DAICEL

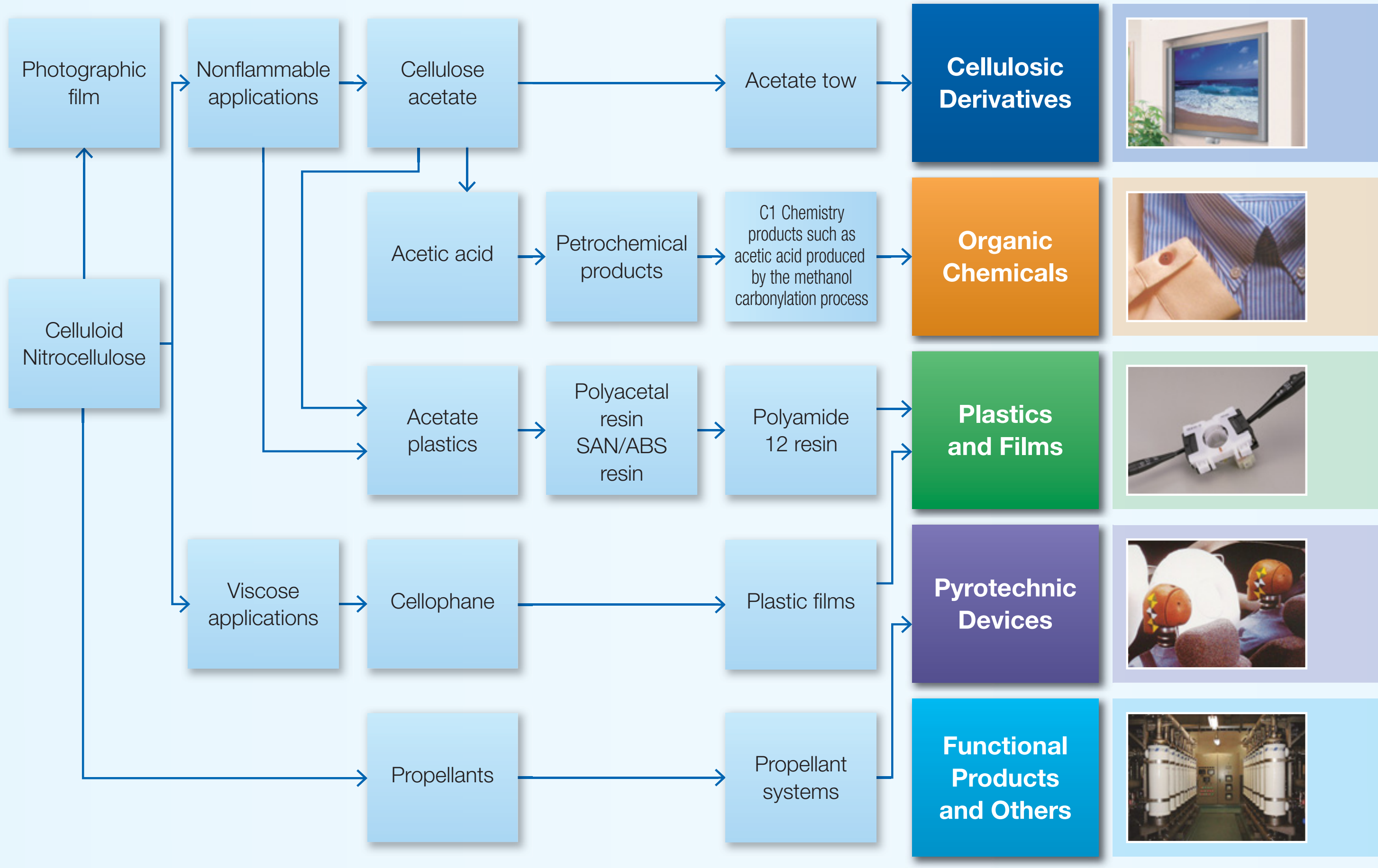
Enhancing our platform for the future

ANNUAL REPORT 2013

Year ended
March 31, 2013

DAICEL CORPORATION

Business Development Flowchart



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 chemical products (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.

Major Applications of Daicel Group Products

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

Japan's **No. 1**
Production capacity share (Daicel estimate)
Cigarette filters / Acetate tow, Cellulose acetate

Civil engineering and oil drilling / CMC

Japan's **No. 1**
Production capacity share (Daicel estimate)
Polyester fibers / Acetic acid

Automotive paints / Caprolactone and special epoxy resins

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

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

POM World'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

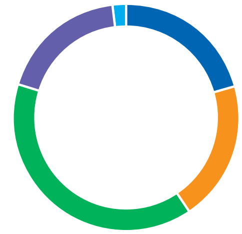
Japan's **No. 1**
Sales share (Daicel estimate)
Airbag systems / Inflators

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

Eco-friendly System / E-Mizu system

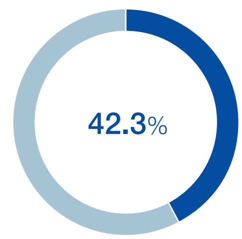
Main product application / Product

Sales by Segment



- Cellulosic Derivatives 20.8%
- Organic Chemicals 19.9%
- Plastics and Films 39.1%
- Pyrotechnic Devices 18.4%
- Functional Products and Others 1.8%

Overseas Sales



Contents

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

Basic Philosophy

The Best Solution for You

Contributing to an improved quality of life
by meeting the needs of society.

At the Daicel Group, we believe in **the unlimited potential of chemistry**.

By applying our unique technologies and expertise in the most effective manner,

we are meeting **the diverse needs of society**.

Our industrial group contributes to a better society and an improved quality of life.

Consolidated Financial Highlights

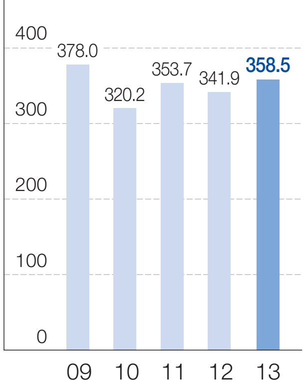
Daicel Corporation (formerly, Daicel Chemical Industries, Ltd.) and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars*2
	2009	2010	2011	2012	**2013**	**2013**
Results for the year						
Net sales	¥ 377,980	¥ 320,243	¥ 353,685	¥ 341,943	**¥ 358,514**	**$ 3,813,979**
Operating income	10,590	20,856	32,711	20,426	**26,197**	**278,691**
Income before income taxes and minority interests	6,272	16,911	29,713	19,962	**25,283**	**268,968**
Net income	1,297	11,070	16,803	11,827	**15,373**	**163,543**
Capital expenditures	25,666	18,424	11,753	17,394	**26,067**	**277,309**
Depreciation and amortization	39,674	37,782	33,529	28,849	**24,605**	**261,755**
Research and development expenses	12,046	11,317	11,971	12,731	**12,876**	**136,979**
At year-end						
Total assets	¥ 445,912	¥ 428,377	¥ 411,071	¥ 398,197	**¥ 461,513**	**$ 4,909,713**
Total equity	211,488	229,005	235,337	234,712	**262,900**	**2,796,809**

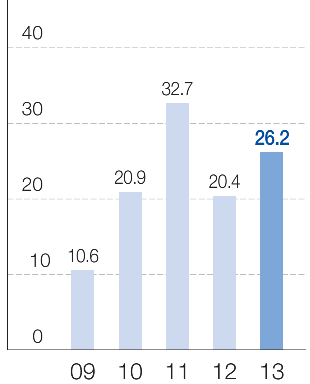
	Yen					U.S. dollars*2
Per share*1						
Net income	¥ 3.62	¥ 31.10	¥ 47.22	¥ 33.46	**¥ 43.71**	**$ 0.47**
Cash dividends applicable to the year	8.00	10.00	10.00	10.00	**12.00**	**0.13**

*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 ¥94 = $1, the approximate exchange rate at March 31, 2013.

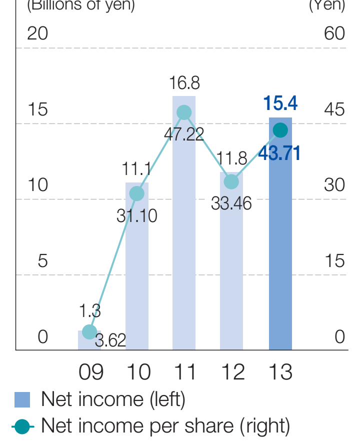
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Net Income/ Net Income Per Share
(Billions of yen) (Yen)



Message from the President

We are strengthening our global business development and reducing costs to establish a steady trajectory of earnings growth.

Year in Review

We achieved growth in both sales and profit in the fiscal year ended March 2013 by expanding sales volume, revising sales prices, and other factors, although the results fell short of the targets for the second year of the “3D-I” medium-term plan (covering the fiscal years ending March 2012 to March 2014). We also continued to make steady progress in new business creation, strategic M&A, and other measures as basic strategies of the “3D-I” medium-term plan.

Forecasts for the fiscal year ending March 2014

We expect movement toward economic recovery in the fiscal year ending March 2014 but anticipate lingering uncertainty in business conditions in Japan and overseas due to downside risks to the economic outlook such as rising raw material and fuel prices, a slowdown in the Chinese economy, the financial crisis in Europe, and other factors.

Our aim for the Daicel Group is to establish a steady trajectory of earnings growth by expanding sales in response to rising demand, particularly in Asia and North America, and by strengthening our global business development, such as by enhancing local customer service, while continuing our constant efforts to reduce costs.

Misao Fudaba
President and CEO

Interview with the President

We aim to realize stable profit growth by steadily implementing the basic strategies of our medium-term plan and continuing to reduce costs.

Q Please discuss earnings results for the fiscal year ended March 2013.

A We achieved growth in sales and profits by expanding sales in response to the recovery in automobile production, revising sales prices, and continuing efforts to reduce costs.

The movement toward economic recovery in Japan lacked strength in the fiscal year ended March 2013 as it was undermined by factors including deteriorating business conditions in Europe and elsewhere overseas, persistent yen appreciation, and boycotts of Japanese products in China. However, production activity and business conditions in Japan began recovering at the start of 2013 as export conditions improved with the weakening yen and other factors.

In these conditions, the Daicel Group strove to improve its business performance by expanding sales in line with auto-industry-driven global production growth, revising sales prices attendant with higher raw material and fuel costs, and continuing to cut costs. These efforts enabled us to increase consolidated net sales by 4.8% year on year to ¥358,514 million. The rise in sales combined with decrease in depreciation costs and other factors produced substantial year-on-year increases in income as operating income rose 28.2% to ¥26,197 million, ordinary income rose 35.5% to ¥28,580 million, and net income rose 30.0% to ¥15,373 million.

Based on our improved performance, we raised the year-end ordinary dividend by ¥2 to ¥7 per share, for an annual dividend distribution of ¥12 for the fiscal year.

Results for the Fiscal Years Ended March 2012 and 2013

(Billions of yen)

	2012	2013	Change	% Change
Net sales	341.9	358.5	+16.6	+4.8%
Operating income	20.4	26.2	+5.8	+28.2%
Ordinary income	21.1	28.6	+7.5	+35.5%
Net income	11.8	15.4	+3.5	+30.0%

Q The fiscal year ended March 2014 is the final year of the "3D-I" medium-term plan. What is the status of the measures being implemented under the plan?

A We made steady progress with our initiatives to create new businesses, utilize strategic M&A, and further solidify our business foundation.

Design the Future

3D-I Medium-Term Plan *(for FY 2011-2013)*

We are performing steadily for the basic strategy of 3D-I Medium-Term Plan.

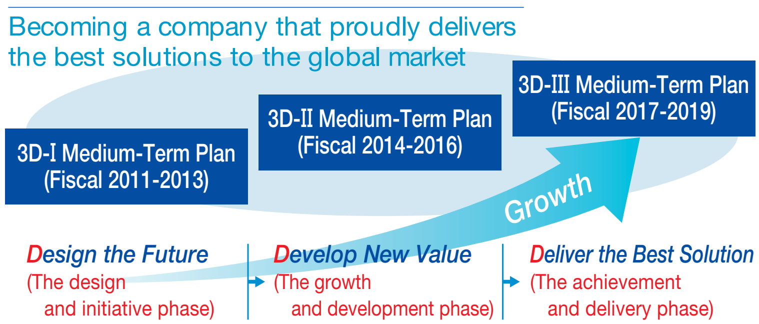
- *Development of new businesses*
- *Enhancement of core businesses*
- *Development and enhancement of businesses from a global perspective*
- *Increased cost-competitiveness*
- *Enhanced cooperation with business partners*
- *Pursuit of M&A from a strategic perspective*
- *Enhancement of business foundations*

Although we fell short of our earnings targets for the end of the second year of the "3D-I" medium-term plan, we made steady progress advancing our basic strategies. In the area of creating new businesses, we have been taking steps to create startups in the targeted fields of electronics, energy and environment, and healthcare.

Strategic M&A activities fortified the Group's production structure with the acquisitions of companies manufacturing and marketing airbag initiators (inflator igniters) in the United States and liquid crystal polymer (LCP) materials in Germany. In addition, we solidified our business foundation in September 2012 with the installation of a city gas co-generation system at the Aboshi Plant. The new facility vastly reduces electric power purchasing expenses while reducing the environmental burden of our operations by lowering CO_2 emissions.

Other measures to further strengthen our core businesses included increasing production capacity for cigarette filter tow, expanding polyacetal (POM) resin production facilities in Malaysia, increasing the production capacity of airbag inflators outside Japan, and establishing a new manufacturing site in South Korea. (For further details, see Special Feature on page 11–14)

The 3D Step-up Plan



Q What is your earnings outlook for the fiscal year ending March 2014?

A We forecast sales and profit growth for the year as we continue to expand our sales volume and cut costs.

The Japanese economy is expected to begin moving solidly toward recovery as the depreciation in the value of the yen and rising stock prices support improving corporate and household consumer sentiment.

However, there is a pervading sense of uncertainty in business conditions in Japan and overseas, including downside risks to the economic outlook from such factors as rising raw material and fuel prices, the slowdown in the Chinese economy, and the financial crisis in Europe.

In this business climate, we forecast sales volume growth for the Group as a whole for the fiscal year ending March 2014 on rising sales of engineering plastics, automobile airbag inflators, and other items associated with the increasing automobile production volume.

Our outlook also includes contributions from our joint venture company with MITSUBISHI RAYON CO., LTD., which started operations in May 2013, and increased sales volume of cigarette filter tow following the production capacity expansion in July 2013 as well as from ongoing efforts to reduce costs.

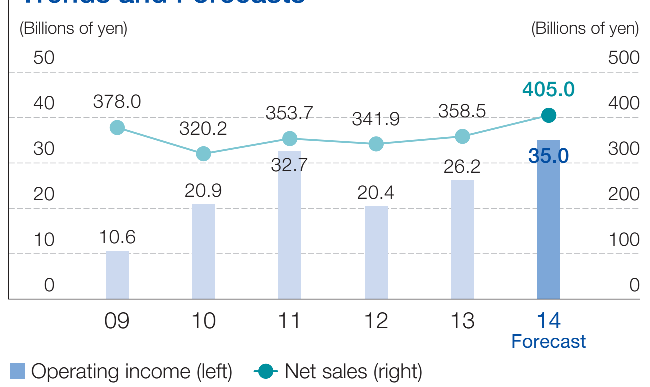
We forecast consolidated net sales rising 13.0% year on year to ¥405 billion, operating income growing 33.6% to ¥35 billion, ordinary income rising 26.0% to ¥36 billion, and net income increasing 30.1% to ¥20 billion.

Earnings Forecasts for the Year Ending March 2014

(Billions of yen)

	2013 Results	2014 Forecasts	Change	% Change
Net sales	358.5	405.0	+46.5	+13.0%
Operating income	26.2	35.0	+8.8	+33.6%
Ordinary income	28.6	36.0	+7.4	+26.0%
Net income	15.4	20.0	+4.6	+30.1%

Net Sales and Operating Income Trends and Forecasts



Q There have been several major accidents at some plants of chemical companies in the past few years. What is Daicel's policy on safety?

A We make every effort to prevent accidents from occurring through policies to ensure our facilities are maintained and replace aging equipment and by placing a strong emphasis on developing our human resources.

Our past experience of a large explosion at one of our plants made us fully aware of the burdens accidents place on employees, local communities, municipal governments, and concerning customers. We are fully committed to preventing any further accidents, and fostering a culture of safety within the company is a fundamental mission of management.

Accidents at chemical plants are said to be generally caused by outdated facilities, insufficient transfer of skills and technology know-how between generations, and understaffed workforces. We make every effort to prevent accidents from occurring through policies to ensure our facilities are maintained and replace aging equipment and to place a strong emphasis on developing our human resources. However, this is not enough to prevent accidents, and a variety of measures to ensure safe and stable plant operations and continual improvement are essential. When a problem arises, it is also critical to have the ability to implement the most appropriate initial response.

The program "Production Innovations the Daicel way" has been effective in reducing the number of adverse incidents, however, that is we have fewer opportunities to learn from experiences in dealing with trouble. To address this, in March 2013 we upgraded our Operation Training Center to provide experiential education in dealing with potentially dangerous situations. The Center provides educational and training programs for employees of Daicel and its group companies.

Special Feature:

Progress of the “3D-I” Medium-Term Plan

The Daicel Group is currently implementing basic strategies, including creating new businesses and fortifying existing businesses, as part of the “3D-I” medium-term plan.

This feature section introduces the progress we have made as of the end of the second year of the medium-term plan.

New Business Creation Efforts

The Daicel Group is actively seeking to create new businesses in the target fields of electronics, energy and environment, and medical and healthcare.

Research → Studying Industrialization (Developing Products, Customer Testing) → Market Launch (Including Paid Samples)

Target Area	
Electronics	LED Transparent Encapsulants / OLED Panel Sealants
Electronics	Compounds for Camera Lenses
Electronics	Films for Touch Panels
Electronics	Ultra-Dispersed Diamonds
Energy / Environment	Visible Light Response-Type Titanium Oxide Photocatalyst
Medical / Health care	Pre-Mixture Additive for Orally Disintegrating Tablets
Medical / Health care	EQUOL (Anti-Aging Material Derived from Soybeans)

1. Electronics

LED Transparent Encapsulants CELVENUS®

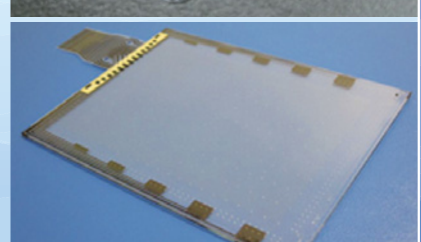
A trial production plant has been set up for our full lineup of LED transparent encapsulants for purposes including outdoor displays, LCD backlights, and general lighting. An integrated development system starting from raw materials will increase our ability to meet a broader range of user demands and enable full-fledged development of the LED transparent encapsulant market.

Camera Lens Compounds

The Company is harnessing the Group’s ultraviolet (UV) curing resin and thermosetting resin as lens material and module adhesives for smartphone and tablet computer applications to create commercial products.

Touch Panel Films

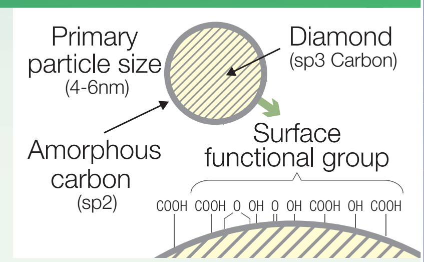
We are using the Group’s materials and technologies to develop numerous new functional films, including advancing development of film for touch panel applications with several films already being marketed.



2. Energy and Environment

Ultra-Dispersed Diamonds (UDD)

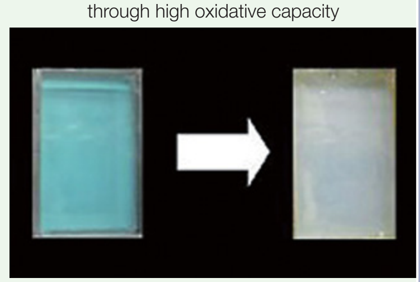
The range of applications for UDD is expected to widen to include such product segments as precision polishing processes for semiconductors and glass substitutes to fields such as electricity and electronics, energy, and biomedical-related endeavors. We are applying our fully integrated domestic production system to develop products for a variety of applications, and we plan to install an explosion test facility for UDD during the fiscal year ending March 2014.



Visible Light Response-Type Titanium Oxide Photocatalyst CelMuse®

Daicel FineChem Ltd., a Group company, has begun full-fledged marketing activities of our titanium oxide photocatalyst that responds to visible light, such as fluorescent lighting, with applications that include dissolving stains and eliminating odors. The company plans to move production facility from Research Center to Arai Plant in preparation of expanding sales in the future.

Breakdown of organic substances through high oxidative capacity



Before fluorescent light exposure   After fluorescent light exposure

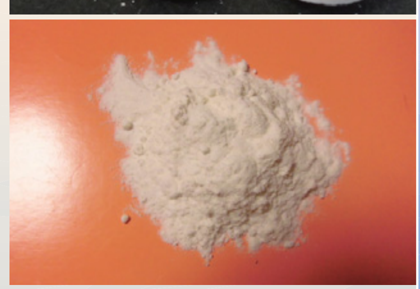
3. Medical and Health care

Pre-Mixture Additive for Orally Disintegrating Tablets

Daicel's pre-mixture additive for orally disintegrating (OD) tablets enabling safe and convenient administration without requiring water has advanced to the evaluation stage for practical usage at domestic pharmaceutical companies. Our aim is to launch sales as a pharmaceutical additive in 2014.

EQUOL FlavoCel®

We have applied our expertise in microbial biotechnology cultivated over many years to create the mass production technology for our eagerly anticipated soybeans-based anti-aging ingredient EQUOL. With its effectiveness now verified, we have started marketing EQUOL.



Activities in Existing Businesses

In addition to new business creation, we are also developing our existing businesses, including (1) enhancing core businesses, (2) developing and enhancing businesses from a global perspective, (3) increasing cost competitiveness, (4) enhancing cooperation with business partners, (5) pursuing M&A from a strategic perspective, and (6) enhancing our business foundations.

(1) Enhancement of core businesses (2) Development and enhancement of businesses from a global perspective
(3) Increased cost-competitiveness (4) Enhanced cooperation with business partners
(5) Pursuit of M&A from a strategic perspective (6) Enhancement of business foundations

(1)	(2)	(3)	(4)	(5)	(6)	Activities	
●		●	●	●		Cellulosic Derivatives	Establishment of a Joint Venture for the Production of Acetate Tow for Cigarette Filters with Mitsubishi Rayon Co., Ltd.
●		●				Cellulosic Derivatives	Expanding the acetate tow production facilities in Ohtake and Aboshi (Start of production scheduled in July 2013)
	●		●			Cellulosic Derivatives	Increase of acetate tow production capacity in China JV.
●						Organic Chemicals	Nov. 2011: Increased production capacity of ethyl acetate
	●					Organic Chemicals	Mar. 2013: Relocation and expansion for Daicel Chiral Technologies (China) Co., Ltd.
	●					Plastics	Sep. 2011: Polyplastics Korea Ltd. is established in Seoul, Korea.
●	●					Plastics	Jan. 2012: Polyplastics Taiwan Co., Ltd. increased compounding capacity.
●	●					Plastics	Mar. 2012: Polyplastics (Nantong) Ltd. as compounding company is established in Nantong, China. (Start of compounding operation scheduled in Autumn 2013)
	●					Plastics	Apr. 2012: Daicel Polymer (Thailand) Co., Ltd. is established in Thailand.*
	●					Plastics	Apr. 2012: Polyplastics USA, Inc. is established in Michigan, U.S.A.*
		●	●	●		Plastics	Apr. 2012: DM Novafoam Co. Ltd. as JV for low density foam plastics is established.*
●		●		●		Plastics	Aug.2012: Polyplastics Completed the Acquisition of German Monomer Supplier, LCP Leuna Carboxylation Plant GmbH for Liquid Crystal Polymer.*
●		●				Plastics	Oct. 2012: Hirohata Plant moved the long-fiber-reinforced plastic production equipment from Aboshi Plant, thereby, production was increased.
	●					Plastics	Nov. 2012: Polyplastics Europe GmbH is established in Frankfurt, Germany.*
●	●	●				Plastics	Construction for new 90,000 t/y POM production facility at Polyplastics Asia Pacific Sdn. Bhd. in Malaysia. (Start of production scheduled in Early 2014)
●	●					Pyrotechnic Devices	Nov. 2011: Daicel Safety Systems Korea, Inc. is established in South Korea. (Start of production scheduled in Dec. 2013)
●	●	●		●		Pyrotechnic Devices	Apr. 2012: Completed the acquisition of Special Devices, Inc. as initiator manufacturer.*
		●			●	Sep. 2012: The Aboshi Plant installed City-gas Cogeneration facility.*	
					●	Mar. 2013: Renewed our Operation Training Center (TRC).*	

* See "Daicel Highlights of the Year" on pages 15-16 for further information.

Record-High Investment Planned to Expand polyacetal Production Facilities

In July 2011, Polyplastics Co., Ltd. committed to making the largest investment in the company's history to expand its production capacity for polyacetal (POM) by 90,000 metric tons per year. Upon completion in 2014, the company's annual POM supply capacity will reach 290,000 metric tons, making it the world's largest supplier of POM with capacity to fulfill about one-third of worldwide POM demand.

Cigarette Filter Acetate Tow Business Strengthened

With the aim of strengthening the Company's acetate tow business, Daicel entered into a basic agreement with Mitsubishi Rayon Co., Ltd. and in May 2013 established the joint venture Toyama Filter Tow Co., Ltd. to manufacture acetate tow. In addition, the Company decided to expand the production capacities of the Ohtake Plant and the Aboshi Plant at the Himeji Production Sector to boost the Company's acetate tow production capacity by roughly 10% with the completion in July 2013.

Establishment of South Korea Airbag Inflator Production and Sales Base as Daicel's Sixth Worldwide

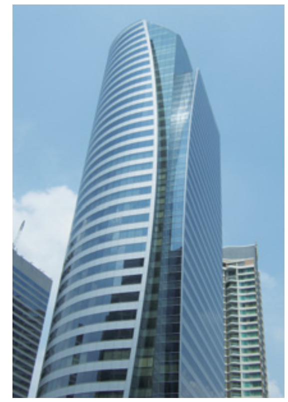
In November 2011, as part of its global business development plan for automobile airbag inflators (gas-generating devices), the Company established the fully-owned Daicel Safety Systems Korea, Inc. in South Korea, giving the Group six inflator production facilities around the world along with those in Japan, the United States, Thailand, Poland, and China. The new company plans to commence production and sales by the end of the 2013 calendar year.

Daicel Highlights of the Year

Special Devices, Inc., U.S. Airbag Initiator Manufacturer, Acquired

In April 2012, Daicel acquired all outstanding shares of Special Devices, Inc., a U.S. company manufacturing and selling airbag initiators. The acquisition expands Daicel's initiator production capacity and enables the Company to add initiators to its global marketing of inflators and micro gas generators for seatbelt pretensioners.

Daicel Polymer (Thailand) Co., Ltd. Established



In April 2012, Daicel Polymer Ltd. established Daicel Polymer (Thailand) Co., Ltd., with the aim of strengthening marketing activities and enhancing services for customers, primarily Japan-affiliated companies, in the automobile, electrical and electronics industries expanding their operations in the Thai market. The new company will seek to leverage opportunities created by the Thailand-India Free Trade Agreement to develop the Indian automobile market, which has been growing like Thailand's, with the aim of expanding Daicel operations in both countries.

4 April 2012 | 5 May | 6 June | 7 July | 8 August | 9 September

DM Novafoam Joint Venture Establishes Nationwide Sales Network

In April 2012, Daicel subsidiary Daicel Novafoam Ltd. and Mitsui Chemicals, Inc. subsidiary Tohoku Polymer Co., Ltd. merged to form the new company DM Novafoam Ltd. The merger establishes a nationwide sales network for fruit packaging materials while creating synergy effects in non-agricultural fields as well, including expanding sales via mutual access to each Group's sales channels.

Polyplastics Sales Companies in U.S. and Europe Start Operations

Polyplastics Co., Ltd. launched operations of Polyplastics USA, Inc. in the United States in July 2012 and Polyplastics Europe GmbH in Germany in November 2012. Setting up sales bases in Europe and the United States enables closer collaboration in business and development activities, strengthens our sales capabilities, and increases opportunities to expand business with Japanese companies, particularly in the automobile industry, as well as western companies expanding operations in Asia.

German Supplier for Liquid Crystal Polymers Acquired

In September 2012, Polyplastics Co., Ltd. acquired 100% ownership of the German chemical manufacturer LCP Leuna Carboxylation Plant GmbH (LCPG), a supplier of raw materials used in liquid crystal polymers (LCP). Demand for LCPs is expected to continue increasing in line with the expanding smartphone and tablet terminal markets. Polyplastics has the world's largest LCP production capacity and commands roughly one-third of the global market for LCPs. Making LCPG a 100% subsidiary gives Polyplastics the full production flow from raw material to final product and further strengthens its technical competitiveness.

Co-Generation System at the Aboshi Plant Activated

In September 2012, the city gas co-generation system installed at the Aboshi Plant was brought on-line. The facility utilizes a gas turbine as a motor providing the world's highest efficiency for its class of power generators. With the exception of the summer period, the facility is capable of generating virtually 100% of the power needed by the Aboshi Plant, thereby vastly reducing electric power purchasing expenses while also achieving a reduction in CO_2 emissions.

10 October 11 November 12 December 1 January 2 February 3 March

2013

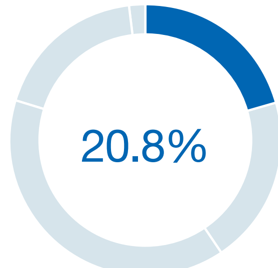
New Operation Training Center Completed

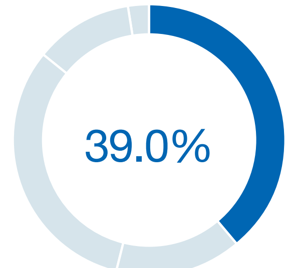
In March 2013, the new Operation Training Center was completed at the Aboshi Plant. Replacing the former center, which was constructed in 2002 and was too cramped for some activities, the newly constructed Operation Training Center provides greater functionality for education and training purposes, including a more efficient distribution of operation and practical training rooms, and the addition of a new facility for education and training for potentially dangerous situations. The fully modernized center will be used to focus more energy into fostering human resources that are even more committed to a spirit of "creation" so as to further strengthen the competitiveness of the Daicel Group.

Review of Operations
At a Glance

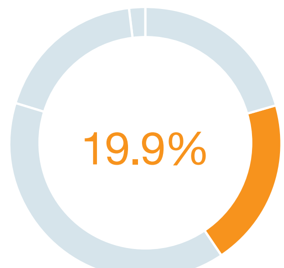
Business Segment	Sales	Operating Income

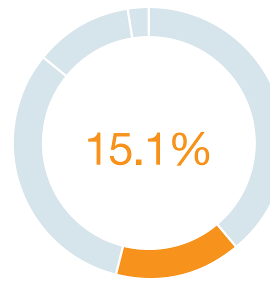
Cellulosic Derivatives



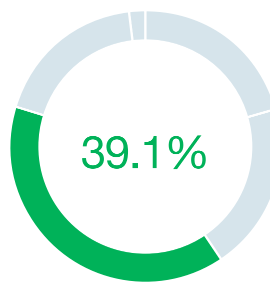


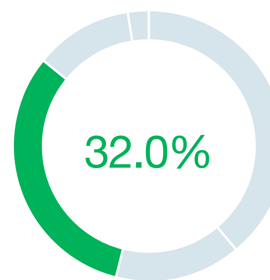
Organic Chemicals



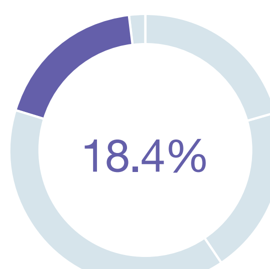


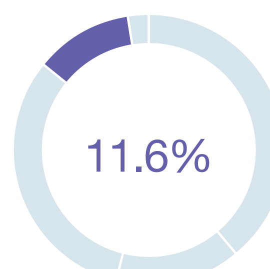
Plastics and Films



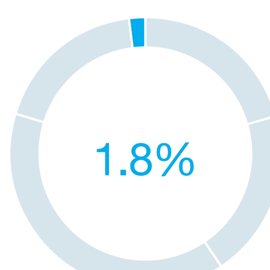


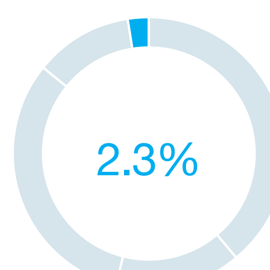
Pyrotechnic Devices





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		

19P

Major Products	Uses	Market Position
Acetic acid and its derivatives	Cellulose acetate, vinyl acetate Solvents, pharmaceuticals Agricultural chemicals, pure terephthalic acid (PTA)	One of the leading manufacturers 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		

20P

Major Products	Uses	Market Position
Polyacetal (POM)	Electric and electronic parts, automotive parts IT and communication device parts, household appliances	The top rank in the world 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)		
Polyphenylene sulfide (PPS)		
Cyclic-olefin copolymer (COC)		
ABS resins and alloys		
Polystyrene sheets and plastics products		
Functional coating films	Moisture-proof package for foods	

21P

Major Products	Uses	Market Position
Inflators	Automobile airbag inflators	The top manufacturer of automobile airbag inflators in Japan
Aircrew emergency escape systems	Fighters, trainers, helicopters	
Rocket motors	Missiles	
Propellants		

22P

Major Products	Uses	Market Position
Separation membrane modules	Water treatment	

23P

Review of Operations

Cellulosic Derivatives

OPERATIONS

Years ended March 31	2009	2010	2011	2012	2013
	Millions of yen				
Sales to external customers	¥ 72,369	¥ 76,938	¥ 76,551	¥ 72,115	**¥ 74,493**
Intersegment sales	2,901	2,680	2,782	2,629	**2,530**
Total sales	75,270	79,618	79,333	74,744	**77,023**
Operating income	¥ 2,203	¥ 12,053	¥ 12,069	¥ 7,764	**¥ 13,620**
Total assets	¥107,953	¥ 96,558	¥ 87,712	¥ 80,657	**¥ 85,793**
Depreciation	16,554	15,509	12,755	9,963	**7,578**
Capital investments	7,169	4,729	908	3,053	**5,936**

Overview

The Cellulosic Derivatives Segment, which endeavors to further cultivate its cellulosic chemical technologies based on the celluloid manufacturing technologies in use since the establishment of 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 displays (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 integrated production system for acetic acid, cellulose acetate, and acetate tow.

Performance

In the fiscal year ended March 2013, sales to external customers amounted to ¥74,493 million, up 3.3% year on year.

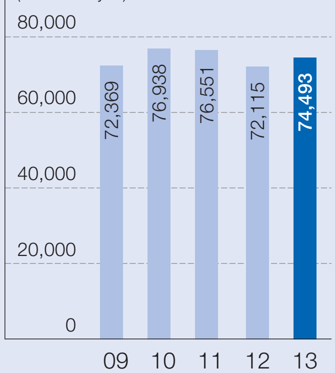
Sales of cellulose acetate decreased primarily due to a drop in demand for LCD film applications for sluggish flat-screen TV sales.

Sales of acetate tow for cigarette filters increased, buoyed by healthy sales outside Japan and other factors.

Operating income rose to ¥13,620 million (up 75.4% year-on-year) due mainly to the selling price correction following the surge in raw material and fuel prices and the decrease in depreciation and amortization.

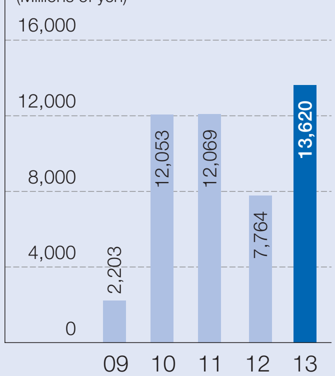
Sales to External Customers

(Millions of yen)



Operating Income

(Millions of yen)



Review of Operations

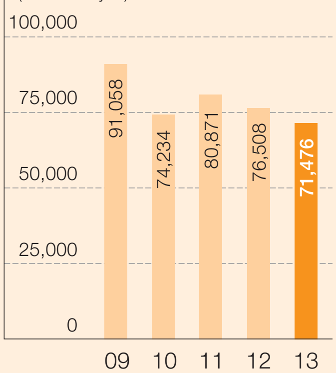
Organic Chemicals

OPERATIONS

	Millions of yen				
Years ended March 31	2009	2010	2011	2012	2013
Sales to external customers	¥ 91,058	¥ 74,234	¥ 80,871	¥ 76,508	¥ 71,476
Intersegment sales	15,989	10,953	14,384	15,054	15,103
Total sales	107,047	85,187	95,255	91,562	86,579
Operating income	¥ 4,703	¥ 5,858	¥ 6,923	¥ 5,352	¥ 5,276
Total assets	¥ 76,041	¥ 74,404	¥ 69,095	¥ 66,499	¥ 67,277
Depreciation	8,362	8,493	8,099	6,950	5,387
Impairment loss on fixed assets	—	857	245	375	53
Capital investments	6,246	5,637	2,627	4,553	3,844

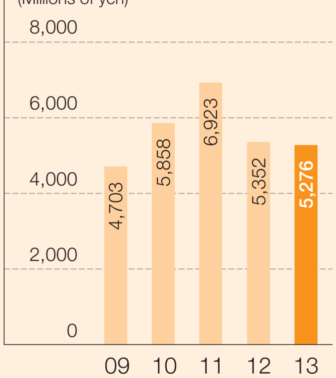
Sales to External Customers

(Millions of yen)



Operating Income

(Millions of yen)



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 separation business including chiral separation columns.

Acetic acid is one of Daicel's mainstay products, and Daicel is one of the leading manufacturers of this product in Asia. As the top manufacturer of peracetic acid derivatives 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 the fiscal year ended March 2013, sales to external customers amounted to ¥71,476 million, down 6.6% year on year.

The sales volume of acetic acid, the segment's principal product, increased supported by steady growth of international demand for purified terephthalic acid (PTA), its primary application, as well as the fact that the biennial periodical repair was not implemented at our Himeji Production Sector Aboshi Plant in the current fiscal year. Nevertheless, the sales amount increased only slightly due to the worsening market conditions and other factors.

As for general products, such as acetic acid derivatives and solvents, sales dropped partly affected by shrinking demand in Europe and China, despite solid sales of ethyl acetate.

Functional products such as caprolactone derivatives, epoxy compounds and others recorded a drop in sales due to stagnant demand for electronic materials and sluggish international demand.

A sales decline was also posted for the chiral separation business. Chiral separation column sales for China and Europe were strong, but custom separation service decreased.

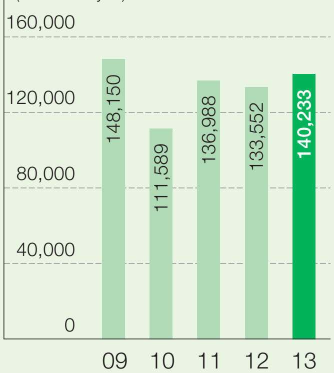
Operating income was ¥5,276 million (down 1.4% year-on-year) due partly to a fall in selling prices, despite a decrease in depreciation and amortization.

Review of Operations

Plastics and Films

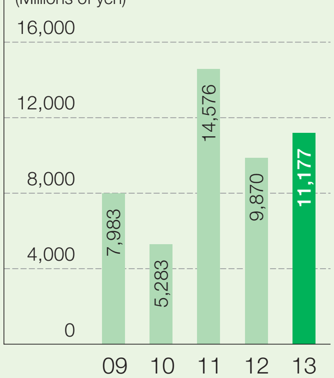
Sales to External Customers

(Millions of yen)



Operating Income

(Millions of yen)



OPERATIONS

	Millions of yen				
Years ended March 31	2009	2010	2011	2012	**2013**
Sales to external customers	¥148,150	¥111,589	¥136,988	¥133,552	**¥140,233**
Intersegment sales	4	5	10	12	**7**
Total sales	148,154	111,594	136,998	133,564	**140,240**
Operating income	¥ 7,983	¥ 5,283	¥ 14,576	¥ 9,870	**¥ 11,177**
Total assets	¥132,823	¥123,300	¥124,173	¥120,239	**¥148,113**
Depreciation	7,430	7,215	6,459	6,550	**5,715**
Impairment loss on fixed assets	—	—	74	—	**—**
Amortization of goodwill	—	—	—	—	**77**
Capital investments	6,431	2,732	3,430	6,498	**13,044**

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 regin compound business, such as high performance polymer alloys; and the plastic processing business, such as polystyrene-based sheets, molded packages, and functional coating films.

Polyplastics Co., Ltd., a Daicel subsidiary, is responsible for the engineering plastics business. With the world's largest market share in engineering plastics like POM and LCP, Polyplastics supplies products for a wide range of applications mainly in the electronics and automobile industries but also for precision machinery, construction materials, and household appliances. The market for engineering plastics has been concentrated in the Asia-Pacific region but is now expanding worldwide.

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 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, Singapore, and Thailand.

Performance

In the fiscal year ended March 2013, sales to external customers amounted to ¥140,233 million, up 5.0% year on year.

Sales of engineering plastics such as POM, PBT, and LCP increased, despite boycotts of Japanese automobiles in China and the strong yen, thanks to higher sales volumes on the recovery in automobile production and progress in raising product prices to pass on higher raw material and fuel costs.

Sales declined slightly for the resin compound business centering on ABS resins and engineering plastic alloy resins. While automobile parts and other applications did well, demand for electric/electronic materials was sluggish.

Sales of the resin processing business, including sheets, molded containers and films, remained at the previous year's level due partly to a downturn in demand for e-materials, although the business scale has expanded since April 2012 through absorption-type mergers in the low density plastic foam products business.

Operating income also rose to ¥11,177 million (up 13.2% year-on-year) due primarily to the selling price correction along with the surge in raw fuel prices.

* For further information, please see the article "Daicel Polymer (Thailand) Co., Ltd. Established," "DM Novafoam Joint Venture Establishes Nationwide Sales Network," "Polyplastics Sales Companies in U.S. and Europe Start Operations," and "German Supplier for Liquid Crystal Polymers Acquired" in Daicel Highlights of the Year on pages 15-16.

Review of Operations

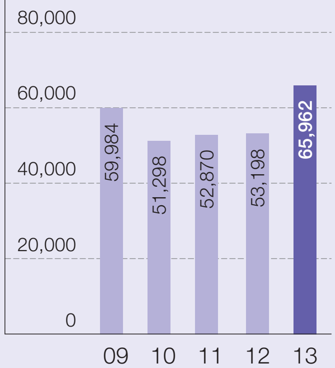
Pyrotechnic Devices

OPERATIONS

	Millions of yen				
Years ended March 31	2009	2010	2011	2012	2013
Sales to external customers	¥ 59,984	¥ 51,298	¥ 52,870	¥ 53,198	¥ 65,962
Total sales	59,984	51,298	52,870	53,198	65,962
Operating income	¥ 2,663	¥ 4,826	¥ 5,864	¥ 5,003	¥ 4,076
Total assets	¥ 50,594	¥ 52,140	¥ 48,459	¥ 58,736	¥ 80,401
Depreciation	5,159	4,613	4,632	3,998	4,551
Amortization of goodwill	—	—	—	—	741
Capital investments	3,751	3,005	2,067	3,667	15,737

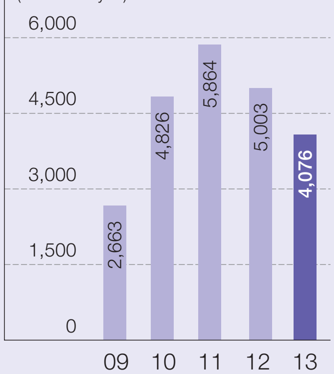
Sales to External Customers

(Millions of yen)



Operating Income

(Millions 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, propellants, and rocket motors.

The Company's automobile airbag inflators, which are highly regarded and considered as essential components in the constantly advancing technology for airbag systems, maintain a global market share close to 20%.

In the aerospace & defense business, we manufacture various kinds of gunpowder 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 the fiscal year ended March 2013, sales to external customers amounted to ¥65,962 million, up 24.0% year on year.

Sales of automobile airbag inflators (gas-generating devices) and micro gas-generating devices for seat belt pretensioners (PGG) increased significantly, despite the Japanese car boycott campaign in China. This increase was brought about by the recovery of automobile production volume, which recorded a plunge in the previous fiscal year in the aftermath of the earthquake, as well as the inclusion of Special Devices, Inc.—a U.S. manufacturer and seller of initiators (ignition parts of automobile airbag inflators)that the Company acquired in April 2012—in the scope of consolidation.

Regarding the aerospace & defense business, sales rose for items such as propellants, missile components and pilot emergency escape systems, backed by an increase in the quantity of some products procured the Ministry of Defense.

Operating income fell to ¥4,076 million (down 18.5% year-on-year), partly affected by the Japanese car boycott campaign in China and an increase in expenses to meet rapidly rising demand in the United States.

* For further information, please see the article “Special Devices, Inc., U.S. Airbag Initiator Manufacturer, Acquired” in Daicel Highlights of the Year on pages 15-16.

Review of Operations

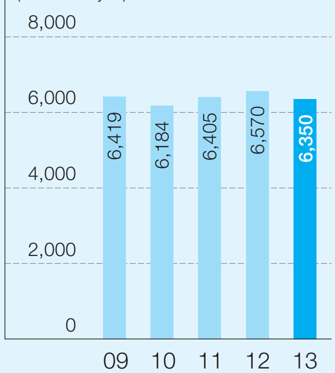
Functional Products and Others

OPERATIONS

	Millions of yen				
Years ended March 31	2009	2010	2011	2012	2013
Sales to external customers	¥ 6,419	¥ 6,184	¥ 6,405	¥ 6,570	¥ 6,350
Intersegment sales	10,980	9,369	10,133	9,480	9,784
Total sales	17,399	15,553	16,538	16,050	16,134
Operating income	¥ 612	¥ 802	¥ 1,300	¥ 1,020	¥ 797
Total assets	¥ 7,338	¥ 7,297	¥ 7,165	¥ 7,065	¥ 7,873
Depreciation	367	313	300	264	244
Capital investments	258	109	288	193	255

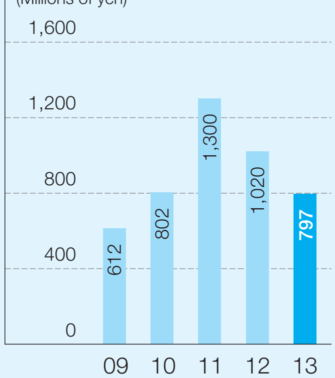
Sales to External Customers

(Millions of yen)



Operating Income

(Millions of yen)



Performance

In the fiscal year ended March 2013, sales to external customers amounted to ¥6,350 million, down 3.3% year on year.

Sales rose in the membrane business, including membrane modules for water treatment, driven by a robust demand in the medical industry.

Meanwhile, transport, warehousing, and other businesses posted sales decreases.

Operating income was ¥797 million (down 21.9% year-on-year).

Review of Operations

Topics

The 2nd KAIZEN Case Study Meeting

In April 2012, teams from six domestic plants and the Central Research Center participated in the second KAIZEN Case Study Meeting at the Ohtake Plant. Following the concept of “awareness, thinking and action,” this program is designed so members can share their daily Kaizen activities in each field through an exchange of information and opinion. It is also intended to enhance a sense of unity across the Daicel Group, and to promote this spirit for future Kaizen activities.

A total of 89 teams comprising approximately 1,900 employees–about three times the number of the first meeting–participated in site KAIZEN case study meetings held at individual plants. From these, seven teams were selected to give presentations on their achievements and insights regarding safety measures, improvements to operating environments and operability, productivity enhancement, and other initiatives. Participants closely followed the presenters as they used illustrated panels to carefully describe their improvement initiatives. The lively question and answer sessions following the presentations provided a meaningful exchange of opinions and insights, including detailed questions and suggestions for future implementation.

We believe making our worksites better will improve the company as a whole, and continuing to foster discussion about KAIZEN activities across the entire Daicel Group will lead to an even stronger commitment to “creativity” in the future.

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 cellulose chemistry, organic synthesis chemistry, polymer chemistry, and pyrotechnic engineering.

R&D Activities for this Fiscal Year

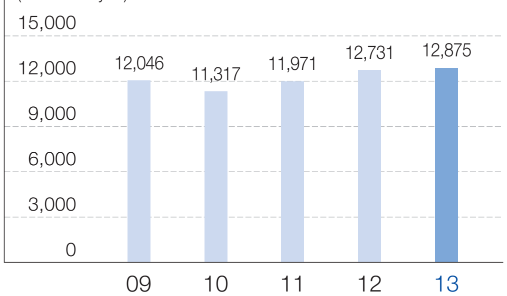
The Daicel Group engages in the development of high-performance, high-value-added products that goes beyond the conventions of ordinary chemistry while reinforcing its basic technologies. In our existing businesses as well, we are conducting R&D focused on creating a high-profit earnings structure and energy-saving technologies via research in areas including quality improvement, cost cutting, and environmental load-reducing process.

On November 1, 2012, a Strategy & Planning was established in Organic Chemical Products Company to plan, formulate, and promote business strategies and with the objective of enhancing the speed and efficiency of the Organic Chemicals Segment's strategic responses. The Organic Chemical Products Company Planning & Development was eliminated and its sub-departments, the R&D Center and the Process Engineering Center were brought under direct administration of the Company President.

Consolidated R&D expenses amounted to ¥12,875 million in the fiscal year ending March 2013. The Group has 1,004 employees, representing 11% of the Group's total employees, engaged in R&D activities.

Research and Development Expenses

(Millions of yen)



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 ¥14,000 million in R&D in the fiscal year ending March 2014.

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; develop new applications and products using existing products and technologies	¥756 million
Organic Chemicals	Research into improving acetic acid manufacturing technologies; development of new organic derivatives; development and commercialization of organic-designed products; 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	¥2,364 million
Plastics & Films	Quality enhancement and environmental responsiveness of engineering plastics; development of high-performance resins and polymer alloys; development of styrene products	¥3,907 million
Pyrotechnic Devices	Research into the development of new gas-generating agents and new inflators for car airbags; development of propellants	¥2,391 million
Functional Products & Others	Development of membrane separation systems	¥127 million
Company-Wide R&D	R&D for the creation of new businesses; basic research that cannot be allocated to any specific segment; development of functional chemical products and functional films for the electronics market, and functional materials for advanced areas including the environmental and healthcare fields	¥3,328 million

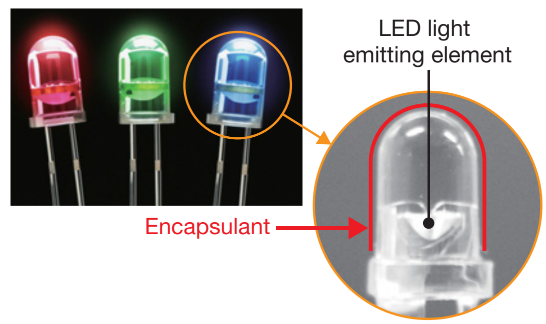
Corporate Social Responsibility

Environment

Each company of Daicel Group develops products and technologies with a deep commitment to safety and the environment and provides customers with environmentally friendly products.

CELVENUS® T Series Transparent Encapsulant

The CELVENUS® T Series is an LED encapsulant created by integrating synthetic chemistry techniques developed from Daicel's extensive experience and proprietary compounding techniques. The CELVENUS® T Series silicon encapsulant offers superior heat resistance for high intensity lighting, such as LCD backlighting and LED lighting, compared to the commonly used silicon encapsulants. CELVENUS® T Series also has excellent gas barrier properties that inhibit discoloration of the silver plating on LED electrodes thereby preventing degradation of the LED brightness. By bringing the CELVENUS® T Series to market, Daicel is helping to broaden the use of the environmentally friendly LEDs and contributing to the preserving the earth's environment.



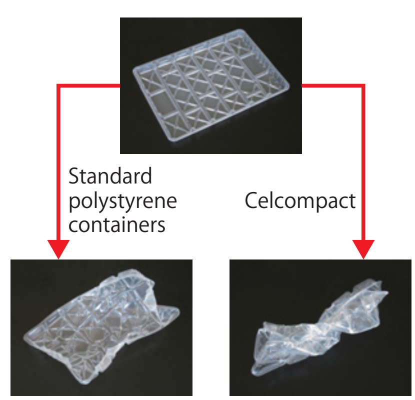
CELBLEN EC Cellulose Bioplastics Based on Non-Edible Wood Resources


Glass frames made from CELBLEN EC

Daicel Polymer Ltd. introduced the new CELBLEN EC cellulose bioplastics produced from non-edible wood resources. The CELBLEN EC series is made of cellulose ester plastic containing 40-50% plant-based materials derived from cellulose available in wood pulp and other wood materials. Cellulose has an advantage for raw material procurement compared with corn-derived polylactide because cellulose is abundant in nature and available virtually everywhere in the world. CELBLEN EC can also contribute to realizing a sustainable society because its production is disassociated with the growing concern about food resources as populations increase.

Celcompact® Eco

Plastic containers are inconvenient for consumers because they usually take up a considerable amount of space when being disposed of. The Celcompact® Series of Daicel Pack Systems Ltd. is volume-reducible plastic that is easily crushable and does not revert to its molded shape thereby reducing trash space. Celcompact also offers excellent impact resistance and rigidity, making it ideal for lightweight (thin molded) containers while reduced trash volume and energy savings during transport compared to standard polystyrene containers help lower CO_2 emission volumes. This year, the Company released Celcompact® Eco, with improved environmental features. Made from natural biomass materials, enabling even further reduction in CO_2 emissions, Celcompact® Eco is accredited to bear the Biomass Mark indicating it as a product that supports the environment.



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Responsible Care

The Responsible Care Initiative is implemented throughout our operations to contribute to realizing a society capable of sustainable development.

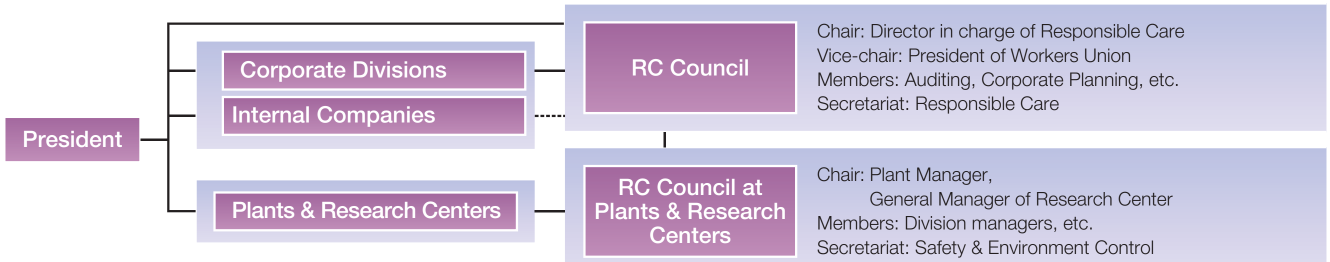
In 1995, Daicel established its Basic Policies for Responsible Care (RC) based on the Guiding Principles for Improvement of Environmental, Safety and Health Conditions of the Japan Chemical Industry Association. Daicel is deeply aware of its responsibility as a corporate citizen to protect the environment and ensure the safety and health of everyone involved with the Company at every stage of its operations—from product design to disposal. Daicel promotes RC activities throughout the Company with the aim of contributing to realizing a society capable of sustainable development.

Basic Policies for Responsible Care

In all aspects of its business operations, Daicel is making the utmost efforts to ensure environmental preservation, process safety and disaster prevention, occupational health and safety, chemical and product safety, distribution safety, and dialogue with society in accordance with the Responsible Care Standards of the Japan Chemical Industry Association (JCIA). Daicel is making steady and continuous progress in all of these areas.

Daicel will comply with all laws and regulations and strive to preserve the environment and ensure safety in its business activities. All employees will be made fully aware of specific implementation plans to maintain and enhance our efforts.	Daicel will seek to develop and introduce products and technologies with increasing consideration of the environment, health and safety.
Daicel will strive to produce and offer products that take people's health, safety, and the environment into consideration. Daicel will thoroughly assess the impact of new products on health, safety, and the environment at every stage—development, manufacture, distribution, use, and disposal—prior to installing facilities for their production and introducing them to the market.	Daicel pledges to strictly comply with all regulations in Japan and in local jurisdictions overseas and give due consideration to the environmental and safety concerns of all parties involved when engaging with overseas companies, transferring technologies abroad, and conducting international transactions involving chemical products.
Daicel will collect and maintain a database of information regarding environmental and safety issues related to its products and the substances it handles. Users and distributors will be provided with all information necessary to ensure the safe use and handling of our products.	Daicel will actively lead and support the environmental and safety activities of the Daicel Group companies with the aim of securing a better and safer environment for all.
Daicel will promote initiatives to save energy, conserve resources, and reduce and recycle waste products to minimize the use of limited raw materials and protect the environment.	Daicel will participate in and cooperate with environmental preservation activities in the communities in which it operates and will seek to gain the understanding and trust of society by through dialogue on environmental and safety activities.
Daicel will seek to constantly raise safety standards to achieve a no-accident, no-disaster record at the manufacturing stage. The Company will ensure appropriate emergency response procedures are in place, training is undertaken, and appropriate countermeasures are immediately implemented in the event of an accident.	Daicel will deepen its understanding and awareness of the importance of preserving biodiversity and promote activities that consider biodiversity so future generations will continue to receive the benefits of biodiversity.

Organizational Structure for Responsible Care

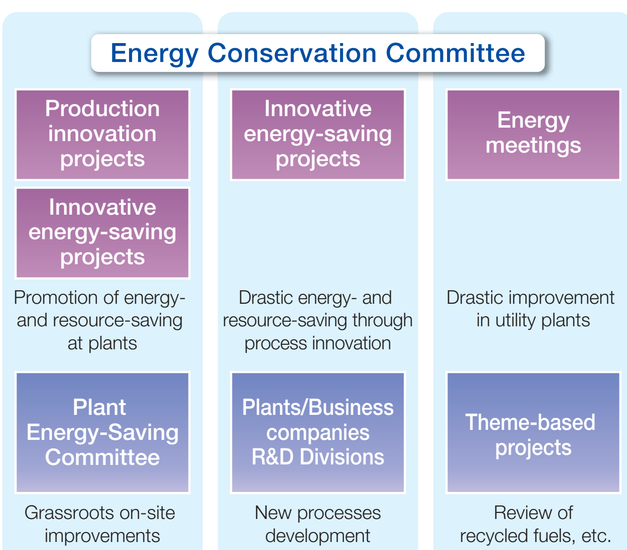


Environmental Preservation

Daicel is a participant in Nippon Keidanren's Commitment to a Low Carbon Society and the Company's Energy Conservation Committee is leading the initiative to achieve specified CO_2 emission reduction targets for fiscal 2020.

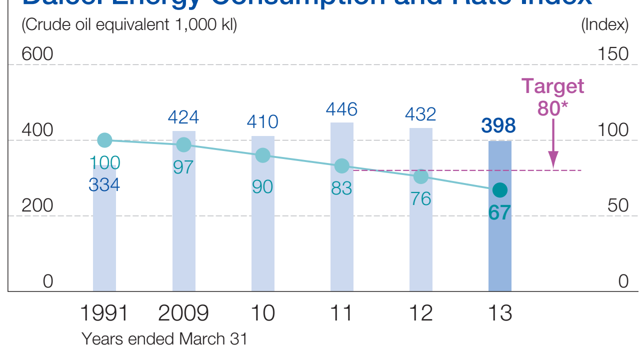
The Company established the Energy Conservation Committee in 2010 to promote further efficiency in energy conservation throughout the Company following the enforcement of the Revised Act on the Rational Use of Energy in 2010.

To achieve the 3D-I medium-term plan target of "reducing energy intensity by 1% or more every year," the Company launched a three-pronged approach of saving energy in the energy sector, saving energy in our current production processes, and introducing innovative energy saving technology.



Groupwide efforts to conserve energy in fiscal 2012 included recovering low-grade exhaust heat from the acid recovery systems of the cellulose acetate plants at the Aboshi and Ohtake plants and the starting operations in September of the high efficiency, state-of-the-art cogeneration facility at the Aboshi Plant. These efforts enabled Daicel to reduce energy consumption by 8% and the Group by 5% from the previous fiscal year, the equivalent of saving 31,000 kiloliters of crude oil. At the same time, the Company improved its energy intensity index by 12% and the index of energy-derived CO_2 emission intensity by 6% from the previous fiscal year.

Daicel Energy Consumption and Rate Index

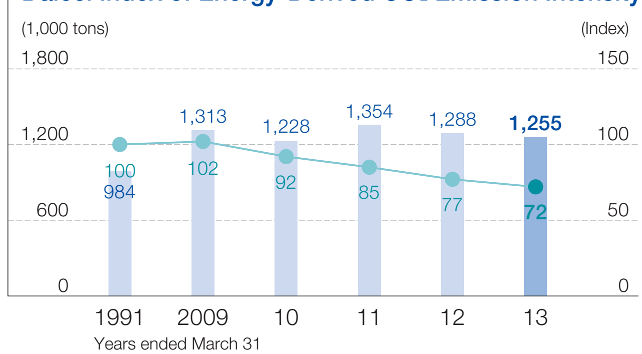


Energy consumption (left)

Energy consumption rate index (right)

* The Japan Chemical Industry Association has set a target for the average energy intensity index between 2008 and 2012 at 80 with the 1990 level set as 100.

Daicel Index of Energy-Derived CO_2 Emission Intensity



Energy-derived CO_2 emissions (left)

Index of CO_2 emission units (right)

Chemical and Product Safety

As a corporation involved in the handling of chemical substances, the Daicel Group constantly strives to reduce emissions of volatile organic compounds (VOCs) and pollutant release and transfer register (PRTR) substances.

Reduction of VOC Emissions

In fiscal 2012, Daicel continued improving processes that use such major VOC substances as acetone and toluene. As a result, the Company achieved the VOC reduction target of 30% of fiscal 2000 levels set by the Japan Chemical Industry Association (JCIA).

The Company also established new reduced operation conditions for facilities with the highest VOC emission volumes. Daicel is steadily reducing VOCs as it aims to achieve its medium-term target for fiscal 2013 of emissions 40% below the level of fiscal 2000.

Management and Reduction of PRTR*[1] Substance Emissions and Transfers

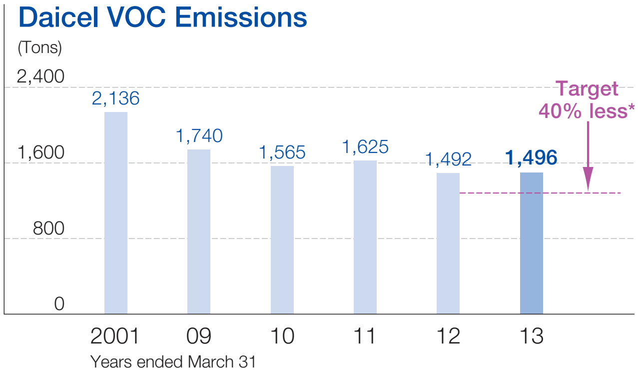
Daicel uses chemical substances specified in a PRTR-related law*[2] and guidelines JICA set independently. The Company is promoting initiatives aimed at controlling emission and transfer volumes and reducing emission volumes of chemicals specified by the aforementioned law and guidelines.

In wastewater management, Daicel continued to steadily implement reduction measures, such as setting new operating conditions for activated sludge treatment, and in fiscal 2012 reduced wastewater emissions by 35 tons, or 51% of the level in fiscal 2001, reaching the medium-term target for fiscal 2013 of PRTR substance emissions 40% below the level of fiscal 2000. The Company is continuing to implement measures to further reduce wastewater emissions.

*1: The pollutant release and transfer register (PRTR) system is a system for measuring and registering (reporting) how much of chemical substances are emitted or transferred into the environment when the substances are being produced, used, or stored in Japan.

*2: The PRTR-related law is the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management.

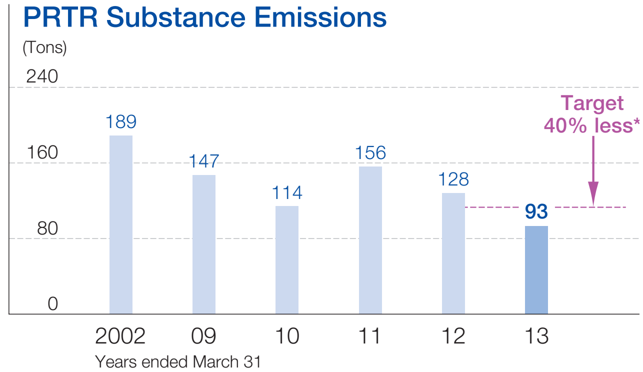
Daicel VOC Emissions



Emission volume

* Medium-term target 40% less than fiscal 2000

PRTR Substance Emissions



Emission volume

* Medium-term target 40% less than fiscal 2001

Occupational Health and Safety

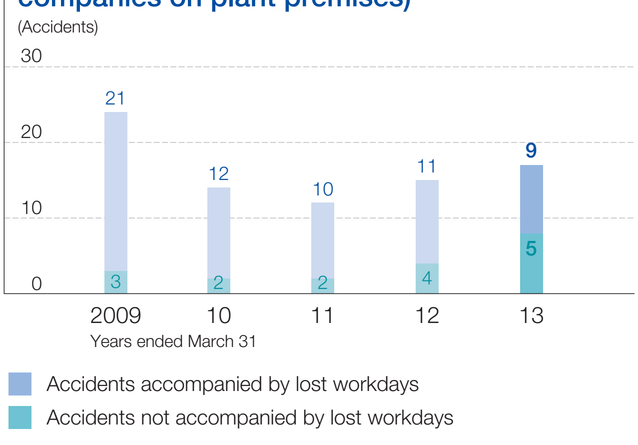
To upgrade the foundation of production sites, the base of new value creation, Daicel implements the 3S workplace organization (sorting, setting in order, systematic cleaning), crisis-identification activities, hazard prediction activities and operational training programs at the Operation Training Center. In order to foster a culture that emphasizes workplace safety, the Company commenced a series of education programs, covering topics including the Company history of safety and improvements, for staff serving as instructors (assistant managers though to general managers) in fiscal 2011.

In addition, all management and employees participate in the Company program to "create a better future by learning from the lessons of the past" by reconfirming every month whether recurrence prevention measures related to past accidents are still in place and whether employees entering new positions are fully aware of the potential dangers at each site.

Through these ongoing measures, the Company lowered the number of incidents of workplace accidents with or without lost work time by one from the previous fiscal year to 14 in fiscal 2012.

Daicel reported a labor accident frequency rate of 1.50 in fiscal 2012 maintaining a level above the JCIA average.

Labor Accidents at Daicel (including partner companies on plant premises)



Process Safety and Disaster Prevention

Carrying on from the previous fiscal year, Daicel again achieved zero fire and explosion accidents in fiscal 2012. This reflects the Company's efforts to promote a variety of initiatives including a total Environment, Health and Safety assessment system, general operability studies, and a full review of potential risks to promote stable plant operations and reduce plant trouble and risks.

In accordance with annual plans, each place of business joins with the Company's head office in conducting regular emergency drills to ensure swift and appropriate disaster-prevention activities, including lifesaving, fire extinguishing, and minimizing the impact on neighboring areas, when an emergency occurs.

In fiscal 2012, the Company fully reviewed its disaster response systems, conducted seismic analysis and reinforced all buildings and facilities in line with the Companies medium-term plan as contingency measures for a major earthquake, tsunami, or liquefaction disaster.

In addition, in response to the recent series of explosions and fires at chemical plants, the Company reeducated operators and reexamined the detection methods for variance to normal conditions and procedures for when abnormal conditions are identified at plants that handle substances with the risk of unusual heat generation.

Distribution Safety

Daicel Logistics Service Co., Ltd., which is responsible for the distribution function for the Daicel Group, has put in place a basic philosophy that emphasizes efforts to garner the trust and confidence of society by providing services that fulfill the needs of its customers anywhere and at any time. Guided by this philosophy, the company works diligently to enhance transportation quality and safety.

In fiscal 2012, there were no notable improvements in addressing logistics-related troubles. In fiscal 2013, Daicel will work with its transportation contract partner companies to establish a central system of safety and quality cooperation meetings. Every effort will be made to prevent the occurrence of any incident with an eye to completely eliminating logistics-related troubles.

Corporate Governance

The Daicel Group seeks to increase corporate value by strengthening its corporate governance and endeavors to maintain sound company management by enhancing management transparency and fairness.

Corporate Governance

Daicel is a company with Board of Corporate Auditors. 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 in-house 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.

Board of Directors

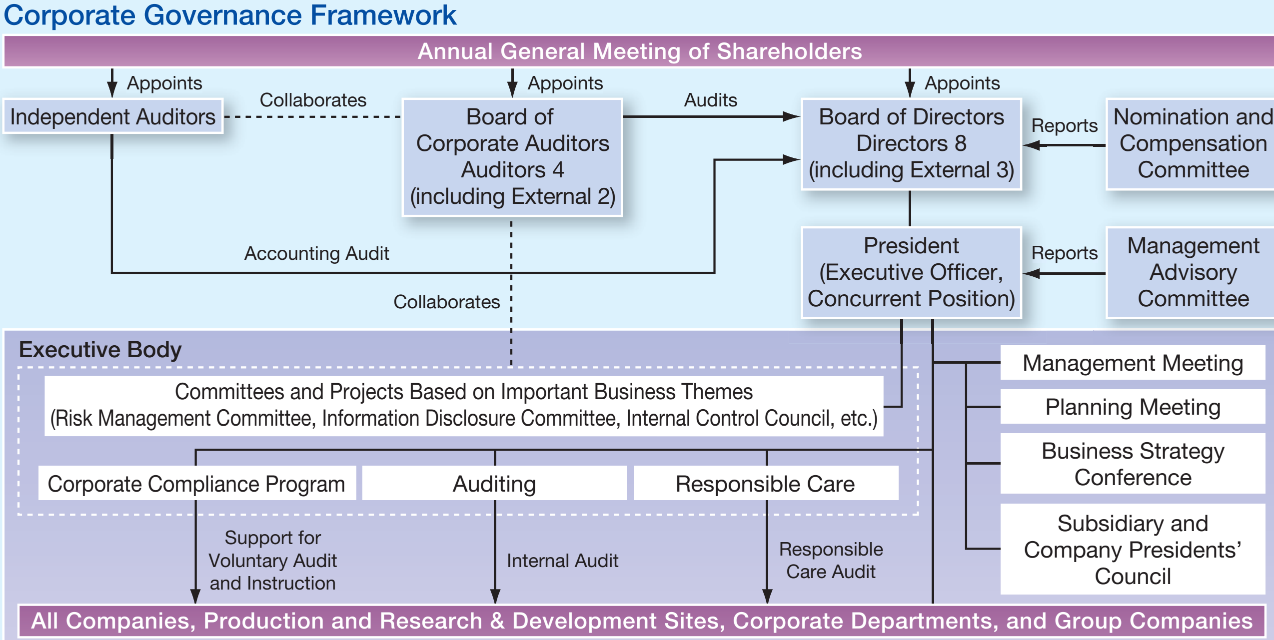
Daicel's Board of Directors consists of eight directors, three of whom have been externally appointed. The Board of Directors meets, in principle, once a month to make decisions concerning important management issues in line with the regulations for the Board of Directors meetings. Furthermore, the Board of Directors supervises the execution of operations.

At Daicel, external directors are tasked with providing advice and supervisory functions based on their experience and expertise.

Three directors have concurrent positions as executive officers. Their responsibilities as executive officers are limited to those relating to Daicel's president, who provides supervisory functions for all business divisions and corporate departments. This means that their responsibilities have been separated from those of the Company's internal companies, which conduct actual business operations.

The term of office for Daicel's directors is one year. Such a short term of office enables Daicel shareholders to be better involved with the appointment of directors. At the same time, it allows us to better clarify the management responsibilities of our directors and thereby reinforce our corporate governance.

Corporate Governance Framework



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

(As of June 21, 2013)

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, directors (expect external), corporate auditors (expect external), and executive officers appointed by the president.

Board of Corporate Auditors

The Board of Corporate 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.

Meanwhile, the Company's corporate auditors all together form the Board of Corporate Auditors. The Board of Corporate Auditors holds meetings to report, deliberate and makes decisions on important issues relating to the Company's audits.

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. Since its establishment, the Risk Management Committee has guided the entire Company in conducting risk management activities. In fiscal year 2012, the Risk Management Committee set raising sensitivity to operational risk and promoting countermeasures for earthquake disaster-related risk as priority issues.

To increase sensitivity to operational risk, we provided training on risk management at all training workshops and conducted activities in each department to raise awareness of the risk in our operations. The Risk Management Committee also verified that countermeasures initiated for disaster-related risk were progressing generally on schedule.

The Company actively seeks to eliminate risk in each department that has the potential to significantly hinder the achievement of its business objectives. Risk inventory clearance involves countermeasures aimed at preventing risk from materializing, or minimizing the impact of the risks that do materialize, and also includes the entering all such risk in the intranet database. All departments assign priority levels and implement specific countermeasures, and the progress status of the countermeasures is regularly recorded. When new risks are identified, they are also entered into the database. Each department carries out risk management activities using the database to apply the Plan-Do-Check-Act (PDCA) cycle. More than 40 Group companies in Japan and overseas carry out similar risk management activities.

Corporate Ethics

Daicel Group has positioned corporate ethics as an essential component of the systematic efforts of each department and Group company to engage in CSR activities.

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 through participation by all employees.

Promotional Framework

Daicel maintains the Corporate Compliance Program Division headed by an appointed representative director to promote activities related to corporate ethics. The Corporate Compliance Program Division plans, implements, and verifies the progress of corporate ethics activities for the Company and each Group company and promotes compliance awareness at all business sites through dialogue about specific issues for each department.

Legal Compliance System

Daicel has established a Legal Compliance System. Under this system, corporate departments are designated as sections in charge of ensuring compliance with laws and regulations relating to their respective operations. More specifically, designated corporate departments are tasked with obtaining information regarding related laws and regulations and providing that information to other corporate departments that may be affected. There are 13 corporate departments including the Legal Group designated as sections responsible for compliance. These departments use the intranet to provide employees with information on revisions to laws and regulations as well as guidelines while also providing education materials.

Education and Training Programs

The Corporate Compliance Program Division provides, based on a plan, ethics training geared to each job level, such as new employees and employees receiving promotions to new positions, as well as to Company directors and Group company presidents in Japan. Training includes reconfirming the definition of the Company's CSR, studying misconduct by our Company and other companies, and holding group discussions about specific cases to raise participant awareness of the importance of corporate ethics. In addition, each division or each company 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 by sections responsible for laws and regulations relating to operations.

Consultation and Reporting System

With the intent of Whistle-Blower Protection Act, Daicel is taking steps to ensure that employees at all workplaces are able to issue reports and hold consultations without difficulty. A Corporate Ethics Help Line has been established for circumstances where corporate ethics-related issues cannot, for some reason, easily be resolved through ordinary reporting to supervisors. The Help Line system facilitates reporting to an in-house help desk as well as to a designated external consultation service to allow anonymity.

Board of Directors and Auditors/ Executive Officers (As of June 21, 2013)

CHAIRMAN
Daisuke Ogawa

PRESIDENT
Misao Fudaba

DIRECTOR
Masumi Fukuda

BOARD OF DIRECTORS AND CORPORATE AUDITORS

CHAIRMAN

Daisuke Ogawa

PRESIDENT

Misao Fudaba

DIRECTORS

Masumi Fukuda

Yoshimi Ogawa

Noboru Goto
President of Polyplastics Co., Ltd.

Shigetaka Komori
Chairman of FUJIFILM Holdings Corporation

Akishige Okada
Advisor of Sumitomo Mitsui Banking Corporation

Tadao Kondo
Senior Advisor of Nippon Shokubai Co., Ltd.

CORPORATE AUDITORS

Hitoshi Oya

Tsuyoshi Kihara

EXTERNAL CORPORATE AUDITORS

Kunie Okamoto
Chairman of Nippon Life Insurance Company

Toshio Takano
Lawyer

EXECUTIVE OFFICERS

CHIEF EXECUTIVE OFFICER

Misao Fudaba

SENIOR MANAGING EXECUTIVE OFFICERS

Masumi Fukuda
General Manager of Corporate Support Center, Responsible for Corporate Compliance Program and Business Process Innovation

Tetsuzo Miyazaki
Responsible for Organic Chemical Products Company and Aerospace & Defense Systems/Safety Systems Company

MANAGING EXECUTIVE OFFICERS

Masayuki Mune
Responsible for Cellulose Company and Raw Material Purchasing Center

Yuji Iguchi
General Manager of Topas Business Group, Responsible for Corporate Planning

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

Hisao Nishimura
General Manager of R&D Management, Responsible for New Business Planning and Intellectual Property Center

EXECUTIVE OFFICERS

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

Naohide Hakushi
General Manager of Ohtake Plant

Hidekage Kojima
General Manager of Corporate Planning

Dieter Heckmann
General Manager of CPI Global Operations, President of Chiral Technologies, Inc., Chiral Technologies Europe S.A.S. and Daicel Chiral Technologies (India) Pvt. Ltd.

Takahiko Ando
General Manager of Himeji Production Sector and Aboshi Plant

Financial Section

Eleven Year Summary

Years ended March 31

	2003	2004	2005	2006
For the year:				
Net sales	¥ 271,342	¥ 281,740	¥ 306,335	¥ 335,520
Operating income	20,410	21,207	28,553	33,570
Income before income taxes and minority interests	6,864	8,055	22,380	29,386
Net income	2,029	5,166	10,844	14,221
Amounts per common share (yen):				
Net income	¥ 5.50	¥ 14.21	¥ 29.82	¥ 39.16
Cash dividends applicable to the year	6.00	6.00	8.00	8.00
Capital expenditures	¥ 16,747	¥ 20,991	¥ 25,377	¥ 59,018
Depreciation and amortization	25,413	24,514	22,490	22,484
Research and development expenses	11,747	11,085	11,219	11,221
At year-end:				
Total current assets	¥ 143,280	¥ 141,233	¥ 160,541	¥ 172,344
Total assets	381,518	381,485	413,493	483,469
Total current liabilities	107,385	105,093	102,779	133,420
Total long-term liabilities	94,934	88,684	110,875	121,159
Total equity*1	151,987	160,479	171,225	197,780
Ratios:				
Current ratio (%)	133.4	134.4	156.2	129.2
Shareholders' equity ratio (%)*2	39.8	42.1	41.4	40.9
Return on assets (%)	0.5	1.4	2.7	3.2
Return on equity (%)	1.3	3.3	6.5	7.7
Ratio of net income to net sales (%)	0.7	1.8	3.5	4.2
Assets turnover (times)	0.7	0.7	0.8	0.7
Tangible fixed assets turnover (times)	1.5	1.7	1.9	1.8
Other information:				
Price range of common stock (yen):				
High	¥ 423	¥ 501	¥ 597	¥ 1,017
Low	293	374	441	516
Exchange rate at year-end (yen per U.S.$1)	¥ 120.00	¥ 106.00	¥ 107.00	¥ 117.00
Number of employees (at year-end)	5,416	5,604	5,819	6,248

*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

2007	2008	2009	2010	2011	2012	**2013**
¥ 381,423	¥ 416,990	¥ 377,980	¥ 320,243	¥ 353,685	¥ 341,943	**¥ 358,514**
36,399	32,164	10,590	20,856	32,711	20,426	**26,197**
33,185	27,145	6,272	16,911	29,713	19,962	**25,283**
17,438	13,676	1,297	11,070	16,803	11,827	**15,373**
¥ 48.19	¥ 37.86	¥ 3.62	¥ 31.10	¥ 47.22	¥ 33.46	**¥ 43.71**
8.00	8.00	8.00	10.00	10.00	10.00	**12.00**
¥ 55,316	¥ 46,930	¥ 25,666	¥ 18,424	¥ 11,753	¥ 17,394	**¥ 26,067**
23,774	29,576	39,674	37,782	33,529	28,849	**24,605**
11,717	12,004	12,046	11,317	11,971	12,731	**12,876**
¥ 206,670	¥ 207,834	¥ 185,547	¥ 180,232	¥ 197,909	¥ 197,170	**¥ 232,201**
547,432	515,618	445,912	428,377	411,071	398,197	**461,513**
152,556	158,230	151,158	102,167	90,746	101,828	**113,226**
152,467	118,240	83,266	97,205	84,988	61,657	**85,387**
242,409	239,148	211,488	229,005	235,337	234,712	**262,900**
135.5	131.3	122.8	176.4	218.1	193.6	**205.1**
39.5	41.4	42.3	48.1	51.6	54.7	**52.2**
3.4	2.6	0.3	2.5	4.0	2.9	**3.6**
8.4	6.4	0.6	5.6	8.0	5.5	**6.7**
4.6	3.3	0.3	3.5	4.8	3.5	**4.3**
0.7	0.8	0.8	0.7	0.9	0.9	**0.8**
1.8	1.9	1.8	1.7	2.2	2.4	**2.5**
¥ 1,050	¥ 921	¥ 677	¥ 655	¥ 679	¥ 563	**¥ 787**
739	488	298	341	363	391	**424**
¥ 118.00	¥ 100.00	¥ 98.00	¥ 93.00	¥ 83.00	¥ 82.00	**¥ 94.00**
7,034	7,685	7,803	7,665	7,747	8,149	**9,233**

Management's Discussion and Analysis

Operating Results

Net Sales

Consolidated net sales amounted to ¥358.5 billion in the fiscal year ended March 2013, representing an increase of ¥16.6 billion, or 4.8%, from the previous fiscal year. The increase was due to the increased sales volume and sales price revisions.

Yen fluctuation versus the U.S. dollar during the term under review had an estimated ¥5.3 billion positive effect on sales compared to the previous fiscal year.

The main factors behind the increase in sales were revenue rises in three business segments. Cellulosic derivatives segment consolidated sales rose ¥2.4 billion from the previous fiscal year supported by strong sales of cigarette filter tow to clients overseas. Plastic and films segment consolidated sales rose ¥6.7 billion year on year largely on an increase in engineering plastic sales volume by consolidated subsidiaries with December fiscal year-ends, centered on Polyplastics Co., Ltd., thanks to a recovery in automobile production, and on progress in revising sales prices in response to higher raw materials costs. Pyrotechnic devices segment consolidated sales rose ¥12.8 billion mainly on an increase in sales volume of automotive airbag inflators as automobile product recovered and the contribution from the newly consolidated initiator manufacturer Special Devices, Inc., acquired in April 2012.

Gross Profit

Gross profit amounted to ¥80.9 billion, an increase of ¥10.1 billion, or 14.3%, from the previous fiscal year. The ratio of gross profit to net sales was 22.6%, up 1.9 percentage points from the previous fiscal year. The increase was largely due to the increased sales volume and sales price revisions.

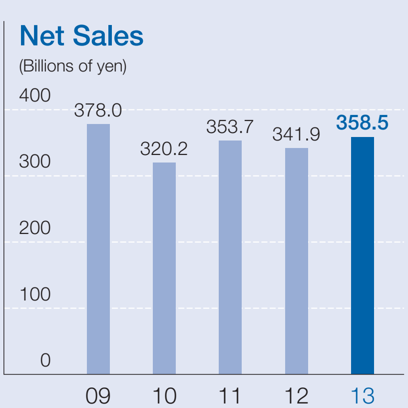
Selling, General and Administrative (SG&A) Expenses

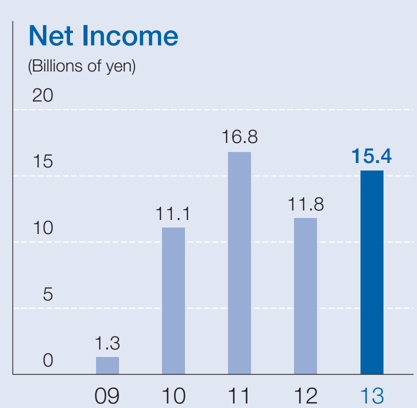
SG&A expenses totaled ¥54.7 billion, up ¥4.4 billion, or 8.7%, from the previous fiscal year. The increase was primarily due to costs associated with the acquisition of Special Devices, Inc. The ratio of SG&A expenses to consolidated net sales increased 0.6 percentage point, to 15.3%.

Operating Income

Operating income increased ¥5.8 billion, or 28.2%, from the previous fiscal year to ¥26.2 billion. The operating margin increased 1.3 percentage points, to 7.3%. Yen fluctuation versus the dollar had an estimated ¥1.0 billion positive effect on consolidated operating income compared to the previous fiscal year.

Two main factors supported the rise in operating income for the year. Cellulosic derivatives segment consolidated operating income rose ¥5.9 billion from the previous fiscal year due primarily to sales price revisions in response to higher raw material costs and reduced depreciation charges. Plastics and films segment consolidated operating





income rose ¥1.3 billion from the previous fiscal year due primarily to an increase in sales volume of engineering plastics and from sales price revisions in response to higher raw material costs.

Other Income (Expenses)

Other expenses, net, amounted to ¥0.9 billion, up ¥0.5 billion from the previous fiscal year. This was primarily attributable to claim compensation payments.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests amounted to ¥25.3 billion, an increase of ¥5.3 billion, or 26.7%, from the previous fiscal year.

Income Taxes

The effective tax rate after application of tax-effect accounting decreased 0.2 percentage point, to 29.6%.

Minority Interests in Net Income

Minority interests in net income increased ¥0.2 billion, or 10.2%, to ¥2.4 billion.

Net Income

Net income for the year increased ¥3.5 billion, or 30.0%, to ¥15.4 billion. Return on equity (ROE) was 6.7%, up 1.2 percentage points from the previous fiscal year.

Per Share Information

Net income per share totaled ¥43.71, an increase of ¥10.25 from the previous fiscal year.

In the year under review, reflecting the rises in both consolidated sales and profit, we distributed annual dividends of ¥12 per share (including a ¥5 per share interim dividend), representing a ¥2 increase from the previous fiscal year. The dividend payout ratio was 27.5% for the fiscal year ended March 2013.

Financial Position

Assets

As of March 31, 2013, total assets stood at ¥461.5 billion, an increase of ¥63.3 billion, or 15.9%, from a year earlier. The increase was mainly due to rises in cash and cash equivalents, inventories, and property, plant and equipment.

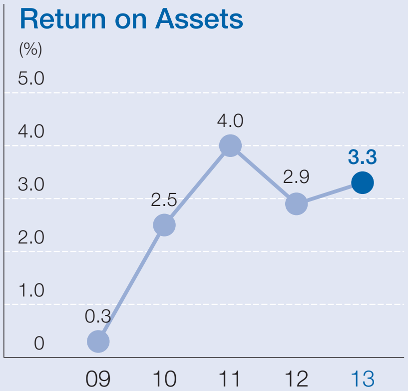
Liabilities

Total liabilities amounted to ¥198.6 billion, an increase of ¥35.1 billion, or 21.5%, from a year earlier. Liabilities were reduced by the bond redemption but increased overall due to an increase in long-term debt and other factors.

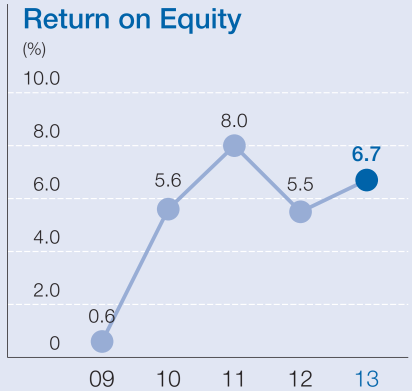
Equity

Total equity at the fiscal year end amounted to ¥262.9 billion. Total shareholders' equity (total equity minus minority interests) amounted to ¥241.0 billion. The shareholders' equity ratio was 52.2%.

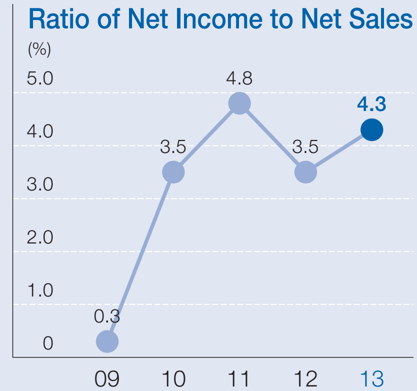
Return on Assets



Return on Equity



Ratio of Net Income to Net Sales



Cash Flows

Cash and cash equivalents at the fiscal year end stood at ¥53.2 billion, an increase of ¥19.8 billion, or 59.2%, from the level at the end of the previous fiscal year.

Cash from Operating Activities

Net cash provided by operating activities amounted to ¥44.5 billion, an increase of ¥10.5 billion, or 30.8%, from the previous fiscal year.

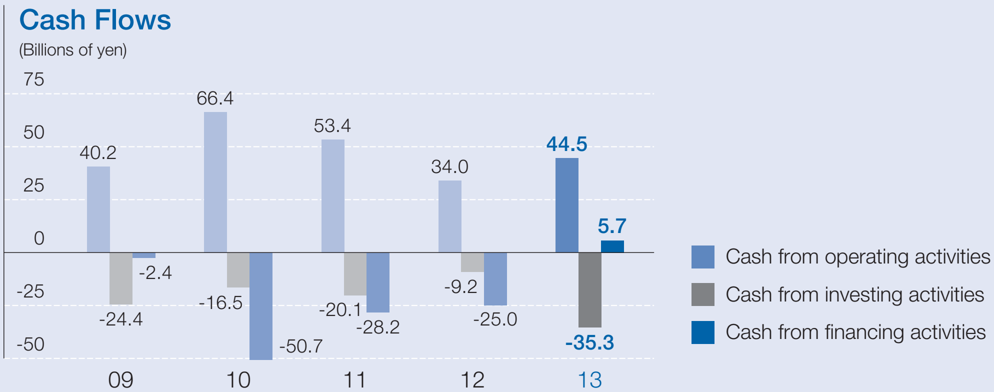
Factors increasing cash flow from operating activities included income before income taxes and minority interests, and depreciation and amortization, and a decrease in notes and accounts receivable. Factors decreasing cash flow included rises in inventories and income taxes-paid.

Cash from Investing Activities

Net cash used in investing activities totaled ¥35.3 billion, an increase of ¥26.1 billion, or 284.2%, from the previous fiscal year. The primary factors were an increase in capital expenditures to acquire property, plant and equipment and the acquisition of a subsidiary company.

Cash from Financing Activities

Net cash provided by financing activities amounted to ¥5.7 billion, an increase of ¥30.8 billion from the previous fiscal year. Factors increasing cash flow from financing activities included revenue from long-term loans. Factors decreasing cash flow included repayment of long-term debt, bond redemption, and dividend payments.



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 (42.3% in the fiscal year ended March 2013), and the Company's results can be more easily influenced by trends in currency exchange. 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 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) Price

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 Year Ending March 2014

In the fiscal year ending March 2014, we expect the Daicel Group's business performance to reflect growing sales volume for engineering plastics, automotive airbag inflators, and other products accompanying a rise in automobile production, growing sales volume for cigarette filter tow from the expansion of production capacity completed in July 2013, and declining costs from our ongoing efforts to reduce costs. The Daicel Group forecasts net sales of ¥405 billion, operating income of ¥35 billion, ordinary income of ¥36 billion, and net income of ¥20 billion for the fiscal year ending March 2014.

Consolidated Balance Sheets

Daicel Corporation and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥ 53,238**	¥ 33,436	**$ 566,362**
Marketable securities (Notes 4 and 15)	**628**	1,325	**6,681**
Receivables (Notes 15 and 17):			
Trade notes	**3,246**	3,407	**34,532**
Trade accounts	**72,728**	71,839	**773,702**
Unconsolidated subsidiaries and associated companies	**5,733**	4,852	**60,989**
Allowance for doubtful receivables	**(191)**	(61)	**(2,032)**
Inventories (Note 5)	**82,977**	71,135	**882,734**
Deferred tax assets (Note 11)	**4,436**	2,917	**47,191**
Other current assets	**9,406**	8,320	**100,065**
Total current assets	**232,201**	197,170	**2,470,224**
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 18):			
Land	**26,707**	26,504	**284,117**
Buildings and structures	**139,716**	134,775	**1,486,340**
Machinery and equipment	**523,253**	504,525	**5,566,521**
Construction in progress	**20,545**	11,845	**218,564**
Total	**710,221**	677,649	**7,555,542**
Accumulated depreciation	**(560,897)**	(538,444)	**(5,966,989)**
Net property, plant and equipment	**149,324**	139,205	**1,588,553**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	**45,961**	41,126	**488,947**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 15)	**8,185**	7,133	**87,074**
Deferred tax assets (Note 11)	**1,598**	1,628	**17,000**
Other assets	**24,244**	11,935	**257,915**
Total investments and other assets	**79,988**	61,822	**850,936**
TOTAL	**¥ 461,513**	¥ 398,197	**$ 4,909,713**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 15)	**¥ 19,119**	¥ 12,020	**$ 203,394**
Current portion of long-term debt (Notes 7, 14, 15 and 17)	**13,211**	23,498	**140,543**
Payables (Note 15):			
Trade notes	**232**	147	**2,468**
Trade accounts	**47,212**	44,246	**502,255**
Construction	**5,527**	4,287	**58,798**
Unconsolidated subsidiaries and associated companies	**3,020**	1,878	**32,128**
Income taxes payable (Notes 11 and 15)	**5,842**	1,515	**62,149**
Other current liabilities	**19,063**	14,237	**202,797**
Total current liabilities	**113,226**	101,828	**1,204,532**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 14, 15 and 17)	**66,768**	47,732	**710,298**
Liability for retirement benefits (Note 8)	**11,909**	10,557	**126,691**
Asset retirement obligations (Note 9)	**1,049**	1,030	**11,160**
Deferred tax liabilities (Note 11)	**4,360**	486	**46,383**
Other long-term liabilities	**1,301**	1,852	**13,840**
Total long-term liabilities	**85,387**	61,657	**908,372**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 16 and 20)			
EQUITY (Notes 10 and 23):			
Common stock, — authorized, 1,450,000,000 shares; issued, 364,942,682 shares in 2013 and 2012	**36,275**	36,275	**385,904**
Capital surplus	**31,579**	31,579	**335,947**
Retained earnings	**164,928**	152,859	**1,754,553**
Treasury stock, — at cost 13,226,066 shares in 2013 and 13,202,440 shares in 2012	**(6,025)**	(6,012)	**(64,096)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**15,002**	11,508	**159,596**
Deferred gain (loss) on derivatives under hedge accounting	**(185)**	(115)	**(1,968)**
Foreign currency translation adjustments	**(609)**	(8,388)	**(6,479)**
Total	**240,965**	217,706	**2,563,457**
Minority interests	**21,935**	17,006	**233,352**
Total equity	**262,900**	234,712	**2,796,809**
TOTAL	**¥461,513**	¥ 398,197	**$ 4,909,713**

Consolidated Statements of Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
NET SALES (Note 17)	¥358,514	¥341,943	¥353,685	$ 3,813,979
COST OF SALES (Note 12)	277,644	271,201	269,791	2,953,660
Gross profit	80,870	70,742	83,894	860,319
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	54,673	50,316	51,183	581,628
Operating income	26,197	20,426	32,711	278,691
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,309	1,571	1,095	13,926
Gain on sales of securities			93	
Gain on sales of subsidiaries and associated companies' stock		240	382	
Gain on liquidation of a subsidiary		822		
Subsidies from municipal governments (Note 18)		1,000		
Equity in earnings of unconsolidated subsidiaries and associated companies	1,148	1,358	1,362	12,213
Interest expense	(1,232)	(1,478)	(1,784)	(13,106)
Foreign exchange gain (loss)	687	(321)	(1,187)	7,309
Loss on dispositions of property, plant and equipment	(1,390)	(1,497)	(480)	(14,787)
Impairment loss on fixed assets	(304)	(375)	(319)	(3,234)
Loss on claim compensation (Note 19)	(1,304)			(13,872)
Loss on employees' pension fund withdrawal (Note 8)	(567)			(6,032)
Reduction of cost of property, plant and equipment (Note 18)		(912)		
Loss from a natural disaster		(435)	(343)	
Effect of application of accounting standard for asset retirement obligations (Note 2.k)			(831)	
Other - net	739	(437)	(986)	7,860
Other income (expenses) - net	(914)	(464)	(2,998)	(9,723)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	25,283	19,962	29,713	268,968
INCOME TAXES (Note 11):				
Current	8,868	4,607	7,144	94,340
Prior periods			1,540	
Deferred	(1,377)	1,332	(1,870)	(14,649)
Total income taxes	7,491	5,939	6,814	79,691
NET INCOME BEFORE MINORITY INTERESTS	17,792	14,023	22,899	189,277
MINORITY INTERESTS IN NET INCOME	2,419	2,196	6,096	25,734
NET INCOME	¥ 15,373	¥ 11,827	¥ 16,803	$ 163,543

	Yen			U.S. Dollars
PER SHARE INFORMATION (Notes 2.r and 13):				
Basic net income	¥ 43.71	¥ 33.46	¥ 47.22	$ 0.47
Cash dividends applicable to the year	12.00	10.00	10.00	0.13

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	2013
NET INCOME BEFORE MINORITY INTERESTS	¥17,792	¥14,023	¥22,899	$189,277
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):				
Unrealized gain (loss) on available-for-sale securities	3,500	(1,058)	(4,400)	37,234
Deferred gain (loss) on derivatives under hedge accounting	(183)	39	33	(1,947)
Foreign currency translation adjustments	8,975	(1,705)	(3,277)	95,479
Share of other comprehensive income (loss) in associates	561	(1)	(330)	5,968
Total other comprehensive income (loss)	12,853	(2,725)	(7,974)	136,734
COMPREHENSIVE INCOME	¥30,645	¥11,298	¥14,925	$326,011
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the parent	¥26,149	¥ 9,832	¥ 9,566	$278,181
Minority interests	4,496	1,466	5,359	47,830

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2013, 2012 and 2011

	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, 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
Net income				11,827					11,827		11,827
Cash dividends, ¥10.00 per share				(3,893)					(3,893)		(3,893)
Repurchase of treasury stock	(4,018,398)				(1,818)				(1,818)		(1,818)
Disposal of treasury stock	1,765				1				1		1
Effect of change in closing period of certain consolidated subsidiaries				1,093					1,093		1,093
Effect of initial inclusion of certain subsidiaries in consolidation				18					18		18
Net change in the year						(1,009)	39	(605)	(1,575)	(6,278)	(7,853)
BALANCE, MARCH 31, 2012	351,740,242	36,275	31,579	152,859	(6,012)	11,508	(115)	(8,388)	217,706	17,006	234,712
Net income				15,373					15,373		15,373
Cash dividends, ¥12.00 per share				(3,517)					(3,517)		(3,517)
Repurchase of treasury stock	(24,185)				(13)				(13)		(13)
Disposal of treasury stock	559										
Effect of change in closing period of certain consolidated subsidiaries				101					101		101
Effect of initial inclusion of certain subsidiaries in consolidation				112					112		112
Net change in the year						3,494	(70)	7,779	11,203	4,929	16,132
BALANCE, MARCH 31, 2013	351,716,616	¥ 36,275	¥ 31,579	¥ 164,928	¥ (6,025)	¥ 15,002	¥ (185)	¥ (609)	¥ 240,965	¥ 21,935	¥ 262,900

	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, 2012	$ 385,904	$ 335,947	$ 1,626,160	$ (63,958)	$ 122,426	$ (1,223)	$ (89,235)	$ 2,316,021	$ 180,915	$ 2,496,936
Net income			163,543					163,543		163,543
Cash dividends, $0.13 per share			(37,415)					(37,415)		(37,415)
Repurchase of treasury stock				(138)				(138)		(138)
Disposal of treasury stock										
Effect of change in closing period of certain consolidated subsidiaries			1,074					1,074		1,074
Effect of initial inclusion of certain subsidiaries in consolidation			1,191					1,191		1,191
Net change in the year					37,170	(745)	82,756	119,181	52,437	171,618
BALANCE, MARCH 31, 2013	$ 385,904	$ 335,947	$ 1,754,553	$ (64,096)	$ 159,596	$ (1,968)	$ (6,479)	$ 2,563,457	$ 233,352	$ 2,796,809

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2013, 2012 and 2011

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 25,282**	¥ 19,962	¥ 29,713	**$ 268,957**
Adjustments for:				
Income taxes - paid	**(3,127)**	(8,249)	(9,763)	**(33,266)**
Depreciation and amortization	**24,605**	28,849	33,529	**261,755**
Impairment loss on fixed assets	**304**	375	319	**3,234**
Amortization of goodwill	**818**			**8,702**
Loss on dispositions of property, plant and equipment	**1,390**	1,497	480	**14,787**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(1,148)**	(1,358)	(1,362)	**(12,213)**
Reduction of cost of property, plant and equipment		912		
Gain on liquidation of a subsidiary		(822)		
Subsidies from municipal governments		(1,000)		
Changes in assets and liabilities:				
Notes and accounts receivable	**4,626**	(6,410)	1,092	**49,213**
Inventories	**(7,859)**	(1,131)	(9,022)	**(83,606)**
Notes and accounts payable	**664**	1,329	3,935	**7,064**
Other - net	**(1,075)**	47	4,507	**(11,436)**
Net cash provided by operating activities	**44,480**	34,001	53,428	**473,191**
INVESTING ACTIVITIES:				
Net decrease (increase) in time deposits	**262**	2,520	(2,629)	**2,787**
Net decrease (increase) in short-term investment securities	**1,000**	5,479	(6,497)	**10,638**
Capital expenditures	**(26,067)**	(17,394)	(11,753)	**(277,309)**
Payment for purchases of investment securities	**(320)**	(1,751)	(1,921)	**(3,404)**
Payment for purchase of consolidated subsidiaries, net of cash acquired (Note 22)	**(9,438)**			**(100,404)**
Proceeds from sales and redemption of investment securities	**327**	527	1,580	**3,479**
Proceeds from sales of property, plant and equipment	**486**	10	14	**5,170**
Increase in finance receivables	**(9)**	(32)	(33)	**(96)**
Collection of finance receivables	**40**	508	1,079	**426**
Decrease (increase) in investments in and advances to unconsolidated subsidiaries and associated companies			782	
Subsidies from municipal governments		1,000		
Proceeds from liquidation of a subsidiary	**40**	1,237		**426**
Other	**(1,633)**	(1,294)	(763)	**(17,372)**
Net cash used in investing activities	**(35,312)**	(9,190)	(20,141)	**(375,659)**
FINANCING ACTIVITIES:				
Net change in short-term bank loans	**3,331**	1,399	(938)	**35,436**
Proceeds from issuance of long-term debt	**30,736**		5,163	**326,979**
Repayments of long-term debt	**(23,898)**	(12,970)	(24,154)	**(254,234)**
Proceeds from issuance of subsidiary's stock to minority interests	**83**			**883**
Dividends paid	**(3,517)**	(3,893)	(3,559)	**(37,415)**
Dividends paid to minority interests	**(983)**	(7,792)	(4,592)	**(10,457)**
Payment for purchases of treasury stock	**(14)**	(1,817)	(101)	**(149)**
Other		29	10	
Net cash used in financing activities	**5,738**	(25,044)	(28,171)	**61,043**
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**4,221**	(28)	(1,521)	**44,904**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**19,127**	(261)	3,595	**203,479**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**8**	157		**85**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CHANGE IN CLOSING PERIOD OF CONSOLIDATED SUBSIDIARIES	**349**	(184)		**3,713**
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER	**318**			**3,383**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**33,436**	33,724	30,129	**355,702**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 53,238**	¥ 33,436	¥ 33,724	**$ 566,362**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daicel Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Daicel Corporation (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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 58 significant (50 in 2012 and 46 in 2011) 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, 2013, four newly established subsidiaries were included in consolidation. Three newly subsidiaries were included in consolidation by investments. One existing subsidiary was included as a result of an increase of its operations.

Investments in one (one in 2012 and 2011) unconsolidated subsidiary and six (six in 2012 and 2011) 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.

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 that 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. However, financial statements 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, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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 such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the United States of America 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 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; and (5) exclusion of minority interests from net income, if contained in net income.

d. **Business Combinations -**In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

The Company's wholly owned subsidiary, Daicel (U.S.A.), Inc. acquired 100% of shares of Special Devices, Inc. on April 16, 2012, and accounted for it by the purchase method of accounting. The related goodwill is amortized over 10 years. The Company's subsidiary, Polyplastics Co., Ltd. acquired 100% of shares of LCP Leuna Carboxylation Plant GmbH on August 31, 2012, and accounted for it by the purchase method of accounting. The related goodwill is amortized over 5 years.

e. **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.

f. Marketable and Investment Securities -Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) 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, (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (3) 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.

g. Inventories -Inventories are stated at the lower of cost, determined by the average cost method, or net selling value.

h. 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.

Property, plant and equipment acquired on and after April 1, 2012, are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective April 1, 2012. The effect of this treatment was to decrease income before taxes and minority interests for the year ended March 31, 2013, by ¥283 million ($3,011 thousand).

i. 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 is 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.

j. Retirement and Pension Plans -The Company and certain consolidated subsidiaries have lump-sum severance payment plans, defined benefit plans and defined contribution 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.

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.

k. Asset Retirement Obligations -In March 2008, the ASBJ published 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 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 and income before income taxes and minority interests by ¥862 million.

l. 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 statements of income to the extent that they are not hedged by forward exchange contracts.

m. 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.

n. Leases -In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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 be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The revised accounting standard effective April 1, 2008, permits leases that 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.

o. Research and Development Costs -Research and development costs are charged to income as incurred and included in "COST OF SALES" and "SELLING, GENERAL AND ADMINISTRATIVE EXPENSES."

p. 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.

q. 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 statements of income. 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.

r. 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.

s. Accounting Changes and Error Corrections -Under 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 are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the 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.

t. New Accounting Pronouncement

Accounting Standard for Retirement Benefits -On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b)Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of fiscal years beginning on or after April 1, 2013, with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the fiscal year beginning April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. BUSINESS COMBINATION

Business combination through acquisition

1. Special Devices, Inc.

(1) Overview of the business combination

(i) Corporate name and its main business

Corporate name: Special Devices, Inc.

Main business: Manufacturing and marketing of initiators for airbag inflators and PGGs (micro gas generators for seat-belt pretensioners)

(ii) Purpose of the acquisition

The Company manufactures and sells inflators (gas-generating devices) for all automotive airbag types including driver, passenger, side impact, curtain and knee, and PGGs. The Company has already established six production and marketing bases in Japan, the United States, Thailand, Poland, China and South Korea. The Company is actively promoting global expansion of its inflators business and also aims to expand its business of pyrotechnic devices other than inflators. The Company currently manufactures initiators in Japan and Thailand. This acquisition will enable the Company to benefit from expanded initiator manufacturing capabilities and enhanced global marketing of initiators, as well as inflators and PGGs.

In addition, this acquisition will enable the Company to better serve customers and markets through anticipated synergies with Special Devices, Inc., including increased production efficiency, accelerated new product development and access to expanded global marketing channels.

(iii) Date of completion of business combination

April 16, 2012

(iv) Legal form of business combination

Share purchase in exchange for cash payment

(v) Name of the company after business combination

Special Devices, Inc.

(vi) Percentage of total shares

100%

(vii) Main reason to decide the acquiring company

The Company's wholly owned subsidiary, Daicel (U.S.A.), Inc. acquires 100% portion of voting rights of Special Devices, Inc. and becomes the acquiring company by itself.

(2) Period when operating results of the acquired company are included in the Company's consolidated financial statements

From April 16, 2012, to March 31, 2013

(3) The breakdown of acquisition cost for the acquired company

Cash payment for acquisition: ¥7,888 million ($97,401 thousand)

Note: The U.S. dollars amount above is calculated using the rate of ¥80.98 to US$1, the rate in effect as of the date of the business combination. Accordingly, the amount is different from the U.S. dollars amount of the payment for acquisition reported in Note 22. (1).

(4) Amounts allocated to intangible assets other than goodwill, and their breakdown, and weighted-average amortization period by major category.

Major Category	Amount		Weighted-Average Amortization Period
	Millions of Yen	Thousands of U.S. Dollars	
Customer relationships	¥ 4,260	$ 45,319	Over 12 years
Technology	680	7,234	Over 10 years

(5) Goodwill recognized, reason for its recognition, method and period of amortization

(i) Goodwill recognized at the date of the business combination

¥3,611 million ($38,415 thousand)

(ii) Reason for its recognition

The total net asset value of the acquired company as at the business combination was lower than the cost of acquisition; therefore, the difference was recognized as goodwill.

(iii) Method and period of amortization

Straight-line method over 10 years

(6) Assets acquired and liabilities assumed as of the acquisition date

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 2,291	$ 24,372
Intangible assets	4,940	52,553
Goodwill	3,611	38,415
Non-current assets	1,405	14,947
Total assets	¥ 12,247	$ 130,287
Current liabilities	¥ 2,182	$ 23,213
Non-current liabilities	2,025	21,542
Total liabilities	¥ 4,207	$ 44,755

(7) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of the fiscal year

The effect on operating results for the fiscal year ended March 31, 2013, would be immaterial.

2. LCP Leuna Carboxylation Plant GmbH

(1) Overview of the business combination

(i) Corporate name and its main business

Corporate name: LCP Leuna Carboxylation Plant GmbH

Main business: Manufacturing and marketing of p-HBA (para-Hydroxybenzoic acid) and its byproduct, K2SO4 (Potassium sulfate)

(ii) Purpose of the acquisition

The liquid crystal polymer ("LCP") is one of the super engineering plastics and has excellent properties such as heat resistance, dimensional stability, flowability and moldability. In recent years, LCP is mainly applied to key electronic parts of cutting-edge IT devices such as smart phones and tablet computers. Thanks to their booming popularity, an exponential increase in demand is expected. The company's subsidiary, Polyplastics Co., Ltd. is the leading manufacturer of LCP and has the biggest production capacity in the world.

Because p-HBA is one of the important raw materials of LCP, Polyplastics Co., Ltd. believes that acquiring its main supplier will help strengthen the technical advantage of LCP business through the research and development process to the production process, i.e., from raw material monomers to finished resin products, and will enable a stable supply of higher quality products to customers.

(iii) Date of completion of business combination

August 31, 2012

(iv) Legal form of business combination

Share purchase in exchange for cash payment

(v) Name of the company after business combination

LCP Leuna Carboxylation Plant GmbH

(vi) Percentage of total shares

100%

(vii) Main reason to decide the acquiring company

Polyplastics Co., Ltd. acquires 100% portion of voting rights of LCP Leuna Carboxylation Plant GmbH and becomes the acquiring company by itself.

(2) Period when operating results of the acquired company are included in the Company's consolidated financial statements

From October 1, 2012, to December 31, 2012, as a result of the date of the business combination being deemed September 30, 2012, in consideration of the fact that the acquired company's fiscal year end date is December 31.

(3) The breakdown of acquisition cost for the acquired company

	Millions of Yen	Thousands of U.S. Dollars
Cash payment for acquisition	¥ 2,061	$ 21,926
Other cost directly incurred for the acquisition	126	1,340
Total acquisition cost (€21 million)	¥ 2,187	$ 23,266

(4) Goodwill recognized, reason for its recognition, method and period of amortization

(i) Goodwill recognized at the date of the business combination

¥1,502 million ($15,979 thousand)

(ii) Reason for its recognition

The total net asset value of the acquired company as at the business combination was lower than the cost of acquisition; therefore, the difference was recognized as goodwill.

(iii) Method and period of amortization

Straight-line method over 5 years

(5) Assets acquired and liabilities assumed as of the acquisition date

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 572	$ 6,085
Goodwill	1,502	15,979
Non-current assets	679	7,223
Total assets	¥ 2,753	$ 29,287
Current liabilities	¥ 299	$ 3,181
Non-current liabilities	267	2,840
Total liabilities	¥ 566	$ 6,021

(6) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of the fiscal year

The effect on operating results for the fiscal year ended March 31, 2013, would be immaterial.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Current:			
Government and corporate bonds	**¥ 628**	¥ 1,325	**$ 6,681**
Non-current:			
Equity securities	**¥ 45,646**	¥ 40,192	**$ 485,596**
Government and corporate bonds	**311**	930	**3,308**
Other	**4**	4	**43**
Total	**¥ 45,961**	¥ 41,126	**$ 488,947**

The costs and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥ 21,517**	**¥ 23,060**	**¥ 303**	**¥ 44,274**
Debt securities	**700**			**700**

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 21,238	¥ 18,192	¥ 609	¥ 38,821
Debt securities	2,001		12	1,989

	Thousands of U.S. Dollars			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 228,904	$ 245,319	$ 3,223	$ 471,000
Debt securities	7,447			7,447

Securities whose fair values are not readily determinable as of March 31, 2013 and 2012, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Available-for-sale:			
Equity securities	¥ 1,372	¥ 1,371	$ 14,596
Debt securities	239	266	2,542
Other	4	4	43
Total	¥ 1,615	¥ 1,641	$ 17,181

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013, 2012 and 2011, were ¥1,327 million ($14,117 thousand), ¥2,762 million and ¥1,580 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥0 million ($0 thousand) and ¥0 million ($0 thousand), respectively, for the year ended March 31, 2013, and ¥0 million and ¥0 million, respectively, for the year ended March 31, 2012, and ¥118 million and ¥25 million, respectively, for the year ended March 31, 2011.

5. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Finished products	¥ 38,593	¥ 32,461	$ 410,564
Semi-finished products and work in process	14,682	12,967	156,191
Raw materials and supplies	29,702	25,707	315,979
Total	¥ 82,977	¥ 71,135	$ 882,734

6. INVESTMENT PROPERTY

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, 2012	Increase/Decrease	March 31, 2013	March 31, 2013
¥ 3,771	¥ (327)	¥ 3,444	¥ 12,637

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Increase/Decrease	March 31, 2012	March 31, 2012
¥ 3,883	¥ (112)	¥ 3,771	¥ 13,983

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2012	Increase/Decrease	March 31, 2013	March 31, 2013
$ 40,117	$ (3,479)	**$ 36,638**	**$ 134,436**

Notes:

1) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
2) Fair value of properties as of March 31, 2013, is measured by the Companies in accordance with Real-Estate Appraisal Standard.
3) Net of rental income and operating expenses are not disclosed due to insignificance.

7. 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, 2013 and 2012, were 0.85% and 1.13%, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
1.60% bonds due 2013		¥ 10,000	
0.84% bonds due 2015	**¥ 10,000**	10,000	**$ 106,383**
1.69% bonds due 2020	**10,000**	10,000	**106,383**
Unsecured loans from banks and other financial institutions, due through 2023, with interest rates ranging from 0.71% to 6.69% for 2013 (from 0.55% to 6.19% for 2012)	**59,979**	41,214	**638,075**
Lease obligations		16	
Total	**79,979**	71,230	**850,841**
Less current portion	**(13,211)**	(23,498)	**(140,543)**
Long-term debt, less current portion	**¥ 66,768**	¥ 47,732	**$ 710,298**

At March 31, 2013, annual maturities of long-term debt were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	**¥ 13,211**	**$ 140,543**
2015	**19,418**	**206,575**
2016	**11,746**	**124,957**
2017	**4,906**	**52,191**
2018	**3,930**	**41,809**
2019 and thereafter	**26,768**	**284,777**
Total	**¥ 79,979**	**$ 850,841**

The unsecured long-term bank debt of ¥3,000 million ($31,915 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 ($1,460,638 thousand) at every fiscal year-end and semiannual interim period.

8. RETIREMENT AND PENSION PLANS

One domestic consolidated subsidiary having participated in a multiemployer plan, and withdrew from the plan at August 31, 2012. As a condition of the withdrawal, the subsidiary contributed special premiums. Accordingly, the Companies recorded ¥567 million ($6,032 thousand) of loss on employees' pension fund withdrawal as other expense.

During the year ended March 31, 2012, one domestic consolidated subsidiary partially transferred from a defined benefit plan to a defined contribution plan. Accordingly, the Companies recorded ¥103 million of loss on transition from a defined benefit plan to a defined contribution plan as other expense.

The liability for retirement benefits at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 34,304**	¥ 32,831	**$ 364,936**
Fair value of plan assets	**(18,970)**	(17,286)	**(201,808)**
Unrecognized actuarial loss	**(5,414)**	(6,011)	**(57,596)**
Unrecognized prior service cost	**(118)**	(355)	**(1,255)**
Net liability	**9,802**	9,179	**104,277**
Prepaid benefit costs	**2,107**	1,378	**22,414**
Liability for retirement benefits	**¥ 11,909**	¥ 10,557	**$ 126,691**

The components of net periodic benefit costs for the years ended March 31, 2013, 2012 and 2011, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	**2013**
Service cost	**¥ 1,651**	¥ 1,610	¥ 1,629	**$ 17,564**
Interest cost	**583**	599	586	**6,202**
Expected return on plan assets	**(218)**	(237)	(258)	**(2,319)**
Recognized actuarial loss	**925**	943	553	**9,840**
Amortization of prior service cost	**237**	237	237	**2,521**
Loss on transition from a defined benefit plan to a defined contribution plan		103		
Other (Contributions to defined contribution plans)	**276**	131	113	**2,937**
Net periodic benefit costs	**¥ 3,454**	¥ 3,386	¥ 2,860	**$ 36,745**

Assumptions used for the years ended March 31, 2013, 2012 and 2011, were set forth as follows:

	2013	2012	2011
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 ¥75 million ($798 thousand) and ¥59 million at March 31, 2013 and 2012, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Balance at beginning of year	**¥ 1,032**	¥ 1,040	**$ 10,979**
Reconciliation associated with passage of time	**7**	7	**74**
Reduction associated with settlement of asset retirement obligations	**(7)**	(5)	**(74)**
Other	**18**	(10)	**191**
Balance at end of year	**¥ 1,050**	¥ 1,032	**$ 11,170**

10. 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 a Board of Directors, (2) having independent auditors, (3) having a 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 (noncash 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 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.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the year ended March 31, 2013, and 41% for the years ended March 31, 2012 and 2011. 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, 2013, 2012 and 2011, and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2013	2012	2011
Normal effective statutory tax rate	38%	41%	41%
Tax effect on retained earnings of foreign subsidiaries			(12)
Increase or decrease of valuation allowance	(1)		(1)
Tax difference of foreign countries	(5)	(9)	(7)
Equity in earnings of associated companies	(2)	(3)	(2)
Tax credit primarily for research and development costs	(3)	(2)	(2)
Income taxes for prior periods			5
Effect of tax rate reduction		3	
Other - net	3		1
Actual effective tax rate	30%	30%	23%

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 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.

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 36% afterwards.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 471**	¥ 204	**$ 5,011**
Accrued bonuses	**1,367**	1,371	**14,543**
Liabilities for retirement benefits	**7,079**	7,158	**75,309**
Investment securities	**123**	277	**1,309**
Tax loss carryforwards	**3,284**	2,959	**34,936**
Intercompany profits	**4,456**	4,417	**47,404**
Other	**5,051**	4,130	**53,734**
Less valuation allowance	**(3,870)**	(3,982)	**(41,171)**
Deferred tax assets	**¥ 17,961**	¥ 16,534	**$ 191,075**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 7,615**	¥ 5,959	**$ 81,011**
Tax purpose reserves regulated by Japanese tax law	**630**	621	**6,702**
Undistributed earnings of foreign subsidiaries	**1,723**	1,462	**18,330**
Securities contributed to employees' retirement benefit trust	**3,391**	3,645	**36,074**
Intangible fixed assets	**1,940**		**20,638**
Other	**1,002**	791	**10,660**
Deferred tax liabilities	**¥ 16,301**	¥ 12,478	**$ 173,415**
Net deferred tax assets (liabilities)	**¥ 1,660**	¥ 4,056	**$ 17,660**

At March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥8,327 million ($88,585 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
2014	**¥ 676**	**$ 7,191**
2015	**870**	**9,255**
2016	**369**	**3,926**
2017		
2018		
2019 and thereafter	**6,412**	**68,213**
Total	**¥ 8,327**	**$ 88,585**

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in "COST OF SALES" and "SELLING, GENERAL AND ADMINISTRATIVE EXPENSES" were ¥12,876 million ($136,979 thousand), ¥12,731 million and ¥11,971 million for the years ended March 31, 2013, 2012 and 2011, respectively.

13. 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 351,731,769,353,480,467 and 355,817,902 for the years ended March 31, 2013, 2012 and 2011, respectively.

14. LEASES

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, 2013, 2012 and 2011 were ¥12 million ($128 thousand), ¥29 million and ¥47 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	
	2013		2013	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 5	¥ 739	$ 53	$ 7,862
Due after one year	2	1,423	21	15,138
Total	¥ 7	¥ 2,162	$ 74	$ 23,000

	Millions of Yen	
	2012	
	Finance Leases	Operating Leases
Due within one year	¥ 12	¥ 445
Due after one year	7	471
Total	¥ 19	¥ 916

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:

	Millions of Yen		Thousands of U.S. Dollars	
As of March 31, 2013	Machinery and Equipment	Total	Machinery and Equipment	Total
Acquisition cost	¥ 34	¥ 34	$ 362	$ 362
Accumulated depreciation	27	27	288	288
Net leased property	¥ 7	¥ 7	$ 74	$ 74

	Millions of Yen	
As of March 31, 2012	Machinery and Equipment	Total
Acquisition cost	¥ 103	¥ 103
Accumulated depreciation	84	84
Net leased property	¥ 19	¥ 19

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

Obligations under finance leases as of March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥ 5	¥ 12	$ 53
Due after one year	2	7	21
Total	¥ 7	¥ 19	$ 74

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 ¥12 million ($128 thousand), ¥29 million and ¥47 million for the years ended March 31, 2013, 2012 and 2011, respectively.

There was no impairment loss allocated to leased assets for the years ended March 31, 2013, 2012 and 2011, respectively.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 eleven 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 16 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 at an early stage. Please see Note 16 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2013.

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 to arise from forecasted transactions, forward foreign currency contracts may be used with a contract term not exceeding six months.

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

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

The basic principles of derivative transactions are approved by management at meetings held on a semiannual basis based on internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliation of the transactions and balances with customers is made, and the transaction data is reported to the chief financial officer and management on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Companies cannot meet their contractual obligations in full on their 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 a quoted price is not available, another rational valuation technique is used instead. Also please see Note 16 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
As of March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 53,238	¥ 53,238	
Marketable securities	628	628	
Receivables	81,707	81,707	
Investment securities	44,347	44,347	
Total	¥ 179,920	¥ 179,920	¥
Short-term bank loans	¥ 19,119	¥ 19,119	
Payables	55,991	55,991	
Income taxes payable	5,842	5,842	
Long-term debt	79,979	81,172	¥ (1,193)
Total	¥ 160,931	¥ 162,124	¥ (1,193)

	Millions of Yen		
As of March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 33,436	¥ 33,436	
Marketable securities	1,325	1,325	
Receivables	80,098	80,098	
Investment securities	39,485	39,485	
Total	¥ 154,344	¥ 154,344	¥
Short-term bank loans	¥ 12,020	¥ 12,020	
Payables	50,558	50,558	
Income taxes payable	1,515	1,515	
Long-term debt	71,230	72,198	¥ (968)
Total	¥ 135,323	¥ 136,291	¥ (968)

As of March 31, 2013	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 566,362	$ 566,362	
Marketable securities	6,681	6,681	
Receivables	869,223	869,223	
Investment securities	471,777	471,777	
Total	$ 1,914,043	$ 1,914,043	$
Short-term bank loans	$ 203,394	$ 203,394	
Payables	595,649	595,649	
Income taxes payable	62,149	62,149	
Long-term debt	850,841	863,532	$ (12,691)
Total	$ 1,712,033	$ 1,724,724	$ (12,691)

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. Fair value information for marketable and investment securities by classification is included in Note 4.

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

Fair value information for derivatives is included in Note 16.

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

March 31, 2013	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	¥ 4,713	$ 50,138

March 31, 2012	Carrying Amount
	Millions of Yen
Investments in equity instruments that do not have a quoted market price in an active market	¥ 4,724

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 53,238			
Receivables	81,708			
Marketable securities and investment securities:				
Government bonds	28	¥ 215	¥ 96	¥
Corporate bonds	100			
Other	500			
Total	¥ 135,574	¥ 215	¥ 96	¥

	Millions of Yen			
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 33,436			
Receivables	80,098			
Marketable securities and investment securities:				
Government bonds	27	¥ 213	¥126	¥
Corporate bonds	1,000	100		
Other	300	500		
Total	¥ 114,861	¥ 813	¥126	¥

	Thousands of U.S. Dollars			
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 566,362			
Receivables	869,234			
Marketable securities and investment securities:				
Government bonds	298	$ 2,287	$ 1,021	$
Corporate bonds	1,064			
Other	5,319			
Total	$ 1,442,277	$ 2,287	$ 1,021	$

Please see Note 7 for annual maturities of long-term debt and Note 14 for obligations under finance leases.

16. 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 that regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 18,532		¥ (547)	¥ (547)
Selling Euro	364		(14)	(14)
Buying U.S.$	15,937		(408)	(408)
Buying Japanese yen	66		(2)	(2)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	1,331	¥ 630	(264)	(264)

	Millions of Yen			
March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 17,142		¥ (309)	¥ (309)
Selling Euro	897		(38)	(38)
Buying U.S.$	1,534		16	16
Buying Japanese yen	31			
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	1,877	¥1,331	(31)	(31)
Receiving Japanese yen, paying Euro	156		48	48
Receiving U.S.$, paying Thai Baht	156		(6)	(6)

	Thousands of U.S. Dollars			
March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	$ 197,149		$ (5,819)	$ (5,819)
Selling Euro	3,872		(149)	(149)
Buying U.S.$	169,543		(4,340)	(4,340)
Buying Japanese yen	702		(21)	(21)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	14,160	$ 6,702	(2,809)	(2,809)

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:	Long-term			
Fixed rate payment, floating rate receipt	bank loan	¥ 22,259	¥ 17,602	¥ (321)

	Millions of Yen			
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:	Long-term			
Fixed rate payment, floating rate receipt	bank loan	¥ 11,799	¥ 7,700	¥ (157)

	Thousands of U.S. Dollars			
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:	Long-term			
Fixed rate payment, floating rate receipt	bank loan	$ 236,798	$ 187,255	$ (3,415)

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

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

17. 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, 2013, 2012 and 2011, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2013	2012	2011	**2013**
Sales	**¥ 18,746**	¥ 20,920	¥ 25,224	**$ 199,426**

These balances due from and to FUJIFILM Corporation at March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Notes and accounts receivable	**¥ 2,316**	¥ 4,300	**$ 24,638**

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

The balances due to Nippon Life Insurance Company at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Long-term debt	**¥ 7,225**	¥ 6,500	**$ 76,862**
Current portion of long-term debt	**3,275**	1,699	**34,840**
Interest expense payable	**13**	17	**138**

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

18. 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.

19. LOSS ON CLAIM COMPENSATION

During the year ended March 31, 2013, one consolidated subsidiary in the United States received a complaint related to products. Accordingly, the Companies recorded ¥1,304 million ($13,872 thousand) of loss on claim compensation as other expense.

20. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2013, for loans guaranteed amounted to ¥1,055 million ($11,223 thousand). Loans guaranteed are principally those of unconsolidated subsidiaries, associated companies and employees.

21. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 5,106	¥ (2,898)	$ 54,319
Reclassification adjustments to profit or loss	60	4	638
Amount before income tax effect	5,166	(2,894)	54,957
Income tax effect	(1,666)	1,836	(17,723)
Total	¥ 3,500	¥ (1,058)	$ 37,234
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	¥ (267)	¥ (42)	$ (2,840)
Reclassification adjustments to profit or loss	103	114	1,095
Amount before income tax effect	(164)	72	(1,745)
Income tax effect	(19)	(33)	(202)
Total	¥ (183)	¥ 39	$ (1,947)
Foreign currency translation adjustments -			
Adjustments arising during the year	¥ 8,975	¥ (1,705)	$ 95,479
Share of other comprehensive income in associates -			
Gains arising during the year	¥ 561	¥ (1)	$ 5,968
Total other comprehensive income	¥ 12,853	¥ (2,725)	$ 136,734

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

22. CONSOLIDATED STATEMENTS OF CASH FLOWS

Assets and Liabilities of Newly Consolidated Subsidiaries by Acquisition of Shares

Assets and liabilities of newly consolidated subsidiaries by acquisition of shares at the inception of their consolidation, related acquisition cost and net expenditure for acquisition of shares are as follows:

(1) Special Devices, Inc.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 2,291	$ 24,372
Intangible assets	4,940	52,553
Goodwill	3,611	38,415
Non-current assets	1,405	14,947
Current liabilities	(2,182)	(23,213)
Non-current liabilities	(2,025)	(21,542)
Foreign currency translation adjustments	(153)	(1,628)
Acquisition cost of shares	7,887	83,904
Cash and cash equivalents of the acquired companies	(366)	(3,894)
Payment for acquisition of shares of newly consolidated subsidiaries	¥ 7,521	$ 80,010

(2) LCP Leuna Carboxylation Plant GmbH

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 572	$ 6,085
Non-current assets	679	7,223
Goodwill	1,502	15,979
Current liabilities	(299)	(3,181)
Non-current liabilities	(267)	(2,840)
Acquisition cost of shares	2,187	23,266
Cash and cash equivalents of the acquired companies	(270)	(2,872)
Payment for acquisition of shares of newly consolidated subsidiaries	¥ 1,917	$ 20,394

23. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following plan for appropriations of retained earnings for the year ended March 31, 2013, was approved at the Shareholders' General Meeting of the Company held on June 21, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥7 ($0.07) per share	¥ 2,462	$ 26,191

24. SEGMENT INFORMATION

Under ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures," 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.

Segment Information

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 with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

	Millions of Yen								
	Reportable Segment								
Year Ended March 31, 2013	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥ 74,493	¥ 71,476	¥ 140,233	¥ 65,962	¥ 352,164	¥ 6,350	¥ 358,514		¥ 358,514
Intersegment sales or transfers	2,530	15,103	7		17,640	9,784	27,424	¥ (27,424)	
Total sales	¥ 77,023	¥ 86,579	¥ 140,240	¥ 65,962	¥ 369,804	¥ 16,134	¥ 385,938	¥ (27,424)	¥ 358,514
Segment profit	¥ 13,620	¥ 5,276	¥ 11,177	¥ 4,076	¥ 34,149	¥ 797	¥ 34,946	¥ (8,749)	¥ 26,197
Segment assets	85,793	67,277	148,113	80,401	381,584	7,873	389,457	72,056	461,513
Depreciation	7,578	5,387	5,715	4,551	23,231	244	23,475	552	24,027
Investments in associated companies	4,734	139	2,440		7,313		7,313		7,313
Impairment loss on fixed assets		53			53	251	304		304
Amortization of goodwill			77	741	818		818		818
Increase in property, plant and equipment	5,936	3,844	13,044	15,737	38,561	255	38,816	874	39,690

	Millions of Yen								
	Reportable Segment								
Year Ended March 31, 2012	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥ 72,115	¥ 76,508	¥ 133,552	¥ 53,198	¥ 335,373	¥ 6,570	¥ 341,943		¥ 341,943
Intersegment sales or transfers	2,629	15,054	12		17,695	9,480	27,175	¥ (27,175)	
Total sales	¥ 74,744	¥ 91,562	¥ 133,564	¥ 53,198	¥ 353,068	¥ 16,050	¥ 369,118	¥ (27,175)	¥ 341,943
Segment profit	¥ 7,764	¥ 5,352	¥ 9,870	¥ 5,003	¥ 27,989	¥ 1,020	¥ 29,009	¥ (8,583)	¥ 20,426
Segment assets	80,657	66,499	120,239	58,736	326,131	7,065	333,196	65,001	398,197
Depreciation	9,963	6,950	6,550	3,998	27,461	264	27,725	591	28,316
Investments in associated companies	3,698	139	2,389		6,226		6,226		6,226
Impairment loss on fixed assets		375			375		375		375
Increase in property, plant and equipment	3,053	4,553	6,498	3,667	17,771	193	17,964	776	18,740

	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

Year Ended March 31, 2013	Thousands of U.S. Dollars								
	Reportable Segment								
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	$792,479	$760,383	$1,491,840	$701,724	$3,746,426	$ 67,553	$3,813,979		$3,813,979
Intersegment sales or transfers	26,916	160,670	74		187,660	104,085	291,745	$(291,745)	
Total sales	$819,395	$921,053	$1,491,914	$701,724	$3,934,086	$171,638	$4,105,724	$(291,745)	$3,813,979
Segment profit	$144,894	$ 56,128	$ 118,903	$ 43,362	$ 363,287	$ 8,479	$ 371,766	$ (93,075)	$ 278,691
Segment assets	912,691	715,713	1,575,670	855,330	4,059,404	83,756	4,143,160	766,553	4,909,713
Depreciation	80,616	57,309	60,798	48,415	247,138	2,596	249,734	5,872	255,606
Investments in associated companies	50,362	1,479	25,957		77,798		77,798		77,798
Impairment loss on fixed assets		564			564	2,670	3,234		3,234
Amortization of goodwill			819	7,883	8,702		8,702		8,702
Increase in property, plant and equipment	63,149	40,894	138,766	167,414	410,223	2,713	412,936	9,298	422,234

(Notes)

1. (1) The unallocated corporate expenses included in "Reconciliations" amounted to ¥8,749 million ($93,075 thousand), ¥8,583 million and ¥8,021 million for the years ended March 31, 2013, 2012 and 2011, respectively, which consisted mainly of expenses of administrative departments, basic research department and others.

(2) The unallocated corporate assets included in "Reconciliations" amounted to ¥76,122 million ($809,809 thousand), ¥67,595 million and ¥78,603 million for the years ended March 31, 2013, 2012 and 2011, 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 ¥4,066 million ($43,256 thousand), ¥2,594 million and ¥4,136 million for the years ended March 31, 2013, 2012 and 2011, 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

1. Information about Products and Services

	Millions of Yen					
	2013					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	¥ 74,493	¥ 71,476	¥ 140,233	¥ 65,962	¥ 6,350	¥ 358,514

	Millions of Yen					
	2012					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	¥ 72,115	¥ 76,508	¥ 133,552	¥ 53,198	¥ 6,570	¥ 341,943

	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					
	2013					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	**$ 792,479**	**$ 760,383**	**$ 1,491,840**	**$ 701,724**	**$ 67,553**	**$ 3,813,979**

2. Information about Geographical Areas

(1) Sales

Millions of Yen				
2013				
Japan	Asia		Other	Total
	China	Other		
¥ 206,712	**¥ 42,695**	**¥ 58,230**	**¥ 50,877**	**¥ 358,514**

Millions of Yen				
2012				
Japan	Asia		Other	Total
	China	Other		
¥ 206,518	¥ 40,150	¥ 51,842	¥ 43,433	¥ 341,943

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				
2013				
Japan	Asia		Other	Total
	China	Other		
$ 2,199,064	**$ 454,202**	**$ 619,468**	**$ 541,245**	**$ 3,813,979**

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

(2) Property, Plant and Equipment

Millions of Yen			
2013			
Japan	Asia	Other	Total
¥ 105,151	**¥ 34,488**	**¥ 9,685**	**¥ 149,324**

Millions of Yen			
2012			
Japan	Asia	Other	Total
¥ 110,123	¥ 22,488	¥ 6,594	¥ 139,205

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

Thousands of U.S. Dollars			
2013			
Japan	Asia	Other	Total
$ 1,118,627	**$ 366,894**	**$ 103,032**	**$ 1,588,553**

3.Information on Impairment Losses of Fixed Assets for Each Reportable Segment

	Millions of Yen						
	2013						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Impairment losses of assets		**¥ 53**			**¥ 251**		**¥ 304**

	Millions of Yen						
	2012						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Impairment losses of assets		¥ 375					¥ 375

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

	Thousands of U.S. Dollars						
	2013						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Impairment losses of assets		**$ 564**			**$ 2,670**		**$ 3,234**

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1, Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daicel Corporation:

We have audited the accompanying consolidated balance sheets of Daicel Corporation and its consolidated subsidiaries as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2013, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daicel Corporation and its consolidated subsidiaries as of March 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the three years in the period ended March 31, 2013, in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 21, 2013

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 KH Neochem Co., Ltd.
Dainichi Chemical Corp.	270	100	Manufacture and sale of industrial-use coating resins, non-tin anti-stain compounds, and fine chemicals
Daicel-Allnex Ltd.	50	45	Manufacture and sale of ultraviolet and electron beam curable resins Joint-venture company with Allnex Belgium SA/NV
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
DM Novafoam Ltd.	98	65	Manufacture and sale of foamed plastics Joint-venture company with Mitsui Chemicals, Inc.
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 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 Joint-venture company with Central Filter Industries Co., Ltd.; Daicen Maintenance Ltd.
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$ 100	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 Chiral Technologies (China) Co., Ltd.*3	RMB 10 mil	100	Sale of chiral separation columns and provision of technical services related to optical active compounds
Daicel Chiral Technologies (India) Private Ltd.	INR 4 mil	100	Sale of chiral separation columns and provision of technical services related to optical active compounds
Daicel Nanning Food Ingredients Co., Ltd.*3	RMB 194.025 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 Polymer (Thailand) Co., Ltd.*8	THB 20 mil	100	Sale of compound resin
Daicel Trading (Shanghai) Ltd.*9	RMB 21.683 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$ 45 mil	88	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 256 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 Systems Korea, Inc	KRW 4,400 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
Special Devices, Inc.*13	US$ 0.006 mil	100	Manufacture and sale of inflator components for automobile airbags
Daicel (China) Investment Co., Ltd.	RMB 386 mil	100	Management of manufacturing and marketing operations in China
Daicel (Asia) Pte. Ltd.	S$ 9.59 mil	100	Management of marketing operations in Southeast Asia
Daicel (U.S.A.), Inc.	US$ 0.1 mil	100	Management of marketing operations in North America
Daicel (Europa) GmbH	€ 0.15 mil	100	Management of marketing operations in Europe

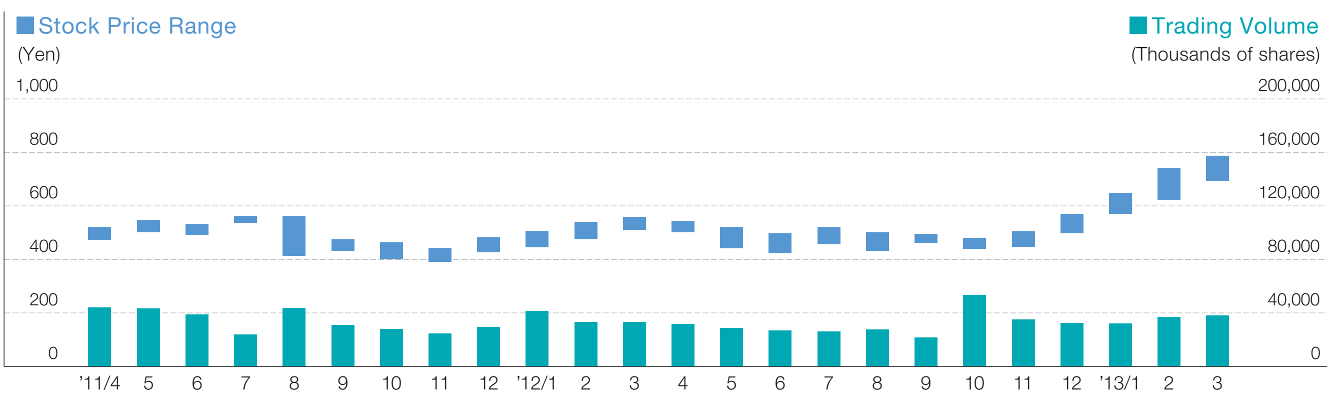
*2: 30% owned by Daicel (China) Investment Co., Ltd.
*3: 100% owned by Daicel (China) Investment Co., Ltd.
*4: 75% owned by Polyplastics Co., Ltd.
*5: 100% owned by Polyplastics Co., Ltd.
*6: 70% owned by Polyplastics Co., Ltd.
*7: 90% owned by Daicel Corporation and 10% owned by Daicel (China) Investment Co., Ltd.
*8: 100% owned by Daicel Polymer Ltd.
*9: 90% owned by Daicel (China) Investment Co.,Ltd. and 10% owned by Shanghai Daicel Polymers, Ltd.
*10: 55% owned by Daicel Corporation and 45% owned by Polyplastics Co., Ltd.
*11: 100% owned by Topas Advanced Polymers GmbH
*12: 88% owned by Daicel (U.S.A.), Inc.
*13: 100% owned by Daicel (U.S.A.), Inc.

Corporate Data (As of March 31, 2013)

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
Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Number of Shareholders	17,226
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

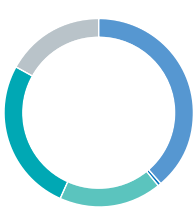
Stock Information (As of March 31, 2013)

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	141,492	38.8
Securities companies	1,425	0.4
Other domestic corporations	63,748	17.5
Foreign investors	96,882	26.5
Individual & other investors	61,393	16.8

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

Major Shareholders (Top10)

	Number of shares unit: 1,000 shares	% of total shares issued
Japan Trustee Services Bank, Ltd. (Trust Account)	24,842	7.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,150	6.01
Nippon Life Insurance Company	18,813	5.34
FUJIFILM Corporation	17,271	4.91
Japan Trustee Services Bank, Ltd. (Trust Account 9)	15,927	4.52
Toyota Motor Corporation	15,000	4.26
Mitsui Sumitomo Insurance Co., Ltd.	7,203	2.04
Sumitomo Mitsui Banking Corporation	7,096	2.01
Mitsui & Co., Ltd.	6,777	1.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,503	1.84

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).