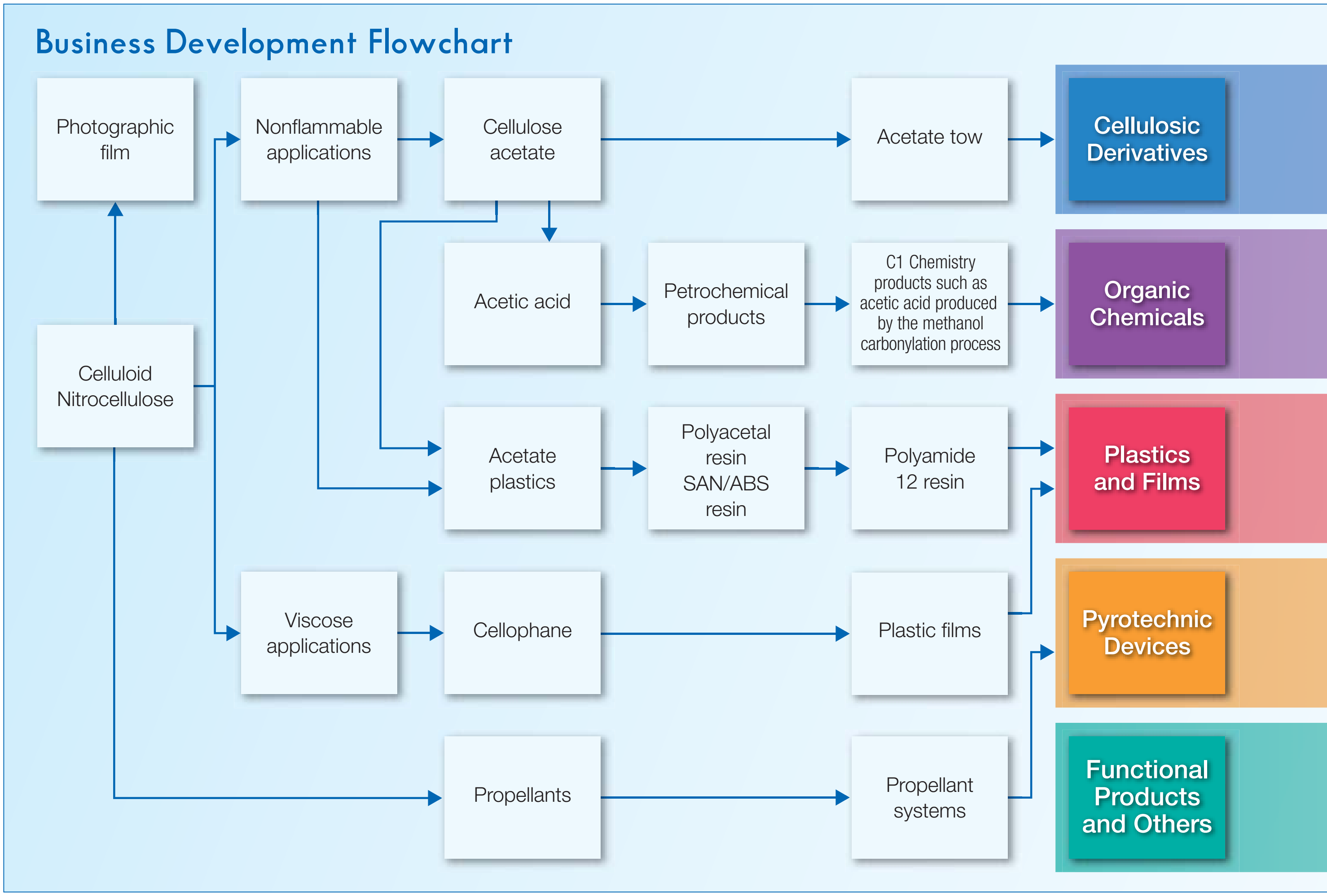
ANNUAL REPORT 2011

Year ended March 31, 2011

DAICEL CORPORATION

Designing the Future

DAICEL



Profile

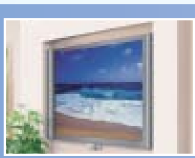
Daicel Corporation was founded in 1919 as Dainippon Celluloid Company Limited, created through the merger of eight celluloid producers. Deploying its original celluloid-related technological expertise, the Company has expanded into the fields of cellulose chemistry, organic synthesis chemistry, polymer chemistry, and pyrotechnic chemistry.

Today, Daicel's extensive business lineup expands beyond the chemical industry segment and includes cellulose acetates made from pulp and other natural fibers, cigarette filter tow, water-soluble polymers and other cellulosic derivatives, organic compounds (centering on acetic acid and acetic acid derivatives), organic fine chemical products, engineering plastics (such as polyacetal and polybutylene terephthalate resins), acrylonitrile styrene and acrylonitrile butadiene styrene resins, resin compounds derived from engineering plastic alloys, various plastic products, defense-related items (such as propellants and aircrew emergency escape systems), and automobile airbag inflators.

Caution with Respect to Forward-Looking Statements

This annual report contains forward-looking statements about the future plans, strategies, beliefs and performance of the Daicel Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Daicel Group and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, fluctuations in foreign currency exchange rates, fluctuations in the price of raw materials, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected and the Daicel Group cannot guarantee that these forward-looking statements are accurate or will be achieved.

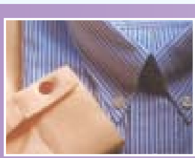
Major Applications of Daicel Group Products



World's **No. 1**
Sales share (Daicel estimate)
LCDs / TAC

Cigarette filters /
Acetate tow,
Cellulose acetate

Civil engineering and oil drilling / CMC



Polyester fibers /
Acetic acid

Automotive paints /
Caprolactone and special epoxy resins

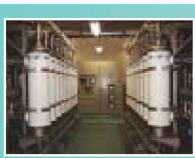
World's **No. 1**
Sales share (Daicel estimate)
Pharmaceutical development /
Chiral columns

POM Asia's **No. 1**
Production capacity share (Daicel estimate)
Auto parts /
POM, PBT, PPS, SAN and ABS

POM Asia's **No. 1** / LCP World's **No. 1**
Production capacity share (Daicel estimate)
Office equipment and electronic components /
POM, PBT, LCP and PPS

Packaging and films for snacks and pocket warmers /
Packaging films

Japan's **No. 1** / World's **No. 2**
Sales share (Daicel estimate)
Airbag systems /
Inflators



Water filtration and wastewater treatment /
Reverse osmosis membranes and ultrafiltration membranes

Household articles /
Improved sink-corner strainer

Main product application /
Product

Contents

Consolidated Financial Highlights

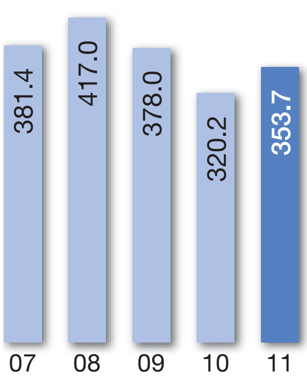
Daicel Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars*2
	2007	2008	2009	2010	**2011**	**2011**
Results for the year						
Net sales	¥ 381,423	¥ 416,990	¥ 377,980	¥ 320,243	**¥ 353,685**	**$ 4,261,265**
Operating income	36,399	32,164	10,590	20,856	**32,711**	**394,108**
Income before income taxes and minority interests	33,185	27,145	6,272	16,911	**29,713**	**357,988**
Net income	17,438	13,676	1,297	11,070	**16,803**	**202,446**
Capital expenditures	55,316	46,930	25,666	18,424	**11,753**	**141,602**
Depreciation and amortization	23,774	29,576	39,674	37,782	**33,529**	**403,964**
Research and development expenses	11,717	12,004	12,046	11,317	**11,971**	**144,229**
At year-end						
Total assets	¥ 547,432	¥ 515,618	¥ 445,912	¥ 428,377	**¥ 411,071**	**$ 4,952,663**
Total equity	242,409	239,148	211,488	229,005	**235,337**	**2,835,386**

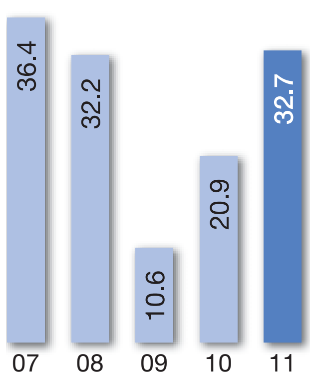
	Yen					U.S. dollars*2
Per share*1						
Net income	¥ 48.19	¥ 37.86	¥ 3.62	¥ 31.10	**¥ 47.22**	**$ 0.57**
Cash dividends applicable to the year	8.00	8.00	8.00	10.00	**10.00**	**0.12**

*1. The computations of net income per common share are based on the weighted average number of shares outstanding.
*2. The U.S. dollar amounts in this report are translated from Japanese yen, for convenience only, at the rate of ¥83=$1, the approximate exchange rate at March 31, 2011.

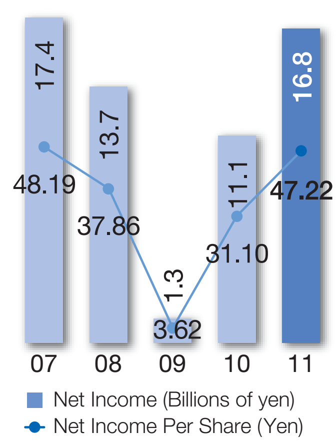
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



**Net Income/
Net Income Per Share**



Message from the President

We are aiming to become a company that proudly delivers the “best solutions” to the global market.

Year in Review

I would like to begin by expressing our heartfelt condolences and extend our prayers for a rapid recovery to everyone affected by the March 11 Great East Japan Earthquake.

In fiscal 2010, ended March 31, 2011, the Japanese economy appeared poised for a gradual overall recovery propelled by two clear tailwinds—economic stimulus measures adopted in Japan and around the world, and the steady growth trends sustained by China and other emerging economies. The economic situation remained unpredictable, however, as the yen continued to appreciate against the U.S. dollar, undermining the strength of the recovery in domestic demand. Moreover, in March 2011, Japan was shocked by the Great East Japan Earthquake, which struck with a vast negative impact on the entire Japanese economy and a particularly devastating effect on the Tohoku and Kanto regions.

In an effort to maintain the trend of increased profits amid this severe economic environment, the Daicel Group has remained committed to improving its performance by applying additional cost reductions and expanding sales in response to growing demand from China and other emerging economies, among other initiatives.

Consequently, in fiscal 2010 consolidated net sales grew by ¥33.4 billion, or 10.4%, year on year to ¥353.7 billion, as a result of increased sales volume. On the earnings side, this increased sales volume contributed to an improved capacity utilization rate, leading to an income increase relative to the preceding fiscal year. Specifically, operating income climbed 56.8% to ¥32.7 billion, ordinary income rose 57.9% to ¥31.6 billion, and net income increased 51.8% to ¥16.8 billion.

While the Great East Japan Earthquake did not result in any loss of personnel or direct property damage to the Daicel Group, we nevertheless posted ¥343 million in disaster-related losses, including fixed costs during the shutdown, as an extraordinary loss.

Fiscal 2009 and 2010 Results

(Billions of yen)

	FY2009	FY2010	Change	% Change
Net sales	320.2	353.7	33.4	10.4%
Operating income	20.9	32.7	11.8	56.8%
Ordinary income	20.0	31.6	11.6	57.9%
Net income	11.1	16.8	5.7	51.8%

Review of the Previous Medium-term Plan

The previous medium-term plan for fiscal years 2007 to 2009 set fiscal 2009 performance targets for consolidated net sales of ¥450.0 billion, operating income of ¥55.0 billion, and a

Misao Fudaba
President and CEO

return on assets (ROA) rate of 9%. Due to various factors, including the Lehman Shock, we fell short of our targets.

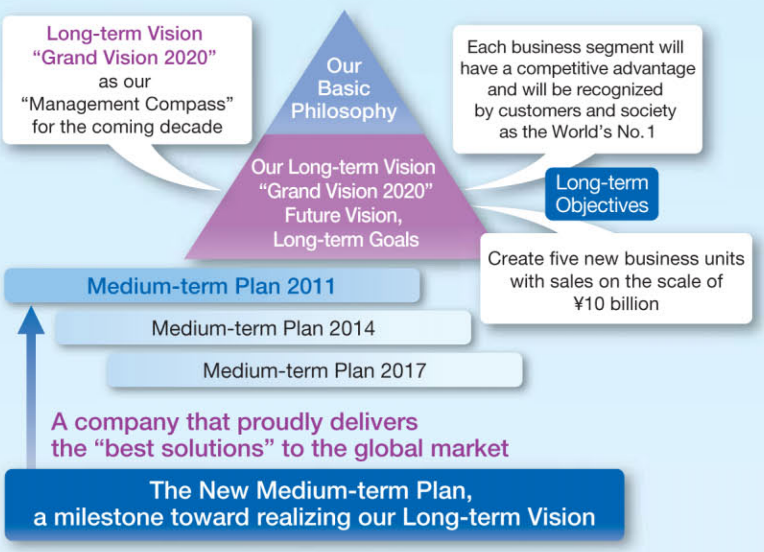
Despite these results, during this period we took the strategic step of selling our plastic products business, which had few effective synergies with our core operations, and focused on effective investment in our strengths in triacetyl cellulose (TAC) for LCDs, cigarette filter tow, ethyl acetate, cycloaliphatic epoxy compounds, chiral columns, liquid crystal polymers, inflators for automobile airbags, and other areas.

In addition, after the Lehman Shock, we reduced our costs around the world and this contributed to strengthening our financial structure and improved our profitability.

The New Medium-term Plan: "3D-I"

By 2020, the Daicel Group will draw up and introduce three medium-term plans as the "3D Step-up Plan" to achieve the targets in its long-term vision "Grand Vision 2020."

The Configuration of the New Medium-term Plan



The initial "3D-I" medium-term plan, which starts in the current fiscal year, is the first step and covers what we have designated as the "design phase." The two main management objectives for "3D-I" are to achieve consolidated results of ¥420.0 billion in net sales and ¥45.0 billion in operating income in the plan's final year and to accelerate new business creation activities. The plan also emphasizes ROE as a management benchmark and sets an ROE target of 10%. Strategies being implemented to achieve these objectives focus on creating new businesses; further strengthening core businesses; enhancing cost competitiveness; expanding and strengthening global business operations; increasing the number of opportunities for collaboration with business partners; conducting strategic M&A; and reinforcing business foundations.

Forecasts for Fiscal 2011

With the impact of rising raw materials and fuel prices caused by political disorder in the Middle East and other areas, along with the far-reaching impact of the Great East Japan Earthquake, the outlook for the Japanese economy is expected to remain unclear and unpredictable.

The chemical industry, like others, is called on to better respond to the earthquake-related risks which include electric power shortages, the securing of raw materials and fuel, and rumor damage. On top of this, there are many other issues to address, such as the maintenance of cost competitiveness, the enhancement of R&D, the reduction of greenhouse gas emissions, and compliance with intensifying environmental and safety regulations, which make the business environment even more challenging.

Under such circumstances, the business performance of the Daicel Group for fiscal 2011 is forecasted to be largely subject to the strong yen, high raw materials and fuel prices, and the impact of the Great East Japan Earthquake in the automobile, electronics and other industries where our products are primarily used. As a result of estimations based on the information currently available, we forecast consolidated net sales of ¥364.0 billion, operating income of ¥27.0 billion, ordinary income of ¥27.5 billion and net income of ¥16.0 billion.

Fiscal 2010 Results and 2011 Forecast (Billions of yen)

	FY2010 Results	FY2011 Forecast	Change	% Change
Net sales	353.7	364.0	10.3	2.9 %
Operating income	32.7	27.0	(5.7)	(17.4)%
Ordinary income	31.6	27.5	(4.1)	(13.0)%
Net income	16.8	16.0	(0.8)	(4.8)%

Shareholder Return Policy

Daicel's basic policy on the distribution of profits is to strike a balance from a comprehensive and long-term perspective between providing a stable and consistent level of return to shareholders in line with the Company's consolidated financial results in each fiscal year and enhancing retained earnings. The Company will also facilitate the acquisition of its treasury stocks as a shareholder return measure to complement dividend payments. The new medium-term plan "3D-I" sets a target of 30% for the return of profit to shareholders (which includes the acquisition of treasury stocks) in the final year of the plan.

In fiscal 2010, in recognition of the growth we achieved in both sales and income, we increased the term-end ordinary dividend per share by ¥2 for a total of ¥6 per share. This raised the dividend payment to ¥10 per share for the year, which includes the interim dividend, and represents a dividend payout ratio of 21.2%. For the next fiscal year, we are currently planning to distribute dividends amounting to ¥10 per share (including an interim dividend of ¥5 per share).

To Our Stakeholders

On October 1, 2011, we changed the company name from Daicel Chemistry Industries, Ltd., to Daicel Corporation.

"Chemical Industries" has been an integral part of our name. However, our business range has expanded beyond this exclusive industry. The new name represents our determination to use our base in chemicals and apply our original technologies and expertise to develop beyond the chemical industry segment.

Under our new company name and led by our long-term vision "Grand Vision 2020," we are aiming to become a company that proudly delivers the "best solutions" to the global market through the creation and provision of optimal solutions that accurately meet the needs of our customers and society. I look forward to your continuing guidance and support.

Aiming to Be a Company that Proudly Delivers the "Best Solutions" to the Global Market

Misao Fudaba
President and CEO

Special Feature

The New Medium-term Plan: "3D-I"

The First Step to Becoming a Company that Proudly Delivers the "Best Solutions" to the Global Market

Management Objectives

"3D-I" sets the following two management objectives:

1. Achieve our consolidated performance targets for fiscal 2013 (Net sales of ¥420 billion and operating income of ¥45 billion)
2. Accelerate new business creation

Aiming to become a "best solutions" corporate group, we will become a profitable corporate group, which will always achieve an operating profit margin higher than 10%, during the period of the medium-term plan (ending March 31, 2014). Under the "3D-I" plan, we will also accelerate our new business creation activities to advance toward our long-term objective of creating five new business units with sales on the scale of ¥10 billion.

■ Consolidated Earnings Targets

(Billions of yen)

Priority Management Index

The "3D-I" plan highlights return on equity (ROE) as a priority management benchmark for showing how effectively management is utilizing investor funds. The plan sets an ROE target of 10%.

Shareholder Return

Based on our fundamental policy of maintaining a stable and consistent level of dividend payments, we will distribute a dividend in line with the Company's consolidated financial results in each fiscal year. We also will maintain the flexibility to undertake acquisitions of our own shares as a shareholder return method to supplement the dividend payment. We have set a target of 30% for the return of profit to shareholders (which includes the acquisition of treasury stocks) by fiscal 2013.

Basic Strategies

Through the implementation of the following seven basic strategies we will work to achieve our management objectives:

1. Create new businesses
2. Further strengthen core businesses
3. Strengthen cost competitiveness
4. Expand and reinforce global business development
5. Enhance collaborations with business partners
6. Utilize strategic M&A
7. Further solidify the business foundation

Create New Businesses

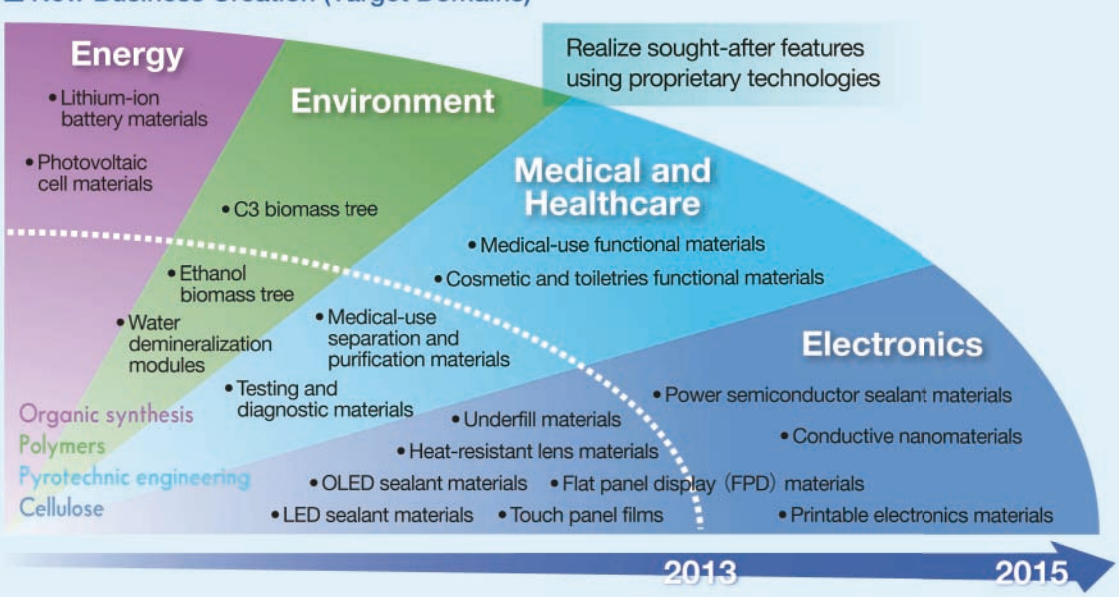
The Group's core technologies in cellulose, organic synthesis, polymers, and pyrotechnic engineering will be used as platforms for new business creation. We are already advancing projects to grow the functional chemicals (targeting the electronics and information industry field) and functional film (targeting the display device field) into a functional materials business of a significant scale, focused on the electronics market. At the same time, we are creating new business units in the future growth areas of the medical and healthcare, environmental, and energy fields.

Our approach to new business creation will be via two routes—through areas peripheral to our core businesses, and also through areas relating to corporate research and planning. Both approaches will be followed in close coordination with the company segments engaged in our core businesses, Group companies, and with the corporate research, planning, and develop departments.

In addition, we will implement the following measures to speed up development and ensure a high success rate.

- Increase R&D spending
- Broaden our project activities
- Prioritize the allocation of human resources

■ New Business Creation (Target Domains)



Further Strengthen Core Businesses

The further strengthening of our core businesses is essential to realizing stable growth for the Group. The current business environment is severely competitive, and we believe that our strength must be formidable enough to be called the “No.1 in the World” merely to survive. We plan to enhance the strengths in each of the Group’s core businesses of cellulosic derivatives, organic chemicals, plastics and films, pyrotechnic devices, and membranes to the level of “No.1 in the World” in the eyes of our customers and society. (Please see the Review of Operations on pages 15–23 for details on strategies for each business segment.)

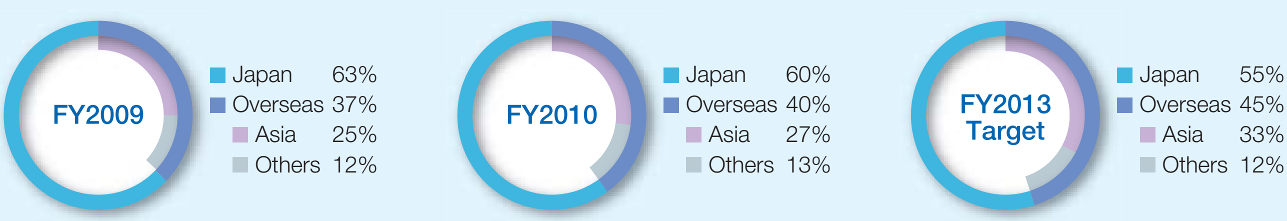
Strengthen Cost Competitiveness

To cope with changes in the external environment that include intensifying competition with foreign-made products, rising raw materials costs, and the strong yen, we will work to enhance our cost competitiveness. Efforts will focus on diversifying raw materials supply channels and maintaining the steady procurement of materials at affordable prices as well as continuing to reform our production systems. With respect to chemical process-based production, we will reconfirm the purpose of production reform and keep what should be kept and revise what needs to be revised. With respect to assembly-based production, we will continue and strengthen production reform in the pyrotechnic device business and begin production reform in the plastic products business.

Expand and Reinforce Global Business Development

Since we cannot expect significant growth in domestic demand, we will seek to achieve growth for the Group by expanding and fortifying our global business operations, which will require us to steadily capture the growing demand overseas, particularly in the Asia region centered on China and India. Of our target of ¥420.0 billion in fiscal 2013, we predict a foreign sales ratio of above 45% and for the Asia region, sales accounting for one-third of our total sales.

Global Expansion



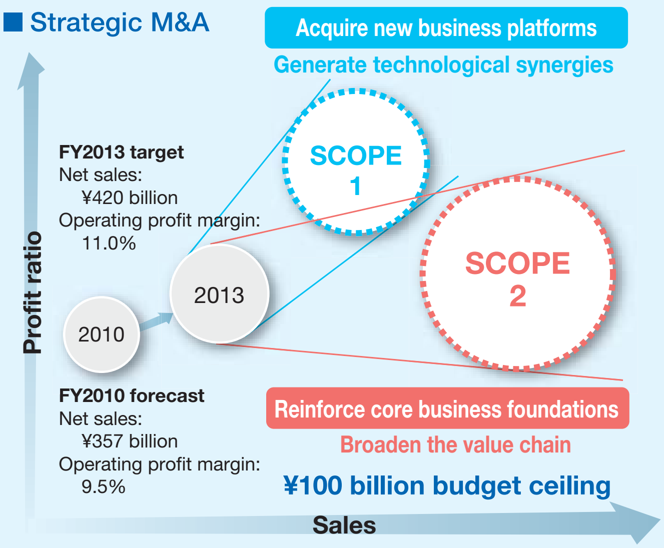
Enhance Collaborations with Business Partners

The Daicel Group, on its own, would not be able to achieve the "3D-I" targets. We are therefore planning to increase collaborations with our business partners to expedite our progress in "creating new businesses" and "further strengthening core businesses."

Utilize Strategic M&A

We will consider M&A moves in two target areas. One will be in areas that will generate technological synergies with the Group, with the goal of acquiring platforms for new businesses. The other will be in areas that will broaden the Group's value chain with the objective of fortifying the foundations of our core businesses. We have set a budget ceiling for M&A of about ¥100 billion, and will seek to make timely decisions on potential M&A strategies.

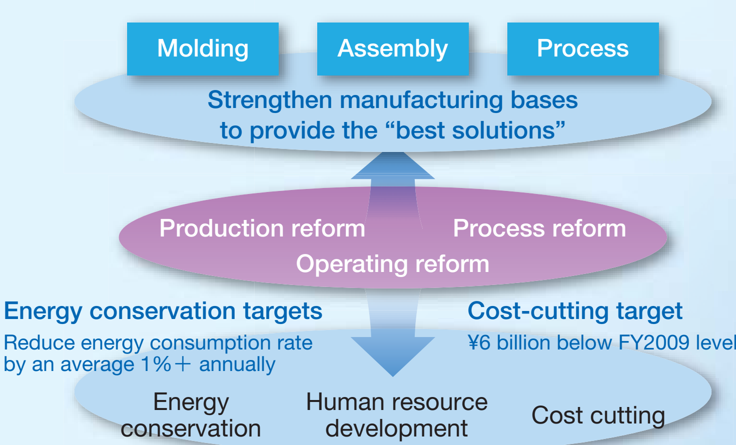
■ Strategic M&A



Further Solidify the Business Foundation

To realize our goal of becoming a company that can provide the best solutions, we must further strengthen our manufacturing bases, which play a key role in the development of the "best solutions," so that we can create new businesses and expand core businesses while also responding to medium- and long-term risk. The corporate management sections will utilize a cross-sectional supervisory function to undertake the reform of all aspects of our production, process, and operating activities in cooperation with the company segments and Group companies to reinforce the Group's manufacturing foundation. Priority issues will be to further improve productivity, reduce costs, and implement innovative energy-saving measures. Our specific numerical targets are to reduce costs by ¥6.0 billion from the fiscal 2009 level and to lower the energy consumption rate by an average of more than 1% each year.

■ Strengthening the Manufacturing Foundation



Topics

TOPICS 1 Changing the Company Name to Daicel Corporation

On October 1, 2011, we changed the company name from Daicel Chemical Industries, Ltd., to Daicel Corporation. Our company name has long contained the phrase "chemical industry," reflecting our core technologies of cellulosic derivatives, organic chemicals, polymer chemicals, and gunpowder engineering. However, the nature of our business has now expanded beyond this exclusive industry to encompass businesses related to assembly processes, as represented by the automotive airbag inflator segment, which has also grown to become a core business.

We have decided to change our trade name in order to demonstrate, both internally and externally, our company's intention to continue expanding beyond the chemical industry segment by employing the proprietary technologies and unique expertise that evolved from the chemical-based foundation of our business.

The Group Symbol

The new symbol, which uses Daicel blue, is given a sense of action and speed by the oblique character design used for the word "DAICEL."

The three red circles represent:

1. Our unceasing passion for creation;
2. Our strong will to keep working on innovation; and
3. Our fighting spirit to continue taking on new fields outside our company's current scope.

TOPICS 2 Historical Materials related to Celluloid Recognized as "Chemical Heritage"

In March 2011, The Chemical Society of Japan recognized Daicel Chemical Industries' "buildings and materials that indicate the beginning of the Japanese celluloid industry" as valuable historical materials related to chemistry and chemical technologies, and designated them as "Chemical Heritage."


Celluloid products

Celluloid was the first industrialized plastic material to be used worldwide. Production in Japan commenced in 1911, and at its peak, Japan was the world's leading celluloid producer. Celluloid's superb malleability, transparency, and other attributes along with its clean look, texture, and feel made it a versatile material for use in dolls and toys, everyday items such as eyeglass frames, and even ping-pong balls. Receiving the designation were the No.1 coal boiler built in 1909 at the Aboshi Plant by one of our eight predecessor companies Japan Celluloid Artificial Co., Ltd., as well as various celluloid products and other objects preserved by Daicel.


No.1 Boiler at the Aboshi Plant

TOPICS 3 The Aerospace & Defense Systems/Safety Systems Company Holds 3rd Global KAIZEN Contest

Between September 27 to October 7, 2010, our Aerospace & Defense Systems/Safety Systems Company held its third annual Global KAIZEN Contest at the Harima Plant. Finalists presented their KAIZEN (improvement) results, and contest winners were chosen. The theme of this year's contest was "Look back, develop awareness, think, and act." This theme concept was modified for the third contest, to emphasize the importance of looking back over previous processes and results and developing awareness again. Over 80 teams from Daicel's global sites participated in preliminary contests. Topics including Safety, the 3S's, and the Toyota Production System (TPS) were covered, with the winning team from each site advancing to present their activities at the Global KAIZEN Contest.

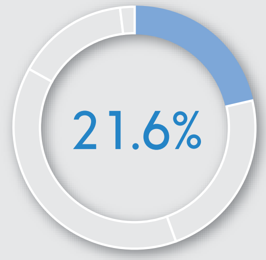

3rd Global KAIZEN Contest

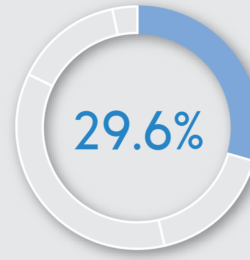
Review of Operations

At a Glance

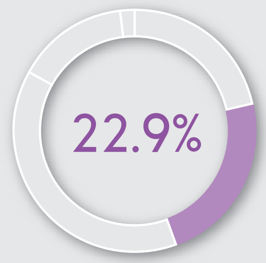
Business Segment | Sales | Operating Income

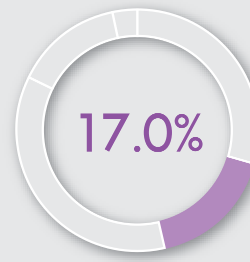
Cellulosic Derivatives



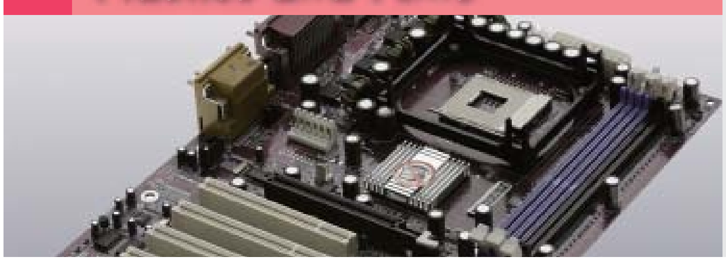


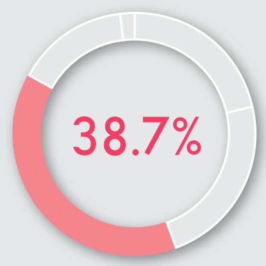
Organic Chemicals

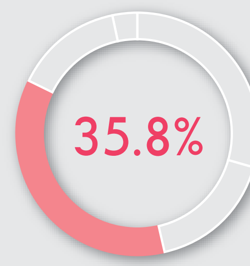




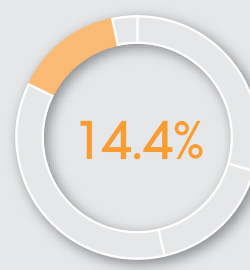
Plastics and Films



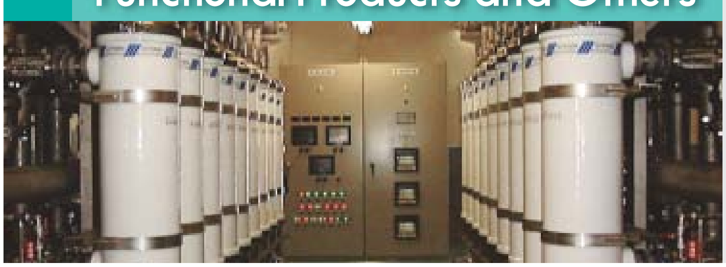


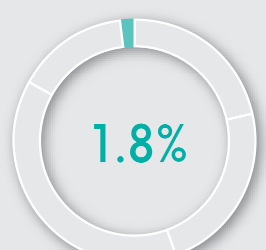


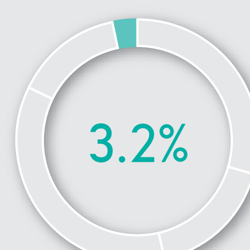
Pyrotechnic Devices



Functional Products and Others







Major Products	Uses	Market Position
Cellulose acetate	LCD films, acetate fibers, photographic films, plastics	Overwhelming market share in the manufacture and sale of triacetyl cellulose (TAC) used in films for LCDs Stable supplier of acetate tow for cigarette filters to a number of leading cigarette manufacturers
Acetate tow	Cigarette filters	
Carboxymethyl cellulose (CMC) and other water-soluble polymers (WSP)	Foods, pharmaceuticals, cosmetics, adhesives, textiles, mud stabilizers, thickeners	
Acetate plastics	Frames for glasses, other products	
Celluloid		
Acetic acid	Cellulose acetate, vinyl acetate Auxiliary dyeing agents, pharmaceuticals Agricultural chemicals, pure terephthalic acid (PTA)	The leading manufacturer of acetic acid in Asia World's largest manufacturer of chiral columns used for the separation of optical isomers
Solvents		
Chiral columns	Separation of optical isomers	
Other organic and inorganic industrial-use chemicals		
Polyacetal (POM)	Electric and electronic appliance parts, automobile parts Communications appliance parts, household goods, sundry goods	The top share in Asia for POM; the top rank in Japan for PBT; the top rank on a global basis for LCP
Polybutylene terephthalate (PBT)		
Liquid Crystal Polymer (LCP)		
SAN/ABS resins and alloys		
Polystyrene sheets and plastics products		
Moisture-proof packaging films	Packaging for foods	
Inflators	Automobile airbag systems	The top manufacturer of car airbag inflators in Japan and ranks second on a global basis
Aircrew emergency escape systems	Fighters, trainers, helicopters	
Rocket motors	Missiles	
Propellants		
Separation membrane modules	Water treatment	

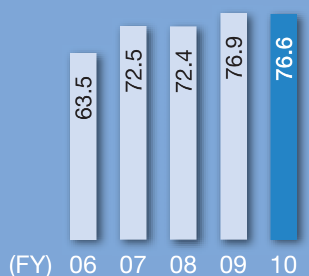
Review of Operations

Cellulosic Derivatives

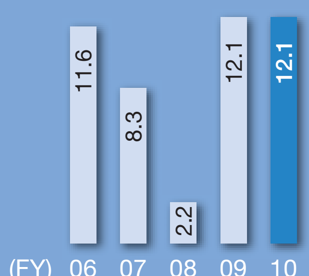
Operations

	FY2006	FY2007	FY2008	FY2009	FY2010
	Millions of yen				
Sales to outside customers	¥ 63,501	¥ 72,467	¥ 72,369	¥ 76,938	¥ 76,551
Intersegment sales	2,355	2,852	2,901	2,680	2,782
Total sales	65,856	75,319	75,270	79,618	79,333
Total cost and expenses	54,226	67,056	73,067	67,565	67,264
Operating income	¥ 11,630	¥ 8,263	¥ 2,203	¥ 12,053	¥ 12,069
Total assets	¥118,803	¥126,435	¥107,953	¥ 96,558	¥ 87,712
Depreciation	4,549	7,855	16,554	15,509	12,755
Capital investments	32,267	23,357	7,169	4,729	908

Sales to Outside Customers
(Billions of yen)



Operating Income
(Billions of yen)



Overview

The Cellulosic Derivatives Segment, which endeavors to further cultivate its cellulosic chemical technologies based on the celluloid manufacturing technologies founded by Daicel, produces and sells a wide range of cellulosic derivatives. Today, our lineup includes cellulose acetate, which is used for applications ranging from liquid crystal display (LCD) and photographic films to cigarette filters and acetate fibers. This product and acetate tow used in cigarette filters account for the majority of sales in the segment. Daicel's strengths are its commanding share in the manufacture and sale of triacetyl cellulose (TAC) used in film for LCDs, as well as its comprehensive production capabilities for acetic acid, cellulose acetate, and acetate tow.

Performance

In fiscal 2010, sales to outside customers amounted to ¥76,551 million, a slight decrease from the previous fiscal year.

Sales of cellulose acetate declined because sales for LCD film applications were adversely affected by the flagging demand for LCD panels after early autumn. Meanwhile, sales of acetate tow for cigarette filters rose despite a decrease in demand resulting from the tobacco tax hike in Japan and the strong yen. The increase is attributable to stable demand in Asia centering on China and to expansion of the production capacity at the Himeji Production Sector's Aboshi Plant in January 2010.

Operating income for the segment amounted to ¥12,069 million, which was virtually even with the previous fiscal year.

“3D-I” Initiatives

The cellulosic derivatives business will work to steadily expand earnings under the current “3D-I” medium-term plan. Regarding triacetyl cellulose (TAC), used in film for LCDs, our priority will be to fulfill our responsibility to our customers by ensuring a stable supply, while keeping pace with the expanding market for flat panel display products. We will do this by establishing an optimal balance of production volume from the Aboshi and Ohtake plants. To achieve the ongoing growth of the TAC-related businesses, we will also continue advancing research and development of optical display materials and peripheral applications and strengthening alliances with makers of optical display-related films.

Regarding acetate tow for cigarette filters, demand is declining in Japan but continues to grow at a 1–2% annual pace globally, and we expect to continue with full production and full-scale sales activities to meet demand. As a medium- and long-term supplier for major Japanese cigarette makers and the Chinese cigarette market, which represents one-third of the world cigarette market, we will cultivate strong relationships with existing customers while working to expand our base of new customers. In addition, we will consider increasing our plant capacity to respond to the rising demand for cigarettes in emerging countries, notably in Asia. We also plan to boost capacity at the Japan-China joint venture Xi’an Huida Chemical Industries Co., Ltd.

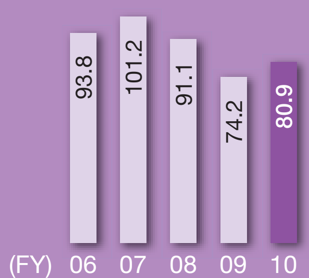
We will respond to the downward price trend for flat panel display materials, rising raw materials and fuel prices, and other developments by diversifying our supply channels for raw materials and pursuing alliances with business partners to further enhance our cost competitiveness.

We also will focus on identifying and cultivating new businesses that are to become the third business pillar of this segment.

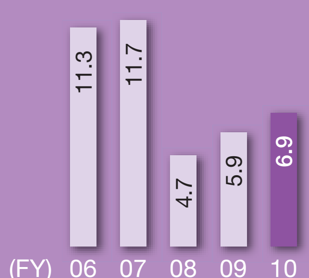
Capacity expansion is scheduled for the cigarette filter acetate tow plant of Xi’an Huida Chemical Industries.

Organic Chemicals

Sales to Outside Customers
(Billions of yen)



Operating Income
(Billions of yen)



Operations

	Millions of yen				
	FY2006	FY2007	FY2008	FY2009	FY2010
Sales to outside customers	¥ 93,839	¥101,246	¥ 91,058	¥74,234	¥80,871
Intersegment sales	14,126	16,948	15,989	10,953	14,384
Total sales	107,965	118,194	107,047	85,187	95,255
Total cost and expenses	96,641	106,533	102,344	79,329	88,332
Operating income	¥ 11,324	¥ 11,661	¥ 4,703	¥ 5,858	¥ 6,923
Total assets	¥ 93,690	¥ 91,035	¥ 76,041	¥74,404	¥69,095
Depreciation	5,881	7,590	8,362	8,493	8,099
Impairment loss on fixed assets	—	114	—	857	245
Capital investments	5,499	9,936	6,246	5,637	2,627

Overview

The Organic Chemicals Segment consists of three main business categories: (1) organic chemical products, primarily acetic acid and its derivatives, (2) organic-designed products, primarily peracetic acid derivatives, and (3) chiral pharmaceutical ingredients, including chiral chemicals and pharmaceutical intermediates.

Acetic acid is one of Daicel's mainstay products, and Daicel is a leading manufacturer of this product in Asia. As the only manufacturer of peracetic acid in the world, Daicel has an excellent opportunity to expand its business.

We also hold the top share worldwide in sales of chiral columns used for the separation of optical isomers. We have established operations in China and India, where there has been a dramatic expansion in the research and development of chiral compounds, primarily as research consigned by European and U.S. pharmaceutical companies. Thus, we are now operating across five networks in the world: Japan, the U.S., Europe, China and India.

Performance

In fiscal 2010, sales to outside customers in this segment totaled ¥80,871 million, up 8.9% from the previous fiscal year.

Sales of acetic acid, the segment's core product, increased owing to a recovery in demand mainly for pure terephthalic acid (PTA), its primary application. An increase in sales was also recorded for general-use products, such as acetic acid derivative and solvents, backed by a recovery in domestic demand, along with the start of full-scale operation of a facility for making ethyl acetate using an ethanol-based process at the Ohtake Plant.

Organic-designed products such as caprolactone derivatives, epoxy compounds, and semiconductor resist materials posted gains in sales thanks to the recovery and subsequent boom in the electronics materials market.

In the chiral chemical business, which includes chiral chromatographic columns, brisk sales for optical isomer separation columns in China and India pushed up sales.

Operating income in this segment increased 18.2% year on year to ¥6,923 million.

“3D-I” Initiatives

The Organic Chemicals Segment aims to increase segment operating income to the ¥10 billion range and raise its operating margin above 10% in the final year of the current “3D-I” medium-term plan (fiscal 2013). In the segment’s core organic chemical products business, the strategy is to establish a solid earnings base by fortifying and expanding the acetyl chain of products, which include acetic acid and its derivatives, and the ethanol chain of products, comprising bioethanol-based products.

We will also strengthen our operating base by promoting the reduction of our environmental burden through energy conservation and shifting away from the use of petroleum as an energy source. In that direction, in December 2011, we plan to expand production capacity for ethyl acetate using plant-derived bioethanol at the Ohtake Plant, raising annual production volume by 50%, to 75,000 tons.

We plan for the whole Group to utilize the full spectrum of products in this business, ranging from general-use products to organic-designed products, and will work to beat the competition from foreign-made products by ensuring a stable and low-priced supply of raw materials and providing quality that will clearly differentiate the Company’s products from those of overseas competitors.

In organic-designed products, we will consider expanding our facilities to further reinforce the peracetic acid derivatives business. In addition, we are reorganizing and solidifying our business structure to accelerate the development and commercialization of our LED encapsulants and other functional materials.

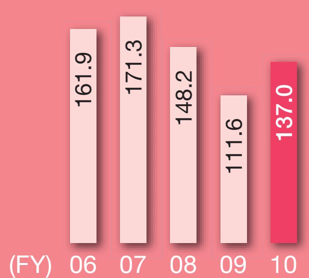
In the chiral chemical business, we will step up our global development efforts focused mainly on the growing markets in China and India, to maintain and further expand our leading position in the market for chiral analytic columns. We are also preparing to explore new business domains in the life sciences field and other areas beyond chiral separation technologies.

The Ohtake Plant’s production facility for ethyl acetate that uses an ethanol-based process is scheduled to expand production capacity by 50% in December 2011.

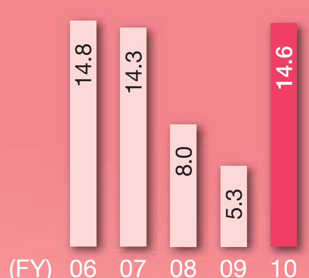
Review of Operations

Plastics and Films

Sales to Outside Customers
(Billions of yen)



Operating Income
(Billions of yen)



Operations

	Millions of yen				
	FY2006	FY2007	FY2008	FY2009	FY2010
Sales to outside customers	¥161,881	¥171,337	¥148,150	¥111,589	¥136,988
Intersegment sales	29	22	4	5	10
Total sales	161,910	171,359	148,154	111,594	136,998
Total cost and expenses	147,135	157,047	140,171	106,311	122,412
Operating income	¥ 14,775	¥ 14,312	¥ 7,983	¥ 5,283	¥ 14,576
Total assets	¥159,234	¥150,113	¥132,823	¥123,300	¥124,173
Depreciation	7,473	7,009	7,430	7,215	6,459
Impairment loss on fixed assets	66	100	—	—	
Capital investments	4,677	6,777	6,431	2,732	3,430

Overview

The Plastics and Films Segment consists of several businesses, notably the engineering plastics business, which includes polyacetal (POM), polybutylene terephthalate (PBT), polyphenylene sulfide (PPS), and liquid crystal polymers (LCP); the plastic compound business, centering on acrylonitrile styrene (AS) and acrylonitrile butadiene styrene (ABS); and the plastic products business, encompassing sheets, molded vessels, and films.

Polyplastics Co., Ltd. (hereinafter Polyplastics), a Daicel subsidiary, is responsible for the engineering plastics business. Polyplastics is a leading manufacturer and marketer of engineering plastics commanding the top share for LCP worldwide, and the top share for POM and PBT in Asia. The company supplies products for a wide range of applications, mainly in the electronics and automobile industries, as well as for precision machinery, construction materials, and household consumer appliances, with a focus on the Asia-Pacific region.

Daicel Polymer Ltd., also a subsidiary, manufactures and markets plastic compounds and polystyrene sheets. Daicel Polymer focuses on supplying high-performance products, such as polymer alloys that combine the advantages of two types of resin and reinforced grade and are made using special fillers. The company meets increasingly sophisticated user needs and the needs of users expanding their global production through its close-knit network of operations in Japan, Hong Kong, Shanghai, Guangzhou, and Singapore.

Performance

In fiscal 2010, sales to outside customers amounted to ¥136,988 million, an increase of 22.8% from the previous fiscal year.

Sales of engineering plastics, such as POM, PBT and LCP, grew significantly, driven by the recovery in primary applications including automobiles, OA devices, and home electronics, both in Japan and overseas. Recovery in demand for automobiles and home electronics, etc., also increased sales in the plastic compound business, which centers on AS, ABS, and engineering plastics alloys. Meanwhile, sales in the plastic products business, encompassing sheets, molded vessels and films, declined primarily due to sluggish demand in the Japanese food industry, despite healthy sales of some film products.

Operating income for the segment increased 175.9% year on year to ¥14,576 million.

"3D-I" Initiatives

The "3D-I" medium-term plan for the Plastics and Films Segment is to raise segment operating income to a record level. We will also explore potential peripheral businesses and new fields by expanding the current core business operations of each Group company that forms this segment, while promoting collaboration among Group companies. In Asia, we will optimize our manufacturing bases and production processes and increase usage of locally procured raw materials to bolster our cost competitiveness in preparation for the anticipated intensified competition from local manufacturers.

In the segment's core Polyplastics group, we will focus on the automobile industry in China and India, where we anticipate rapid growth, and will boost sales to U.S and European affiliated companies and local companies there. To further increase the already strong sales of LCPs used in electronics devices, in January 2012 we plan to complete capacity expansion for polymer production of the Fuji Plant, raising the annual output volume by 50% to 15,000 tons. Likewise, to facilitate ongoing brisk sales of POM to the automobile and other sectors, we are planning to increase capacity for polymer production by 90,000 tons a year in early 2014 in Malaysia. We will also accelerate development of products and product applications in the environmental, energy, and safety fields, which are growth industries.

The Daicel Polymer Group will expand its sales, primarily for auto part applications, by building a production and sales network linking the current operating bases in Asia. We are also considering establishing a sales base in Thailand.

In the plastic products business, we are planning to commence operations in other Asian markets, and are focusing efforts on the development of high-performance products through collaboration among Group members.

■ Expansion of LCP and POM Production Capacity in Polyplastics Group

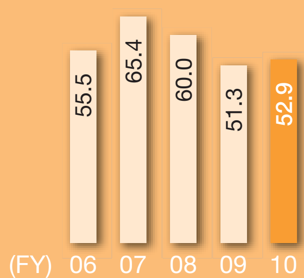
Review of Operations

Pyrotechnic Devices

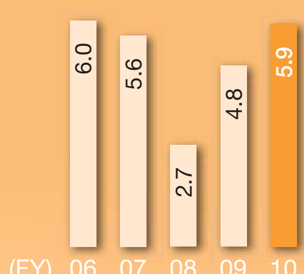
Operations

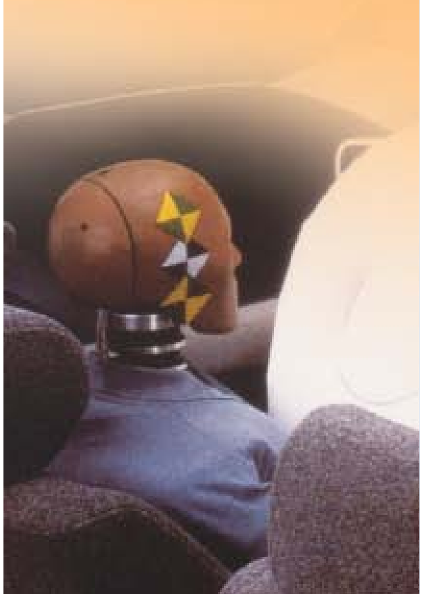
	Millions of yen				
	FY2006	FY2007	FY2008	FY2009	FY2010
Sales to outside customers	¥ 55,496	¥ 65,375	¥ 59,984	¥ 51,298	¥ 52,870
Total sales	55,496	65,375	59,984	51,298	52,870
Total cost and expenses	49,449	59,748	57,321	46,472	47,006
Operating income	¥ 6,047	¥ 5,627	¥ 2,663	¥ 4,826	¥ 5,864
Total assets	¥ 59,965	¥ 67,789	¥ 50,594	¥ 52,140	¥ 48,459
Depreciation	4,393	5,087	5,159	4,613	4,632
Capital investments	4,227	9,331	3,751	3,005	2,067

Sales to Outside Customers
(Billions of yen)



Operating Income
(Billions of yen)





Overview

The Pyrotechnic Devices Segment consists of two main businesses: the motor vehicle safety device business, which handles inflators (gas-generating devices) for automobile airbags and seatbelt pretensioner gas-generating (PGG) devices; and the aerospace & defense business, made up mainly of pilot emergency escape systems, gun propellants, and rocket motors.

Daicel has earned high praise for its automobile airbag inflators, which are the most critical component of the constantly advancing airbag systems.

In the aerospace & defense business, we manufacture various kinds of gun propellants made from nitrocellulose, a raw material of celluloid, as well as composite propellants and rocket motors for missile applications. We also produce pyrotechnic products and pilot emergency escape systems that use the power of propellants to safely eject pilots from aircraft.

Performance

In fiscal 2010, sales to outside customers in this segment totaled ¥52,870 million, an increase of 3.1% from the previous fiscal year.

Sales of automobile airbag inflators (gas-generating devices) and seat belt PGG devices rose because of a rebound in sales volume supported by increasing automobile demand in China and other Asian regions. As for the aerospace & defense businesses, sales of items such as gun propellants, missile components and pilot emergency escape systems dropped due to a decline in the quantities of some products procured by Japan's Ministry of Defense.

Operating income in this segment rose 21.5% year on year to ¥5,864 million.

"3D-I" Initiatives

The "3D-I" medium-term plan designates the Pyrotechnic Devices Segment as one of the key drivers of earnings and aims to raise net sales and operating income to record levels for the segment.

The airbag inflator business will be positioned to take full advantage of the growing automobile production volumes in China and other emerging countries. We plan to firmly establish our products as the best in the world in terms of safety, quality, and performance, with the objective of commanding a 30% share of the global market in 2020, making us the world's top manufacturer of inflators. In order to establish the foundation to achieve this target, under the medium-term plan we will accelerate development of new competitive products, promote the creation of products for new business fields, and strengthen our safety, quality, production, and distribution structures on a global scale. We will also endeavor to improve profitability by increasing the in-house production of related parts and peripheral materials as we seek to make significant progress with the vertical integration of operations.

Measures in fiscal 2011 to expand our global production capacity to meet the growing demand overseas include the commencement in September of a production line that was relocated in March from the Harima Plant to our operation base in China, as well as the expansion of our operating base in the United States. We have also made the decision to construct a new gas forming agent production facility in China.

The aerospace & defense businesses continue to face a severe environment due to the Japanese government's limited defense budget. However, we believe new business opportunities will arise as the mission, systems, and equipment of the Ministry of Defense continue evolving to reflect the changing demands of the times. While working to win such new business employing our proposal-based sales approach, we will also reinforce our R&D activities geared toward future business expansion and stimulate private-sector demand by highlighting our pyrotechnic technology and safety features.

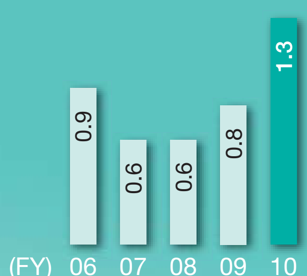
■ The Airbag Inflator Business

Review of Operations

Functional Products and Others

Sales to Outside Customers
(Billions of yen)

Operating Income
(Billions of yen)



Operations

	Millions of yen				
	FY2006	FY2007	FY2008	FY2009	FY2010
Sales to outside customers	¥ 6,706	¥ 6,565	¥ 6,419	¥ 6,184	¥ 6,405
Intersegment sales	11,876	12,348	10,980	9,369	10,133
Total sales	18,582	18,913	17,399	15,553	16,538
Total cost and expenses	17,657	18,354	16,787	14,751	15,238
Operating income	¥ 925	¥ 559	¥ 612	¥ 802	¥ 1,300
Total assets	¥ 9,704	¥ 7,981	¥ 7,338	¥ 7,297	¥ 7,165
Depreciation	327	361	367	313	300
Capital investments	224	279	258	109	288

Performance

In fiscal 2010, sales to outside customers in this segment totaled ¥6,405 million, up 3.6% from the previous fiscal year.

Sales decreased in the membrane business, which includes separation membrane modules for water treatment, mainly due to a decline in public-sector demand for sewage treatment. Meanwhile, the transport, warehousing and other businesses posted sales growth.

Operating income in this segment increased 62.4% year on year to ¥1,300 million.

"3D-I" Initiatives

In the membrane business, we will continue developing the operations of Daicen Membrane-Systems Ltd., our joint venture with Central Filter Mfg, Co., Ltd. This business, which forms the core of the Group's environmental business, is working to achieve sales at the ¥10 billion level over the long term. The "3D-I" medium-term plan calls for nearly doubling Daicen Membrane-Systems sales, which have stayed at the ¥3 billion level, to the ¥6 billion range in fiscal 2013.

To realize this growth in sales, we will implement a strategy that calls for the expansion of our business beyond membrane modules, with increased emphasis on boosting sales and maintenance operations for equipment systems, including groundwater and industrial water systems and our E-mizu system, which reduces electricity usage by sprinkling water on outdoor air-conditioning units. We will also lay the groundwork for developing businesses for overseas markets.

E-mizu system

Daicel's Growth Foundation

Research and Development

The Importance of R&D in Group Operations

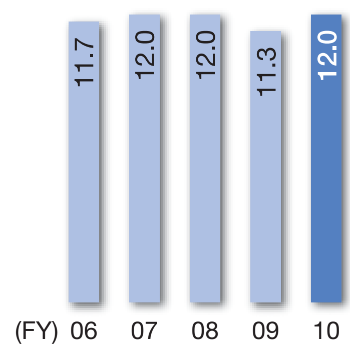
Given Japan's lack of natural resources, to achieve continued profitable growth chemical manufacturers must demonstrate their ability to deliver to the market a continuous stream of creative, highly distinctive products, embodying proprietary technologies. The Daicel Group recognizes that research and development is a key factor to this ability. For this reason, we consider R&D to be one of our most important management priorities.

Daicel aims to create new levels of value for customers through its R&D activities. Our work is based on the core technologies we have amassed over the years in organic synthesis chemistry, cellulose chemistry, polymer chemistry, and pyrotechnic engineering.

R&D Activities for this Fiscal Year

The Daicel Group engages in the development of high-performance, high-value-added products that goes beyond the conventions of ordinary chemistry while reinforcing its basic technologies. We commenced operations at the newly established High Performance Film Development Center at the Kanzaki Plant on October 1, 2010, to accelerate development of functional films as a key material for electronic devices—one of our new business areas—and ensure a steady flow of new products to market.

Research and Development Expenses
(Billions of yen)



Consolidated R&D expenses amounted to ¥11,971 million in fiscal 2010. The Group has 929 employees, representing 12.0% of the Group's total employees, engaged in R&D activities.

R&D Initiatives by Business Segment

The main research themes, objectives and expenses for R&D undertaken by each of the business segments during the year under review are presented in the accompanying table. We plan to invest ¥12,700 million in R&D in fiscal 2011.

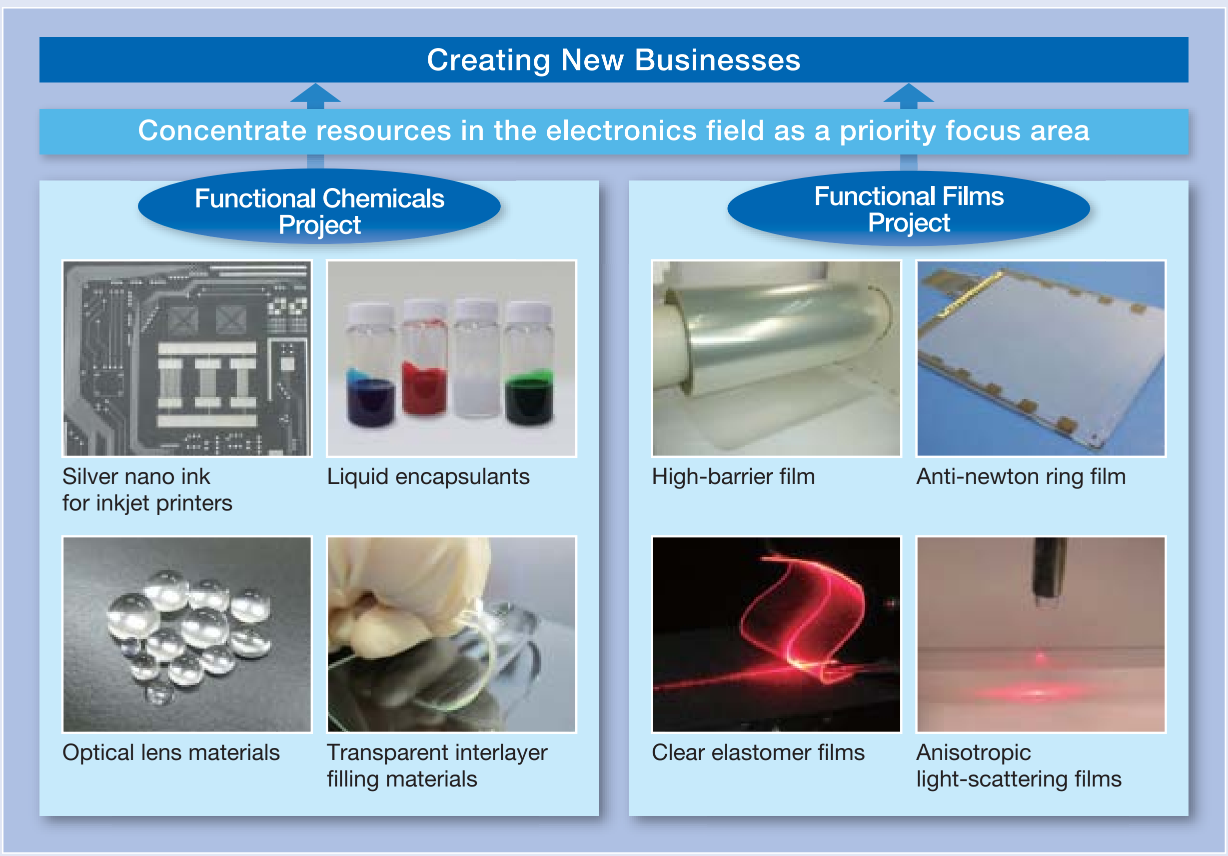
Business Segment	R&D Main Themes	R&D Expenses
Cellulosic Derivatives	Raising production capacity and improving the quality of acetate cellulose; strengthening production technology and improving the quality of acetate filter tow	¥815 million
Organic Chemicals	Research into improving acetic acid manufacturing technologies; development of new organic derivatives; development and commercialization of organic-designed products; examination of industrialization of new pharmaceutical intermediates; development of columns for the separation of optical isomers and development of separation processes for such columns; conversion of processes to run on biomass-derived materials rather than petroleum-derived materials	¥2,799 million
Plastics & Films	Quality enhancement and environmental responsiveness of engineering plastics; development of high-performance resins and polymer alloys; development of styrene products	¥3,352 million
Pyrotechnic Devices	Research into the development of new gas-generating agents and new inflators for car airbags; development of propellants	¥2,054 million
Functional Products & Others	Development of membrane separation systems	¥102 million
Company-wide R&D	R&D for the creation of new businesses; basic research that cannot be allocated to any specific segment	¥2,845 million

"3D-I" Initiatives

Under the current "3D-I" medium-term plan, we will strengthen our R&D activities with the aim of creating new businesses that will become the Group's next-generation core businesses. In addition, we will broaden the sites for planning and marketing activities to include overseas locations, and expand our research bases in Japan and overseas.

Among the new business creation projects being advanced by our core business divisions and related corporate divisions, in the electronics field, functional chemicals for the electronics and information industry and functional films targeting the display device segment are growing into new businesses. The "3D-I" plan calls for developing both of these new projects into businesses of a significant scale. In addition, we will also launch new projects, with the aim to bring a minimum of three new business concepts from the planning and exploration stage to the development stage.

We have generally maintained our annual R&D spending at around the ¥12 billion level. However, we plan to raise this by 30% in the final year of the "3D-I" plan (fiscal 2013). The increased funds for R&D will be allocated with a priority on new business creation rather than across-the-board rises for all segments.



Responsible Care

Daicel has conducted its business activities with full consideration of the environment and safety since its inception. Daicel introduced its Responsible Care activities to the public in 1995, and the president of Daicel signed a declaration of support for the Responsible Care Global Charter in June 2008.

Responsible Care is the chemical industry's global initiative for companies involved in the production and handling of chemical substances to voluntarily implement health, safety and environmental measures in all their operating processes, from initial development to disposal.

Daicel is actively engaged in Responsible Care for a wide range of social issues, such as the prevention of global warming, the preservation of the environment, and the elimination of work-related injuries.

Responsible Care Promotion Assembly

With the aim of instilling our Responsible Care philosophy and policies throughout the Daicel Group and improving related activities, we held the first Daicel Group Responsible Care Promotion Assembly in fiscal 2000. More than 60 participants—including Daicel's top management, representatives and other employees involved in the Responsible Care Initiative—gather at this assembly every year. In fiscal 2010, we held our 10th Responsible Care Promotion Assembly in April. At the beginning of this year's assembly, the participants held an event to commemorate the "Industrial Safety Campaign Century Project." Representatives of Daicel and Group companies joined this commemorative event. The event began with everyone sharing a moment of silence to pray for safety in business operations over the next century. This was followed by a "Safety First" declaration by President Misao Fudaba.

Scene from the event to commemorate the "Industrial Safety Campaign Century Project"

Groupwide Earthquake Countermeasure Meeting

In response to the Great East Japan Earthquake on March 11, 2011, we used the second half of the Responsible Care Promotion Assembly to hold a meeting of the Groupwide Earthquake Countermeasure Council.

Chaired by the Company's president and CEO, this council consists of all related divisions and Group companies. Through the council, the Company promotes Groupwide communication of information on raw materials and products while facilitating information exchange, reviewing investigation requests from the Japanese government and implementing necessary measures. The Company is continuing various activities through this council, including measures to cope with possible electricity shortages.

Corporate Governance

Corporate Governance

Daicel has adopted a corporate auditor system. We appoint several external directors and ensure the appropriateness of the management decisions and strengthen the supervisory function of the Board of Directors by soliciting their opinions and advice based on wisdom and experience. We have also adopted an executive officer system in an attempt to separate the management decision-making and supervisory functions from the business execution functions and strengthen the structure for business execution. Further measures to improve corporate governance include the introduction of the company system, establishing fully integrated management of the manufacturing, sales, and research operations, taking steps to increase the productivity and strengthen the strategic capabilities of the corporate division, and reorganizing the R&D system.

Board of Directors

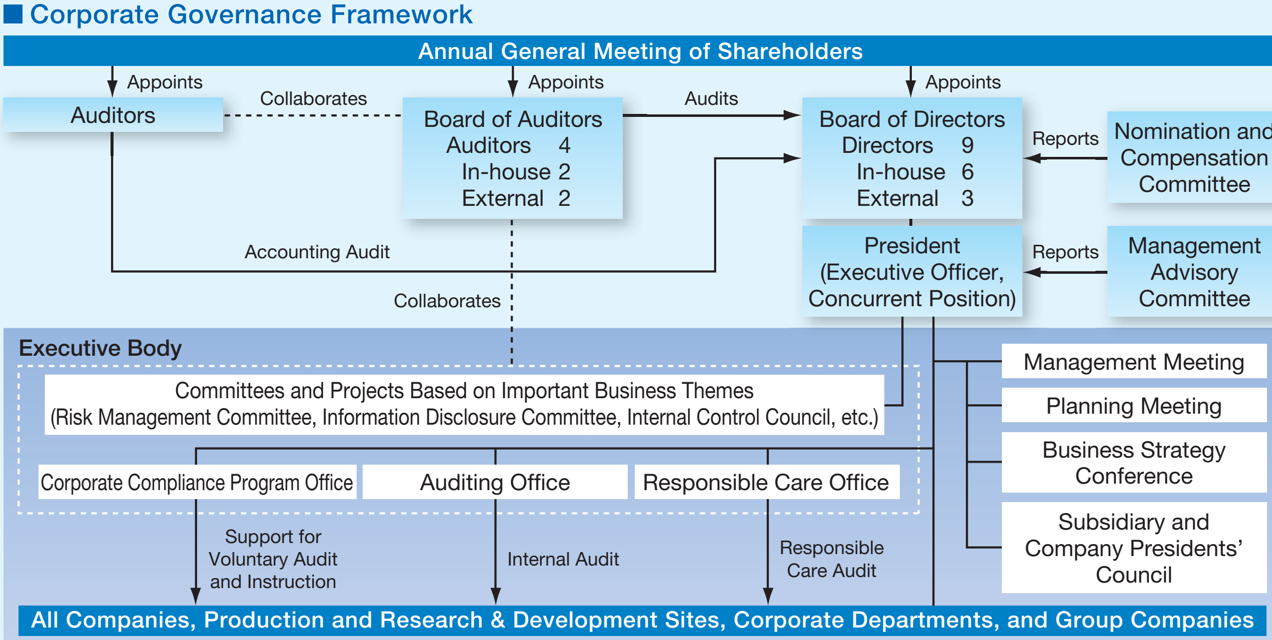
The Board of Directors is comprised of nine directors, including three external directors. The Board meets, in principle, on a monthly basis to make decisions on important management matters and to supervise business operations. Five of the board members are concurrently executive officers in the positions of president, who fulfills a supervisory role for business divisions, and general managers of corporate departments. Their execution of duties as executive officers does not cover in-house companies, which play the main role in our business operations.

In addition, the Company does not appoint directors with specific titles, such as senior managing director or executive director, in order to further strengthen the Board of Directors' decision-making and supervisory functions and provide a greater degree of separation from business execution functions.

Management Meeting

The Management Meeting has been established as a forum for the president and others to discuss and make decisions concerning the implementation of basic management policies set by the Board of Directors. The Management Meeting is convened twice per month, in principle, and is attended by the president, members of the Management Advisory Committee, and executive officers appointed by the president.

Corporate Governance Framework



Note: Executive Officers include heads of companies, heads of sites, heads of corporate departments who administer corporate affairs, and heads of group companies.

Board of Auditors

The Board of Auditors is comprised of four auditors, including two external auditors. Each auditor attends the Board of Directors meetings. Corporate auditors also attend Management Meetings, Risk Management Committee Meetings, and other important meetings to provide audit oversight to the execution of Company business.

Auditing Office

Regarding the Company's internal auditing system, an Auditing Office has been set up to fulfill the internal auditing functions within the executive body. The Auditing Office conducts periodic internal audits of each business department and Group company.

Internal Control Structure

Daicel works to administer and enhance its efficient and effective internal control systems in accordance with its basic policies concerning the development of internal control systems formulated by the Board of Directors. We believe that these systems help the Daicel Group sustain steady growth.

To accurately grasp the status of the entire Group and regularly discuss initiatives aimed at ensuring the effective functioning of internal control systems, Daicel has established an Internal Control Council.

The Auditing Office assesses the effectiveness of the Company's internal control over financial reporting to prepare and submit a report to the Financial Services Agency (FSA) every year. Through these activities, the Auditing Office is striving to ensure the reliability and transparency of Daicel's financial reporting.

Risk Management

Daicel established the Risk Management Committee in 2006 as an organization to coordinate and promote companywide risk management activities. The Risk Management Committee consists of executive officers in charge of corporate departments. Since its establishment, the Risk Management Committee has guided the entire Company in aggressively conducting risk management activities.

Through its annual risk inventory clearance, the Company first identifies risks that can materially affect its business performance and assigns priority levels to examine possible countermeasures. Then, following the Plan-Do-Check-Act (PDCA) cycle, each division promotes activities aimed at preventing those identified risks from materializing or minimizing the impact of those risks when materialized. More than 30 Group companies in Japan and overseas have also promoted similar activities. Through these activities, Daicel and its Group companies are working to enhance the risk-related awareness of all Group employees.

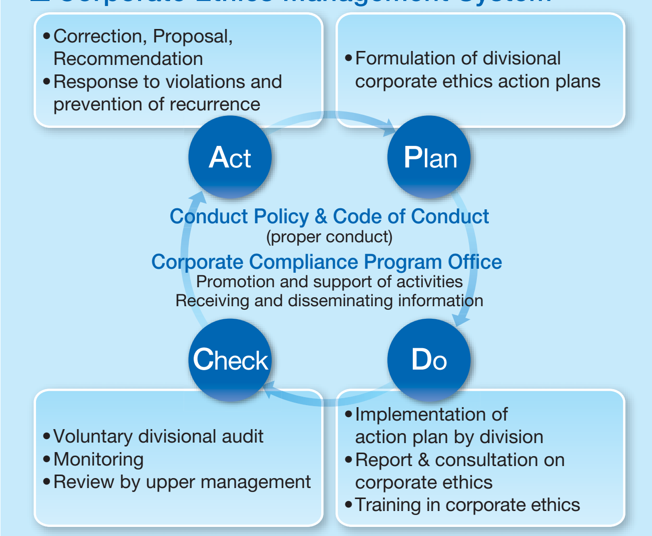
Also, with the aim of improving employees' capabilities to make effective initial responses in case of accidents and natural disasters, Daicel formulated the Emergency Risk Management Guidelines in January 2008. Based on these guidelines, the Company has continually held drills that assume the occurrence of significant risks. During fiscal 2010, these drills were conducted assuming an accident at one of the Company's plants on holidays. Issues identified through these drills were examined, and the results of this examination have been incorporated into the revision of applicable rules to enable practical responses.

Corporate Ethics

Corporate Ethics Management System

Daicel believes that a comprehensive understanding of corporate ethics by all employees is an important aspect of management, and is pursuing company-wide efforts to this end. To facilitate this process on an ongoing basis, we have built a Corporate Ethics Management System based on the PDCA cycle. We are working to maintain and improve this system though participation by all employees.

■ Corporate Ethics Management System



Promotional Framework

We established a Corporate Compliance Program Office to promote activities related to corporate ethics, and we appointed a representative director to the Program. In addition to supporting the independent activities of each division and each Group company based on the Corporate Ethics Management System, the Corporate Compliance Program Office implements ongoing activities to ensure thorough compliance.

Various types of cargo and technologies are restricted under export control laws designed to preserve international peace and safety. To ensure that such cargo and technologies are not improperly exported, we have formulated a set of safety assurance export management regulations, and the Export Management Committee undertakes investigations and audits to monitor compliance with such regulations. At the same time, we have formulated various in-house regulations, including personal information protection regulations covering proper management and use of personal information and information disclosure regulations covering proper disclosure and provision of corporate information. Various committees such as the Personal Information Protection Committee and the Information Disclosure Committee make efforts to comply to the governing laws.

Education and Training Programs

The Company's corporate ethics training system provides job-level-specific training, which includes training for new employees, labor union members, managers and directors, and Group company presidents. Under the system, we also provide training at the time of promotion or other career events. As a manufacturing company, we also provide systematic education, including legal compliance, as part of our Engineer Development Program, which is designed to provide training in the basic skills necessary to ensure safe manufacturing practices and the steady provision of products.

In addition, each division gathers information and conducts training to impart knowledge of laws and regulations required for business operations. Compliance is further reinforced through an ongoing program of in-house seminars conducted in the corporate departments. During fiscal 2010, the Company held Corporate Ethics Leader Seminars for leaders of all ranks. The Corporate Compliance Program Office, the Legal Group and the Personnel Group cooperated with each other to hold a total of 22 seminars at 10 locations in Japan with the participation of 568 leaders (participation rate: 82%).

Fair Trading

Daicel's Raw Material Purchasing Center, in charge of the purchase of raw materials, and the Engineering Center Procurement Group, responsible for the purchase of machinery, both operate under the Basic Purchasing Policy, which guides purchasing activities with business partners. Drafted in accordance with the Daicel Group Conduct Policy, the Basic Purchasing Policy comprises four sections governing: fair and rational transactions; legal compliance, confidentiality and information disclosure; the establishment of a relationship of trust; and initiatives based on CSR perspectives.

Board of Directors and Corporate Auditors/Executive Officers

(As of June 28, 2011)

Chairman ***Daisuke Ogawa***

President ***Misao Fudaba***

Director ***Tetsuji Yanami***

Board of Directors and Corporate Auditors

CHAIRMAN

Daisuke Ogawa

PRESIDENT

Misao Fudaba

DIRECTORS

Tetsuji Yanami

Ichiro Katagiri

Kohji Shima

Yoshimi Ogawa

Shigetaka Komori
President of FUJIFILM Holdings Corporation

Akishige Okada
Advisor of Sumitomo Mitsui Banking Corporation

Yuichi Miura
Advisor of Tokuyama Corporation

CORPORATE AUDITORS

Kazuo Sato

Hitoshi Oya

AUDITORS

Kunie Okamoto
Chairman of Nippon Life Insurance Company

Yoshikatsu Moriguchi
Lawyer

Executive Officers

CHIEF EXECUTIVE OFFICER

Misao Fudaba

SENIOR MANAGING EXECUTIVE OFFICER

Tetsuji Yanami
General Manager of Corporate Support Center, Corporate Compliance Program Office, Business Process Innovation Office, President of Daicel Finance Ltd.

MANAGING EXECUTIVE OFFICERS

Ichiro Katagiri
General Manager of Himeji Production Sector, General Manager of Aboshi Plant

Kohji Shima
General Manager of R&D Management, New Business Planning Office, Intellectual Property Center

Tetsuzo Miyazaki
President of Aerospace & Defense Systems/Safety Systems Company, General Manager of Nagoya Sales Office

Shuzaburo Kumano
President of Cellulose Company, General Manager of Raw Material Purchasing Center

Masumi Fukuda
President of Organic Chemical Products Company

Masayuki Mune
President of Daicel Polymer Ltd.

EXECUTIVE OFFICERS

Yoshimi Ogawa
General Manager of Production Technology Management Office, Responsible Care Office, Engineering Center

Mitsuharu Shimada
President of Daicel FineChem Ltd.

Yasunori Iwai
General Manager of Central Research Center, General Manager of Corporate Research Center, R&D Management

Yuji Iguchi
General Manager of Corporate Planning Office, General Manager of Topas Business Group

Hisao Nishimura
President of CPI Company

Naohide Hakushi
General Manager of Ohtake Plant, President of Daicel Ohtake Sangyo Co., Ltd.

Financial Section

Eleven Year Summary

Years ended March 31

	2001	2002	2003	2004
For the year:				
Net sales	¥ 261,520	¥ 261,358	¥ 271,342	¥ 281,740
Operating income	14,627	15,483	20,410	21,207
Income before income taxes and minority interests	10,066	6,841	6,864	8,055
Net income	3,381	3,635	2,029	5,166
Amounts per common share (yen):				
Net income	¥ 9.03	¥ 9.86	¥ 5.50	¥ 14.21
Cash dividends applicable to the year	6.00	6.00	6.00	6.00
Capital expenditures	¥ 22,189	¥ 20,082	¥ 16,747	¥ 20,991
Depreciation and amortization	28,484	26,709	25,413	24,514
Research and development expenses	11,841	11,485	11,747	11,085
At year-end:				
Total current assets	¥ 168,079	¥ 150,862	¥ 143,280	¥ 141,233
Total assets	442,055	412,008	381,518	381,485
Total current liabilities	141,072	135,303	107,385	105,093
Total long-term liabilities	114,526	95,150	94,934	88,684
Total equity*1	155,314	154,515	151,987	160,479
Ratios:				
Current ratio (%)	119.1	111.5	133.4	134.4
Shareholders' equity ratio (%)*2	35.1	37.5	39.8	42.1
Return on assets (%)	0.8	0.9	0.5	1.4
Return on equity (%)	2.3	2.3	1.3	3.3
Ratio of net income to net sales (%)	1.3	1.4	0.7	1.8
Assets turnover (times)	0.6	0.6	0.7	0.7
Tangible fixed assets turnover (times)	1.4	1.4	1.5	1.7
Other information:				
Price range of common stock (yen):				
High	¥ 378	¥ 467	¥ 423	¥ 501
Low	273	290	293	374
Exchange rate at year-end (yen per US$1)	¥ 124.00	¥ 133.00	¥ 120.00	¥ 106.00
Number of employees (at year-end)	5,412	5,363	5,416	5,604

*1: From 2007, Total shareholders' equity is being shown as Total equity.
*2: Shareholders' equity ratio = Total equity less Minority interests / Total assets

Millions of yen, except per share amounts and other information

2005	2006	2007	2008	2009	2010	**2011**
¥306,335	¥335,520	¥381,423	¥416,990	¥377,980	¥320,243	**¥353,685**
28,553	33,570	36,399	32,164	10,590	20,856	**32,711**
22,380	29,386	33,185	27,145	6,272	16,911	**29,713**
10,844	14,221	17,438	13,676	1,297	11,070	**16,803**
¥ 29.82	¥ 39.16	¥ 48.19	¥ 37.86	¥ 3.62	¥ 31.10	**¥ 47.22**
8.00	8.00	8.00	8.00	8.00	10.00	**10.00**
¥ 25,377	¥ 59,018	¥ 55,316	¥ 46,930	¥ 25,666	¥ 18,424	**¥ 11,753**
22,490	22,484	23,774	29,576	39,674	37,782	**33,529**
11,219	11,221	11,717	12,004	12,046	11,317	**11,971**
¥160,541	¥172,344	¥206,670	¥207,834	¥185,547	¥180,232	**¥197,909**
413,493	483,469	547,432	515,618	445,912	428,377	**411,071**
102,779	133,420	152,556	158,230	151,158	102,167	**90,746**
110,875	121,159	152,467	118,240	83,266	97,205	**84,988**
171,225	197,780	242,409	239,148	211,488	229,005	**235,337**
156.2	129.2	135.5	131.3	122.8	176.4	**218.1**
41.4	40.9	39.5	41.4	42.3	48.1	**51.6**
2.7	3.2	3.4	2.6	0.3	2.5	**4.0**
6.5	7.7	8.4	6.4	0.6	5.6	**8.0**
3.5	4.2	4.6	3.3	0.3	3.5	**4.8**
0.8	0.7	0.7	0.8	0.8	0.7	**0.9**
1.9	1.8	1.8	1.9	1.8	1.7	**2.2**
¥ 597	¥ 1,017	¥ 1,050	¥ 921	¥ 677	¥ 655	**¥ 679**
441	516	739	488	298	341	**363**
¥ 107.00	¥ 117.00	¥ 118.00	¥ 100.00	¥ 98.00	¥ 93.00	**¥ 83.00**
5,819	6,248	7,034	7,685	7,803	7,665	**7,747**

Management's Discussion and Analysis

Operating Results

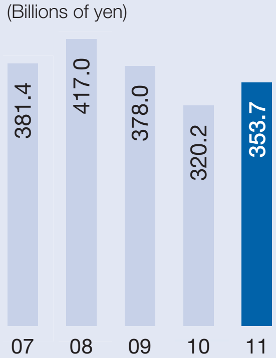
Net Sales

Consolidated net sales amounted to ¥353.7 billion in fiscal 2010, representing an increase of ¥33.4 billion, or 10.4%, from the previous fiscal year.

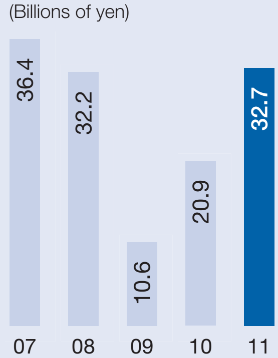
The key factor in the increase was the growth in sales volume, reflecting a recovery in product demand. The yen's appreciation against the U.S. dollar during the term under review had an estimated ¥10.4 billion negative effect on sales.

The recovery in demand generated significant improvement in three areas. First, consolidated sales in the organic chemicals segment increased ¥6.6 billion year on year, owing largely to growing demand for its main products and the commencement of full-fledged operations at the Ohtake Plant's ethyl acetate production facilities. Second, in the plastics and films segment, consolidated sales rose ¥25.4 billion from the previous year, owing to substantial growth in the sales volume of engineering plastics by our consolidated subsidiaries, centered on Polyplastics Co., Ltd., with December fiscal year-ends. Third, consolidated sales in the pyrotechnic devices segment grew by ¥1.6 billion year on year due to an increase in the sales volume of automotive airbag inflators accompanying the increase in demand for automobiles in Asia, particularly in China.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Gross Profit

Gross profit amounted to ¥83.9 billion, an increase of ¥14.6 billion, or 21.1%, from the previous fiscal year. The ratio of gross profit to net sales rose to 23.7%, up 2.1 percentage points from the previous fiscal year. The increase was largely the result of higher capacity utilization rates accompanying the growth in sales volume.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses totaled ¥51.2 billion, up ¥2.7 billion, or 5.7% from the previous fiscal year. The increase was primarily due to higher direct sales costs associated with the growth in sales volume. The ratio of SG&A expenses to consolidated net sales declined 0.6 percentage point, to 14.5%.

Operating Income

Operating income increased ¥11.9 billion, or 56.8%, from the previous fiscal year to ¥32.7 billion. The operating margin rose 2.7 percentage points, to 9.2%. The yen's appreciation against the dollar had an estimated ¥3.2 billion negative effect on consolidated operating income compared to the previous fiscal year.

The three main factors contributed to the improvement in the operating income for the year. First, the organic chemicals segment posted a ¥1.1 billion rise in operating income from the previous fiscal year, supported by the higher sales volume and capacity utilization rates stemming from the recovery in demand. Second, the plastics and films segment's operating income rose ¥9.3 billion from the previous year, mainly owing to substantial growth in sales volume of engineering plastic products. Third, the pyrotechnic devices segment reported a ¥1.0 billion rise in operating income, largely as a result of growth in sales volume of automotive airbag inflators.

Other Income (Expenses)

Other expenses, net, amounted to ¥3.0 billion, down ¥0.9 billion from the previous fiscal year. This was primarily attributable to improvements in equity in earnings of unconsolidated subsidiaries and associated companies and loss on dispositions of property, plant and equipment.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests increased ¥12.8 billion, or 75.7%, to ¥29.7 billion.

Income Taxes

The effective tax rate after application of tax-effect accounting decreased 8.0 percentage points, to 22.9%.

Minority Interests in Net Income

Minority interests in net income increased ¥5.5 billion, or 892.7%, to ¥6.1 billion.

Net Income

Net income for the year increased 5.7 billion, or 51.8%, to ¥16.8 billion. Return on equity (ROE) was 8.0%, up 2.4 percentage points from the previous fiscal year.

Per Share Information

Net income per share totaled ¥47.22, an increase of ¥16.12 from the previous fiscal year.

In the year under review, we distributed a term-end ordinary dividend of ¥6 per share, comprised of the ¥4 per share ordinary dividend and an additional ¥2 per share in consideration of the rises in both sales and profits in Company's performance results. The resulting ¥6 per share term-end dividend and the ¥4 per share interim dividend combined for a total dividend distribution of ¥10 per share in fiscal 2010.

Financial Position

Assets

As of March 31, 2011, total assets stood at ¥411.1 billion, down ¥17.3 billion, or 4.0%, from a year earlier. The decline stemmed mainly from decreases in property, plant and equipment and in the fair value of investment securities, which outbalanced increases in cash and deposits and inventories.

Liabilities

Total liabilities amounted to ¥175.7 billion, a decline of ¥23.6 billion, or 11.9%, from a year earlier. The decrease was mainly due to repayment of long-term debt.

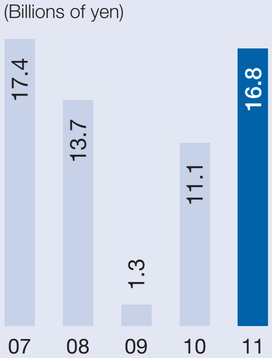
Equity

Total equity at the fiscal year-end came to ¥235.3 billion. Total shareholders' equity (total equity minus minority interests) amounted to ¥212.1 billion. The shareholders' equity ratio was 51.6%.

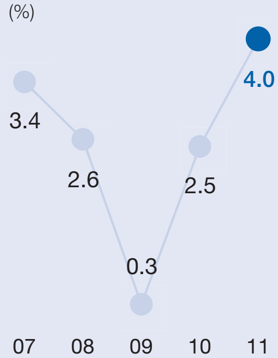
Cash Flows

Cash and cash equivalents at the fiscal year-end stood at ¥33.7 billion, an increase of ¥3.6 billion or 11.9% from the level at the end of the previous fiscal year.

Net Income
(Billions of yen)

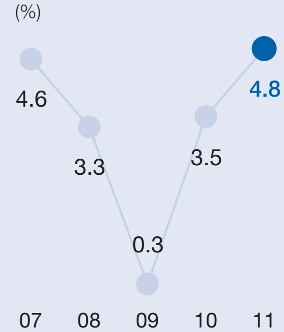


Return on Assets
(%)



Return on Equity
(%)

Ratio of Net Income to Net Sales
(%)



Cash from Operating Activities

Net cash provided by operating activities amounted to ¥53.4 billion, a decrease of ¥13.0 billion, or 19.6%, from the previous fiscal year. Factors increasing cash flow from operating activities included increases in income before income taxes and minority interests, depreciation, and notes and accounts payable. Factors decreasing cash flow included increases in income taxes-paid and inventories.

Cash from Investing Activities

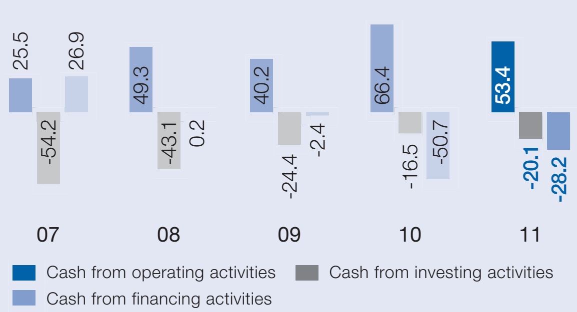
Net cash used in investing activities totaled ¥20.1 billion, an increase of ¥3.7 billion, or 22.3%, from the previous fiscal year. The decline was mainly due to an increase in capital expenditures to acquire property, plant and equipment and increases in investment securities and time deposits.

Cash from Financing Activities

Net cash used in financing activities amounted to ¥28.2 billion, a decrease of ¥22.6 billion, or 44.5%, from the previous fiscal year. The increase in funds was primarily attributable to an increase in long-term debt, while the main factors for the decrease in funds were the repayment of long-term debt, dividends paid to minority interests, and dividends paid.

Cash Flows

(Billions of yen)



Business Risks

Business risks that may potentially have significant influence on investor decisions include not only risks common to industrial sectors, such as changes in macroeconomic and political conditions, but also the following types of factors. Items listed in this annual report do not necessarily comprise all of the risks related to the business of the Daicel Group.

Trends in Currency Exchange Rates

The Company's ratio of overseas sales to consolidated net sales is in a general increasing trend (39.6% in fiscal 2010), and the Company's results can be more easily influenced by trends in currency exchange rates. We generally believe that depreciation of the yen has a positive effect on our performance, while appreciation of the yen has a negative effect on our performance. Though the Company executes forward currency exchange contracts and other risk-hedging activities, this does not guarantee that exchange risks can be completely avoided.

Risks in Expanding Overseas Business Operations

The Company is broadening its overseas business development, centered on China and the rest of Asia, as well as in North America, Europe, and elsewhere. However, risks are inherent in the case of overseas operations, such as unforeseen legal and regulatory changes, vulnerability of industrial infrastructure, difficulties hiring and retaining qualified employees, and social or political instability caused by acts of terrorism and war. In the event that any of these risks arise and cause disruption to overseas business operations, there is the possibility that the Daicel Group's consolidated performance and business plans would be affected.

Fluctuations in Raw Material (Methanol) Prices

The Daicel Group purchases a large volume of methanol, the raw material for its core products, such as acetic acid and polyacetal. We apply mechanisms to regularly purchase methanol at a relatively low price, such as entering long-term contracts and investing in methanol-producing companies. Upswings in the methanol market may negatively affect Group performance.

Fluctuations in Other Raw Material Prices

Concerning raw material and fuel price increases, Daicel has been switching to raw materials and fuels that are less expensive and more stable in price, reducing costs through improved manufacturing, and revising product sales prices. However, there is a limit as to how much can be absorbed. In the event of escalating costs that exceed certain limits, there is the possibility that this would have a negative impact on Group performance.

Quality Guarantee and Product Liability

Daicel has established a quality guarantee structure and strives to assure product safety. As a precaution, we also carry product liability insurance. However, in cases where products manufactured by the Company are found to be the cause of damage, the Company's performance may be negatively impacted.

Industrial Accidents

The Company routinely conducts safety and disaster prevention activities and strives daily to assure the safety of its manufacturing plants and other facilities. However, in cases where fires, explosions, or other industrial accidents or disasters occur, the Company's performance may be negatively affected.

Earthquakes and Natural Disasters

One of the Group's primary manufacturing facilities, the Fuji Plant of Polyplastics Co., Ltd., is in a region that requires reinforced countermeasures for disaster prevention related to the anticipated Tokai earthquake. We conduct earthquake training drills and take countermeasures to protect equipment there. We also practice disaster preparedness and emergency training drills at other facilities. However, in the event that significant damage is incurred by a natural disaster, Group results may be negatively affected.

Risks from Product and Technological Obsolescence

Depending on the industry, product cycles are rapid and there is a possibility that sales volumes decrease beyond initial expectations, R&D expenses not be recouped and income from Daicel's businesses deteriorate. Moreover, intense pressure to reduce sales prices cannot always be sufficiently covered by cost reductions, which also could cause income from Daicel's businesses to decline.

Risks from Violent Market Fluctuations

In the event of excess of supply caused by such factors as large-scale plants being constructed by other companies, or a drastic decline in demand caused by abnormal economic conditions, there is the possibility that Daicel's income from its businesses could deteriorate.

Outlook for Fiscal 2011

In Fiscal 2011, the Daicel Group expects its business performance to be significantly affected by the strong yen, high raw materials and fuel prices, and the impact of the Great East Japan Earthquake in the automobile, electronics, and other industries where its products are primarily used. As a result, the Daicel Group forecasts fiscal 2011 net sales of ¥364.0 billion, operating income of ¥27.0 billion, ordinary income of ¥27.5 billion, and net income of ¥16.0 billion.

Consolidated Balance Sheets

Daicel Chemical Industries, Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥ 33,724**	¥ 30,129	**$ 406,313**
Marketable securities (Notes 3 and 14)	**2,768**	26	**33,349**
Receivables (Note 14):			
Trade notes	**3,431**	3,542	**41,337**
Trade accounts	**66,103**	68,740	**796,422**
Unconsolidated subsidiaries and associated companies	**4,768**	4,832	**57,446**
Allowance for doubtful receivables	**(57)**	(135)	**(687)**
Inventories (Note 4)	**70,503**	62,615	**849,434**
Deferred tax assets (Note 10)	**4,637**	4,310	**55,867**
Other current assets	**12,032**	6,173	**144,965**
Total current assets	**197,909**	180,232	**2,384,446**
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 17):			
Land	**26,544**	26,423	**319,807**
Buildings and structures	**135,230**	134,679	**1,629,277**
Machinery and equipment	**501,758**	499,406	**6,045,277**
Construction in progress	**4,734**	6,848	**57,037**
Total	**668,266**	667,356	**8,051,398**
Accumulated depreciation	**(517,577)**	(492,006)	**(6,235,868)**
Net property, plant and equipment	**150,689**	175,350	**1,815,530**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	**42,607**	50,250	**513,337**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 14)	**7,121**	7,751	**85,795**
Deferred tax assets (Note 10)	**884**	848	**10,651**
Other assets	**11,861**	13,946	**142,904**
Total investments and other assets	**62,473**	72,795	**752,687**
TOTAL	**¥ 411,071**	¥ 428,377	**$ 4,952,663**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 14)	¥ 9,815	¥ 11,666	$ 118,253
Current portion of long-term debt (Notes 6, 13 and 14)	12,835	24,311	154,639
Payables (Note 14):			
Trade notes	242	149	2,916
Trade accounts	42,972	40,487	517,735
Construction	2,968	4,815	35,759
Unconsolidated subsidiaries and associated companies	2,074	2,168	24,988
Income taxes payable (Notes 10 and 14)	3,710	4,990	44,699
Other current liabilities	16,130	13,581	194,336
Total current liabilities	90,746	102,167	1,093,325
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6, 13 and 14)	71,607	79,917	862,735
Liability for retirement benefits (Note 7)	9,482	9,126	114,241
Asset retirement obligations (Note 8)	1,040		12,530
Deferred tax liabilities (Note 10)	1,951	6,224	23,506
Other long-term liabilities	908	1,938	10,940
Total long-term liabilities	84,988	97,205	1,023,952
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 18)			
EQUITY (Notes 9 and 21):			
Common stock, — authorized, 1,450,000,000 shares; issued, 364,942,682 shares in 2011 and 2010	36,275	36,275	437,048
Capital surplus	31,579	31,577	380,470
Retained earnings	143,814	130,570	1,732,699
Treasury stock, — at cost 9,185,807 shares in 2011 and 9,032,862 shares in 2010	(4,195)	(4,102)	(50,542)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	12,517	16,903	150,807
Deferred gain (loss) on derivatives under hedge accounting	(154)	(171)	(1,855)
Foreign currency translation adjustments	(7,783)	(4,916)	(93,771)
Total	212,053	206,136	2,554,856
Minority interests	23,284	22,869	280,530
Total equity	235,337	229,005	2,835,386
TOTAL	¥411,071	¥428,377	$4,952,663

Consolidated Statements of Income

Daicel Chemical Industries, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
NET SALES	**¥353,685**	¥320,243	¥377,980	**$4,261,265**
COST OF SALES (Note 11)	**269,791**	250,951	313,116	**3,250,494**
Gross profit	**83,894**	69,292	64,864	**1,010,771**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**51,183**	48,436	54,274	**616,663**
Operating income	**32,711**	20,856	10,590	**394,108**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**1,095**	989	1,604	**13,193**
Gain on sales of securities	**93**	153	32	**1,120**
Gain on sales of associated companies' stock	**382**			**4,602**
Equity in earnings of unconsolidated subsidiaries and associated companies	**1,362**	1,256	711	**16,410**
Interest expense	**(1,784)**	(2,331)	(2,865)	**(21,494)**
Foreign exchange gain (loss)	**(1,187)**	(299)	(1,232)	**(14,301)**
Subsidies from municipal governments (Note 17)			1,233	
Reduction of cost of property, plant and equipment (Note 17)			(813)	
Loss on dispositions of property, plant and equipment	**(480)**	(2,000)	(1,971)	**(5,783)**
Impairment loss on fixed assets	**(319)**	(857)	(79)	**(3,843)**
Legal settlement		(399)		
Loss from a natural disaster	**(343)**			**(4,133)**
Effect of application of accounting standard for asset retirement obligations (Note 2.j)	**(831)**			**(10,012)**
Other - net	**(986)**	(457)	(938)	**(11,879)**
Other income (expenses) - net	**(2,998)**	(3,945)	(4,318)	**(36,120)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**29,713**	16,911	6,272	**357,988**
INCOME TAXES (Note 10):				
Current	**7,144**	6,046	3,149	**86,072**
Prior periods	**1,540**			**18,554**
Deferred	**(1,870)**	(819)	(359)	**(22,530)**
Total income taxes	**6,814**	5,227	2,790	**82,096**
NET INCOME BEFORE MINORITY INTERESTS	**22,899**	11,684	3,482	**275,892**
MINORITY INTERESTS IN NET INCOME	**6,096**	614	2,185	**73,446**
NET INCOME	**¥ 16,803**	¥ 11,070	¥ 1,297	**$ 202,446**

	Yen			U.S. dollars
PER SHARE INFORMATION (Notes 2.q and 12):				
Basic net income	**¥ 47.22**	¥ 31.10	¥ 3.62	**$ 0.57**
Cash dividends applicable to the year	**10.00**	10.00	8.00	**0.12**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daicel Chemical Industries, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
NET INCOME BEFORE MINORITY INTERESTS	¥22,899	$275,892
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19):		
Unrealized gain (loss) on available-for-sale securities	(4,400)	(53,012)
Deferred gain (loss) on derivatives under hedge accounting	33	398
Foreign currency translation adjustments	(3,277)	(39,482)
Share of other comprehensive income (loss) in associates	(330)	(3,976)
Total other comprehensive income (loss)	(7,974)	(96,072)
COMPREHENSIVE INCOME (Note 19)	¥14,925	$179,820
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 19):		
Owners of the parent	¥ 9,566	$115,253
Minority interests	5,359	64,567

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Daicel Chemical Industries, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011, 2010 and 2009

		Millions of yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	359,440,726	¥ 36,275	¥ 31,577	¥123,759	¥ (2,675)	¥ 20,808	¥ (103)	¥ 3,700	¥ 213,341	¥ 25,807	¥ 239,148
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)				(118)					(118)		(118)
Net income				1,297					1,297		1,297
Cash dividends, ¥8.00 per share				(2,875)					(2,875)		(2,875)
Repurchase of treasury stock	(3,514,132)				(1,415)				(1,415)		(1,415)
Disposal of treasury stock	28,621		(1)		13				12		12
Decrease due to exclusion of consolidated subsidiaries (Note 2.a)				285					285		285
Change of scope of equity method											
Net change in the year						(11,658)	(90)	(9,971)	(21,719)	(3,127)	(24,846)
BALANCE, MARCH 31, 2009	355,955,215	36,275	31,576	122,348	(4,077)	9,150	(193)	(6,271)	188,808	22,680	211,488
Net income				11,070					11,070		11,070
Cash dividends, ¥10.00 per share				(2,848)					(2,848)		(2,848)
Repurchase of treasury stock	(48,919)				(26)				(26)		(26)
Disposal of treasury stock	3,524		1		1				2		2
Net change in the year						7,753	22	1,355	9,130	189	9,319
BALANCE, MARCH 31, 2010	355,909,820	36,275	31,577	130,570	(4,102)	16,903	(171)	(4,916)	206,136	22,869	229,005
Net income				**16,803**					**16,803**		**16,803**
Cash dividends, ¥10.00 per share				**(3,559)**					**(3,559)**		**(3,559)**
Repurchase of treasury stock	**(169,683)**				**(101)**				**(101)**		**(101)**
Disposal of treasury stock	**16,738**		**2**		**8**				**10**		**10**
Net change in the year						**(4,386)**	**17**	**(2,867)**	**(7,236)**	**415**	**(6,821)**
BALANCE, MARCH 31, 2011	**355,756,875**	**¥ 36,275**	**¥ 31,579**	**¥143,814**	**¥ (4,195)**	**¥ 12,517**	**¥ (154)**	**¥ (7,783)**	**¥ 212,053**	**¥ 23,284**	**¥ 235,337**

	Thousands of U.S. dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$ 437,048	$ 380,446	$1,573,133	$ (49,422)	$ 203,651	$ (2,060)	$ (59,229)	$2,483,567	$ 275,530	$2,759,097
Net income			**202,446**					**202,446**		**202,446**
Cash dividends, $0.12 per share			**(42,880)**					**(42,880)**		**(42,880)**
Repurchase of treasury stock				**(1,216)**				**(1,216)**		**(1,216)**
Disposal of treasury stock		**24**		**96**				**120**		**120**
Net change in the year					**(52,844)**	**205**	**(34,542)**	**(87,181)**	**5,000**	**(82,181)**
BALANCE, MARCH 31, 2011	**$ 437,048**	**$ 380,470**	**$1,732,699**	**$ (50,542)**	**$ 150,807**	**$ (1,855)**	**$ (93,771)**	**$2,554,856**	**$ 280,530**	**$2,835,386**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Daicel Chemical Industries, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 29,713**	¥ 16,911	¥ 6,272	**$ 357,988**
Adjustments for:				
Income taxes-paid	**(9,763)**	(2,947)	(7,629)	**(117,627)**
Income taxes-refunded		2,024		
Depreciation and amortization	**33,529**	37,782	39,674	**403,964**
Impairment loss on fixed assets	**319**	857	79	**3,843**
Loss on dispositions of property, plant and equipment	**480**	2,000	1,971	**5,783**
Reduction of cost of property			813	
Subsidies from municipal governments			(1,233)	
Gain on sales of securities			(32)	
Equity in earnings of unconsolidated subsidiaries and associated companies	**(1,362)**	(1,256)	(711)	**(16,410)**
Changes in assets and liabilities:				
Notes and accounts receivable	**1,092**	(13,203)	24,701	**13,157**
Inventories	**(9,022)**	13,824	(8,011)	**(108,699)**
Notes and accounts payable	**3,935**	8,798	(20,649)	**47,410**
Other-net	**4,507**	1,655	4,920	**54,302**
Net cash provided by operating activities	**53,428**	66,445	40,165	**643,711**
INVESTING ACTIVITIES:				
Net decrease (increase) in time deposits	**(2,629)**	(756)		**(31,675)**
Net decrease (increase) in short-term investment securities	**(6,497)**			**(78,277)**
Capital expenditures	**(11,753)**	(18,424)	(25,666)	**(141,602)**
Payment for purchases of investment securities	**(1,921)**	(20)	(999)	**(23,145)**
Proceeds from sales and redemption of investment securities	**1,580**	1,788	78	**19,036**
Proceeds from sales of property, plant and equipment	**14**	137	36	**169**
Increase in finance receivables	**(33)**	(613)	(1,817)	**(398)**
Collection of finance receivables	**1,079**	2,198	1,449	**13,000**
Decrease (increase) in investments in and advances to unconsolidated subsidiaries and associated companies	**782**		(657)	**9,422**
Proceeds from sales of plant for expropriation			5,880	
Payment for moving expense for expropriation		(478)	(2,845)	
Subsidies from municipal governments			1,233	
Other	**(763)**	(304)	(1,094)	**(9,193)**
Net cash used in investing activities	**(20,141)**	(16,472)	(24,402)	**(242,663)**
FINANCING ACTIVITIES:				
Net change in short-term bank loans	**(938)**	(45,043)	27,485	**(11,301)**
Proceeds from issuance of long-term debt	**5,163**	35,576	10,810	**62,205**
Repayments of long-term debt	**(24,154)**	(37,550)	(35,510)	**(291,012)**
Dividends paid	**(3,559)**	(2,848)	(2,875)	**(42,880)**
Dividends paid to minority interests	**(4,592)**	(846)	(930)	**(55,325)**
Payment for purchases of treasury stock	**(101)**	(26)	(1,415)	**(1,217)**
Other	**10**	2	12	**120**
Net cash used in financing activities	**¥ (28,171)**	¥ (50,735)	¥ (2,423)	**$ (339,410)**
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**¥ (1,521)**	¥ 383	¥ (3,539)	**$ (18,325)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,595**	(379)	9,801	**43,313**
CASH AND CASH EQUIVALENTS OF SUBSIDIARIES EXCLUDED FROM CONSOLIDATION			(33)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**30,129**	30,508	20,740	**363,000**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 33,724**	¥ 30,129	¥ 30,508	**$ 406,313**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daicel Chemical Industries, Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Daicel Chemical Industries, Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 19. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 consolidated financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 46 significant (46 in 2010 and 2009) subsidiaries (collectively, the "Companies").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

During the year ended March 31, 2009, one subsidiary was excluded from consolidation as a result of its liquidation, and one subsidiary was excluded from consolidation as a result of a decrease of its operations.

Investments in one (one in 2010, two in 2009) unconsolidated subsidiary and six (eight in 2010 and 2009) associated companies are accounted for by the equity method. During the year ended March 31, 2011, two associated companies were excluded from equity method accounting as a result of their sale. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Cost in excess of the net assets of a subsidiary acquired is amortized on a straight-line basis over three years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies and associated companies accounted for by the equity method has been eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statement prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development cost of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included.

c. **Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

d. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

e. **Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, in which the Companies have the positive intent and ability to hold to maturity are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the average cost method.

All of the Companies' securities are classified as available-for-sale securities.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. **Inventories**—Inventories are stated at the lower of cost, determined by the average cost method, or net selling value.

g. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998 and leased assets of the Company. Consolidated foreign subsidiaries primarily apply the straight-line method to property, plant and equipment.

The range of useful lives is principally from 3 to 75 years for buildings and structures and from 4 to 12 years for machinery and equipment. The useful lives for leased assets are the terms of the respective leases. Property, plant and equipment are carried at cost, less gains deferred on the sale and replacement of certain assets.

In accordance with the revised corporate tax law of 2008, the Company and certain of its domestic subsidiaries changed the estimated useful lives of certain assets. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2009 by ¥1,021 million.

h. **Long-lived Assets**—The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. **Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have lump-sum severance payment plans and defined benefit plans for employees. Additionally, the Company has a "Retirement Benefit Trust."

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

During the year ended March 31, 2009, the Company and certain of its domestic subsidiaries amended their pension plans from non-contributory trusted pension plans to defined benefit plans. This transaction was accounted for in accordance with the guidance issued by the ASBJ. The effect of this treatment was to increase the projected benefit obligation during the year ended March 31, 2009 by ¥1,182 million. The increase in projected benefit obligation, and unrecognized prior service cost are amortized over five years.

Certain domestic subsidiaries record retirement allowances for directors and corporate auditors to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of shareholders.

j. **Asset Retirement Obligations**—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Companies applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥31 million ($373 thousand) and income before income taxes and minority interests by ¥862 million ($10,386 thousand).

k. **Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated income statements to the extent that they are not hedged by forward exchange contracts.

l. **Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at historical rates.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rates.

Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

m. **Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standards for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

The revised accounting standard effective April 1, 2008 permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions. The Companies adopted the revised accounting standard, including the transitional treatment.

All other leases are accounted for as operating leases.

n. **Research and Development**—Research and development costs are charged to income as incurred and included in “COST OF SALES” and “SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.”

o. **Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. **Derivatives and Hedging Activities**—The Companies use derivative financial instruments, including foreign exchange forward contracts, interest rate swaps and foreign currency swaps as a means of hedging exposure to foreign exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated income statements. For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Long-term debt and trade accounts denominated in foreign currencies, for which foreign exchange forward contracts or foreign currency swaps are used to hedge the foreign currency fluctuation, are translated at the contracted rate if the forward contracts or the swap contracts qualify for specific hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. Swaps that qualify for hedge accounting are measured at market value at the balance sheet date, and unrealized gains or losses are deferred until maturity and included in other liabilities or assets.

q. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Company has no securities or warrants that may cause an additional issue of common shares.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

r. New Accounting Pronouncements

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current:			
Government and corporate bonds	**¥ 2,768**	¥ 26	**$ 33,349**
Non-current:			
Equity securities	**¥ 41,843**	¥ 48,959	**$ 504,132**
Government and corporate bonds	**266**	1,287	**3,205**
Other	**498**	4	**6,000**
Total	**¥ 42,607**	¥ 50,250	**$ 513,337**

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥ 20,125**	**¥ 20,914**	**¥ 436**	**¥ 40,603**
Debt securities	**2,747**		**6**	**2,741**
Other	**500**		**6**	**494**

	Millions of yen			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 19,381	¥ 27,883	¥ 246	¥ 47,018
Debt securities	1,000		5	995

	Thousands of U.S. dollars			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$ 242,470**	**$ 251,976**	**$ 5,253**	**$ 489,193**
Debt securities	**33,096**		**72**	**33,024**
Other	**6,024**		**72**	**5,952**

Securities whose fair values are not readily determinable as of March 31, 2011 and 2010 were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Available-for-sale:			
Equity securities	**¥ 1,240**	¥ 1,941	**$ 14,940**
Debt securities	**292**	318	**3,518**
Other	**5**	4	**59**
Total	**¥ 1,537**	¥ 2,263	**$ 18,517**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011, 2010 and 2009 were ¥1,580 million ($19,036 thousand), ¥1,788 million and ¥78 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥118 million ($1,421 thousand) and ¥25 million ($301 thousand), respectively, for the year ended March 31, 2011, and ¥244 million and ¥91 million, respectively, for the year ended March 31, 2010, and ¥32 million and ¥0 million, respectively, for the year ended March 31, 2009.

4. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Finished products	**¥ 33,641**	¥ 28,354	**$ 405,313**
Semi-finished products and work in process	**12,084**	11,464	**145,591**
Raw materials and supplies	**24,778**	22,797	**298,530**
Total	**¥ 70,503**	¥ 62,615	**$ 849,434**

5. INVESTMENT PROPERTY

In November 28, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Investment Property and Related Disclosures." This accounting standard and guidance were applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Companies applied the new accounting standard and guidance effective March 31, 2010.

The Companies own certain rental properties such as land and buildings in Osaka and other areas.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of yen			
Carrying Amount			Fair Value
April 1, 2010	Increase/Decrease	March 31, 2011	March 31, 2011
¥ 3,805	¥ 78	**¥ 3,883**	**¥ 14,358**

Millions of yen			
Carrying Amount			Fair Value
April 1, 2009	Increase/Decrease	March 31, 2010	March 31, 2010
¥ 3,659	¥ 146	¥ 3,805	¥ 14,066

Thousands of U.S. dollars			
Carrying Amount			Fair Value
April 1, 2010	Increase/Decrease	March 31, 2011	March 31, 2011
$ 45,843	$ 940	**$ 46,783**	**$ 172,988**

Notes:

1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.

2) Fair value of properties as of March 31, 2011 is measured by the Companies in accordance with its Real-estate Appraisal Standard.

3) Net of rental income and operating expenses are not disclosed due to insignificance.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans were principally represented by bank overdrafts. Weighted-average annual interest rates of short-term bank loans at March 31, 2011 and 2010 were 1.31% and 1.61%, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
1.60% bonds due 2013	**¥ 10,000**	¥ 10,000	**$ 120,482**
0.84% bonds due 2015	**10,000**	10,000	**120,482**
1.69% bonds due 2020	**10,000**	10,000	**120,482**
Unsecured loans from banks and other financial institutions, due through 2020, with interest rates ranging from 0.55% to 7.20% for 2011 (from 0.55% to 6.19% for 2010)	**54,399**	64,155	**655,410**
Unsecured loan from FUJIFILM Corporation, due through 2011, with 0% interest rate		10,000	
Lease obligations	**43**	73	**518**
Total	**84,442**	104,228	**1,017,374**
Less current portion	**(12,835)**	(24,311)	**(154,639)**
Long-term debt, less current portion	**¥ 71,607**	¥ 79,917	**$ 862,735**

At March 31, 2011, annual maturities of long-term debt, excluding finance leases (see Note 13) were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	**¥12,806**	**$ 154,289**
2013	**23,495**	**283,072**
2014	**10,980**	**132,289**
2015	**15,700**	**189,157**
2016	**8,336**	**100,434**
2017 and thereafter	**13,082**	**157,615**
Total	**¥84,399**	**$1,016,856**

The unsecured long-term bank debt of ¥8,857 million ($106,711 thousand) includes the following financial restriction agreement during its payment period. The agreement provides that the amount of shareholder's equity must be maintained at or above ¥137,300 million ($1,654,217 thousand) at every fiscal year-end and semi-annual interim period.

7. RETIREMENT AND PENSION PLANS

The liability for retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligation	**¥ 33,553**	¥ 33,190	**$ 404,253**
Fair value of plan assets	**(19,655)**	(21,038)	**(236,807)**
Unrecognized actuarial loss	**(5,024)**	(3,136)	**(60,531)**
Unrecognized prior service cost	**(591)**	(828)	**(7,120)**
Net liability	**8,283**	8,188	**99,795**
Prepaid benefit costs	**1,199**	938	**14,446**
Liability for retirement benefit	**¥ 9,482**	¥ 9,126	**$ 114,241**

The components of net periodic benefit costs for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Service cost	**¥ 1,742**	¥ 1,790	¥ 1,768	**$ 20,988**
Interest cost	**586**	600	574	**7,060**
Expected return on plan assets	**(258)**	(197)	(273)	**(3,108)**
Recognized actuarial loss	**553**	993	335	**6,663**
Amortization of prior service cost	**237**	237	118	**2,855**
Net periodic benefit costs	**¥ 2,860**	¥ 3,423	¥ 2,522	**$ 34,458**

Assumptions used for the years ended March 31, 2011, 2010 and 2009 were set forth as follows:

	2011	2010	2009
Discount rate	**2.0%**	2.0%	2.0%
Expected rate of return on plan assets	**1.0%**	1.0%	1.0%
Amortization period of prior service cost	**5years**	5years	5years
Recognition period of actuarial gain/loss	**10years**	10years	10years

Retirement allowances for directors and corporate auditors are included in "Liability for retirement benefits" in the consolidated balance sheets. The amounts were ¥54 million ($651 thousand) and ¥76 million at March 31, 2011 and 2010, respectively.

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	**¥ 1,062**	**$ 12,795**
Reconciliation associated with passage of time	**7**	**84**
Reduction associated with settlement of asset retirement obligations	**(7)**	**(84)**
Other	**(22)**	**(265)**
Balance at end of year	**¥ 1,040**	**$ 12,530**

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of shareholders' equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 41% for the years ended March 31, 2011, 2010 and 2009. Foreign subsidiaries are subject to income tax of the countries in which they operate.

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2011, 2010 and 2009 and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2011	2010	2009
Normal effective statutory tax rate	41%	41%	41%
Tax effect on retained earnings of foreign subsidiaries	(12)		(10)
Increase or decrease of valuation allowance	(1)	(1)	28
Tax difference of foreign countries	(7)	(4)	(12)
Equity in earnings of associated companies	(2)	(3)	(5)
Tax credit primarily for research and development costs	(2)	(6)	(3)
Income taxes for prior periods	5		
Other - net	1	4	5
Actual effective tax rate	23%	31%	44%

Due to the revised corporate tax law of 2009, a domestic consolidated subsidiary with a fiscal year ended December 31, reversed part of deferred income taxes on undistributed earnings of its foreign consolidated subsidiaries. As a result, deferred tax liabilities decreased by ¥3,554 million ($42,819 thousand) at March 31, 2011.

Income taxes for prior periods are due to adjustments based on transfer pricing taxation for the five fiscal years ended March 31, 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Accrued enterprise taxes	¥ 403	¥ 519	$ 4,855
Accrued bonuses	1,574	1,434	18,964
Liabilities for retirement benefits	7,941	7,967	95,675
Investment securities	255	179	3,072
Tax loss carryforwards	2,946	4,045	35,494
Intercompany profits	4,561	4,236	54,952
Other	5,608	7,109	67,567
Less valuation allowance	(4,291)	(4,507)	(51,699)
Deferred tax assets	¥18,997	¥20,982	$228,880
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 7,791	¥10,592	$ 93,867
Tax purpose reserves regulated by Japanese tax law	743	790	8,952
Undistributed earnings of foreign subsidiaries	1,528	5,056	18,410
Securities contributed to employees' retirement benefit trust	4,363	4,447	52,566
Other	1,002	1,163	12,073
Deferred tax liabilities	¥15,427	¥22,048	$185,868
Net deferred tax assets (liabilities)	¥ 3,570	¥ (1,066)	$ 43,012

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥2,946 million ($35,494 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 3	$ 36
2013	36	434
2014	16	193
2015	125	1,506
2016 and thereafter	2,766	33,325
Total	¥ 2,946	$ 35,494

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in “COST OF SALES” and “SELLING, GENERAL AND ADMINISTRATIVE EXPENSES” were ¥11,971 million ($144,229 thousand), ¥11,317 million and ¥12,046 million for the years ended March 31, 2011, 2010 and 2009, respectively.

12. NET INCOME PER SHARE

The computation of net income per common share is based on the weighted average number of shares outstanding. The average number of common shares in the computation was 355,817,902, 355,930,738 and 358,260,876 for the years ended March 31, 2011, 2010 and 2009, respectively.

13. LEASES

(Lessee)

The Companies lease certain machinery, computer equipment, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2011, 2010 and 2009 were ¥47 million ($566 thousand), ¥88 million and ¥120 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011		2011	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 29	¥ 463	$ 349	$ 5,578
Due after one year	19	440	229	5,301
Total	¥ 48	¥ 903	$ 578	$ 10,879

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, “Accounting Standard for Lease Transactions” requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis was as follows:

As of March 31, 2011	Millions of yen		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥ 187	¥ 142	¥ 329
Accumulated depreciation	180	100	280
Net leased property	¥ 7	¥ 42	¥ 49

As of March 31, 2010	Millions of yen		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥ 229	¥ 219	¥ 448
Accumulated depreciation	203	145	348
Net leased property	¥ 26	¥ 74	¥ 100

As of March 31, 2011	Thousands of U.S. dollars		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	$ 2,253	$ 1,711	$ 3,964
Accumulated depreciation	2,169	1,205	3,374
Net leased property	$ 84	$ 506	$ 590

The amount of acquisition cost under finance leases includes imputed interest expense.

Obligations under finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 29	¥ 50	$ 349
Due after one year	19	50	229
Total	¥ 48	¥ 100	$ 578

The amount of obligations under finance leases includes imputed interest expense.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥47 million ($566 thousand), ¥88 million and ¥120 million for the years ended March 31, 2011, 2010 and 2009, respectively.

There was no impairment loss allocated to leased assets for the years ended March 31, 2011, 2010 and 2009, respectively.

(Lessor)

Finance Leases:

The finance leases that do not transfer ownership of leased property to the lessee are subleases.

Future rental income under such finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year		¥2	

The amount of future rental income under subleases includes imputed interest income.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Companies applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Companies use financial instruments, mainly long-term debt, including bank loans and bonds, based on their capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund their ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Maturities of bank loans and bonds are less than nine years and nine months after the balance sheet date. Although a part of such bank loans and bonds are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 15 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Companies manage their credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. Please see Note 15 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2011.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used under the limited contract term of half year.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and bond payables.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been approved by management at meetings held on a semiannual basis based on internal guidelines which prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliation of the transactions and balances with customers is made, and the transaction data has been reported to the chief financial officer and in the management meeting on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on maturity dates. The Companies manage their liquidity risk by holding adequate volumes of liquid assets on a regular basis, along with adequate financial planning by the corporate treasury department.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 15 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 33,724	¥ 33,724	
Marketable securities	2,768	2,768	
Receivables	74,302	74,302	
Investment securities	41,070	41,070	
Total	¥151,864	¥151,864	¥
Short-term bank loans	¥ 9,815	¥ 9,815	
Payables	48,256	48,256	
Income taxes payable	3,710	3,710	
Long-term debt	84,442	85,411	¥(969)
Total	¥146,223	¥147,192	¥(969)

	Millions of yen		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 30,129	¥ 30,129	
Marketable securities	26	26	
Receivables	77,114	77,114	
Investment securities	47,987	47,987	
Total	¥155,256	¥155,256	¥
Short-term bank loans	¥ 11,666	¥ 11,666	
Payables	47,619	47,619	
Income taxes payable	4,990	4,990	
Long-term debt	104,228	105,089	¥ (861)
Total	¥168,503	¥169,364	¥ (861)

March 31, 2011	Thousands of U.S. dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 406,313	$ 406,313	
Marketable securities	33,349	33,349	
Receivables	895,205	895,205	
Investment securities	494,819	494,819	
Total	$1,829,686	$1,829,686	$
Short-term bank loans	$ 118,253	$ 118,253	
Payables	581,398	581,398	
Income taxes payable	44,699	44,699	
Long-term debt	1,017,373	1,029,048	$(11,675)
Total	$1,761,723	$1,773,398	$(11,675)

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for marketable and investment securities by classification is included in Note 3.

Receivables, payables and income taxes payable

The fair values of receivables, payables and income taxes payable are measured at the amount to be received or paid at maturity discounted at the Companies' assumed corporate discount rate.

Short-term bank loans

The carrying values of short-term bank loans approximate fair value because of their short maturities.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 15.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

March 31, 2011	Carrying Amount Millions of yen	Thousands of U.S. dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥4,758	$57,325

March 31, 2010	Carrying Amount Millions of yen
Investments in equity instruments that do not have a quoted market price in an active market	¥6,168

(5) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2011	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 33,724			
Receivables	74,302			
Marketable securities and investment securities:				
Government bonds	27	¥ 111	¥ 145	¥ 9
Corporate bonds	2,735			
Other		500		
Other	4,250			
Total	¥ 115,038	¥ 611	¥ 145	¥ 9

March 31, 2010	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 30,129			
Receivables	77,114			
Investment securities -				
Held-to-maturity securities	26	¥ 109	¥ 147	¥ 36
Total	¥ 107,269	¥ 109	¥ 147	¥ 36

March 31, 2011	Thousands of U.S. dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 406,313			
Receivables	895,205			
Marketable securities and investment securities:				
Government bonds	325	$ 1,337	$ 1,747	$ 108
Corporate bonds	32,952			
Other		6,024		
Other	51,205			
Total	$ 1,386,000	$ 7,361	$ 1,747	$ 108

Please see Note 6 for annual maturities of long-term debt and Note 13 for obligations under finance leases, respectively.

15. DERIVATIVES

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts to manage their interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Companies' businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied

At March 31, 2011	Millions of yen			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	**¥ 8,280**		**¥ 20**	**¥ 20**
Selling Euro	**448**		**(22)**	**(22)**
Selling THB	**475**		**(2)**	**(2)**
Buying U.S.$	**2,019**		**3**	**3**
Buying Japanese yen	**20**		**1**	**1**
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	**584**	**¥ 195**	**125**	**125**
Receiving Japanese yen, paying Euro	**312**	**156**	**83**	**83**
Receiving U.S.$, paying THB	**632**	**316**	**(36)**	**(36)**

At March 31, 2010	Millions of yen			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 8,030		¥ (225)	¥ (225)
Selling THB	596		(8)	(8)
Buying U.S.$	1,649		(2)	(2)
Buying Japanese yen	20		(1)	(1)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	973	¥ 584	113	113
Receiving Japanese yen, paying Euro	468	312	101	101
Receiving U.S.$, paying THB	973	649	39	39

At March 31, 2011	Thousands of U.S. dollars			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	**$ 99,759**		**$ 241**	**$ 241**
Selling Euro	**5,398**		**(265)**	**(265)**
Selling THB	**5,723**		**(24)**	**(24)**
Buying U.S.$	**24,325**		**36**	**36**
Buying Japanese yen	**241**		**12**	**12**
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	**7,036**	**$ 2,349**	**1,506**	**1,506**
Receiving Japanese yen, paying Euro	**3,759**	**1,880**	**1,000**	**1,000**
Receiving U.S.$, paying THB	**7,614**	**3,807**	**(434)**	**(434)**

Derivative transactions to which hedge accounting is applied

At March 31, 2011	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of yen			
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term bank loan	**¥15,966**	**¥11,886**	**¥(231)**

At March 31, 2010	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of yen			
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term bank loan	¥21,072	¥16,050	¥(285)

At March 31, 2011	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. dollars			
Interest rate swaps:				
Fixed rate payment, floating rate receipt	Long-term bank loan	**$192,361**	**$143,205**	**$(2,783)**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts above do not represent the amounts exchanged by the parties and do not measure the Group' exposure to credit or market risk.

16. RELATED PARTY DISCLOSURES

The Company sells cellulose acetate and polymer to FUJIFILM Corporation, whose president has served as one of the Company's directors since June 2005.

The sales to FUJIFILM Corporation for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Sales	**¥25,224**	¥28,235	¥22,182	**$303,904**

These balances due from and to FUJIFILM Corporation at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Notes and accounts receivable	**¥3,634**	¥ 4,132	**$43,779**
Current portion of long-term debt		10,000	

The Company and its consolidated domestic subsidiary had unsecured loans from Nippon Life Insurance Company, whose president has served as one of the Company's statutory auditors since June 2010.

The balances due to Nippon Life Insurance Company at March 31, 2011 were as follows:

March 31, 2011	Millions of yen	Thousands of U.S. dollars
Long-term debt	¥ 8,198	$ 98,771
Current portion of long-term debt	2,230	26,867
Interest expense payable	23	277

The rates of the loans were reasonably determined in accordance with market interest rates.

17. MUNICIPAL GOVERNMENT SUBSIDIES

The Companies received various incentives from municipal governments in the form of subsidies for purchases of property, plant and equipment. Such subsidies were accounted for as income as received. A certain portion of the amount is charged to income and credited against the cost of property, plant and equipment when the property, plant and equipment subject to the subsidies are acquired.

18. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011 for loans guaranteed amounted to ¥1,769 million ($21,313 thousand). Loans guaranteed are principally those of unconsolidated subsidiaries, associated companies and employees.

19. COMPREHENSIVE INCOME

For the years ended March 31, 2010 and 2009

Total comprehensive income (loss) for the years ended March 31, 2010 and 2009 were the following:

	Millions of yen	
	2010	2009
Total comprehensive income (loss) attributable to:		
Owners of the parent	¥ 20,200	¥ (20,423)
Minority interests	1,082	(1,872)
Total comprehensive income (loss)	¥ 21,282	¥ (22,295)

Other comprehensive income (loss) for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	¥ 7,845	¥ (11,826)
Deferred gain (loss) on derivatives under hedge accounting	(47)	(2)
Foreign currency translation adjustments	1,712	(13,434)
Share of other comprehensive income (loss) in associates	88	(514)
Total other comprehensive income (loss)	¥ 9,598	¥ (25,776)

20. SUBSEQUENT EVENT

The following plan for appropriations of retained earnings for the year ended March 31, 2011 was approved at the Shareholders' General Meeting of the Company held on June 28, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥6 ($0.07) per share	¥ 2,135	$ 25,723

21. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Operating segments are components of the entity for which separate financial information is available that is utilized on a regular basis by the chief operating decision maker in determining how to allocate the entity's resources and evaluate its performance. This accounting standard and the guideline are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

Segment information disclosures under the previous ASBJ Statement No. 17 for the years ended March 31, 2010 and 2009 were presented. In addition, segment information disclosure under the revised ASBJ Statement No. 17 for the year ended March 31, 2010 has also been presented for comparison purposes.

Segment information under the revised ASBJ Statement No. 17 for the years ended March 31, 2011 and 2010

1. Description of reportable segments

   The Companies engage in various fields of business and industries by providing products and services which are categorized into the following segments: Cellulosic Derivatives, Organic Chemicals, Plastics and Films, Pyrotechnic Devices and Other. The Cellulosic Derivatives segment manufactures and sells cellulose acetate and acetate tow for cigarette filters from cellulose as a key raw material. The Organic Chemicals segment manufactures and sells various organic chemical products and the relevant products such as chiral columns used for separation of optical isomers. The Plastics and Films segment manufactures and sells various resin materials such as engineering plastics and other plastic products. The Pyrotechnic Devices segment manufactures and sells motor vehicle safety devices and products for aerospace and defense, based on pyrotechnology. The Other segment includes membrane, warehousing and other businesses.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

   The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets, liabilities and other items is as follows:

	Millions of yen								
	Reportable Segment								
Year ended March 31, 2011	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥76,551	¥80,871	¥136,988	¥52,870	¥ 347,280	¥ 6,405	¥353,685		¥ 353,685
Intersegment sales or transfers	2,782	14,384	10		17,176	10,133	27,309	¥ (27,309)	
Total sales	¥79,333	¥95,255	¥136,998	¥52,870	¥ 364,456	¥ 16,538	¥380,994	¥ (27,309)	¥ 353,685
Segment profit	¥12,069	¥ 6,923	¥ 14,576	¥ 5,864	¥ 39,432	¥ 1,300	¥ 40,732	¥ (8,021)	¥ 32,711
Segment assets	87,712	69,095	124,173	48,459	329,439	7,165	336,604	74,467	411,071
Depreciation	12,755	8,099	6,459	4,632	31,945	300	32,245	542	32,787
Investments in associated companies	3,373	138	2,113		5,624		5,624		5,624
Impairment loss on fixed assets		245	74		319		319		319
Increase in property, plant and equipment	908	2,627	3,430	2,067	9,032	288	9,320	592	9,912

	Millions of yen								
	Reportable Segment								
Year ended March 31, 2010	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥76,938	¥74,234	¥111,589	¥51,298	¥314,059	¥ 6,184	¥320,243		¥320,243
Intersegment sales or transfers	2,680	10,953	5		13,638	9,369	23,007	¥ (23,007)	
Total sales	¥79,618	¥85,187	¥111,594	¥51,298	¥327,697	¥15,553	¥343,250	¥ (23,007)	¥320,243
Segment profit	¥12,053	¥ 5,858	¥ 5,283	¥ 4,826	¥ 28,020	¥ 802	¥ 28,822	¥ (7,966)	¥ 20,856
Segment assets	96,558	74,404	123,300	52,140	346,402	7,297	353,699	74,678	428,377
Depreciation	15,509	8,493	7,215	4,613	35,830	313	36,143	551	36,694
Investments in associated companies	3,318	397	2,512		6,227		6,227		6,227
Impairment loss on fixed assets		857			857		857		857
Increase in property, plant and equipment	4,729	5,637	2,732	3,005	16,103	109	16,212	269	16,481

	Thousands of U.S. dollars								
	Reportable Segment								
Year ended March 31, 2011	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	$ 922,301	$ 974,349	$1,650,458	$ 636,988	$ 4,184,096	$ 77,169	$ 4,261,265		$ 4,261,265
Intersegment sales or transfers	33,518	173,302	120		206,940	122,084	329,024	$ (329,024)	
Total sales	$ 955,819	$1,147,651	$ 1,650,578	$ 636,988	$ 4,391,036	$ 199,253	$ 4,590,289	$ (329,024)	$ 4,261,265
Segment profit	$ 145,409	$ 83,410	$ 175,614	$ 70,651	$ 475,084	$ 15,663	$ 490,747	$ (96,639)	$ 394,108
Segment assets	1,056,771	832,470	1,496,060	583,844	3,969,145	86,325	4,055,470	897,193	4,952,663
Depreciation	153,675	97,579	77,819	55,807	384,880	3,614	388,494	6,530	395,024
Investments in associated companies	40,638	1,663	25,458		67,759		67,759		67,759
Impairment loss on fixed assets		2,952	891		3,843		3,843		3,843
Increase in property, plant and equipment	10,940	31,650	41,325	24,904	108,819	3,470	112,289	7,133	119,422

(Notes)

1.(1) The unallocated corporate expenses included in "Reconciliations" amounted to ¥8,021 million ($96,639 thousand) and ¥7,966 million for the years ended March 31, 2011 and 2010, respectively, which consisted mainly of expenses of administrative departments, basic research department and others.

(2) The unallocated corporate assets included in "Reconciliations" amounted to ¥78,603 million ($947,024 thousand) and ¥77,694 million for the years ended March 31, 2011 and 2010, respectively, which consisted mainly of cash and cash equivalents, investment securities, and corporate properties held or used by the administrative departments, basic research departments and others. The elimination of intersegment transactions such as receivables also included in "Reconciliations" amounted to ¥4,136 million ($49,831 thousand) and ¥3,016 million for the years ended March 31, 2011 and 2010, respectively.

(3) The unallocated depreciation and increase in property, plant and equipment were related to the administrative departments, basic research departments and others.

2. The aggregated amounts of operating income equal to those in the consolidated statements of income.

Related Information

For the year ended March 31, 2011

1. Information about products and services

	Millions of yen					
	2011					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	¥76,551	¥80,871	¥136,988	¥52,870	¥6,405	¥353,685

	Thousands of U.S. dollars					
	2011					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	$922,301	$974,349	$1,650,458	$636,988	$77,169	$4,261,265

2. Information about geographical areas

(1) Sales

Millions of yen				
2011				
Japan	Asia		Other	Total
	China	Other		
¥213,781	¥42,991	¥55,291	¥41,622	¥353,685

Thousands of U.S. dollars				
2011				
Japan	Asia		Other	Total
	China	Other		
$2,575,675	$517,964	$666,156	$501,470	$4,261,265

Note: Sales are classified in countries or regions based on location of customers.

(2) Property, plant and equipment

Millions of yen			
2011			
Japan	Asia	Other	Total
¥123,101	¥20,681	¥6,907	¥150,689

Thousands of U.S. dollars			
2011			
Japan	Asia	Other	Total
$1,483,144	$249,169	$83,217	$1,815,530

3. Information on impairment losses of fixed assets for each reportable segment

	Millions of yen						
	2011						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Others	Elimination/ Corporate	Total
Impairment losses of assets		¥245	¥74				¥319

	Thousands of U.S. dollars						
	2011						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Others	Elimination/ Corporate	Total
Impairment losses of assets		$2,952	$891				$3,843

Segment information under the previous ASBJ Statement No. 17 for the years ended March 31, 2010 and 2009

Information about operations in industry segments, geographic segments and sales to foreign customers of the Companies for the years ended March 31, 2010 and 2009 is as follows:

I Operations in Industry Segments

	Millions of yen							
Year ended March 31, 2010	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Functional Products and Others	Total	Corporate and Eliminations	Consolidated
Sales to outside customers	¥ 76,938	¥ 74,234	¥ 111,589	¥ 51,298	¥ 6,184	¥ 320,243		¥ 320,243
Intersegment sales	2,680	10,953	5		9,369	23,007	¥ (23,007)	
Total sales	79,618	85,187	111,594	51,298	15,553	343,250	(23,007)	320,243
Total cost and expenses	67,565	79,329	106,311	46,472	14,751	314,428	(15,041)	299,387
Operating income	¥ 12,053	¥ 5,858	¥ 5,283	¥ 4,826	¥ 802	¥ 28,822	¥ (7,966)	¥ 20,856
Total assets	¥ 96,558	¥ 74,404	¥123,300	¥ 52,140	¥ 7,297	¥ 353,699	¥ 74,678	¥ 428,377
Depreciation	15,509	8,493	7,215	4,613	313	36,143	551	36,694
Impairment loss on fixed assets		857				857		857
Capital investments	4,729	5,637	2,732	3,005	109	16,212	269	16,481

Year ended March 31, 2009	Millions of yen Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Functional Products and Others	Total	Corporate and Eliminations	Consolidated
Sales to outside customers	¥ 72,369	¥ 91,058	¥148,150	¥59,984	¥ 6,419	¥ 377,980		¥ 377,980
Intersegment sales	2,901	15,989	4		10,980	29,874	¥ (29,874)	
Total sales	75,270	107,047	148,154	59,984	17,399	407,854	(29,874)	377,980
Total cost and expenses	73,067	102,344	140,171	57,321	16,787	389,690	(22,300)	367,390
Operating income	¥ 2,203	¥ 4,703	¥ 7,983	¥ 2,663	¥ 612	¥ 18,164	¥ (7,574)	¥ 10,590
Total assets	¥107,953	¥ 76,041	¥132,823	¥50,594	¥ 7,338	¥ 374,749	¥ 71,163	¥ 445,912
Depreciation	16,554	8,362	7,430	5,159	367	37,872	708	38,580
Impairment loss on fixed assets							79	79
Capital investments	7,169	6,246	6,431	3,751	258	23,855	328	24,183

Cellulosic Derivatives include cellulose acetate, acetate tow for cigarette filters and water-soluble polymers. Organic Chemicals include acetic acid and its derivatives, fine chemical products and optical resolution columns. Plastics and Films include SAN and ABS resins and alloys, and packaging and performance films. Pyrotechnic Devices include ammunition, solid propellants and rocket propulsion, aircrew emergency-escape systems and inflators for automobile air bag safety equipment. Functional Products include membranes.

Cost and expenses of Corporate and Eliminations for the years ended March 31, 2010 and 2009 included unallocated corporate costs of ¥7,966 million and ¥7,574 million, respectively. The unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.

Assets of Corporate and Eliminations at March 31, 2010 and 2009 included ¥77,694 million and ¥72,672 million of corporate assets, respectively, consisting primary of cash and cash equivalents, investment in securities, research and development-related equipment and headquarters administration-related assets.

II Geographical Segments

Year ended March 31, 2010	Millions of yen Japan	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales to outside customers	¥ 243,936	¥ 55,717	¥ 20,590	¥ 320,243		¥ 320,243
Intersegment sales	34,809	13,674	1,802	50,285	¥ (50,285)	
Total sales	278,745	69,391	22,392	370,528	(50,285)	320,243
Operating expenses	256,620	62,480	22,606	341,706	(42,319)	299,387
Operating income (loss)	¥ 22,125	¥ 6,911	¥ (214)	¥ 28,822	¥ (7,966)	¥ 20,856
Total assets	¥ 280,063	¥ 72,218	¥ 19,416	¥ 371,697	¥ 56,680	¥ 428,377

Year ended March 31, 2009	Millions of yen					
	Japan	Asia	Other	Total	Corporate and Eliminations	Consolidated
Sales to outside customers	¥ 277,758	¥ 68,892	¥ 31,330	¥ 377,980		¥ 377,980
Intersegment sales	40,190	15,072	2,470	57,732	¥ (57,732)	
Total sales	317,948	83,964	33,800	435,712	(57,732)	377,980
Operating expenses	308,372	75,228	33,948	417,548	(50,158)	367,390
Operating income (loss)	¥ 9,576	¥ 8,736	¥ (148)	¥ 18,164	¥ (7,574)	¥ 10,590
Total assets	¥ 303,434	¥ 66,160	¥ 21,379	¥ 390,973	¥ 54,939	¥ 445,912

Major countries or areas in the categories Asia and Other are as follows:

Asia: China, Hong Kong, Singapore, Thailand, Taiwan, Malaysia

Other: North America, Europe

Cost and expenses of Corporate and Eliminations for the years ended March 31, 2010 and 2009 included unallocated corporate costs of ¥7,966 million and ¥7,574 million, respectively. The unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.

Assets of Corporate and Eliminations at March 31, 2010 and 2009 included ¥77,694 million and ¥72,672 million of corporate assets, respectively, consisting primary of cash and cash equivalents, investment in securities, research and development-related equipment and headquarters administration-related assets.

III Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥117,420 million and ¥146,588 million, respectively.

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Daicel Chemical Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Daicel Chemical Industries, Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for each of the three years in the period ended March 31, 2011, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for each of the three years in the period ended March 31, 2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daicel Chemical Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2011

Member of
Deloitte Touche Tohmatsu Limited

Principal Subsidiaries and Affiliates

Domestic Operations

	Paid-in capital (Millions of yen)	The Company's equity ownership (%)	Principal business
Kyodo Sakusan Co., Ltd.	3,000	69	Manufacture and sale of acetic acid Joint-venture company with Mitsubishi Gas Chemical Co., Inc.; JNC Corporation; and Kyowa Hakko Chemical Co., Ltd.
Dainichi Chemical Corp.	270	100	Manufacture and sale of industrial-use coating resins, non-tin anti-stain compounds, and fine chemicals
Daicel-Cytec Co., Ltd.	50	45	Manufacture and sale of ultraviolet and electron beam curable resins Joint-venture company with Cytec Industries Inc.
Polyplastics Co., Ltd.	3,000	55	Manufacture and sale of polyacetal resin, polybutylene terephthalate (PBT) resin, liquid crystal polymer, and polyphenylene sulfide resin Joint-venture company with Ticona Limited Liability Company of the United States
WinTech Polymer Ltd.*1	2,000	33	Manufacture and sale of polybutylene terephthalate (PBT) resin and glass fiber-reinforced PET (FR-PET) resin Joint-venture company with Teijin Limited
Daicel Polymer Ltd.	100	100	Manufacture and sale of SAN resin, ABS resin, high-performance polymer alloy, and polystyrene sheet
Daicel-Evonik Ltd.	340	50	Manufacture and sale of polyamide 12 resin and PEEK resin Joint-venture company with Evonik Degussa Japan Co., Ltd.
Daicel Pack Systems, Ltd.	50	100	Manufacture and sale of vacuum- and pressure-molded plastics, industrial and food packaging, and paper and plastic buffers
Daicel Value Coating Ltd.	40	100	Manufacture and sale of barrier films Custom coating business
Daicel Novafoam Ltd.	98	100	Manufacture and sale of foamed plastics
Daicel Safety Systems Inc.	80	100	Manufacture of inflators for automobile airbags
Japan Shotshell Ltd.	150	100	Manufacture and sale of shotgun shells for sport shooting and hunting
Daicel Finance Ltd.	2,000	100	Supervision and implementation of finance and asset management operations for Daicel Group companies
Daicel Logistics Service Co., Ltd.	267	100	Warehousing and transportation
Daicen Membrane-Systems Ltd.	30	55	Manufacture and sale of separation membranes, including ultrafiltration membrane modules, and design, manufacture, and sale of equipment and systems related to ultrafiltration membrane modules
Daicel FineChem Ltd.	70	100	Sale of water-soluble polymers, synthetic resins, and other industrial products, and manufacture, processing, and sale of resin-based construction materials as well as floor coverings and exterior furnishings Manufacture and sale of celluloid, acetate plastics products, and household products

*1 60% owned by Polyplastics Co., Ltd.

International Operations

	Paid-in capital	The Company's equity ownership (%)	Principal business
Ningbo Da-An Chemical Industries Co., Ltd.*2	RMB 271 mil	30	Manufacture and sale of cellulose acetate and acetic anhydride
Xi'an Huida Chemical Industries Co., Ltd.*2	RMB 248 mil	30	Manufacture and sale of acetate tow for cigarette filters
Chiral Technologies, Inc.	US$ 8.8 mil	100	Sale of chiral separation columns and provision of technical services related to optical active compounds
Chiral Technologies Europe S.A.S.	€ 2.1 mil	100	Sale of chiral separation columns and provision of technical services related to optical active compounds
Daicel Nanning Food Ingredients Co., Ltd.*3	US$ 9.77 mil	100	Manufacture and sale of sorbic acid and potassium sorbate
Polyplastics Taiwan Co., Ltd.*4	NT$ 1,590 mil	41	Manufacture and sale of engineering plastics
Polyplastics Asia Pacific Sdn. Bhd.*5	RM 158 mil	55	Manufacture and sale of engineering plastics
PTM Engineering Plastics (Nantong) Co., Ltd.*6	RMB 386 mil	39	Manufacture and sale of engineering plastics Joint-venture company with Mitsubishi Gas Chemical Co., Inc.; Korea Engineering Plastics Co., Ltd.; and Ticona Limited Liability Company
Shanghai Daicel Polymers, Ltd.*7	RMB 75.72 mil	100	Sale and compounding of plastics
Daicel Polymer (Hong Kong) Ltd.*8	HK$ 1.0 mil	100	Manufacture and sale of SAN resin, ABS resin, high-performance polymer alloy, and polystyrene sheet
Daicel Trading (Shanghai) Ltd.*9	US$ 0.2 mil	100	Sale of compound resin, polystyrene sheet and other chemical products
Topas Advanced Polymers GmbH*10	€ 0.1 mil	80	Manufacture, sale and research of cyclic olefin copolymer
Topas Advanced Polymers, Inc.*11	US$ 0.01 mil	80	Sale of cyclic olefin copolymer
Daicel Safety Systems America, LLC*12	US$ 30 mil	83	Manufacture and sale of inflators for automobile airbags Joint-venture company with TG North America Corporation
Daicel Safety Systems Europe Sp. z o. o.	PLN 5 mil	100	Manufacture and sale of inflators for automobile airbags
Daicel Safety Systems (Jiangsu) Co.,Ltd.*3	RMB 187 mil	100	Manufacture and sale of inflators for automobile airbags
Daicel Safety Systems (Thailand) Co., Ltd.	THB 270 mil	100	Manufacture and sale of inflators for automobile airbags
Daicel Safety Technologies America, Inc.	US$ 8.5 mil	100	Manufacture of inflator components for automobile airbags
Daicel Safety Technologies (Thailand) Co., Ltd.	THB 800 mil	100	Manufacture of inflator components for automobile airbags
Daicel Chemical (China) Investment Co., Ltd.	RMB 386 mil	100	Management of manufacturing and marketing operations in China
Daicel Chemical (Asia) Pte. Ltd.	S$ 9.59 mil	100	Management of marketing operations in Southeast Asia
Daicel (U.S.A.), Inc.	US$ 27.7 mil	100	Management of marketing operations in North America
Daicel (Europa) GmbH	€ 0.15 mil	100	Management of marketing operations in Europe

*2 30% owned by Daicel Chemical (China) Investment Co., Ltd.
*3 100% owned by Daicel Chemical (China) Investment Co., Ltd.
*4 75% owned by Polyplastics Co., Ltd.
*5 100% owned by Polyplastics Co., Ltd.
*6 70% owned by Polyplastics Co., Ltd.
*7 90% owned by Daicel Chemical Industries, Ltd and 10% owned by Daicel Chemical (China) Investment Co., Ltd.
*8 100% owned by Daicel Polymer Ltd.
*9 90% owned by Daicel Chemical (China) Investment Co.,Ltd. and 10% owned by Shanghai Daicel Polymers, Ltd.
*10 55% owned by Daicel Chemical Industries, Ltd and 45% owned by Polyplastics Co., Ltd.
*11 100% owned by Topas Advanced Polymers GmbH
*12 83% owned by Daicel (U.S.A.), Inc.

Corporate Data

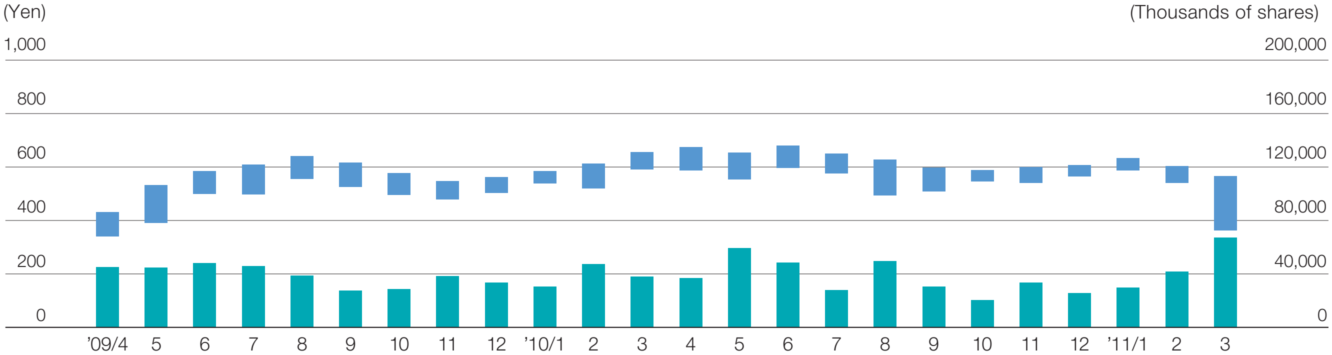
(As of March 31, 2011)

Incorporated	September 8, 1919
Common Stock	
Authorized:	1,450,000,000 shares
Issued:	364,942,682 shares
Capital:	¥36,275 million
Listings:	Tokyo Stock Exchange and Osaka Securities Exchange
Transfer Agent:	The Chuo Mitsui Trust & Banking Co., Ltd. 3-33-1, Shiba, Minato-ku, Tokyo 105-8574, Japan
Number of Shareholders:	20,534
Independent Auditor	Deloitte Touche Tohmatsu LLC
Osaka Head Office	Mainichi Intecio, 3-4-5, Umeda, Kita-ku, Osaka 530-0001, Japan Tel: +81-6-6342-6111 Fax: +81-6-6342-6118
Tokyo Head Office	JR Shinagawa East Bldg., 2-18-1, Konan, Minato-ku, Tokyo 108-8230, Japan Tel: +81-3-6711-8111 Fax: +81-3-6711-8100

Stock Information

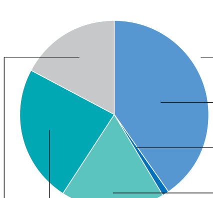
(As of March 31, 2011)

Stock Price Range & Trading Volume



Note: Stock price and trading volume reflect Company shares traded on the Tokyo Stock Exchange.

Composition of Shareholders



	Thousands of shares	%
Financial institutions	146,911	40.3
Securities companies	4,502	1.2
Other domestic corporations	64,789	17.7
Foreign investors	86,420	23.7
Individual & other investors	62,318	17.1

Note: Treasury stock is included in the "Individual & other investors" category.

Major Shareholders (Top 10)

	Number of shares unit: (1,000 shares)	% of total shares issued
Japan Trustee Services Bank, Ltd. (Trust Account)	26,693	7.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,259	5.41
Nippon Life Insurance Company	18,813	5.28
FUJIFILM Corporation	17,271	4.85
Japan Trustee Services Bank, Ltd. (Trust Account 9)	17,161	4.82
Toyota Motor Corporation	15,000	4.21
Mitsui Sumitomo Insurance Co., Ltd.	9,003	2.53
Mitsui & Co., Ltd.	7,560	2.12
Sumitomo Mitsui Banking Corporation	7,096	1.99
Bank of Tokyo-Mitsubishi UFJ	6,503	1.82

DAICEL CORPORATION

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The cover and contents of this annual report are printed using ink that contains less than 1% of Volatile Organic Compounds (VOCs).