

Daiso Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended December 31, 2014
(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 report: February 9, 2015
 Scheduled date of commencement of dividend payment: —
 Supplementary materials prepared for the quarterly 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

	Nine Months Ended			
	December 31, 2014		December 31, 2013	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	74,153	7.8%	68,781	10.8%
Operating income	3,968	12.8%	3,517	3.7%
Ordinary income	4,613	14.2%	4,041	10.5%
Net income	2,777	21.9%	2,278	8.2%
Comprehensive income	4,777	26.3%	3,783	92.7%

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

Net income per share (Yen)	26.36	21.63
Diluted net income per share (Yen)	23.21	—

(2) Financial Condition

	December 31, 2014		March 31, 2014	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	99,506	—	84,326	—
Net assets	45,626	—	41,615	—
Equity *	45,626	—	41,601	—
Equity ratio	—	45.9%	—	49.3%

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

2. Dividends

	Year ending Mar. 31, 2015 (Forecast)	Year ending Mar. 31, 2015	Year ended Mar. 31, 2014
End of first quarter		—	—
End of second quarter		4.00	3.50
End of third quarter	—		—
End of fourth quarter	4.00		3.50
Full year	8.00		7.00

3. Earnings Forecast for the fiscal year ending March 31, 2015

	Full-year	
	Millions of yen	Change*
Net sales	100,000	9.1%
Operating income	5,500	15.8%
Ordinary income	5,700	8.8%
Net income	3,400	12.2%

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

Earnings per share (Yen)	32.28
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* Notes

- (1) Changes in significant subsidiaries during the 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
 - 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 December 31, 2014:	111,771,671	shares
As of March 31, 2014:	111,771,671	shares
 - 2) Number of treasury shares at the end of period

As of December 31, 2014:	6,410,476	shares
As of March 31, 2014:	6,448,680	shares
 - 3) Average number of shares outstanding in each period

Nine months ended December 31, 2014:	105,350,991	shares
Nine months ended December 31, 2013:	105,331,941	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 nine months ended December 31, 2014, while Japan's economy has continued to recover moderately as a trend, due to the downside risks such as weakening in private consumption caused by deterioration of consumer sentiment and slowing down of overseas economies, the outlook remains uncertain in the midst of an unpredictable environment.

Under the circumstance, Daiso Group took a series of strategic steps in fiscal 2014 which is the first year of the 5th mid-term management plan "NEXT FRONTIER-100". In this plan, in order to drive business expansion and strength, we focused on "Creation of new products and new businesses" and "Expansion of global businesses", and formed teams namely "Facilitating Innovation-Driven Businesses" and "Advancing Growth of Global Businesses" to perform the project work. In response to changes in industrial structure, we also formed project team "Reforming Cost Structure" to take initiatives in reducing cost, thereby enhancing cost competitiveness. With regard to the business fields, "*Silica Gel for Liquid Chromatography*" and "*Active Pharmaceutical Ingredients and their Intermediates*" moved into the unitary form of organization to enhance the health care-related business capabilities. It permitted Daiso Group to concentrate on coordinating as a unit the performances of Sales and Research & Development activities, and to apply resources inherent in the integrated activities to achieving synergies between the two businesses. Also, Daiso Group invested money in INB Planning Co., Ltd. for the month of December 2014 to expand "*Synthetic Rubbers*" business whose main product is "*Epichlorohydrin Rubber*" to downstream and to enhance overseas business operations. Daiso Group collaborated closely with INB Planning Co., Ltd. in enlarging the existing use and investigating a new usage for "*Synthetic Rubbers*" and "*Gum compound*". Both businesses enabled Daiso Group to form a gateway for developing global manufacturing operations.

Basic Chemical Products

In *Chlor-Alkali*, net sales increased due to expansion of sales by utilizing market penetration strategies into targeted local areas of Japan as well as steady increase in domestic demand.

In *Epichlorohydrin*, net sales increased due to steady export sales despite sluggish domestic demand of Epoxy Resins.

Functional Chemical Products

In *Allyl Ethers*, net sales increased due to sales growth in exports to Europe, Americas, and Asia which is used as a raw material for silane coupling agent.

In *Epichlorohydrin Rubber*, net sales increased due to expansion of sales by developing motor vehicle market in China and continued favorable export sales backed by the increase of overseas motor vehicle production in Europe and Americas.

In *Diallyl Phthalate Resin*, net sales increased due to continued favorable export sales to Europe as well as domestic sales in UV printing inks and full-scale deployment of smart metering for molding material.

In *Silica Gel for Liquid Chromatography*, net sales were at the same level as the previous period due to continued favorable export sales to Asia and United States for drug purification despite temporary adjustment in inventory exported to Europe.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales were at the same level as the previous period due to continued favorable sales in "Intermediate for the Antiviral Agent", "Medium Component for the Production of the Anti-body Drug", and "Raw Material for the Diagnostic Drug" despite continued unfavorable sales in "Intermediate for the Antiulcer Drug" and "Active Pharmaceutical Ingredient for the Antihypertensive Drug".

Color Resists Liquid Crystal Display achieved increase in net sales led by steady demand for small and medium sized-display panel such as for smartphone.

Electrodes achieved increase in net sales led by a recovery in overseas and domestic demand for electro galvanized steel strip and an increase in orders for electrolytic pickling of steel strip and caustic soda.

Housing Facilities and Others

Household Materials and Components and *Plant Engineering Services* achieved sales growth due to sales increase of new household materials, replacing electrolysis plants construction, and completion of chemical plants construction in overseas and domestic market, despite the effects of a decline in the number of housing starts and the consumption tax hike.

As a result, net sales were ¥74,153 million, an increase of 7.8% compared to the same period of fiscal 2013. Operating income was ¥3,968 million, an increase of 12.8% compared to the same period of fiscal 2013. Ordinary income was ¥4,613 million, an increase of 14.2% compared to the same period of fiscal 2013. Net income was ¥2,777 million, an increase of 21.9% compared to the same period of fiscal 2013.

(2) Financial Condition

Assets

Current assets were ¥57,821 million, an increase of 28.7% since March 31, 2014. The increase was due primarily to an increase of ¥5,598 million in *short term investment securities* and an increase of ¥4,324 million in *cash and deposits*.

Noncurrent assets were ¥41,685 million, an increase of 5.8% since March 31, 2014. The increase was due primarily to an increase of ¥4,083 million in *investment securities* and a decrease of ¥1,071 million in *property, plant, and equipment*.

As a result, **Total assets** were ¥99,506 million as of December 31, 2014, an increase of 18.0% since March 31, 2014.

Liabilities

Current liabilities were ¥32,309 million, an increase of 6.3% since March 31, 2014. The increase was due primarily to an increase of ¥2,488 million in *notes and accounts payable-trade*, and a decrease of ¥706 million in *income taxes payable*.

Noncurrent liabilities were ¥21,569million, an increase of 75.3% since March 31, 2014. The increase was due primarily to an increase of ¥10,000 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥53,879 million as of December 31, 2014, an increase of 26.2% since March 31, 2014.

Net assets

Net assets were ¥45,626 million as of December 31, 2014, an increase of 9.6% since March 31, 2014.

(3) Earnings Forecast

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, unaudited" dated May 9, 2014.

5. OTHER INFORMATION

Changes in accounting policies

Effective from three months ended June 30, 2014, the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, issued on May 17, 2012; hereafter "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, issued on May 17, 2012; hereafter "Guidance on Retirement Benefits") have been applied, in accordance with the provisions stipulated in Clause 35 of "Accounting Standard for Retirement Benefits" and in Clause 67 of "Guidance on Retirement Benefits". Accordingly, the method of calculation for retirement benefit liabilities and service costs have been reviewed, and the basis for determining the discount rate has been changed from the use of the period approximate to the expected average remaining working lives of employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

As a result, this change has had no effect on net defined benefit liability and retained earnings at the beginning of this first quarter of fiscal 2014. In addition, no effect on operating income, ordinary income, and income before income taxes for the quarterly period ended December 31, 2014.

6. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2014	December 31, 2014
Assets		
<i>Current assets</i>		
Cash and deposits	3,797	5,842
Notes and accounts receivable-trade	26,187	30,511
Short term investment securities	4,399	9,998
Merchandise and finished goods	6,014	7,059
Work in process	901	1,209
Raw materials and supplies	2,216	2,176
Other current assets	1,417	1,025
Less: Allowance for doubtful accounts	(3)	(3)
Total current assets	44,932	57,821
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	10,875	12,593
Other - Net	12,013	9,224
Total property, plant and equipment	22,889	21,818
Intangible assets		
Goodwill	1,035	935
Other	242	223
Total intangible assets	1,278	1,158
Investments and other assets		
Investment securities	13,533	17,616
Other	1,698	1,097
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	15,226	18,708
Total noncurrent assets	39,394	41,685
Total assets	84,326	99,506

CONSOLIDATED BALANCE SHEETS *(Continued)*
(Millions of yen)

	March 31, 2014	December 31, 2014
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	13,600	16,088
Short term loans payable	9,530	9,530
Current portion of long term loans payable	2,580	2,530
Income taxes payable	1,192	486
Provision for bonuses	715	349
Other current liabilities	2,788	3,325
Total current liabilities	<u>30,406</u>	<u>32,309</u>
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	—	10,000
Long term loans payable	7,880	6,020
Provision for directors retirement benefits	612	592
Net defined benefit liability	2,764	2,808
Other noncurrent liabilities	1,047	2,148
Total noncurrent liabilities	<u>12,304</u>	<u>21,569</u>
Total liabilities	<u>42,710</u>	<u>53,879</u>
Net assets		
<i>Shareholders' equity</i>		
Capital stock	10,882	10,882
Capital surplus	9,394	9,399
Retained earnings	19,367	21,367
Treasury stock	(1,672)	(1,662)
Total shareholders' equity	<u>37,971</u>	<u>39,986</u>
<i>Accumulated other comprehensive income</i>		
Unrealized gain on available-for-sale securities	3,782	5,701
Deferred gains or losses on hedges	(0)	50
Foreign currency translation adjustments	—	12
Re-measurements of defined benefit plans	(152)	(124)
Total accumulated other comprehensive income	<u>3,629</u>	<u>5,640</u>
<i>Subscription rights to shares</i>	14	—
Total net assets	<u>41,615</u>	<u>45,626</u>
Total net assets and liabilities	<u>84,326</u>	<u>99,506</u>

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2013	December 31, 2014
Net sales	68,781	74,153
Cost of sales	57,941	62,485
Gross profit	10,839	11,668
Selling, general, and administrative expenses	7,322	7,699
Operating income	3,517	3,968
<i>Non-operating income</i>		
Interest income	9	12
Dividend income	238	260
Foreign exchange gain	352	497
Other	71	48
Total non-operating income	672	819
<i>Non-operating expenses</i>		
Interest expenses	83	93
Bond issuance costs	—	36
Other	65	45
Total non-operating expenses	148	174
Ordinary income	4,041	4,613
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	505	30
Gain on reversal of subscription rights to shares	22	11
Other	—	6
Total extraordinary income	528	48
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	291	253
Gain on sales of non-current assets	459	—
Total extraordinary loss	750	253
Income before income taxes	3,818	4,408
Income taxes - current	1,620	1,300
Income taxes - deferred	(80)	330
Total income taxes	1,540	1,631
Net income	2,278	2,777

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Nine Months Ended</u>	
	December 31, 2013	December 31, 2014
Net income	<u>2,278</u>	<u>2,777</u>
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,480	1,918
Deferred gains or losses on hedges	24	50
Foreign currency translation adjustments	—	3
Re-measurements of defined benefit plans	—	27
Total	<u>1,504</u>	<u>2,000</u>
Comprehensive income	<u><u>3,783</u></u>	<u><u>4,777</u></u>
Comprehensive income attributable to:		
Shareholders of the parent	3,783	4,777
Minority interests	—	—

7. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption

None

(2) Notes regarding significant changes in the amount of shareholders' equity

None

(3) Segment information

Nine months ended December 31, 2013

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	30,244	20	30,264	937
Functional Chemical Products	23,616	1	23,617	3,236
Housing Facilities and Others	14,920	1,122	16,042	177
Total	68,781	1,144	69,925	4,351
Adjustments *1	—	(1,144)	(1,144)	(834)
Consolidated operating income *2	68,781	—	68,781	3,517

Notes 1: Adjustments of segment income of ¥(834) 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 is reconciled with consolidated operating income.

Nine months ended December 31, 2014

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	32,171	12	32,183	1,154
Functional Chemical Products	25,648	1	25,649	3,304
Housing Facilities and Others	16,334	860	17,194	277
Total	74,153	873	75,027	4,735
Adjustments *1	—	(873)	(873)	(767)
Consolidated operating income *2	74,153	—	74,153	3,968

Notes 1: Adjustments of segment income of ¥(767) 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 is reconciled with consolidated operating income.