ANNUAL REPORT 2015
Year ended March 31, 2015

LEAPING FORWARD

DAICEL CORPORATION

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.

Caution with Respect to Forward-Looking Statements

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

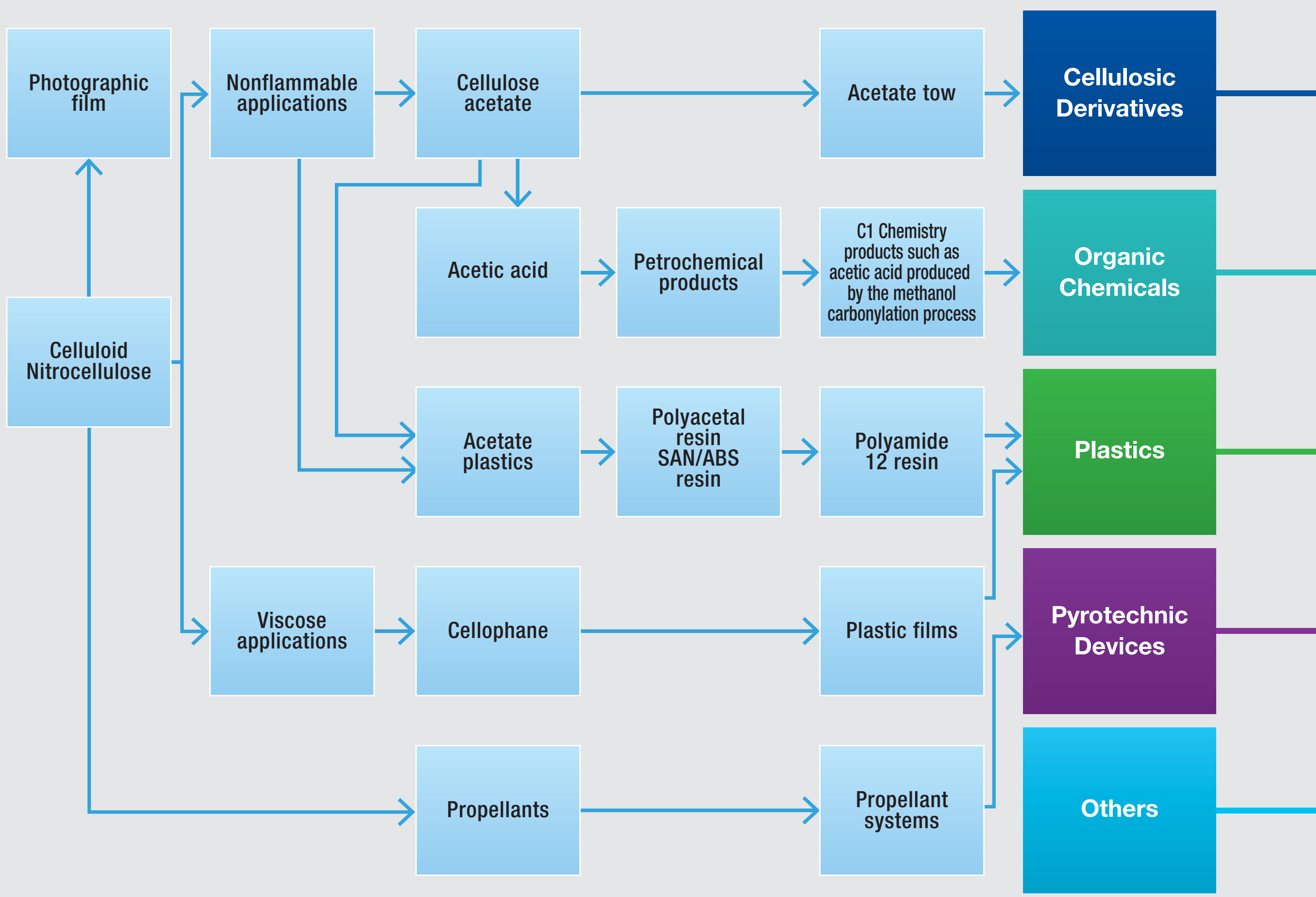
Contents

Profile

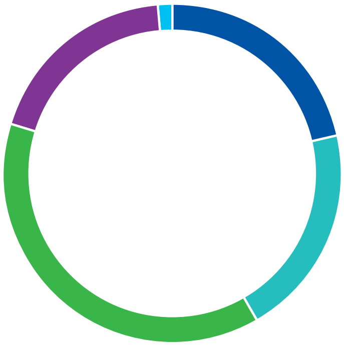
Daicel Corporation was founded in 1919 as Dainippon Celluloid Company Limited, created through the merger of eight celluloid producers. Deploying its original celluloid-related technological expertise, the Company has expanded into the fields of cellulose chemistry, organic synthesis chemistry, polymer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

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), 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.

Business Development Flowchart

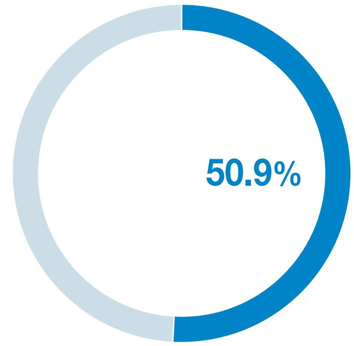


Sales by Segment



21.6% Cellulosic Derivatives
20.1% Organic Chemicals
38.2% Plastics
18.8% Pyrotechnic Devices
1.3% Others

Overseas Sales



Major Applications of Daicel Group Products

Cellulosic Derivatives
P17

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

Lithium-ion batteries/
CMC

Organic Chemicals
P18

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

Plastics
P19

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

Gas barrier films/
Packaging films

Pyrotechnic Devices
P20

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

Pyrotechnic products/
Initiators

Others
P21

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

Eco-friendly System/
E-Mizu system

Main product application/
Product

Consolidated Financial Highlights

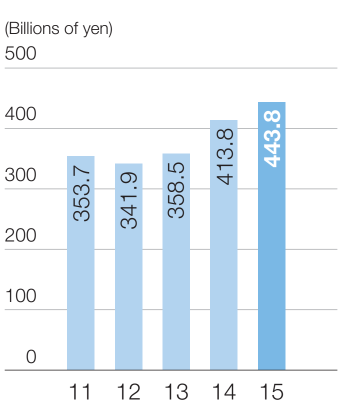
Daicel Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars*2
	2011	2012	2013	2014	2015	2015
Results for the year						
Net sales	¥ 353,685	¥ 341,943	¥ 358,514	¥ 413,786	¥ 443,776	$ 3,698,133
Operating income	32,711	20,426	26,197	37,912	51,304	427,533
Income before income taxes and minority interests	29,713	19,962	25,283	40,824	52,948	441,234
Net income	16,803	11,827	15,373	22,844	31,253	260,442
Capital expenditures	11,753	17,394	26,067	28,026	29,629	246,908
Depreciation and amortization	33,529	28,849	24,605	24,257	24,520	204,334
Research and development expenses	11,971	12,731	12,876	13,360	14,032	116,933
At year-end						
Total assets	¥ 411,071	¥ 398,197	¥ 461,513	¥ 509,834	¥ 565,332	$ 4,711,100
Total equity	235,337	234,712	262,900	295,805	356,178	2,968,150
Ratios						
Ratio of operating income to net sales	9.2	6.0	7.3	9.2	11.6	
Return on equity	8.0	5.5	6.7	9.0	10.5	

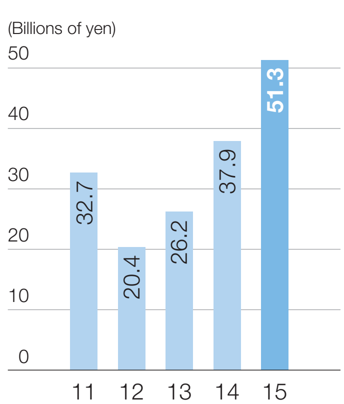
	Yen					U.S. dollars*2
Per share*1						
Net income	¥ 47.22	¥ 33.46	¥ 43.71	¥ 64.98	¥ 88.95	$ 0.74
Cash dividends applicable to the year	10.00	10.00	12.00	15.00	21.00	0.18

*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 ¥120 = $1, the approximate exchange rate at March 31, 2015.

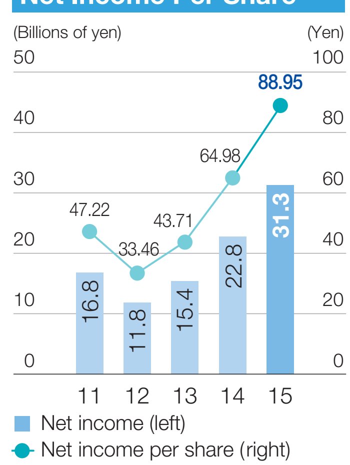
Net Sales



Operating Income



Net Income/ Net Income Per Share



Message from the President

Misao Fudaba
President and CEO

We will continue targeting record-high earnings by steadily implementing the 3D-II medium-term plan.

Year in Review

The Daicel Group posted the record-high earnings thanks to increased sales volumes for engineering plastics and other items, as well as favorable external conditions.

In the year ended March 2015, the Japanese economy showed a recovery trend, backed by improving corporate profits and increasing capital expenditures. However, the economic outlook remained uncertain due to a recoil in demand at the beginning of the period following a rush in demand ahead of the consumption tax hike in Japan, as well as downside risk posed by overseas economies.

Under these circumstances, the Daicel Group worked relentlessly to improve its performance, including by expanding sales to the automobile industry and implementing continuous cost reductions.

As a result, we posted an increase in sales volume for engineering plastics. We also benefited from favorable external

Results for the Fiscal Years Ended March 2014 and 2015

(Billions of yen)

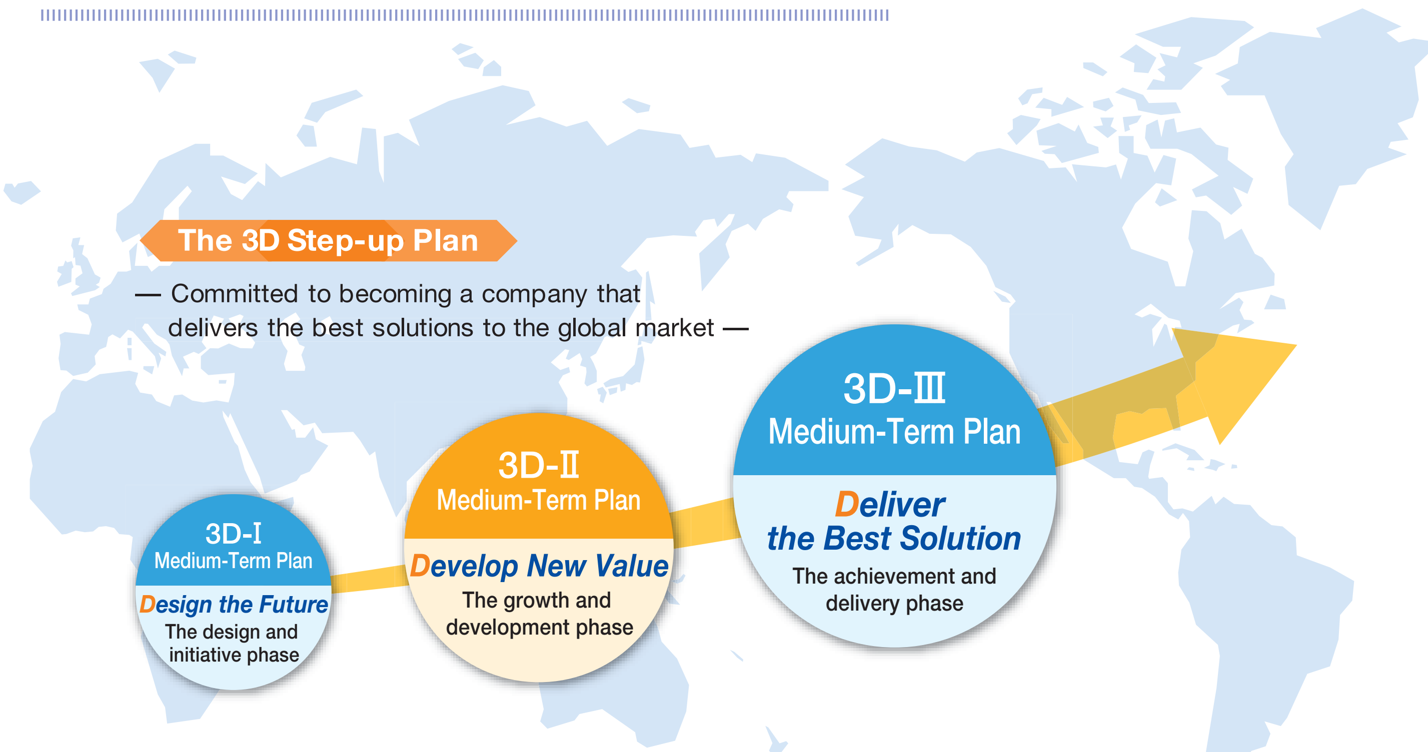
	2014/3	2015/3	Change	% Change
Net sales	413.8	443.8	+30.0	+7.2%
Operating income	37.9	51.3	+13.4	+35.3%
Ordinary income	41.4	55.1	+13.6	+32.9%
Net income	22.8	31.3	+8.4	+36.8%

conditions, such as foreign exchange factors and raw materials prices, enabling us to post new record-high earnings figures. By continuing to emphasize stable operations and quality-assured manufacturing, we managed to take advantage of the external environment.

In light of our performance, with year-on-year increases in revenue and earnings, we declared a year-end cash dividend of ¥13.00 per share. This brought annual dividends to ¥21.00 per share, up ¥6.00 from the previous year.

Progress status of 3D-Ⅱ medium-term plan

We are reinforcing our production foundation, creating new businesses, and implementing various other measures.



Basic Strategies of the 3D Step-up Plan

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

As part of Grand Vision 2020, our long-term vision, we formulated and are implementing our 3D Step-up Plan, which represents our commitment to becoming a company that delivers the "best solutions" to the global market. 3D Step-up Plan consists of three medium-term plans, and the period under review was the first year of 3D-Ⅱ, the second plan.

Under 3D-Ⅱ, the Group is emphasizing five core priorities aimed at advancing and driving forward initiatives designed and implemented under 3D-Ⅰ. Reinforcing our production foundation is one of these core priorities. Here, we are embracing energy-savings through the introduction of innovative technologies, while establishing and practically applying Daicel's "Modified Petlyuk Process" through an industry-academia alliance. We are also trialing the introduction of vapor recompression (VRC) technology for large-scale organic solvent-related processes. The Modified Petlyuk Process is already being used in commercial operation, and we have started demonstrated-operation of the VRC technology at a commercial facility. We have confirmed that both technologies deliver energy savings in

Outline of 3D-Ⅱ

Business targets

1. **Consolidated performance for the year ending March 2017**

   Net sales: **¥500 billion** Operating income: **¥50 billion**

   <Important management index>

   Targeting to **10% or more** for operating income ratio (ROS) and ROE

2. **Accelerated development of new businesses**

   Long-term target:
   Development of new businesses, **¥10 billion in sales × 5 units**

Emphasis themes

On the assumption of the most important fundamentals as a manufacturer, such as product safety, quality assurance and safe operations, we make efforts by focusing on the following five themes:

1. Further growth in core businesses
2. Development of new businesses
3. Development and enhancement of businesses from a global perspective
4. Enhancement of production foundations
5. Enhancement of capabilities of corporate divisions

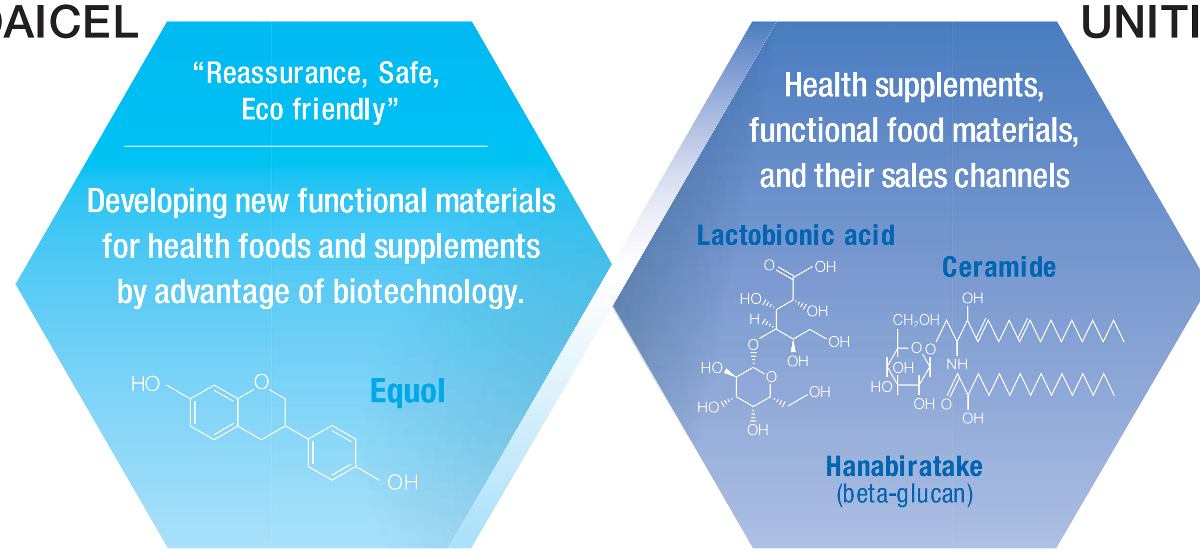
excess of 30% during the distillation process. (Please refer to the Special Feature on page 11 for further details.)

With respect to creating new businesses, another core priority, in the electronics field we are working to increase sales of LED transparent encapsulants and other materials that can help save energy for society in general. In the medical and healthcare domain, we recently acquired a lifestyle health business and will deploy our expertise in biotechnology to expedite business expansion for equol and other products that benefit people's health.

New Business Creation: Acquired Unitika's Health Business

DAICEL

UNITIKA



In Japan, the new "Food with function claims" system was launched in 1st April, 2015.
Thereby, to expect strong growth in
the functional foods market.

The new business unit will be created by our materials, technologies and the sales channel.

Outlook for the fiscal year ending March 2016

We will target another year of record-high earnings through ongoing efforts to increase sales volumes and reduce costs.

Despite elements of uncertainty about the economic outlook, the Daicel Group will focus on expanding sales of engineering plastics, automobile airbag inflators, and other items. We will also step up cost-reduction efforts in order to achieve a consecutive year of record-high earnings.

In addition, we will reinforce our cigarette filter tow facilities and establish our second manufacturing base in the United States for automobile airbag inflators. By steadily expanding and strengthening our operational facilities in this way, we will ensure that the following year, ending March 2017, delivers even higher earnings.

For the fiscal year to March 2016, we forecast annual cash dividends of ¥26.00 per share, up ¥5.00 from the year under review.

Earnings Forecasts for the Fiscal Year Ending March 2016

(Billions of yen)

	2015/3 (Result)	2016/3 (Forecasts)	Change	% Change
Net sales	443.8	467.0	+23.2	+5.2%
Operating income	51.3	54.0	+2.7	+5.3%
Ordinary income	55.1	56.0	+0.9	+1.7%
Profit attributable to owners of parent	31.3	35.0	+3.7	+12.0%

Future initiatives

We will build a robust foundation for sustained growth.

Although we posted record-high results in the year under review, our performance was largely buoyed by changes in foreign exchange rates and raw materials prices, and of all the measures in the 3D-Ⅱ medium-term plan we are implementing, some remain a work in progress. Going forward, we will strive to build a robust foundation by steadily targeting specific measures as planned.

Based on correct processes for safety, product quality, and compliance, we will deliver value, functions, and solutions that benefit society at large. By conducting business properly in this way, we will generate profits and use those profits to achieve sustained growth for our company and society. We look forward to the renewed guidance and support of shareholders and all other investors.

Special Feature

Using innovative technologies to promote energy saving in the distillation process

Reinforcement of production infrastructure is a key theme of 3D-Ⅱ, the Daicel Group's medium-term plan. To this end, we are promoting the conservation of energy from three angles, Energy Department energy saving, energy saving in current production processes, and the introduction of innovative energy-saving technologies.

Under 3D-Ⅱ, our efforts extend far beyond simply saving energy through the improvement of existing technologies. Accordingly, we are engaging in a radical review of production processes and developing new technologies as innovative ways of saving energy. In this Special Feature, we introduce two examples of innovative energy-saving projects.

"Modified Petlyuk Process" enables the application of energy-saving distillation technology using existing facilities

Daicel's "Modified Petlyuk Process" is one example of an innovative energy-saving project. The Petlyuk process has long been recognized as a technology that reduces energy consumption. However, difficulties in the operation and control of the process have hindered its implementation. Although one solution has been to use distillation towers with a special structure, this requires massive capital investment for new facilities and equipment because existing facilities cannot be used.

At Daicel, we resolved the issue of process control by adding an extra heat source (reboiler) to the conventional Petlyuk process. We achieved this through the installation of pipes while continuing to use our two existing distillation towers. Accordingly, the project required a small amount of capital investment.

When we began commercial production at the new acetic anhydride manufacturing facility in our Arai Plant, we achieved energy savings of 30%.

Vapor recompression technology converts exhaust heat from low-temperature steam to reusable energy

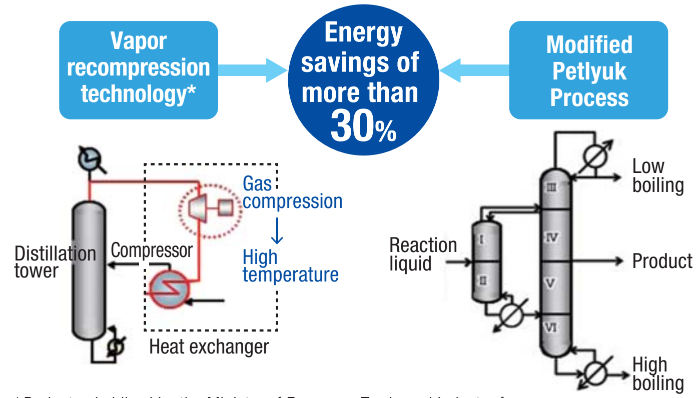
A second project involves vapor recompression (VRC) technology, which recovers heat by compressing low-temperature steam generated by the distillation process and converting it to high-temperature steam. Although this technology has been used in water-based simple distillation processes, there have been no examples of its application in organic solvent distillation processes. To overcome this problem, Daicel selected a particular type of compressor and developed technology that enabled stable distillation tower startup. We then began trial operation at the cellulose acetate facility in our Aboshi Plant. Verification tests revealed energy savings of more than 30%.

Rolling out innovative energy-saving technologies to other manufacturing bases

Going forward, the Company intends to introduce the improved Petlyuk distillation process mainly to the Ohtake Plant with the aim of achieving both energy and cost savings. As for our VRC technology, we will continue demonstrations at the commercial facility in our Aboshi Plant, with a view to accelerating the technology's adoption in industrial processes.

It is said that distillation processes account for around 40% of general energy consumption in the chemicals industry. Utilizing these two innovative technologies has enabled Daicel to not only reduce energy consumption but will also increase the competitiveness of its product.

World's first verification test in large chemical plant



*Project subsidized by the Ministry of Economy, Trade and Industry for "Promoting Investment in Cutting-Edge Facilities"

"Modified Petlyuk Process" receives SSPEJ award

Daicel's "Modified Petlyuk Process" received the Technology Award from The Society of Separation Process Engineers, Japan (SSPEJ) in 2014. The award recognizes our technology that allowed simple conversion of two existing distillation towers to energy-efficient towers, mainly through the installation of piping. It also reflects great expectations for the proliferation of energy-saving distillation processes, which consume considerable amounts of energy.

Daicel Highlights of the Year

Completion of Japan's first detonation testing facility at Harima Plant

Daicel began operation of a testing and manufacturing facility for single-digit nanodiamonds (SDND) at the Harima Plant which are a next-generation material that can be synthesized with metals and plastics.

This is done by controlling the surface of nanoscale diamond particles so they express particular properties. Daicel is working to develop applications for SDND, including in precision abrasive materials, composite plating materials, optical components, and heat dissipating components.

By operating the aforementioned detonation testing facility, as well as the precision manufacturing and dispersal facility at the Arai Plant, Daicel is the first company in Japan able to perform integrated production, from raw materials to final products.

2014 | 4 April | 5 May | 6 June | 7 July | 8 August | 9 September | 10 October

Decision to expand production facilities for acetate tow for cigarette filters

Daicel commenced work on upgrading and expanding a facility at the Ohtake Plant that produces acetate tow used in cigarette filters. We decided to boost its production capabilities in response to requests from major customers. The expanded facility, which is scheduled to commence operation in the second half of the year ending March 2017, will increase Daicel's current supply capacity by around 10%. By offering customers a stable supply of products, we will further strengthen our relationships of trust with customers going forward.

Meanwhile, Daicel is building a new pilot testing and manufacturing facility. In addition to giving timely consideration to various requests from customers, we will engage in developing new applications for cellulose acetates.

Change in trading unit of company shares

On January 1, 2015, Daicel reduced the size of its trading unit from 1,000 shares to 100 shares. There were several reasons behind this change. First, we wanted to enhance the liquidity of our shares and broaden our investor base by establishing a friendly environment for all investors. Second, the change to the number of shares per trading unit takes into consideration the intent of the “Action Plan for Consolidating Trading Units,” announced by Japan’s nationwide stock exchanges.

Establishment of second automotive airbag inflator manufacturing plant in the Americas

Daicel decided to establish Daicel Safety Systems America Arizona Inc. as part of a strategy to reinforce its automotive airbag inflator business in North and South America. The new company will serve as the Group’s second production base in the region. A plant will be built adjacent to Special Devices, Inc. (SDI), which Daicel acquired in 2012. Production is scheduled to commence in early 2016. The facility will enable Daicel to meet rising demand for airbag inflators in the Americas, covering North America—the world’s largest airbag inflator market—and the rapidly growing markets of Central and South America.

11 November | 12 December | **2015** | 1 January | 2 February | 3 March | 4 April

Agreement on acquisition of “health and amenity” business

Daicel has acquired “Health and Amenity” business of Unitika Ltd. As a result of the acquisition, we have begun developing new functional ingredients for health food and supplements. This move into the medical/healthcare sector is in line with our long-term Grand Vision 2020, which calls for the creation of new business units. Through the acquisition, Daicel not only secures new products and sales channels, but also inherits Unitika’s human resources and technologies amassed over many years. Going forward, we will accelerate efforts to foster new businesses in the medical/healthcare domain.

Review of Operations

At a Glance

Business Segment	Sales Total 443.8 billion yen	Operating Income Total 51.3 billion yen
Cellulosic Derivatives	21.6%	42.0%
Organic Chemicals	20.1%	15.5%
Plastics	38.2%	26.0%
Pyrotechnic Devices	18.8%	16.4%
Others	1.3%	0.1%

Cellulosic Derivatives

Organic Chemicals

Plastics

Pyrotechnic Devices

Others

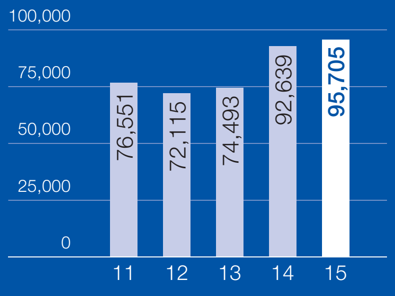
Major Products	Uses	Market Position	
Cellulose acetate	LCD films, acetate fibers, photographic films, plastics	Overwhelming market share in the manufacture and sale of triacetyl cellulose (TAC) used in films for LCDs Stable supplier of acetate tow for cigarette filters to a number of leading cigarette manufacturers	17P
Acetate tow	Cigarette filters		
Carboxymethyl cellulose (CMC) and other water-soluble polymers (WSP)	Foods, pharmaceuticals, cosmetics, adhesives, textiles, mud stabilizers, thickeners		
Acetate plastics	Frames for glasses, other products		
Celluloid			
Acetic acid and its derivatives	Cellulose acetate, vinyl acetate, pure terephthalic acid (PTA), solvents, pharmaceuticals	One of the leading manufacturers of acetic acid in Asia World's largest manufacturer of chiral columns used for the separation of optical isomers	18P
Commodity organic chemicals	Solvents, electronic materials, agricultural chemicals, pharmaceuticals		
Functional chemicals	Electronic materials, cosmetics, polyurethane, epoxy resins, fine coating		
Chiral columns, separation services	Pharmaceuticals, chemical analysis		
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	19P
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	Gas barrier films for packaging		
Airbag inflators	Automobile airbag systems, seat-belt pretensioners	The top manufacturer of automobile airbag inflators in Japan	20P
Aircrew emergency escape systems, rocket motors, propellants	Uses for Japanese Self-Defence Forces		
Separation membrane modules	Water treatment		21P

Review of Operations

Cellulosic Derivatives

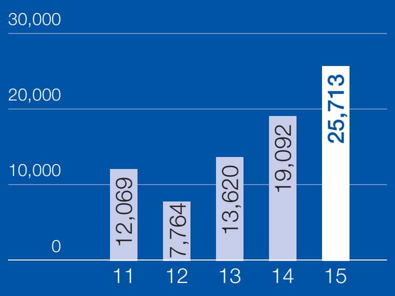
Sales to External Customers

(Millions of yen)



Operating Income

(Millions of yen)



Operations

	Millions of yen				
Years ended March 31	2011	2012	2013	2014	**2015**
Sales to external customers	¥ 76,551	¥ 72,115	¥ 74,493	¥ 92,639	**¥ 95,705**
Intersegment sales	2,782	2,629	2,530	2,396	**2,568**
Total sales	79,333	74,744	77,023	95,035	**98,273**
Operating income	¥ 12,069	¥ 7,764	¥ 13,620	¥ 19,092	**¥ 25,713**
Total assets	¥ 87,712	¥ 80,657	¥ 85,793	¥ 94,879	**¥110,584**
Depreciation	12,755	9,963	7,578	7,632	**6,168**
Capital investments	908	3,053	5,936	7,120	**14,915**

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

Sales in the Cellulosic Derivatives segment amounted to ¥95,705 million, up 3.3% year on year. Segment operating income increased 34.7%, to ¥25,713 million.

For the period, sales of cellulose acetate declined due to falling demand for LCD film applications, although sales for cigarette filter applications were up.

Sales of acetate tow for cigarette filters increased thanks to healthy overseas sales, favorable foreign exchange rates, and the fact that the biennial periodic repairs of our Aboshi Plant were not implemented in the year under review.

Review of Operations

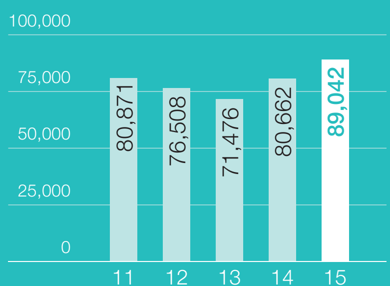
Organic Chemicals

Operations

	Millions of yen				
Years ended March 31	2011	2012	2013	2014	2015
Sales to external customers	¥ 80,871	¥ 76,508	¥ 71,476	¥ 80,662	¥ 89,042
Intersegment sales	14,384	15,054	15,103	18,984	17,518
Total sales	95,255	91,562	86,579	99,646	106,560
Operating income	¥ 6,923	¥ 5,352	¥ 5,276	¥ 6,045	¥ 9,457
Total assets	¥ 69,095	¥ 66,499	¥ 67,277	¥ 67,932	¥ 70,783
Depreciation	8,099	6,950	5,387	4,919	4,503
Impairment loss on fixed assets	245	375	53	—	—
Capital investments	2,627	4,553	3,844	3,836	6,363

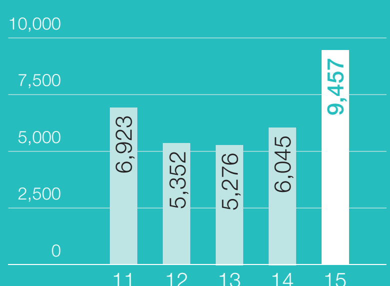
Sales to External Customers

(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 Organic Chemicals segment, sales grew 10.4% year on year, to ¥89,042 million, and operating income jumped 56.4%, to ¥9,457 million.

Sales of acetic acid, a mainstay product, increased due to strong demand for vinyl acetate and other applications, as well as selling price corrections and the fact that the biennial periodical repairs of our Aboshi Plant were not implemented in the year under review.

We reported sales growth for general products, such as acetic acid derivatives and solvents, owing to an increase in the sales volume for electronic materials and other applications, as well as selling price corrections. This was despite a decrease in the sales volume for paint and other applications.

Sales of functional products, such as caprolactone derivatives and epoxy compounds, increased on the back of strong sales in overseas markets.

Sales of the chiral separation business, including optical resolution columns, also increased amid healthy column sales to customers in China, India, and other destinations, as well as an increase in orders for custom separation services.

Review of Operations

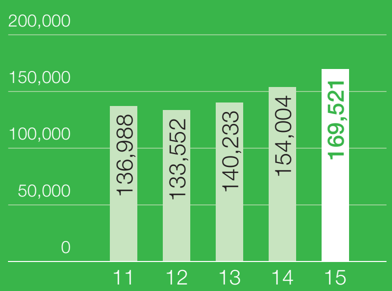
Plastics

Operations

Years ended March 31	2011	2012	2013	2014	2015
	Millions of yen				
Sales to external customers	¥ 136,988	¥ 133,552	¥ 140,233	¥ 154,004	**¥ 169,521**
Intersegment sales	10	12	7	2	**5**
Total sales	136,998	133,564	140,240	154,006	**169,526**
Operating income	¥ 14,576	¥ 9,870	¥ 11,177	¥ 11,047	**¥ 15,913**
Total assets	¥ 124,173	¥ 120,239	¥ 148,113	¥ 168,922	**¥ 174,553**
Depreciation	6,459	6,550	5,715	5,090	**6,261**
Impairment loss on fixed assets	74	—	—	—	**—**
Amortization of goodwill	—	—	77	389	**624**
Capital investments	3,430	6,498	13,044	10,084	**2,287**

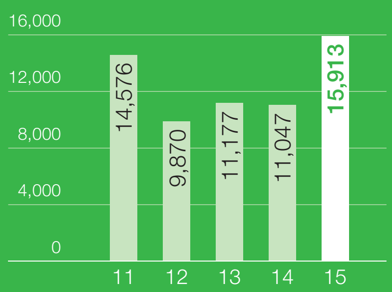
Sales to External Customers

(Millions of yen)



Operating Income

(Millions of yen)



Overview

The Plastics 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 resin 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

Sales in the Plastics segment rose 10.1%, to ¥169,521 million, and operating income grew 44.0%, to ¥15,913 million.

Daicel's engineering plastics business—which includes polyacetal POM, polybutylene terephthalate PBT, and liquid crystal polymers LCP—is handled by the Polyplastics Co., Ltd. Group. Effective the fiscal year under review, that group changed its fiscal year-end from December 31 to March 31. Compared with the previous fiscal period January–December, sales in the year under review April–March were up thanks to increased sales volume in the automobile and electronic device sectors, as well as favorable foreign exchange rates.

With respect to the resin compound business, centering on ABS resins and engineering plastic alloy resins, we enjoyed growth in sales spurred by healthy demand from the electric/electronic sectors.

Sales in the resin processing business, including sheets, molded containers, and films, increased as a result of healthy sales to the food and other industries.

Review of Operations

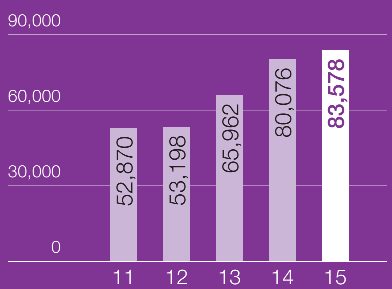
Pyrotechnic Devices

Operations

Years ended March 31	2011	2012	2013	2014	2015
	Millions of yen				
Sales to external customers	¥ 52,870	¥ 53,198	¥ 65,962	¥ 80,076	**¥ 83,578**
Total sales	52,870	53,198	65,962	80,076	**83,578**
Operating income	¥ 5,864	¥ 5,003	¥ 4,076	¥ 10,453	**¥ 10,043**
Total assets	¥ 48,459	¥ 58,736	¥ 80,401	¥ 82,264	**¥ 97,016**
Depreciation	4,632	3,998	4,551	5,208	**5,265**
Amortization of goodwill	—	—	741	447	**490**
Capital investments	2,067	3,667	15,737	3,687	**6,170**

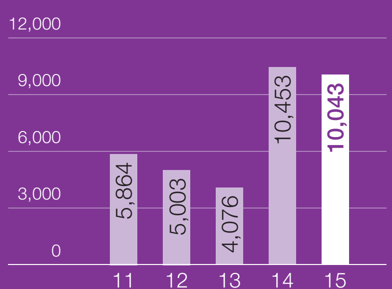
Sales to External Customers

(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.

Daicel'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 Pyrotechnic Devices segment, sales climbed 4.4%, to ¥83,578 million. Segment operating income declined 3.9%, to ¥10,043 million, reflecting increased expenses and other factors.

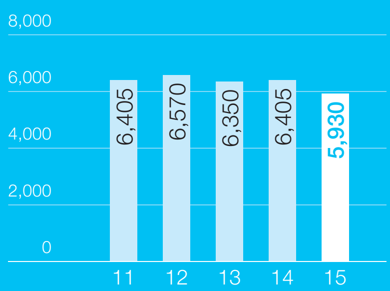
For the year, our motor vehicle safety device business, which includes automobile airbag inflators, achieved sales growth owing partly to favorable exchange rates. This was despite stagnating sales volume caused by a recoil in demand following a spike just before the consumption tax hike.

In the aerospace & defense business, sales were up thanks to an increase in the volume of some products procured by the Ministry of Defense.

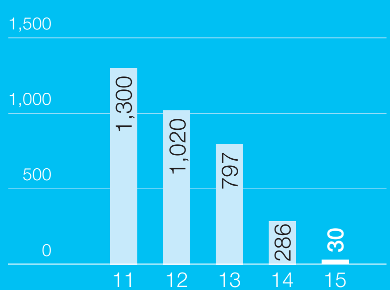
Review of Operations

Others

Sales to External Customers



Operating Income



Operations

	Millions of yen				
Years ended March 31	2011	2012	2013	2014	2015
Sales to external customers	¥ 6,405	¥ 6,570	¥ 6,350	¥ 6,405	¥ 5,930
Intersegment sales	10,133	9,480	9,784	9,571	9,793
Total sales	16,538	16,050	16,134	15,976	15,723
Operating income	¥ 1,300	¥ 1,020	¥ 797	¥ 286	¥ 30
Total assets	¥ 7,165	¥ 7,065	¥ 7,873	¥ 9,103	¥ 9,922
Depreciation	300	264	244	272	235
Capital investments	288	193	255	270	378

Performance

Sales in this segment declined 7.4%, to ¥5,930 million, and operating income fell 89.5%, to ¥30 million.

In the membrane business, including membrane modules for water treatment, sales declined due partly to weak conditions in the medical field.

The transportation and warehousing business and other business areas also experienced a decline in sales.

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 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

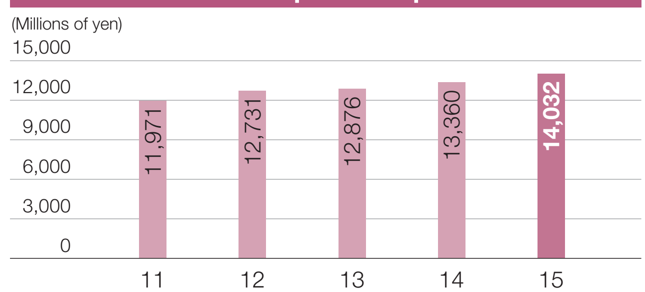
The Daicel Group (Daicel Corporation and consolidated subsidiaries) engages in R&D aimed at further expanding existing businesses and creating new ones.

Seeking to steadily create new businesses, in April 2014 we upgraded the M&A capabilities of our New Business Planning. We also reorganized the R&D Management, replacing it with the R&D Headquarters, in order to accelerate development of new products. We also commenced R&D activities in China with the establishment of the Daicel (China) New Technology Institute within Daicel (China) Investment Co., Ltd.

In December 2014, we established the New Product Commercialization Division within the Production Technology Headquarters, with the aims of strengthening ties with the R&D Headquarters and expediting commercialization of newly developed products and mass production considerations.

Consolidated R&D expenses amounted to ¥14,032 million in the fiscal year ended March 2015. The Group has 1,015 employees, representing 10% of the Group's total employees, engaged in R&D activities.

Research and Development Expenses



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 ¥16,000 million in R&D in the fiscal year ending March 2016.

Business Segment	R&D Main Themes	R&D Expenses
Cellulosic Derivatives	• Raising production capacity and improving the quality of cellulose acetate • Strengthening production technology and improving the quality of acetate tow for cigarette filters • Development of new applications and products using existing products and technologies	¥ 870 million
Organic Chemicals	• Research into improving acetic acid manufacturing technologies; development of new organic derivatives; and development and commercialization of organic-designed products • Development of optical isomer separation columns and applying such technologies to develop related products • Adapting process innovation technologies to manufacturing plants in order to strengthen competitiveness of existing products	¥2,862 million
Plastics	• Enhancement of quality and environmental suitability of engineering plastics; development of high-performance resins and polymer alloys; and product development of polystyrene	¥3,517 million
Pyrotechnic Devices	• R&D on new gas generants agents and new inflators for automobile airbags; and development of pilot emerging-escape systems and others • Application of pyrotechnic devices to develop products in new fields	¥2,807 million
Others	• Development of separation membranes and separation systems	¥ 154 million
Company-Wide R&D	• R&D on creation of new businesses; and basic research that cannot be allocated to any specific segment • Development of functional chemical products and functional films for the electronics market; and development of functional materials for advanced fields, such as the medical/healthcare fields	¥3,819 million

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 internal company system, establishing fully integrated management of the manufacturing, sales, and R&D, 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.

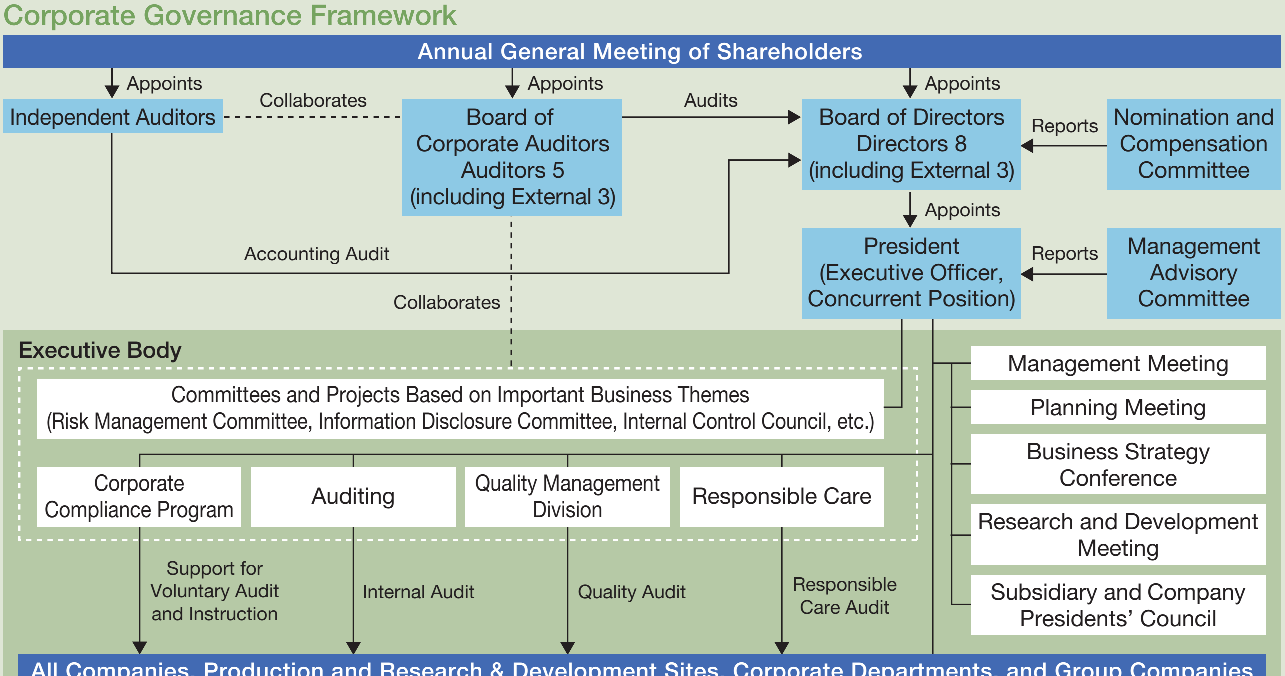
At Daicel, external directors are tasked with providing advice and supervisory functions based on their experience and expertise. All three of the external directors are independent directors.

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.

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

Corporate Governance Framework



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

(As of June 19, 2015)

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 five corporate auditors, including three external corporate 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.

Corporate Auditors receive reports from the Company's internal auditing division and independent accounting auditors on a regular basis. They also exchange information and opinions as necessary and otherwise perform audits in a spirit of mutual cooperation. Two of the Company's external auditors are independent corporate auditors.

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 System

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 the Internal Control Report. 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 aggressively conducting risk management activities.

Each department within the Company is taking stock of potential risks that could have a major impact on Daicel's ability to achieve its business targets.

To fully assess the situation, the Company's risk countermeasures and initiatives are entered into an intranet database. Countermeasures and initiatives are designed to prevent the incidence of risk or to reduce any subsequent impact. Each department assigns a priority level to each risk and caries out countermeasures accordingly. Steps are also taken to regularly update the status and progress of countermeasure implementation, and any newly identified risks are promptly entered into the database. Utilizing this database, Daicel pursues a CAPD cycle in conjunction with the risk management activities of each department. Similar risk management activities are undertaken by Group companies in Japan and overseas*.

The Risk Management Committee periodically confirms the status of countermeasure implementation by each department and Group company. Recommendations and support are then provided as considered appropriate. In addition, summary activity reports are submitted by each department at the end of each fiscal year. This process enables all appropriate parties to fully grasp the status of risk.

* Certain overseas Group companies are excluded from using the database.

Board of Directors and Auditors/ Executive Officers (As of June 19, 2015)

President
Misao Fudaba

Director
Masumi Fukuda

Board of Directors and Corporate Auditors

President
Misao Fudaba

Directors
Masumi Fukuda
Yoshimi Ogawa
Hisao Nishimura
Noboru Goto
President of Polyplastics Co., Ltd.

External Directors
Akishige Okada
Advisor of Sumitomo Mitsui Banking Corporation
Tadao Kondo
Advisor of Nippon Shokubai Co., Ltd.
Chiyoko Shimozaki
Professor of Human Resource Management Graduate School of Business Osaka City University

Corporate Auditors
Tsuyoshi Kihara
Hiroyasu Masuda

External Corporate Auditors
Kunie Okamoto
Chairman of Nippon Life Insurance Company
Toshio Takano
Lawyer
Ryo Ichida
Certified Public Accountant

Executive Officers

Chief Executive Officer
Misao Fudaba

Senior Managing Executive Officers
Masumi Fukuda
Head 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
Masayuki Mune
Responsible for Cellulose Company and Raw Material Purchasing Center

Managing Executive Officers
Yoshimi Ogawa
General Manager of Production Technology Headquarters, Responsible for Quality Management Division, Responsible Care and Engineering Center
Hisao Nishimura
General Manager of R&D Headquarters, Responsible for Intellectual Property Center
Yuji Iguchi
Head of Corporate Planning, New Business Planning and Topas Business Group
Takahiko Ando
General Manager of Himeji Production Sector and General Manager of Aboshi Plant

Executive Officers
Naohide Hakushi
Deputy General Manager of Production Technology Headquarters
Hidekage Kojima
President of Cellulose Company
Dieter Heckmann
Responsible for CPI Company, President of Chiral Technologies Europe S.A.S., President of Chiral Technologies, Inc., President of Daicel Chiral Technologies (India) Pvt. Ltd.
Tetsuaki Nonaka
Head of Quality Management Division and Assistant Head of Responsible Care
Satoshi Sakamoto
President of Aerospace & Defense Systems/Safety Systems Company, Chairman of the Board of Daicel Safety Systems (Jiangsu) Co., Ltd., President of Special Devices, Inc., President of Daicel Safety Systems America Arizona, Inc.
Hisanori Imanaka
Head of Raw Material Purchasing Center
Koutaro Sugimoto
President of Daicel Logistics Service Co., Ltd.
Yasuhiro Sakaki
President of Organic Chemical Products Company
Yukio Yoshino
President of Daicel Value Coating Ltd.
Takashi Ueno
General Manager of Arai Plant, Production Management, Organic Chemical Products Company President of Daicel Arai Chemical Ltd.
Yasuo Tsuji
General Manager of Ohtake Plant
Akihisa Takabe
Deputy General Manager of R&D Headquarters, Head of Central Research Center
Mikio Yagi
President of Daicel Polymer Ltd.
Naotaka Kawaguchi
Vice President of Aerospace & Defense Systems/ Safety Systems Company, General Manager of Harima Plant

Financial Section

Eleven Year Summary

Years ended March 31

	2005	2006	2007	2008
For the year:				
Net sales	¥ 306,335	¥ 335,520	¥ 381,423	¥ 416,990
Operating income	28,553	33,570	36,399	32,164
Income before income taxes and minority interests	22,380	29,386	33,185	27,145
Net income	10,844	14,221	17,438	13,676
Amounts per common share (yen):				
Net income	¥ 29.82	¥ 39.16	¥ 48.19	¥ 37.86
Cash dividends applicable to the year	8.00	8.00	8.00	8.00
Capital expenditures	¥ 25,377	¥ 59,018	¥ 55,316	¥ 46,930
Depreciation and amortization	22,490	22,484	23,774	29,576
Research and development expenses	11,219	11,221	11,717	12,004
At year-end:				
Total current assets	¥ 160,541	¥ 172,344	¥ 206,670	¥ 207,834
Total assets	413,493	483,469	547,432	515,618
Total current liabilities	102,779	133,420	152,556	158,230
Total long-term liabilities	110,875	121,159	152,467	118,240
Total equity*1	171,225	197,780	242,409	239,148
Ratios:				
Current ratio (%)	156.2	129.2	135.5	131.3
Shareholders' equity ratio (%)*2	41.4	40.9	39.5	41.4
Return on assets (%)	2.7	3.2	3.4	2.6
Return on equity (%)	6.5	7.7	8.4	6.4
Ratio of net income to net sales (%)	3.5	4.2	4.6	3.3
Assets turnover (times)	0.8	0.7	0.7	0.8
Tangible fixed assets turnover (times)	1.9	1.8	1.8	1.9
Other information:				
Price range of common stock (yen):				
High	¥ 597	¥ 1,017	¥ 1,050	¥ 921
Low	441	516	739	488
Exchange rate at year-end (yen per U.S.$1)	¥ 107.00	¥ 117.00	¥ 118.00	¥ 100.00
Number of employees (at year-end)	5,819	6,248	7,034	7,685

*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						
2009	2010	2011	2012	2013	2014	**2015**
¥ 377,980	¥ 320,243	¥ 353,685	¥ 341,943	¥ 358,514	¥ 413,786	**¥ 443,776**
10,590	20,856	32,711	20,426	26,197	37,912	**51,304**
6,272	16,911	29,713	19,962	25,283	40,824	**52,948**
1,297	11,070	16,803	11,827	15,373	22,844	**31,253**
¥ 3.62	¥ 31.10	¥ 47.22	¥ 33.46	¥ 43.71	¥ 64.98	**¥ 88.95**
8.00	10.00	10.00	10.00	12.00	15.00	**21.00**
¥ 25,666	¥ 18,424	¥ 11,753	¥ 17,394	¥ 26,067	¥ 28,026	**¥ 29,629**
39,674	37,782	33,529	28,849	24,605	24,257	**24,520**
12,046	11,317	11,971	12,731	12,876	13,360	**14,032**
¥ 185,547	¥ 180,232	¥ 197,909	¥ 197,170	¥ 232,201	¥ 261,046	**¥ 279,788**
445,912	428,377	411,071	398,197	461,513	509,834	**565,332**
151,158	102,167	90,746	101,828	113,226	115,894	**112,573**
83,266	97,205	84,988	61,657	85,387	98,135	**96,581**
211,488	229,005	235,337	234,712	262,900	295,805	**356,178**
122.8	176.4	218.1	193.6	205.1	225.2	**248.5**
42.3	48.1	51.6	54.7	52.2	52.7	**57.3**
0.3	2.5	4.0	2.9	3.6	4.7	**5.8**
0.6	5.6	8.0	5.5	6.7	9.0	**10.5**
0.3	3.5	4.8	3.5	4.3	5.5	**7.0**
0.8	0.7	0.9	0.9	0.8	0.9	**0.8**
1.8	1.7	2.2	2.4	2.5	2.7	**2.7**
¥ 677	¥ 655	¥ 679	¥ 563	¥ 787	¥ 933	**¥ 1,648**
298	341	363	391	424	683	**816**
¥ 98.00	¥ 93.00	¥ 83.00	¥ 82.00	¥ 94.00	¥ 103.00	**¥ 120.00**
7,803	7,665	7,747	8,149	9,233	9,700	**10,173**

Management's Discussion and Analysis

Operating Results

Net Sales

In the fiscal year ended March 31, 2015, consolidated net sales amounted to ¥443.8 billion, up ¥30.0 billion, or 7.2%, from the previous year. The increase was due to a rise in sales volume and foreign exchange factors.

The fluctuation of the yen against the U.S. dollar during the year had an estimated ¥22.6 billion positive effect on net sales, compared with the previous fiscal year.

Main factors boosting net sales were as follows. In the Cellulosic Derivatives Segment, sales rose ¥3.1 billion year on year, owing mainly to healthy overseas sales of cigarette filter tow, sales price revisions, and foreign exchange factors. In the Organic Chemicals Segment, sales climbed ¥8.4 billion, thanks largely to higher sales volume, sales price revisions, and foreign exchange factors. In the Plastics Segment, sales grew ¥15.5 billion. This was due mainly to increases in sales to the automobile and electronic device categories of the engineering plastics business (which is handled by the Polyplastics Group), as well as foreign exchange factors. In the Pyrotechnic Devices Segment, sales rose ¥3.5 billion. This was due largely to foreign exchange factors, which contrasted with lack of growth in sales volume for automobile airbag inflators.

Gross Profit

Gross profit amounted to ¥116.1 billion, up ¥18.6 billion, or 19.0%, from the previous year. The gross margin thus climbed 2.6 percentage point, to 26.2%. Main factors included higher sales volume and foreign exchange factors.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses totaled ¥64.8 billion, up ¥5.2 billion, or 8.7%, from the previous year. This was due mainly to an increase in direct selling expenses associated with growth in sales volume, as well as foreign exchange factors. The ratio of SG&A expenses to net sales edged up 0.2 percentage point, to 14.6%.

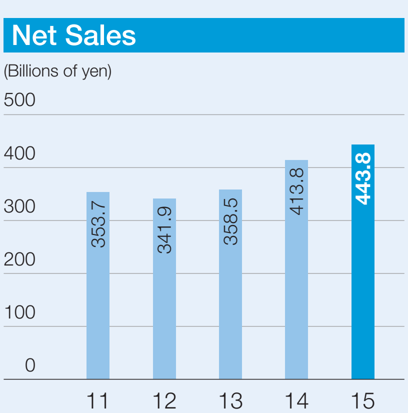
Operating Income

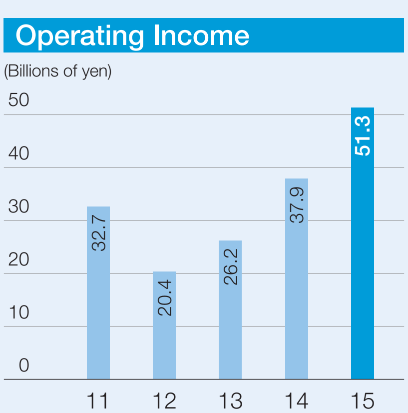
Operating income jumped ¥13.4 billion, or 35.3%, to ¥51.3 billion, and the operating margin rose 2.4 percentage points, to 11.6%.The fluctuation of the yen against the U.S. dollar during the year had an estimated ¥6.4 billion positive effect on operating income, compared with the previous fiscal year.

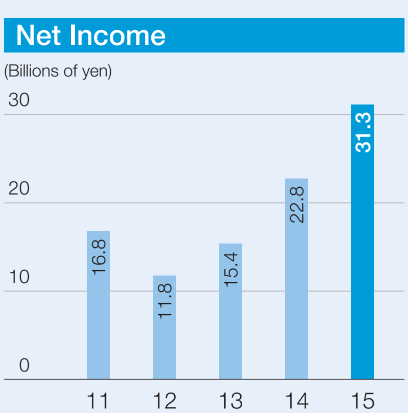
Main factors were as follows. In the Cellulosic Derivatives Segment, operating income increased ¥6.6 billion, due largely to sales price revisions and foreign exchange factors. In the Organic Chemicals Segment, operating income rose ¥3.4 billion, owing mainly to higher sales volume and sales price revisions. In the Plastics Segment, operating income grew ¥4.9 billion, thanks largely to higher sales volume and foreign exchange factors.

Other Income (Expenses)

Other income (net) amounted to ¥1.6 billion, down ¥1.3 billion, or 43.5%, from the previous fiscal year. This was due primarily to a decrease in gain on sales of investment securities.







Income before Income Taxes and Minority Interests
Income before income taxes and minority interests totaled ¥52.9 billion, up ¥12.1 billion, or 29.7%, from the previous year.

Income Taxes
The effective tax rate after application of tax-effect accounting decreased 4.5 percentage points, to 31.8%.

Minority Interests in Net Income
Minority interests in net income rose ¥1.7 billion, or 53.2%, to ¥4.8 billion.

Net Income
Net income for the year increased ¥8.4 billion, or 36.8%, to ¥31.3 billion. Return on equity (ROE) rose 1.5 percentage points, to 10.5%.

Per Share Information
Net income per share totaled ¥88.95, up ¥23.97 from the previous year.

Reflecting increases in both consolidated revenue and earnings, the Company paid annual cash dividends of ¥21.00 per share (including a ¥8.00 interim dividend), up ¥6.00 from the previous year. The dividend payout ratio was 23.6%.

Financial Position

Assets
As of March 31, 2015, total assets stood at ¥565.3 billion, up ¥55.5 billion, or 10.9%, from a year earlier. The increase stemmed mainly from rises in cash and cash equivalents, inventories, and market value of investment securities.

Liabilities
Total liabilities amounted to ¥209.2 billion, down ¥4.9 billion, or 2.3%, from a year earlier. The decrease was due mainly to redemption of bonds and repayment of long-term debt, which contrasted with an increase in deferred tax liabilities.

Equity
Total equity at fiscal year-end amounted to ¥356.2 billion. Total shareholders' equity (total equity minus minority interests) was ¥324.2 billion, and the shareholders' equity ratio was 57.3%.

Cash Flows

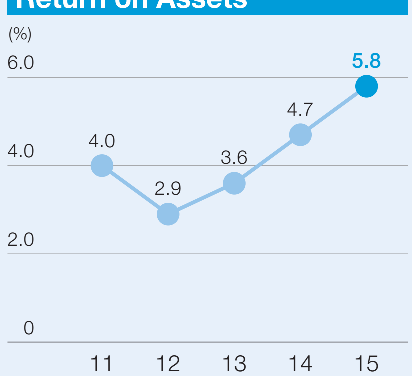
Cash and cash equivalents at the fiscal year-end stood at ¥66.7 billion, up ¥4.2 billion, or 6.7%, from a year earlier.

Cash from Operating Activities
Net cash provided by operating activities amounted to ¥57.4 billion, compared with ¥44.8 billion in the previous fiscal year.

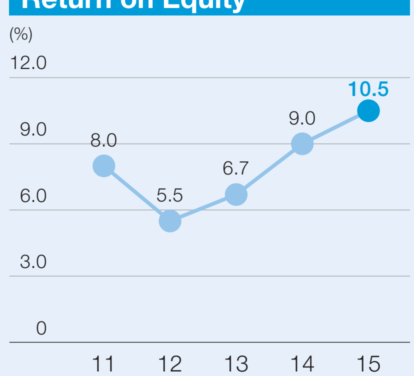
Factors increasing cash flow included ¥52.9 billion in income before income taxes and minority interests and ¥24.5 billion in depreciation and amortization. Factors decreasing cash flow included a ¥12.1 billion increase in inventories and ¥12.1 billion in income taxes paid.

Cash from Investing Activities
Net cash used in investing activities totaled ¥30.3 billion, compared with ¥35.0 billion in the previous fiscal year. The primary factor was purchases of property, plant and equipment.

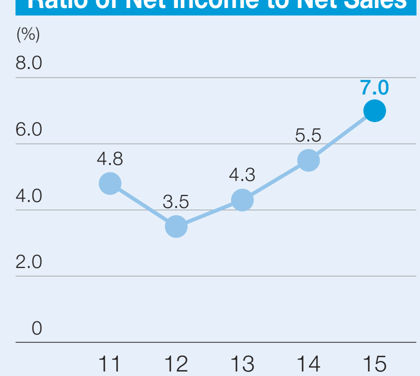
Return on Assets



Return on Equity



Ratio of Net Income to Net Sales



Cash from Financing Activities

Net cash used in financing activities was ¥29.2 billion, compared with net cash provided by financing activities of ¥4.5 billion in the previous year. Factors increasing cash flow included proceeds from long-term debt. Factors decreasing cash flow included repayments of long-term debt, redemption of bonds, and dividends paid.

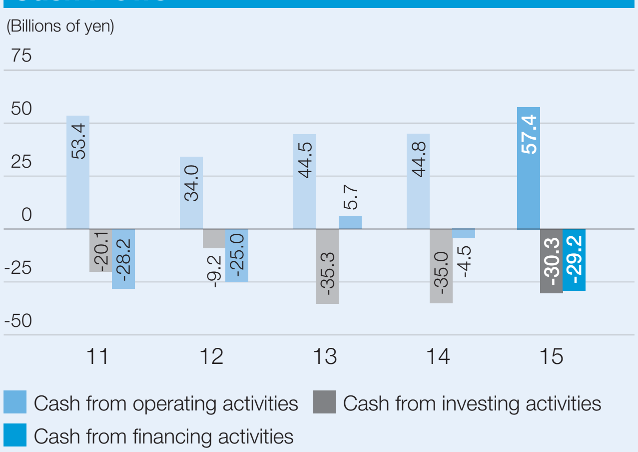
Business Risks

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 (50.9% in the fiscal year ended March 2015), 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.

Cash Flows



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.

Risks in Procuring Raw Materials

The Daicel Group engages in stable procurement of raw materials by purchasing from multiple suppliers and works hard to secure adequate supplies necessary for its production activities. Despite purchasing from multiple suppliers, however, the Group may become reliant on a limited number of suppliers for certain special raw materials. Alternatively, supplies may be suspended due to events affecting a supplier, such as natural disaster, accident, or bankruptcy. Also, a sharp increase in demand could lead to a supply shortage. Any of these cases could have a negative effect on the Group's performance.

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, the Daicel Group 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

The Daicel Group has established a quality guarantee structure and strives to assure product safety and prevent defects. 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 from 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.

Risks Related to Intellectual Property

As stated in its Code of Conduct, the Daicel Group strives to maintain and protect its intellectual property (IP) rights and shall not infringe on the IP rights held by third parties. Based on this, the Group meticulously investigates IP-related information and adopts a strategic approach to the acquisition and management of IP rights, as well as to the conclusion and management of IP-related contracts. However, it is possible that the Group may be subject to an unexpected warning or litigation about infringement of third party IP rights, or a third party may infringe on the Group's IP rights without permission. Any of these cases could have a negative effect on the Group's performance.

Risks Related to Environmental Regulations

Through its energy-saving and resource-saving initiatives, the Daicel Group works hard to prevent further global warming, reduce the environmental impact of its activities—by effectively using resources and reducing waste, for example—and handle chemical substances in an appropriate manner. Due to tightening of environmental regulations, however, the Group may be forced to make capital expenditures or business reorganizations in order to achieve legal compliance, which could have a negative effect on the Group's performance.

Risks Related to Information Security

In the conduct of its business, the Daicel Group holds large quantities of confidential and personal information. The Group is building management frameworks and conducting employee training programs to ensure appropriate handling of such information, and also constantly introduces and updates its security software to address the changing IT environment. However, unpredictable and unauthorized access by outside parties could cause such information to be leaked or altered, which could have a negative effect on the Group's performance.

Outlook for Fiscal Year Ending March 2016

In the fiscal year ending March 2016, the Daicel Group expects increases in sales volumes for engineering plastics, automobile airbag inflators. At the same time, we will continue working to reduce costs. For the year, the Group forecasts consolidated net sales of ¥467.0 billion, operating income of ¥54.0 billion, ordinary income of ¥56.0 billion, and net income of ¥35.0 billion.

Consolidated Balance Sheets

Daicel Corporation and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 66,738	¥ 62,574	$ 556,150
Marketable securities (Notes 3 and 14)	1,531	5,155	12,758
Receivables (Notes 14 and 16):			
Trade notes	2,767	3,067	23,058
Trade accounts	79,796	81,200	664,967
Unconsolidated subsidiaries and associated companies	4,007	5,811	33,392
Allowance for doubtful receivables	(115)	(168)	(958)
Inventories (Note 4)	107,101	89,832	892,508
Deferred tax assets (Note 10)	5,772	3,342	48,100
Other current assets	12,191	10,233	101,592
Total current assets	279,788	261,046	2,331,567
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 17):			
Land	27,794	26,812	231,617
Buildings and structures	149,062	144,510	1,242,183
Machinery and equipment	557,030	540,335	4,641,917
Construction in progress	23,605	24,532	196,708
Total	757,491	736,189	6,312,425
Accumulated depreciation	(590,595)	(579,151)	(4,921,625)
Net property, plant and equipment	166,896	157,038	1,390,800
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	76,619	54,543	638,492
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 14)	12,551	11,890	104,592
Deferred tax assets (Note 10)	1,045	1,278	8,708
Asset for retirement benefits (Notes 2.i and 7)	6,440	2,330	53,667
Other assets	21,993	21,709	183,274
Total investments and other assets	118,648	91,750	988,733
TOTAL	¥ 565,332	¥ 509,834	$ 4,711,100

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 14)	¥ 13,482	¥ 14,553	$ 112,350
Current portion of long-term debt (Notes 6, 14 and 16)	8,578	19,652	71,483
Payables (Note 14):			
Trade notes	187	212	1,558
Trade accounts	47,773	52,508	398,109
Construction	4,095	3,267	34,125
Unconsolidated subsidiaries and associated companies	3,845	3,358	32,042
Income taxes payable (Notes 10 and 14)	10,468	5,395	87,233
Other current liabilities (Note 10)	24,145	16,949	201,208
Total current liabilities	112,573	115,894	938,108
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6, 14 and 16)	64,897	71,631	540,809
Liability for retirement benefits (Notes 2.i and 7)	10,689	16,087	89,075
Asset retirement obligations (Note 8)	1,093	1,098	9,108
Deferred tax liabilities (Note 10)	18,706	7,411	155,883
Other long-term liabilities	1,196	1,908	9,967
Total long-term liabilities	96,581	98,135	804,842
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 20)			
EQUITY (Notes 9 and 23):			
Common stock—authorized, 1,450,000,000 shares; issued, 364,942,682 shares in 2015 and 2014	36,275	36,275	302,292
Capital surplus	31,579	31,579	263,158
Retained earnings	211,479	183,199	1,762,325
Treasury stock—at cost 13,622,163 shares in 2015 and 13,590,663 shares in 2014	(6,386)	(6,349)	(53,217)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	35,014	20,517	291,783
Deferred gain (loss) on derivatives under hedge accounting	(88)	79	(733)
Foreign currency translation adjustments	14,675	5,375	122,292
Defined retirement benefit plans	1,619	(2,063)	13,492
Total	324,167	268,612	2,701,392
Minority interests	32,011	27,193	266,758
Total equity	356,178	295,805	2,968,150
TOTAL	¥565,332	¥ 509,834	$ 4,711,100

Consolidated Statements of Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	2015
NET SALES (Note 16)	¥443,776	¥413,786	¥358,514	$ 3,698,133
COST OF SALES (Note 11)	327,628	316,207	277,644	2,730,233
Gross profit	116,148	97,579	80,870	967,900
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	64,844	59,667	54,673	540,367
Operating income	51,304	37,912	26,197	427,533
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,803	1,560	1,309	15,025
Gain on sales of investment securities	53	1,923		442
Subsidies from municipal governments (Note 17)	500	99		4,167
Equity in earnings of unconsolidated subsidiaries and associated companies	1,172	726	1,148	9,767
Interest expense	(1,377)	(1,114)	(1,232)	(11,475)
Foreign exchange gain (loss)	1,822	1,734	687	15,183
Loss on dispositions of property, plant and equipment	(2,539)	(1,744)	(1,390)	(21,158)
Impairment loss on fixed assets	(91)		(304)	(758)
Loss on claim compensation (Note 18)		(515)	(1,304)	
Loss on closure of business facilities (Note 19)		(680)		
Loss on employees' pension fund withdrawal (Note 7)			(567)	
Reduction of cost of property, plant and equipment (Note 17)	(475)	(66)		(3,958)
Other—net	776	989	739	6,466
Other income (expenses)—net	1,644	2,912	(914)	13,701
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	52,948	40,824	25,283	441,234
INCOME TAXES (Notes 10 and 2.s)**:**				
Current	16,546	10,863	8,868	137,883
Prior periods	(850)	(131)		(7,083)
Deferred	1,155	4,086	(1,377)	9,625
Total income taxes	16,851	14,818	7,491	140,425
NET INCOME BEFORE MINORITY INTERESTS	36,097	26,006	17,792	300,809
MINORITY INTERESTS IN NET INCOME	4,844	3,162	2,419	40,367
NET INCOME	¥ 31,253	¥ 22,844	¥ 15,373	$ 260,442

	Yen			U.S. Dollars (Note 1)
PER SHARE INFORMATION (Notes 2.q and 12)**:**				
Basic net income	¥ 88.95	¥ 64.98	¥ 43.71	$ 0.74
Cash dividends applicable to the year	21.00	15.00	12.00	0.18

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	**2015**
NET INCOME BEFORE MINORITY INTERESTS	**¥36,097**	¥26,006	¥17,792	**$300,809**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21)**:**				
Unrealized gain (loss) on available-for-sale securities	**14,603**	5,612	3,500	**121,692**
Deferred gain (loss) on derivatives under hedge accounting	**(219)**	406	(183)	**(1,825)**
Foreign currency translation adjustments	**11,167**	7,926	8,975	**93,058**
Defined retirement benefit plans	**3,784**			**31,533**
Share of other comprehensive income (loss) in associates	**988**	1,237	561	**8,233**
Total other comprehensive income (loss)	**30,323**	15,181	12,853	**252,691**
COMPREHENSIVE INCOME	**¥66,420**	¥41,187	¥30,645	**$553,500**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	**¥59,308**	¥34,607	¥26,149	**$494,233**
Minority interests	**7,112**	6,580	4,496	**59,267**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2015, 2014 and 2013

	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	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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
Net income				22,844						22,844		22,844
Cash dividends, ¥13.00 per share				(4,573)						(4,573)		(4,573)
Repurchase of treasury stock	(364,778)				(324)					(324)		(324)
Disposal of treasury stock	181											
Net change in the year						5,515	264	5,984	¥ (2,063)	9,700	5,258	14,958
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	351,352,019	36,275	31,579	183,199	(6,349)	20,517	79	5,375	(2,063)	268,612	27,193	295,805
Cumulative effect of accounting change				2,329						2,329	(130)	2,199
BALANCE, APRIL 1, 2014 (as restated)		36,275	31,579	185,528	(6,349)	20,517	79	5,375	(2,063)	270,941	27,063	298,004
Net income				31,253						31,253		31,253
Cash dividends, ¥17.00 per share				(5,973)						(5,973)		(5,973)
Repurchase of treasury stock	(31,530)				(37)					(37)		(37)
Disposal of treasury stock	30		0		0					0		0
Effect of change in closing period of certain consolidated subsidiaries				671		(21)	(22)	(702)	3	(71)	(1,426)	(1,497)
Net change in the year						14,518	(145)	10,002	3,679	28,054	6,374	34,428
BALANCE, MARCH 31, 2015	351,320,519	¥ 36,275	¥ 31,579	¥ 211,479	¥ (6,386)	¥ 35,014	¥ (88)	¥ 14,675	¥ 1,619	¥ 324,167	¥ 32,011	¥ 356,178

	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	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$ 302,292	$ 263,158	$1,526,658	$ (52,908)	$ 170,975	$ 658	$ 44,792	$ (17,192)	$ 2,238,433	$ 226,608	$2,465,041
Cumulative effect of accounting change			19,408						19,408	(1,083)	18,325
BALANCE, APRIL 1, 2014 (as restated)	302,292	263,158	1,546,066	(52,908)	170,975	658	44,792	(17,192)	2,257,841	225,525	2,483,366
Net income			260,442						260,442		260,442
Cash dividends, $0.14 per share			(49,775)						(49,775)		(49,775)
Repurchase of treasury stock				(309)					(309)		(309)
Disposal of treasury stock		0		0					0		0
Effect of change in closing period of certain consolidated subsidiaries			5,592		(175)	(183)	(5,850)	26	(590)	(11,884)	(12,474)
Net change in the year					120,983	(1,208)	83,350	30,658	233,783	53,117	286,900
BALANCE, MARCH 31, 2015	$ 302,292	$ 263,158	$1,762,325	$ (53,217)	$ 291,783	$ (733)	$ 122,292	$ 13,492	$ 2,701,392	$ 266,758	$2,968,150

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2015, 2014 and 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2015	2014	2013	2015
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 52,948	¥ 40,824	¥ 25,282	$ 441,234
Adjustments for:				
Income taxes—paid	(12,075)	(11,637)	(3,127)	(100,625)
Income taxes—refunded (Note 2.s)	1,283	130		10,692
Depreciation and amortization	24,520	24,257	24,605	204,334
Impairment loss on fixed assets	91		304	758
Amortization of goodwill	1,114	836	818	9,284
Loss on dispositions of property, plant and equipment	2,539	1,744	1,390	21,158
Gain on sales of investment securities	(53)	(1,923)		(442)
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,172)	(726)	(1,148)	(9,767)
Reduction of cost of property, plant and equipment	475	66		3,958
Subsidies from municipal governments	(500)	(99)		(4,167)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	2,802	(4,825)	4,626	23,350
Decrease (increase) in inventories	(12,064)	(3,323)	(7,859)	(100,533)
Decrease (increase) in notes and accounts payable	(6,681)	2,511	664	(55,675)
Other—net	4,186	(3,057)	(1,075)	34,883
Net cash provided by operating activities	57,413	44,778	44,480	478,442
INVESTING ACTIVITIES:				
Net decrease (increase) in time deposits	(294)	483	262	(2,450)
Net decrease (increase) in short-term investment securities	3,600	(3,633)	1,000	30,000
Capital expenditures	(29,629)	(28,026)	(26,067)	(246,908)
Payment for purchases of investment securities	(3,910)	(3,711)	(320)	(32,583)
Payment for purchase of consolidated subsidiaries, net of cash acquired (Note 22)			(9,438)	
Proceeds from sales and redemption of investment securities	2,118	3,238	327	17,650
Proceeds from sales of property, plant and equipment	559	463	486	4,658
Payment for purchases of securities of an associated company		(2,911)		
Increase in finance receivables	(222)	(41)	(9)	(1,850)
Collection of finance receivables	13	7	40	108
Subsidies from municipal governments	500	99		4,167
Proceeds from liquidation of a subsidiary			40	
Other	(3,018)	(953)	(1,633)	(25,150)
Net cash used in investing activities	(30,283)	(34,985)	(35,312)	(252,358)
FINANCING ACTIVITIES:				
Net change in short-term bank loans	(2,167)	(6,223)	3,331	(18,058)
Proceeds from issuance of long-term debt	5,000	1,015	30,736	41,667
Repayments of long-term debt	(25,313)	(13,355)	(23,898)	(210,941)
Proceeds from issuance of bonds		19,894		
Proceeds from issuance of subsidiary's stock to minority interests			83	
Dividends paid	(5,973)	(4,573)	(3,517)	(49,775)
Dividends paid to minority interests	(740)	(906)	(983)	(6,167)
Payment for purchases of treasury stock	(37)	(324)	(14)	(309)
Net cash provided by (used in) financing activities	(29,230)	(4,472)	5,738	(243,583)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	4,813	4,015	4,221	40,108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,713	9,336	19,127	22,609
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR			8	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CHANGE IN CLOSING PERIOD OF CONSOLIDATED SUBSIDIARIES	1,451		349	12,091
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER			318	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	62,574	53,238	33,436	521,450
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 66,738	¥ 62,574	¥ 53,238	$ 556,150

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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120 to $1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its 58 significant (58 in 2014 and 2013) subsidiaries (collectively, the "Companies").

Under the control and influence concepts, 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.

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.

Investments in one (one in 2014 and 2013) unconsolidated subsidiary and seven (seven in 2014 and six in 2013) associated companies are accounted for by the equity method.

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 generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of 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 generally accepted accounting principles 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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

e. **Marketable and Investment Securities—**Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (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 a 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. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

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

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

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

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

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

h. **Long-Lived Assets—**The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss 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.

i. **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 and certain subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Actuarial gains and losses are amortized on a straight-line basis over 10 years.

Because certain subsidiaries are classified as small enterprises, the simplified method (the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) is applied for the calculation of the retirement benefit obligation of the subsidiaries.

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.

In May 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 an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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 are treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods 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 applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, decreased by ¥2,194 million ($18,283 thousand), asset for retirement benefits as of April 1, 2014, increased by ¥1,220 million ($10,167 thousand), deferred tax assets in investments and other assets as of April 1, 2014, increased by ¥160 million ($1,333 thousand), deferred tax liabilities in long-term liabilities as of April 1, 2014, increased by ¥1,374 million ($11,450 thousand), minority interests as of April 1, 2014, decreased by ¥130 million ($1,083 thousand), and retained earnings as of April 1, 2014, increased by ¥2,329 million ($19,408 thousand). In addition, operating income and income before income taxes and minority interests for the year ended March 31, 2015, decreased by ¥168 million ($1,400 thousand). The impact on basic net income per share for the year ended March 31, 2015 was not material.

j. Asset Retirement Obligations—In March 2008, the ASBJ issued 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 the 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.

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

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

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

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

m. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting 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 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.

n. 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."

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

p. Derivatives and Hedging Activities—The Companies use derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and foreign currency swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) 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; and (2) 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.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. Swaps that qualify for hedge accounting are measured at market value at the balance sheet date, and unrealized gains or losses are deferred until maturity and included in other liabilities or assets.

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

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

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

r. Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied 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.

s. Reclassifications—Prior to April 1, 2014, the prior periods were included in the current in income taxes in the consolidated statement of income. Since during this fiscal year ended March 31, 2015, as the amount increased significantly, such amount is disclosed separately in income taxes in the consolidated statement of income as of March 31, 2015. The amount included in the income taxes as of March 31, 2014, was ¥131 million.

Prior to April 1, 2014, the income taxes—refunded was included in the income taxes—paid in operating activities in the consolidated statement of cash flows. Since during this fiscal year ended March 31, 2015, as the amount increased significantly, such amount is disclosed separately in operating activities in the consolidated statement of cash flows as of March 31, 2015. The amount included in the income taxes—paid as of March 31, 2014, was ¥130 million.

t. New Accounting Pronouncement

Accounting Standards for Business Combinations and Consolidated Financial Statements—In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income—In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current:			
Government and corporate bonds	¥ 1,531	¥ 5,155	$ 12,758
Non-current:			
Equity securities	¥ 76,208	¥ 52,098	$ 635,067
Government and corporate bonds	407	2,442	3,392
Other	4	3	33
Total	¥ 76,619	¥ 54,543	$ 638,492

The costs and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014, were as follows:

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 24,755	¥ 50,082	¥ (0)	¥ 74,837
Debt securities	1,754	1	(0)	1,755

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 20,862	¥ 30,001	¥ 137	¥ 50,726
Debt securities	7,394	1	9	7,386

	Thousands of U.S. Dollars			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 206,292	$ 417,350	$ (0)	$ 623,642
Debt securities	14,617	8	(0)	14,625

Securities whose fair values are not readily determinable as of March 31, 2015 and 2014, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Available-for-sale:			
Equity securities	¥ 1,371	¥ 1,371	$ 11,425
Debt securities	183	211	1,525
Other	4	4	33
Total	¥ 1,558	¥ 1,586	$ 12,983

Proceeds from sales of available-for-sale securities for the years ended March 31, 2015, 2014 and 2013, were ¥6,518 million ($54,317 thousand), ¥3,238 million and ¥1,327 million, respectively. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥53 million ($442 thousand) for the year ended March 31, 2015.

4. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products	¥ 53,632	¥ 38,260	$ 446,933
Semi-finished products and work in process	18,162	17,489	151,350
Raw materials and supplies	35,307	34,083	294,225
Total	¥ 107,101	¥ 89,832	$ 892,508

5. INVESTMENT PROPERTY

The Companies own certain rental properties such as land and buildings in Osaka and other areas. Rental income for the years ended March 31, 2015 and 2014, were ¥335 million ($2,792 thousand) and ¥180 million, respectively.

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, 2014	Increase/Decrease	March 31, 2015	March 31, 2015
¥ 3,411	¥ 338	**¥ 3,749**	**¥ 14,598**

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2013	Increase/Decrease	March 31, 2014	March 31, 2014
¥ 3,444	¥ (33)	¥ 3,411	¥ 13,027

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2014	Increase/Decrease	March 31, 2015	March 31, 2015
$ 28,425	$ 2,817	**$ 31,242**	**$ 121,650**

Notes:

1) Increase and decrease of items related to rental properties are not disclosed for this fiscal year due to insignificance.
2) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
3) Fair values of properties as of March 31, 2015 and 2014, are measured by the Companies in accordance with the Real-Estate Appraisal Standard.

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

Short-term bank loans were principally represented by bank overdrafts. Weighted-average annual interest rates of short-term bank loans at March 31, 2015 and 2014, were 1.33% and 1.13%, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
0.84% bonds due 2015		¥ 10,000	
1.69% bonds due 2020	**¥ 10,000**	10,000	**$ 83,333**
0.412% bonds due 2018	**10,000**	10,000	**83,333**
1.05% bonds due 2023	**10,000**	10,000	**83,333**
Unsecured loans from banks and other financial institutions, due through 2023, with interest rates ranging from 0.55% to 6.98% for 2015 (from 0.62% to 6.98% for 2014)	**43,475**	51,283	**362,293**
Total	**73,475**	91,283	**612,292**
Less current portion	**(8,578)**	(19,652)	**(71,483)**
Long-term debt, less current portion	**¥ 64,897**	¥ 71,631	**$ 540,809**

At March 31, 2015, annual maturities of long-term debt were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 8,578	$ 71,483
2017	5,504	45,867
2018	4,527	37,725
2019	13,782	114,850
2020	18,276	152,300
2021 and thereafter	22,808	190,067
Total	¥ 73,475	$ 612,292

7. RETIREMENT AND PENSION PLANS

One domestic consolidated subsidiary had 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 of loss on employees' pension fund withdrawal as other expense.

Years Ended March 31, 2015 and 2014

(1) The changes in defined benefit obligation (except for cases where the simplified method was applied) for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 34,342	¥ 31,306	$ 286,183
Cumulative effect of accounting change	(3,413)		(28,442)
Adjusted balance at beginning of year (as restated)	30,929	31,306	257,741
Current service cost	1,705	1,364	14,208
Interest cost	404	564	3,367
Actuarial losses	(238)	2,280	(1,983)
Benefits paid	(1,650)	(1,462)	(13,750)
Others	119	290	991
Balance at end of year	¥ 31,269	¥ 34,342	$ 260,574

(2) The changes in plan assets (except for cases where the simplified method was applied) for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 23,349	¥ 18,527	$ 194,575
Expected return on plan assets	282	228	2,350
Actuarial gains	5,155	3,262	42,958
Contributions from employer	2,111	2,097	17,592
Benefits paid	(1,112)	(872)	(9,267)
Others	91	107	758
Balance at end of year	¥ 29,876	¥ 23,349	$ 248,966

(3) The changes in defined benefit obligation as a result of applying the simplified method for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 2,673	¥ 2,481	$ 22,275
Retirement benefit cost	363	238	3,025
Benefits paid	(267)	(106)	(2,225)
Contributions from employer	(50)	(50)	(417)
Others	57	110	475
Balance at end of year	¥ 2,776	¥ 2,673	$ 23,133

(4) Reconciliation between the net liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 31,973	¥ 35,034	$ 266,442
Plan assets	(30,439)	(23,872)	(253,658)
	1,534	11,162	12,784
Unfunded defined benefit obligation	2,635	2,504	21,957
Net liability arising from defined benefit obligation	¥ 4,169	¥ 13,666	$ 34,741

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ 10,609	¥ 15,996	$ 88,408
Asset for retirement benefits	(6,440)	(2,330)	(53,667)
Net liability arising from defined benefit obligation	¥ 4,169	¥ 13,666	$ 34,741

Note: Including defined benefit obligation under the simplified method.

(5) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 1,705	¥ 1,364	$ 14,208
Interest cost	404	564	3,367
Expected return on plan assets	(282)	(228)	(2,350)
Recognized actuarial losses	423	689	3,525
Amortization of prior service cost		118	
Amortization of transitional obligation	363	238	3,025
Balance at end of year	¥ 2,613	¥ 2,745	$ 21,775

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2015

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized actuarial losses	¥ 5,786	$ 48,217

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized actuarial losses	¥ 2,013	¥ 3,782	$ 16,775

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	31%	34%
Equity investments	52	46
General accounts of insurance companies	8	10
Others	9	10
Total	100%	100%

Note: Total plan assets consisting of a Retirement Benefit Trust for the years ended March 31, 2015 and 2014, were 14% and 12%, respectively.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	1.3%	1.3%
Expected rate of return on plan assets	1.2%	1.2%
Lump-sum election rate	82.3%	82.4%

(10) The amount of contributions to defined contribution plans for subsidiaries is ¥309 million ($2,575 thousand).

Retirement allowances for certain subsidiaries' directors and corporate auditors are included in "Liability for retirement benefits" in the consolidated balance sheets. The amounts were ¥80 million ($667 thousand) and ¥91 million at March 31, 2015 and 2014, respectively.

Year Ended March 31, 2013

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

	Millions of Yen
Projected benefit obligation	¥ 34,304
Fair value of plan assets	(18,970)
Unrecognized actuarial loss	(5,414)
Unrecognized prior service cost	(118)
Net liability	9,802
Prepaid benefit costs	2,107
Liability for retirement benefits	¥ 11,909

The components of net periodic benefit costs for the year ended March 31, 2013, are as follows:

	Millions of Yen
Service cost	¥ 1,651
Interest cost	583
Expected return on plan assets	(218)
Recognized actuarial loss	925
Amortization of prior service cost	237
Loss on transition from a defined benefit plan to a defined contribution plan	
Other (Contributions to defined contribution plans)	276
Net periodic benefit costs	¥ 3,454

Assumptions used for the year ended March 31, 2013, are set forth as follows:

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

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 1,098	¥ 1,050	$ 9,150
Reconciliation associated with passage of time	10	9	83
Reduction associated with settlement of asset retirement obligations	(5)	(2)	(42)
Other	(10)	41	(83)
Balance at end of year	¥ 1,093	¥ 1,098	$ 9,108

9. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (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 being prescribed as one year rather than the normal two-year 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. 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 within equity 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 a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of shareholders' equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 36% for the year ended March 31, 2015, and 38% for the years ended March 31, 2014 and 2013. Foreign subsidiaries are subject to income tax of the countries in which they operate.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015, 2014 and 2013, was as follows:

	2015	2014	2013
Normal effective statutory tax rate	36%	38%	38%
Increase or decrease of valuation allowance	(0)	(0)	(1)
Tax difference of foreign countries	(4)	(4)	(5)
Equity in earnings of associated companies	(1)	(1)	(2)
Amortization of goodwill	1	1	1
Tax credit primarily for research and development costs	(2)	(2)	(3)
Effect of subsidiary merger		2	
Effect of tax rate reduction	1	0	
Other—net	1	2	2
Actual effective tax rate	32%	36%	30%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33% and for the fiscal year beginning on or after April 1, 2016, to approximately 32%. The effect of these changes was to decrease net deferred tax liabilities by ¥1,058 million ($8,817 thousand) and to increase unrealized gain on available-for-sale securities by ¥1,544 million ($12,867 thousand), and income taxes-deferred by ¥487 million ($4,058 thousand). The impact on deferred gain (loss) on derivatives under hedge accounting was not material. Income taxes for prior periods are due to adjustments based on transfer pricing taxation for the five fiscal years ended March 31, 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Accrued enterprise taxes	¥ 762	¥ 418	$ 6,350
Accrued bonuses	1,651	1,474	13,758
Liabilities for retirement benefits	4,233	8,296	35,275
Investment securities	42	98	350
Tax loss carryforwards	2,751	2,947	22,925
Intercompany profits	2,609	2,425	21,742
Other	4,814	4,110	40,117
Less valuation allowance	(3,688)	(4,111)	(30,734)
Deferred tax assets	¥ 13,174	¥ 15,657	$ 109,783
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 14,768	¥ 9,109	$ 123,066
Tax purpose reserves regulated by Japanese tax law	658	666	5,483
Undistributed earnings of foreign subsidiaries	4,515	2,534	37,625
Securities contributed to employees' retirement benefit trust	2,822	3,154	23,517
Intangible fixed assets	2,015	1,924	16,792
Other	492	1,122	4,100
Deferred tax liabilities	¥ 25,270	¥ 18,509	$ 210,583
Net deferred tax assets (liabilities)	¥ (12,096)	¥ (2,852)	$ (100,800)

At March 31, 2015, certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,707 million ($55,892 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
2016	¥ 81	$ 675
2017		
2018		
2019		
2020		
2021 and thereafter	6,626	55,217
Total	¥ 6,707	$ 55,892

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in "COST OF SALES" and "SELLING, GENERAL AND ADMINISTRATIVE EXPENSES" were ¥14,032 million ($116,933 thousand), ¥13,360 million and ¥12,876 million for the years ended March 31, 2015, 2014 and 2013, respectively.

12. NET INCOME PER SHARE

The computation of net income per common share is based on the weighted-average number of shares outstanding. The average number of common shares in the computation was 351,334,634, 351,554,150, and 351,731,769 for the years ended March 31, 2015, 2014 and 2013, respectively.

13. 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, 2014 and 2013, were ¥5 million and ¥12 million, respectively.

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

Note: Because the amount of obligations under finance leases as of March 31, 2015, would not be material, the Companies have omitted the disclosure.

	Millions of Yen		Thousands of U.S. Dollars	
	2015		2015	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥	¥ 824	$	$ 6,867
Due after one year		1,837		15,308
Total	¥	¥ 2,661	$	$ 22,175

	Millions of Yen	
	2014	
	Finance Leases	Operating Leases
Due within one year	¥ 3	¥ 665
Due after one year	0	1,254
Total	¥ 3	¥ 1,919

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:

Note: Because the amount of pro forma information of leased property as of March 31, 2015, would not be material, the Companies have omitted the disclosure.

	Millions of Yen	
As of March 31, 2014	Machinery and Equipment	Total
Acquisition cost	¥ 22	¥ 22
Accumulated depreciation	19	19
Net leased property	¥ 3	¥ 3

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

Obligations under finance leases as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥	¥ 3	$
Due after one year		0	
Total	¥	¥ 3	$

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 ¥5 million and ¥12 million for the years ended March 31, 2014 and 2013, respectively.

There was no impairment loss allocated to leased assets for the years ended March 31, 2015, 2014 and 2013.

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

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

(3) Risk Management for Financial Instruments

Credit risk management

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

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2015.

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 15 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 66,738	¥ 66,738	¥
Marketable securities	1,531	1,531	
Receivables	86,570	86,570	
Investment securities	75,061	75,061	
Total	¥ 229,900	¥ 229,900	¥
Short-term bank loans	¥ 13,482	¥ 13,482	
Payables	55,900	55,900	
Income taxes payable	10,468	10,468	
Long-term debt	73,475	74,661	¥ (1,186)
Total	¥ 153,325	¥ 154,511	¥ (1,186)

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 62,574	¥ 62,574	¥
Marketable securities	5,155	5,155	
Receivables	90,078	90,078	
Investment securities	52,957	52,957	
Total	¥ 210,764	¥ 210,764	¥
Short-term bank loans	¥ 14,553	¥ 14,553	
Payables	59,345	59,345	
Income taxes payable	5,395	5,395	
Long-term debt	91,283	92,415	¥ (1,132)
Total	¥ 170,576	¥ 171,708	¥ (1,132)

	Thousands of U.S. Dollars		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 556,150	$ 556,150	$
Marketable securities	12,758	12,758	
Receivables	721,417	721,417	
Investment securities	625,509	625,509	
Total	$ 1,915,834	$ 1,915,834	$
Short-term bank loans	$ 112,350	$ 112,350	
Payables	465,834	465,834	
Income taxes payable	87,233	87,233	
Long-term debt	612,292	622,175	$ (9,883)
Total	$ 1,277,709	$ 1,287,592	$ (9,883)

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 3.

Receivables, Payables and Income Taxes Payable

The carrying values of receivables, payables and income taxes payable approximate fair value because of their short maturities.

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 15.

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

	Carrying Amount	
March 31, 2015	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥ 6,602	$ 55,017

	Carrying Amount
March 31, 2014	Millions of Yen
Investments in equity instruments that do not have a quoted market price in an active market	¥ 7,114

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

	Millions of Yen			
March 31, 2015	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	¥ 66,738			
Receivables	86,570			
Marketable securities and investment securities:				
Government bonds	128	¥ 118	¥ 36	¥
Corporate bonds	1,400	250		
Other				
Total	¥ 154,836	¥ 368	¥ 36	¥

March 31, 2014	Millions of Yen			
	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	¥ 62,574			
Receivables	90,079			
Marketable securities and investment securities:				
Government bonds	28	¥ 216	¥ 66	¥
Corporate bonds	4,600	1,650		
Other	500	500		
Total	¥ 157,781	¥ 2,366	¥ 66	¥

March 31, 2015	Thousands of U.S. Dollars			
	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	$ 556,150			
Receivables	721,417			
Marketable securities and investment securities:				
Government bonds	1,067	$ 983	$ 300	$
Corporate bonds	11,667	2,083		
Other				
Total	$ 1,290,301	$ 3,066	$ 300	$

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

15. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 27,328		¥ (117)	¥ (117)
Selling Euro	3,085		8	8
Buying U.S.$	23,487		516	516
Buying Japanese yen	37		(0)	(0)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	1,193	¥ 1,053	(287)	(287)
Receiving U.S.$, paying KRW	1,084	1,084	(14)	(14)

March 31, 2014	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 25,425		¥ (200)	¥ (200)
Selling Euro	3,063		(34)	(34)
Buying U.S.$	21,925		379	379
Buying Japanese yen	66		(1)	(1)
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	1,613	¥ 1,193	(197)	(197)
Receiving U.S.$, paying KRW	964	964	(35)	(35)

March 31, 2015	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	**$ 227,733**		**$ (975)**	**$ (975)**
Selling Euro	**25,708**		**67**	**67**
Buying U.S.$	**195,725**		**4,300**	**4,300**
Buying Japanese yen	**308**		**(0)**	**(0)**
Foreign currency swaps:				
Receiving Japanese yen, paying U.S.$	**9,942**	**$ 8,775**	**(2,392)**	**(2,392)**
Receiving U.S.$, paying KRW	**9,033**	**9,033**	**(117)**	**(117)**

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2015	Millions of Yen			
	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	**¥ 15,437**	**¥ 13,123**	**¥ (150)**

March 31, 2014	Millions of Yen			
	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	¥ 18,806	¥ 14,809	¥ 107

March 31, 2015	Thousands of U.S. Dollars			
	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	**$ 128,642**	**$ 109,358**	**$ (1,250)**

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

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

16. RELATED PARTY DISCLOSURES

The Company sells cellulose acetate and polymer to FUJIFILM Corporation, whose president has served as one of the Company's directors since June 2005. Because the Company's director resigned at the Company's annual general meeting for fiscal year ended March 31, 2014, the amount of sales was described for three months on or after April 1, 2014 and the balance of notes and accounts receivable was described as of June 30, 2015.

The sales to FUJIFILM Corporation for the years ended March 31, 2015, 2014 and 2013, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	**2015**
Sales	**¥ 4,482**	¥ 18,531	¥ 18,746	**$ 37,350**

The balances due from FUJIFILM Corporation at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Notes and accounts receivable	**¥ 3,289**	¥ 3,225	**$ 27,408**

The Company had unsecured loans from Nippon Life Insurance Company, whose chairman has served as one of the corporate auditors since June 2010.

The balances due to Nippon Life Insurance Company at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Long-term debt	**¥ 4,425**	¥ 5,700	**$ 36,875**
Current portion of long-term debt	**1,275**	1,525	**10,625**
Interest expense payable	**5**	8	**42**

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

17. MUNICIPAL GOVERNMENT SUBSIDIES

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

18. LOSS ON CLAIM COMPENSATION

During the year ended March 31, 2014, one consolidated subsidiary in China received a complaint related to products. Accordingly, the Companies recorded ¥515 million of loss on claim compensation as other expense.

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 of loss on claim compensation as other expense.

19. LOSS ON CLOSURE OF BUSINESS FACILITIES

During the year ended March 31, 2014, one consolidated subsidiary in Germany closed pilot plant facilities. Accordingly, the Companies recorded ¥680 million of loss on closure of business facilities as other expense.

20. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2015, for loans guaranteed amounted to ¥799 million ($6,658 thousand). Loans guaranteed are principally those of unconsolidated subsidiaries, associated companies and employees.

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015, 2014 and 2013, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2015	2014	2013	2015
Unrealized gain (loss) on available-for-sale securities:				
Gains arising during the year	¥ 20,338	¥ 9,022	¥ 5,106	$ 169,483
Reclassification adjustments to profit or loss	(53)	(1,923)	60	(442)
Amount before income tax effect	20,285	7,099	5,166	169,041
Income tax effect	(5,682)	(1,487)	(1,666)	(47,349)
Total	¥ 14,603	¥ 5,612	¥ 3,500	$ 121,692
Deferred gain (loss) on derivatives under hedge accounting:				
Adjustments arising during the year	¥ (367)	¥ 192	¥ (267)	$ (3,058)
Reclassification adjustments to profit or loss	150	236	103	1,250
Amount before income tax effect	(217)	428	(164)	(1,808)
Income tax effect	(2)	(22)	(19)	(17)
Total	¥ (219)	¥ 406	¥ (183)	$ (1,825)
Foreign currency translation adjustments—				
Adjustments arising during the year	¥ 11,167	¥ 7,926	¥ 8,975	$ 93,058
Defined retirement benefit plans:				
Adjustments arising during the year	¥ 5,363	¥	¥	$ 44,692
Reclassification adjustments to profit or loss	423			3,525
Amount before income tax effect	5,786			48,217
Income tax effect	(2,002)			(16,684)
Total	¥ 3,784	¥	¥	$ 31,533
Share of other comprehensive income in associates—				
Gains arising during the year	¥ 988	¥ 1,237	¥ 561	$ 8,233
Total other comprehensive income	¥ 30,323	¥ 15,181	¥12,853	$ 252,691

Group Overview
Strategies
Review of Operations
Corporate Governance
Financial Sections
Corporate Data

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 were as follows:

(1) Special Devices, Inc.

	Millions of Yen
Current assets	¥ 2,291
Intangible assets	4,940
Goodwill	3,611
Non-current assets	1,405
Current liabilities	(2,182)
Non-current liabilities	(2,025)
Foreign currency translation adjustments	(153)
Acquisition cost of shares	7,887
Cash and cash equivalents of the acquired companies	(366)
Payment for acquisition of shares of newly consolidated subsidiaries	¥ 7,521

(2) LCP Leuna Carboxylation Plant GmbH

	Millions of Yen
Current assets	¥ 572
Non-current assets	679
Goodwill	1,502
Current liabilities	(299)
Non-current liabilities	(267)
Acquisition cost of shares	2,187
Cash and cash equivalents of the acquired companies	(270)
Payment for acquisition of shares of newly consolidated subsidiaries	¥ 1,917

23. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following plan for appropriations of retained earnings for the year ended March 31, 2015, was approved at the Shareholders' General Meeting of the Company held on June 19, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥13 ($0.11) per share	**¥ 4,567**	**$ 38,058**

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, 2015	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥ 95,705	¥ 89,042	¥ 169,521	¥ 83,578	¥ 437,846	¥ 5,930	¥ 443,776		¥ 443,776
Intersegment sales or transfers	2,568	17,518	5		20,091	9,793	29,884	¥ (29,884)	
Total sales	¥ 98,273	¥ 106,560	¥ 169,526	¥ 83,578	¥ 457,937	¥ 15,723	¥ 473,660	¥ (29,884)	¥ 443,776
Segment profit	¥ 25,713	¥ 9,457	¥ 15,913	¥ 10,043	¥ 61,126	¥ 30	¥ 61,156	¥ (9,852)	¥ 51,304
Segment assets	110,584	70,783	174,553	97,016	452,936	9,922	462,858	102,474	565,332
Depreciation	6,168	4,503	6,261	5,265	22,197	235	22,432	977	23,409
Investments in associated companies	9,013	140	2,539		11,692		11,692		11,692
Amortization of goodwill			624	490	1,114		1,114		1,114
Increase in property, plant and equipment	14,915	6,363	2,287	6,170	29,735	378	30,113	516	30,629

	Millions of Yen								
	Reportable Segment								
Year Ended March 31, 2014	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Total	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥ 92,639	¥ 80,662	¥ 154,004	¥ 80,076	¥ 407,381	¥ 6,405	¥ 413,786		¥ 413,786
Intersegment sales or transfers	2,396	18,984	2		21,382	9,571	30,953	¥ (30,953)	
Total sales	¥ 95,035	¥ 99,646	¥ 154,006	¥ 80,076	¥ 428,763	¥ 15,976	¥ 444,739	¥ (30,953)	¥ 413,786
Segment profit	¥ 19,092	¥ 6,045	¥ 11,047	¥ 10,453	¥ 46,637	¥ 286	¥ 46,923	¥ (9,011)	¥ 37,912
Segment assets	94,879	67,932	168,922	82,264	413,997	9,103	423,100	86,734	509,834
Depreciation	7,632	4,919	5,090	5,208	22,849	272	23,121	548	23,669
Investments in associated companies	8,370	139	2,485		10,994		10,994		10,994
Amortization of goodwill			389	447	836		836		836
Increase in property, plant and equipment	7,120	3,836	10,084	3,687	24,727	270	24,997	620	25,617

Year Ended March 31, 2013	Millions of Yen								
	Reportable Segment								
	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
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

Year Ended March 31, 2015	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	$ 797,542	$ 742,017	$1,412,675	$ 696,483	$3,648,717	$ 49,416	$3,698,133		$3,698,133
Intersegment sales or transfers	21,400	145,983	42		167,425	81,608	249,033	$ (249,033)	
Total sales	$ 818,942	$ 888,000	$1,412,717	$ 696,483	$3,816,142	$ 131,024	$3,947,166	$ (249,033)	$3,698,133
Segment profit	$ 214,275	$ 78,808	$ 132,608	$ 83,692	$ 509,383	$ 250	$ 509,633	$ (82,100)	$ 427,533
Segment assets	921,533	589,858	1,454,608	808,467	3,774,466	82,684	3,857,150	853,950	4,711,100
Depreciation	51,400	37,525	52,175	43,875	184,975	1,958	186,933	8,142	195,075
Investments in associated companies	75,108	1,167	21,158		97,433		97,433		97,433
Amortization of goodwill			5,200	4,084	9,284		9,284		9,284
Increase in property, plant and equipment	124,292	53,025	19,058	51,417	247,792	3,150	250,942	4,300	255,242

(Notes)

1. (1) The unallocated corporate expenses included in "Reconciliations" amounted to ¥9,852 million ($82,100 thousand), ¥9,010 million and ¥8,749 million for the years ended March 31, 2015, 2014 and 2013, respectively, which consisted mainly of expenses of administrative departments, basic research department and others.

(2) The unallocated corporate assets included in "Reconciliations" amounted to ¥105,661 million ($880,508 thousand), ¥90,247 million and ¥76,122 million for the years ended March 31, 2015, 2014 and 2013, 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 ¥3,187 million ($26,558 thousand), ¥3,512 million and ¥4,066 million for the years ended March 31, 2015, 2014 and 2013, 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 are equal to those in the consolidated statements of income.

Related Information

1. Information about Products and Services

	Millions of Yen					
	2015					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	**¥ 95,705**	**¥ 89,042**	**¥ 169,521**	**¥ 83,578**	**¥ 5,930**	**¥ 443,776**

	Millions of Yen					
	2014					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	¥ 92,639	¥ 80,662	¥ 154,004	¥ 80,076	¥ 6,405	¥ 413,786

	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

	Thousands of U.S. Dollars					
	2015					
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Total
Sales to external customers	**$ 797,542**	**$ 742,017**	**$ 1,412,675**	**$ 696,483**	**$ 49,416**	**$ 3,698,133**

2. Information about Geographical Areas

(1) Sales

Millions of Yen				
2015				
Japan	Asia		Other	Total
	China	Other		
¥ 217,875	**¥ 68,916**	**¥ 81,491**	**¥ 75,494**	**¥ 443,776**

Millions of Yen				
2014				
Japan	Asia		Other	Total
	China	Other		
¥ 214,389	¥ 55,458	¥ 79,200	¥ 64,739	¥ 413,786

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

Thousands of U.S. Dollars				
2015				
Japan	Asia		Other	Total
	China	Other		
$ 1,815,625	**$ 574,300**	**$ 679,092**	**$ 629,116**	**$ 3,698,133**

Note: Sales are classified by country or region based on the location of customers.

(2) Property, Plant and Equipment

Millions of Yen				
2015				
Japan	Asia		Other	Total
	Malaysia	Other		
¥ 108,970	**¥20,426**	**¥ 25,771**	**¥ 11,729**	**¥ 166,896**

Millions of Yen				
2014				
Japan	Asia		Other	Total
	Malaysia	Other		
¥ 101,009	¥ 21,873	¥ 23,858	¥10,298	¥ 157,038

Millions of Yen				
2013				
Japan	Asia		Other	Total
	Malaysia	Other		
¥ 105,151	¥ 13,020	¥ 21,468	¥ 9,685	¥ 149,324

Thousands of U.S. Dollars				
2015				
Japan	Asia		Other	Total
	Malaysia	Other		
$ 908,083	**$ 170,217**	**$ 214,758**	**$ 97,742**	**$ 1,390,800**

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

	Millions of Yen						
	2015						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Impairment losses of assets	**¥**	**¥**	**¥**	**¥**	**¥**	**¥ 91**	**¥ 91**

	Millions of Yen						
	2014						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Impairment losses of assets	¥	¥	¥	¥	¥	¥	¥

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

	Thousands of U.S. Dollars						
	2015						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Impairment losses of assets	$	$	$	$	$	$ 758	$ 758

4.Information on Amortization and balance of Goodwill for Each Reportable Segment

	Millions of Yen						
	2015						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥	¥	¥ 624	¥ 490	¥	¥	¥ 1,114
Goodwill at March 31, 2015			1,172	3,747			4,919

	Millions of Yen						
	2014						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥	¥	¥ 389	¥ 447	¥	¥	¥ 836
Goodwill at March 31, 2014			1,631	3,667			5,298

	Millions of Yen						
	2013						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥	¥	¥ 77	¥ 741	¥	¥	¥ 818
Goodwill at March 31, 2013			1,634	3,776			5,410

	Thousands of U.S. Dollars						
	2015						
	Cellulosic Derivatives	Organic Chemicals	Plastics and Films	Pyrotechnic Devices	Other	Elimination/ Corporate	Total
Amortization of goodwill	$	$	$ 5,200	$ 4,084	$	$	$ 9,284
Goodwill at March 31, 2015			9,767	31,225			40,992

Independent Auditor's Report

Deloitte.

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

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Fax: +81 (6) 4560 6001
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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, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2015, 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 19, 2015

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 electronic materials of which the metal content or foreign matters is controlled, industrial-use coating resins 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 Celanese Netherlands Holdings B.V.
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 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
Daicel Pyrotechnics 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 Mfg. Co., Ltd. and Daicen Maintenance & Engineering Co., 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 308 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.*3	RMB 21.683 mil	100	Sale of compound resin, polystyrene sheet and other chemical products
Topas Advanced Polymers GmbH*9	€ 0.1 mil	80	Manufacture, sale and research of cyclic olefin copolymer
Topas Advanced Polymers, Inc.*10	US$ 0.01 mil	80	Sale of cyclic olefin copolymer
Daicel Safety Systems America, LLC*11	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 14,500 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.*12	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

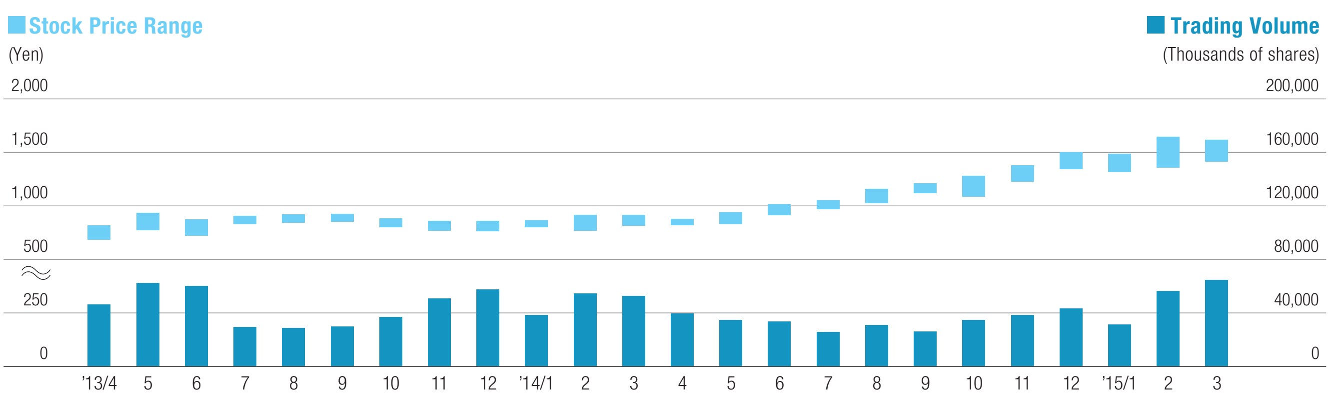
*2: 30% owned by Daicel (China) Investment Co., Ltd.
*3: 100% owned by Daicel (China) Investment Co., Ltd.
*4: 75% owned by Polyplastics Co., Ltd.
*5: 100% owned by Polyplastics Co., Ltd.
*6: 70% owned by Polyplastics Co., Ltd.
*7: 90% owned by Daicel Corporation and 10% owned by Daicel (China) Investment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

Corporate Data (As of March 31, 2015)

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	17,164
Independent Auditor	Deloitte Touche Tohmatsu LLC
Osaka Head Office	Grand Front Osaka Tower-B, 3-1, Ofuka-cho, Kita-ku, Osaka, 530-0011, Japan Tel: +81-6-7639-7171 Fax: +81-6-7639-7181
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

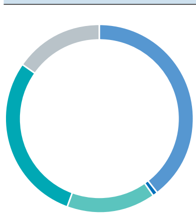
Stock Information (As of March 31, 2015)

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	128,863	35.3
Securities companies	5,244	1.5
Other domestic corporations	55,464	15.2
Foreign investors	124,157	34.0
Individual & other investors	51,212	14.0

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)	22,820	6.49
Nippon Life Insurance Company	17,403	4.95
FUJIFILM Corporation	17,271	4.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,217	4.90
Toyota Motor Corporation	15,000	4.26
Sumitomo Mitsui Banking Corporation	7,096	2.01
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,503	1.85
Mitsui Sumitomo Insurance Co., Ltd.	6,303	1.79
National Mutual Insurance Federation of Agricultural Cooperatives	5,641	1.60
Daicel Trading-Partner Shareholding Association	5,296	1.50

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