

Daiso Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended June 30, 2015
(Prepared under Japan GAAP, unaudited)

Company name: Daiso Co., Ltd. Stock Exchange Listing: Tokyo
 Securities code: 4046 URL: <http://www.daiso.co.jp>
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Scheduled date of filing of quarterly securities report: Aug 10, 2015
 Scheduled date of commencement of dividend payment: —
 Supplementary materials prepared for the financial results: None
 Quarterly financial results briefings: None

1. Consolidated Financial Results

(Amounts are rounded down to the nearest million yen)

(1) Results of Operations

		Three Months Ended			
		June 30, 2015		June 30, 2014	
			Change *		Change *
Net sales	Millions of yen	24,853	3.4%	24,046	7.2%
Operating income	Millions of yen	1,281	6.3%	1,205	(2.0)%
Ordinary income	Millions of yen	1,596	25.7%	1,269	(13.8)%
Net income	Millions of yen	1,018	33.7%	761	(13.2)%
Comprehensive income	Millions of yen	1,385	(0.1)%	1,386	41.7%
Net income per share	Yen	9.67	-	7.23	-
Diluted net income per share	Yen	8.03	-	7.23	-

Note: Percent changes for three months are year-on-year comparisons.

(2) Financial Condition

		June 30, 2015	March 31, 2015
Total assets	Millions of yen	99,664	100,893
Net assets	Millions of yen	48,699	47,704
Equity *	Millions of yen	48,699	47,704
Equity ratio	%	48.9	47.3

Note: Equity="Total net assets" minus "Subscription rights to shares"

2. Dividends

	Year ending Mar. 31, 2016 (Forecast)	Year ending Mar. 31, 2016	Year ended Mar. 31, 2015
End of first quarter		—	—
End of second quarter	5.00*		4.00
End of third quarter	—		—
End of fourth quarter	5.00*		4.00
Full year	10.00		8.00

3. Earnings Forecast for the fiscal year ending March 31, 2016

		First half		Full-year	
			Change*		Change*
Net sales	Millions of yen	50,000	2.2%	105,000	3.6%
Operating income	Millions of yen	2,650	12.2%	6,000	16.0%
Ordinary income	Millions of yen	2,800	5.9%	6,300	9.6%
Net income	Millions of yen	1,650	4.8%	3,800	10.1%
Earnings per share	Yen	15.66	-	36.07	-

Note: Percent changes for three months are year-on-year comparisons.

* Notes

- (1) Changes in significant subsidiaries during the current quarterly period
(Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of accounting methods used specifically for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatements of revisions: None
 - 1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes
 - 2) Changes in accounting policies other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of revisions: None
- (4) Number of outstanding shares (common stock)
 - 1) Number of shares outstanding at the end of the period (including treasury shares)

As of June 30, 2015 :	111,771,671	shares
As of March 31, 2015:	111,771,671	shares
 - 2) Number of treasury shares at the end of period

As of June 30, 2015:	6,413,277	shares
As of March 31, 2015:	6,411,660	shares
 - 3) Average number of shares outstanding in each period

Three months ended June 30, 2015	105,359,383	shares
Three months ended June 30, 2014	105,333,133	shares

* Status of quarterly review procedure:

This quarterly financial results are not subject to the quarterly review procedure in accordance with the Financial Instruments and Exchange Act. The quarterly review procedure of consolidated financial statements has not been completed at the time of disclosure.

*Appropriate use of financial forecasts, other special notes

This material contains forward-looking statements such as earnings forecast about Daiso Co., Ltd. and its group companies ("Daiso Group"). These forward-looking statements are based on the current assumptions and beliefs of Daiso Group in light of the information currently available to it, and contain known and unknown risks, uncertainties and other factors. Daiso Group therefore wishes to caution readers that actual results could be materially different from any future results.

DISCLAIMER:

This is an English translation of the original Japanese document and is prepared for reference. Should there be any inconsistency between the translation and the Japanese original, the latter shall prevail.

4. Qualitative Information

(1) Results of Operations

During the three months ended June 30, 2015, Japan's economy has continued to recover moderately as a trend against the backdrop of the improved profit situation in the corporate sector, while employment and income situation show a trend toward improvements. However, the outlook remains uncertain due mainly to Greece's sovereign-debt problem and slowing down of emerging economies.

Under the circumstance, Daiso Group took a series of strategic steps in fiscal 2015, the second year of the 5th mid-term management plan "NEXT FRONTIER-100". According to this plan, in order to drive business expansion and strength, we focused continuously on "Creation of new products and new businesses" and "Expansion of global businesses" as growth engine.

Basic Chemical Products

In **Chlor-Alkali**, net sales decreased due to the impact of weak market conditions.

In **Epichlorhydrin**, net sales increased due to continued steady demand despite the negative effects in sales prices affected by downfall in raw material prices.

Functional Chemical Products

In **Allyl Ethers**, net sales increased due to expansion of export sales to Europe.

In **Epichlorhydrin Rubber**, net sales increased due to continued steady export sales to Japanese customers and chemical agent sales despite inventory adjustments by major European and USA customers.

In **Diallyl Phthalate Resin**, net sales increased due to volume growth of export sales to Asia in UV printings and molding materials as well as continued steady domestic sales in UV printing inks.

In **Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)**, net sales increased due to continued favorable export sales to Europe and Asia.

In **Active Pharmaceutical Ingredients and their Intermediates**, net sales increased due to continued steady sales in Anti-Ulcer Drug and Active Pharmaceutical Ingredient for late phase clinical trials in the United States.

Electrodes achieved net sales increase led by an increase in export sales for Chlor-Alkali and Copper Foil as well as an increase of electrolytic pickling of steel strip.

Water Absorption Resin for Sanitary Materials and Nonwoven Fabric achieved sales growth led by an increase in demand of China market.

Housing Facilities and Others

Household Materials and Components, net sales decreased due to sluggish sales of seasonal products.

As a result, net sales were ¥24,853 million, an increase of 3.4% compared to the same period of fiscal 2014. Due mainly to business growth in Functional Chemical Products, Operating income was ¥1,281 million, an increase of 6.3% compared to the same period of fiscal 2014. Ordinary income was ¥1,596 million, an increase of 25.7% compared to the same period of fiscal 2014. Net income attributable to owners of parent was ¥1,018, an increase of 33.7% compared to the same period of fiscal 2014.

Daiso Co., Ltd. celebrates the 100th anniversary of the foundation in October 2015. On this occasion our trade name is scheduled to change to "Osaka Soda Co., Ltd." on October 1st, 2015. Our company's frontier spirit has been developed and deepened since our foundation. In the coming 100 years, we continue our efforts to grow into dynamic and innovative global company.

(2) Financial Condition

Assets

Current assets were ¥57,272 million, a decrease of 2.0% since March 31, 2015. The decrease was due primarily to a decrease of ¥4,499 million in *investment securities*, while an increase of ¥3,045 million in *cash and deposits*.

Noncurrent assets were ¥42,391 million, a decrease of 0.1% since March 31, 2015. The decrease was due primarily to a decrease of ¥369 million in *property, plant, and equipment*.

As a result, **Total assets** were ¥99,664 million, a decrease of 1.2% since March 31, 2015.

Liabilities

Current liabilities were ¥30,527 million, a decrease of 5.4% since March 31, 2015. The decrease was due primarily to a decrease of ¥614 million in *notes and accounts payable-trade* and a decrease of ¥650 million in *income tax payable*.

Noncurrent liabilities were ¥20,437 million, a decrease of 2.4% since March 31, 2015. The decrease was due primarily to a decrease of ¥610 million in *long term loans payable*.

As a result, **Total liabilities** were ¥50,965 million, a decrease of 4.2% since March 31, 2015.

Net assets

Net assets were ¥48,699 million, an increase of 2.1% since March 31, 2015.

(3) Earnings Forecasts

There are no revisions to the earnings forecast from the previous forecast announced in the “Consolidated financial results for the year ended March 31, 2015” dated on May 8, 2015.

5. OTHER INFORMATION

Changes in accounting policies

“Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Consolidation”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Business Divestitures”) and related standards have been applied effective from the current first quarter of the fiscal year ending March 31, 2016.

Accordingly, any change in the company’s ownership interest in a subsidiary while the company retains control over the subsidiary is accounted for as capital surplus, and acquisition-related costs are expensed in the fiscal year in which the costs are incurred. For any business combinations on or after the beginning of the current first quarter, a revision of purchase price allocations for business combinations, due to a retroactive adjustment resulting from a change to the provisional amounts recognized in completing the initial accounting, is reflected in the quarterly consolidated financial statements for the quarterly period that includes the date of business combination.

In addition, the presentation of net income was changed and the minority interests were reported as non-controlling interests. In order to reflect the change of presentation, the quarterly consolidated financial statements and consolidated financial statements have been reclassified retroactively for the previous quarterly period ended June 30 and the previous fiscal year ended March 31.

The aforementioned accounting standards were adopted effective from the beginning of the current first quarter and thereafter, in accordance with transitional treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidation, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect of these changes on the quarterly consolidated financial statements for the quarterly period ended June 30, 2015.

6. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2015	June 30, 2015
Assets		
<i>Current assets</i>		
Cash and deposits	7,596	10,641
Notes and accounts receivable-trade	28,172	27,913
Short term investment securities	12,499	7,999
Merchandise and finished goods	5,669	6,197
Work in process	1,127	1,420
Raw materials and supplies	2,186	2,254
Other current assets	1,203	849
Less: Allowance for doubtful accounts	(5)	(5)
Total current assets	<u>58,450</u>	<u>57,272</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Property, plant, and equipment - Net	11,581	11,619
Other - Net	9,005	8,597
Total property, plant and equipment	<u>20,586</u>	<u>20,217</u>
Intangible assets		
Goodwill	902	868
Other	257	261
Total intangible assets	<u>1,159</u>	<u>1,129</u>
Investments and other assets		
Investment securities	19,452	19,897
Other, net	1,251	1,153
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>20,697</u>	<u>21,044</u>
Total noncurrent assets	<u>42,443</u>	<u>42,391</u>
Total assets	<u><u>100,893</u></u>	<u><u>99,664</u></u>

CONSOLIDATED BALANCE SHEETS (Continued)
(Millions of yen)

	March 31, 2015	June 30 2015
Liabilities		
Current liabilities		
Notes and accounts payable- trade	15,764	15,150
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,480	2,470
Income taxes payable	915	265
Provision for bonuses	720	356
Other current liabilities	3,497	3,405
Total current liabilities	32,258	30,527
Noncurrent liabilities		
Bonds with subscription rights to shares	10,000	10,000
Long term loans payable	5,400	4,790
Provision for directors retirement benefits	615	495
Net defined benefit liability	2,447	2,454
Other noncurrent liabilities	2,467	2,697
Total noncurrent liabilities	20,930	20,437
Total liabilities	53,189	50,965
Net assets		
Shareholders' equity		
Capital stock	10,882	10,882
Capital surplus	9,399	9,399
Retained earnings	22,038	22,636
Treasury stock	(1,663)	(1,664)
Total shareholders' equity	40,657	41,254
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,900	7,269
Deferred gains or losses on hedges	7	1
Foreign currency translation adjustments	22	49
Re-measurements of defined benefit plans	118	123
Total accumulated other comprehensive income	7,047	7,444
Total net assets	47,704	48,699
Total net assets and liabilities	100,893	99,664

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2014	June 30, 2015
Net sales	24,046	24,853
Cost of sales	20,312	20,798
Gross profit	3,734	4,054
Selling, general, and administrative expenses	2,528	2,773
Operating income	1,205	1,281
<i>Non-operating income</i>		
Interest income	1	8
Dividend income	152	168
Foreign exchange gain	—	151
Other	23	11
Total non-operating income	177	340
<i>Non-operating expenses</i>		
Interest expenses	31	25
Foreign exchange loss	75	—
Other	6	0
Total non-operating expenses	113	26
Ordinary income	1,269	1,596
<i>Extraordinary income</i>		
Gain on sales of property, plant, and equipment	30	—
Gain on sales of investment securities	—	18
Gain on reversal of subscription rights to shares	11	—
Total extraordinary income	42	18
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	113	94
Total extraordinary loss	113	94
Income before income taxes	1,198	1,520
Income taxes - current	70	259
Income taxes - deferred	365	242
Total income taxes	436	501
Net income	761	1,018
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of parent	761	1,018

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Three Months Ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Net income	761	1,018
Other comprehensive income		
Valuation difference on available-for-sale securities	620	369
Deferred gains or losses on hedges	(1)	(5)
Foreign currency translation adjustments	(3)	(2)
Re-measurements of defined benefit plans	9	5
Total other comprehensive income	<u>624</u>	<u>366</u>
Comprehensive income	<u>1,386</u>	<u>1,385</u>
Comprehensive income attributable to:		
Owners of parent	1,386	1,385
Non-controlling interests	—	—

7. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) Notes on significant changes in shareholders' equity: None

(3) Segment information

Three months ended June 30, 2014

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	10,778	8,111	5,156	24,046	—	24,046
Intersegment sales or reclassifications	4	0	90	94	(94)	—
Total	10,782	8,111	5,246	24,141	(94)	24,046
Segment income	433	986	38	1,458	(253)	1,205

Notes 1: Adjustments of segment income of ¥(253) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Notes 2: Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

Three months ended June 30, 2015

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	10,912	9,137	4,803	24,853	—	24,853
Intersegment sales or reclassifications	3	0	109	113	(113)	—
Total	10,915	9,137	4,913	24,966	(113)	24,853
Segment income	177	1,328	10	1,516	(234)	1,281

Notes 1: Adjustments of segment income of ¥(234) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Notes 2: Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.