Summary of Q&A Session at Financial Results Presentation for the Fiscal Year Ended March 2025	
Date and Time	May 14, 2025 (Wednesday) 13:00 – 14:30 (JST)
Presenters	**Yasuhiro Sakaki** Representative Director, President and CEO Responsible for Corporate Planning & Strategy Office Responsible for Healthcare SBU **Kotaro Sugimoto** Representative Director, Senior Managing Executive Officer General Manager, Corporate Support Headquarters Responsible for Corporate Compliance Program Division Responsible for Corporate Sustainability Responsible for Digital Strategy Center Responsible for Material SBU **Takashi Miyamoto** Senior Managing Executive Officer President and CEO, Polyplastics Co., Ltd. General Manager, Performance Materials Headquarters **Yoichi Nemoto** Managing Executive Officer Deputy General Manager, Corporate Support Headquarters Division Manager, Group Governance and Financial Coordination, Corporate Support Headquarters Responsible for SCM Headquarters **Kazuya Kurosawa** Managing Executive Officer Head, Material SBU **Eiichi Ryobo** Executive Officer Head, Safety SBU

	Masahiko Hirokawa Executive Officer Deputy General Manager, Corporate Support Headquarters Division Manager, Investor Relations & Corporate Communications Head of Corporate Sustainability **Keisuke Gotoh** Executive Officer, Polyplastics Co., Ltd. General Manager of Corporate Strategy Division Responsible for Topas Advanced Polymers GmbH (TAP), Advanced Monomers Private Limited (AMPL), Polyplastics-Evonik Corporation
Presentation Material	Presentation "Fiscal Year ended March 2025 Consolidated Financial Result." 20250513_6.pdf (Published on May 13, 2025)

[Company-wide]

Q: Could you share the progress and outlook for the medium- to long-term themes described on page 7 of the presentation materials?

A: Quantitative targets will be explained at the announcement of the next Mid-Term Management Strategy. The progress of each theme is as follows. We recognize that Biomass Value Chain, functional modification of nanodiamonds, and inorganic/organic composite materials are long-term items. In particular, with regard to the realization of Biomass Value Chain, we believe that it is necessary to further clarify the exit strategy, i.e., how to become it profitable, and how to contribute to a circular society. We will disclose the details in the next Mid-Term Management Strategy.

Autonomous Production System:

We introduced the autonomous production system into the acetyl production chain at Aboshi and Ohtake plants in the fiscal year ended March 2024, resulting in an annual cost benefit of approximately 1 billion yen. This system was also introduced to the CO plant in the fiscal year ended March 2025. By aiming at stable operation, we intend to improve raw material utilization rate, optimize energy consumption, and reduce repair expenses. In the fiscal year ending March 2026, we plan to extend this system into the epoxy equipment at Ohtake plant.

Microfluidic Device Plant:
We plan to introduce demonstration equipment for the production of resist polymers at Arai plant in the fourth quarter of the fiscal year ending March 2026. After conducting trial operations, we aim to start commercial operations from March 2026. Based on customer sample evaluations, we will determine the polymer formulation design and scale the equipment according to customer demand. While we anticipate being able to recover the investment in the production of high-value resist polymers, significant investment may become an obstacle when expanding to other products. Therefore, reducing equipment costs is a key challenge moving forward.

Beyond Coating:
Regarding production, we internalized a manufacturing process that was previously outsourced into the Kameoka plant in the fiscal year ended March 2024. In addition, we achieved a double productivity by renovating existing facilities in the fiscal year ended March 2025. Regarding sales, we acquired orders for surface materials, primarily for automotive applications. The Kameoka plant has two types of coating technologies (dry and wet), and we intend to develop new markets by taking advantage of the two technologies.

Q: Is there any possibility of selecting and concentrating on long-term items?
A: The period of time frame until social implementation varies from theme to theme, but we do not withdraw from any theme. However, in terms of resource allocation and speediness, we would like to carry out with a sharp focus, according to the exit strategy for each theme. In particular, we are co-creating nanodiamond with other companies as an Ultra Solar-reduction catalyst, and it is feasible to set an exit strategy, so we would like to aim for early implementation.

Q: In order to promote management with stock price awareness, I think it is important to increase the proportion of the Medical Healthcare and Smart Businesses in the operating income to improve PER. Could you share the business strategies of Medical Healthcare and Smart?

A: We recognize that expanding the business scale and improving the profit level of the Medical Healthcare and Smart Businesses, which are the next generation businesses, are matters of importance. Both businesses have been working on new themes, and some themes have future in the business. Therefore, it is important that how allocate resources and accelerate the speediness. We believe that we are able to meet the target of double sales record in the next Mid-Term Management Strategy under development. Details will be provided in the next Mid-Term Management Strategy.

[Smart]

Q: Could you share about the market outlook and trend in net sales and operating income of each product for the fiscal year ending March 2026?

A: The semiconductor market is expected to grow by around 10% in the fiscal year ending March 2026. We also expect an increase in net sales and operating income of resist polymers and electronic material solvents.

[Safety]

Q: Could you share about the factor of increase or decrease in operating income of the fiscal year ending March 2026?

A: The Company expects to increase in 8 billion yen of operating income as a whole in Safety business due to an 10% increase in sales volume and an improvement in profitability at the production sites in North America and cost reduction at all production sites. On the other hand, the Company also expects to decrease in 5 to 6 billion yen of operating income as a whole in Safety segment due to sales price variance, exchange rate impact and an increase in personnel expenses and depreciation expenses.

Q: According to the current Mid-Term Management Strategy you will meet the market share of inflator up to 25% in the world. Could you share the current progress of the market share of your company’s inflators?

A: The progress of an increase in the market share is getting behind the target set in the mid-term strategy. This is because the sales of Japanese cars are sluggish, and the growth of the number of inflators equipped in each automobile is not as large as the Company expected. The Company intends to expand its market share by sales expansion to the Chinese automotive manufactures and reinforcement of production and sales in India, which is becoming a thriving market.

[Materials]

Q: Could you explain the reason of a decrease in operating income forecast (-6.6 billion yen of year-on-year) in the fiscal year ending March 2026, although troubles at the carbon monoxide plant is resolving?

A: The Company expects to increase operating income due to the effects of resolving the CO plant troubles (+8 billion yen) and an increase in sales volume of acetic acid and derivatives. However, the Company also expects to decrease operating income due to over 6 billion yen of exchange rate impact. (Exchange rate is 140 yen in the fiscal year ending March 2026, which is 13 yen stronger than previous fiscal year.) Also, the Company considers an increase in raw material prices such as pulp, a decrease in market condition, a decrease in sales price of acetate tow after January 2026, and inventories carried over from the last fiscal year as factors that contribute to lower profits.

Q: I would like to know the substantial operating profit in Materials business. It seems that the financial forecasts in the fiscal year ending March 2026 is estimated conservative even if it were taken into consideration of the cost of carbon monoxide plant troubles, depreciation expenses, foreign exchange rate impact based on the financial result in the fiscal year ended March 2024. Are there any other temporary factors of a decrease in operating profit?

A: One of the main factors of a decrease in operating income of Materials segment from the fiscal year ended March 2024 to the fiscal year ending March 2026 is an increase in depreciation expenses caused by start of commercial operation of the carbon monoxide plant. In addition, the acetic acid market condition is significantly weakening from the fiscal year ended March 2024, thus decreasing the sales price of acetic acid. (The average sales price of acetic acid in the fiscal year ended March 2024 was $506. On the contrary, the forecast of that in the fiscal year ended March 2026 is $440.) The other factors of a decrease in operating income are a decrease in sales volume of cellulose acetate in Chemical BU, and loss of capacity utilization due to a major regular inspection at Aboshi plant implemented once in two years.

Q: How about the trend in demand for the global tobacco market?

A: The demand for global tobacco market is in the downward trend in the developed countries. On the other hand, it is in the upward trend in Africa, Middle East, Eastern Europe, India, and Southeast Asian countries. The Company expects that the demand remains at the same level in the worldwide. In particular, the Company is focusing on sales expansion in Middle East and Southeast Asian countries.

Q: Could you explain why the amount of capital expenditures of the Materials Business is significantly expensive (24 billion yen)? Also, could you share the forecast of capital expenditure after the next fiscal year?

A: The capital expenditure in the fiscal year ending March 2026 includes the cost for remaining construction at the carbon monoxide plant and regular inspection. Currently, the Company intends to introduce a filtration equipment for low-LCA pulp used for production for cellulose acetate, but the Company does not plan such an expensive capital investment. The Company intends to judge capital investment according to the investment benefits at the additional capital investment of demonstration equipment of cellulose after that.

[Engineering Plastics]

Q: Could you explain the reason of a decrease in operating income forecast (-4.9 billion yen of year-on-year) in the fiscal year ending March 2026?

A: The main reasons are as follows; an increase in a variety of costs, such as cost for regular inspection (+2.5-billion-yen year-on-year), an increase in depreciation and amortization expenses (+3-billion-yen year-on-year), an increase in production cost due to an increase in production, and an increase in personnel cost, and foreign exchange losses. Sales volume of all resins are expected to increase, and sales of PPS are expected to contribute an increase in product mix variance by increasing sales volume of high-grade material applied to server of artificial intelligence. However, the Company expects that it is difficult to compensate the increase in variety of costs.

Q: How about the market trend in LCP and PPS under the circumstances of an increase in number of servers of artificial intelligence, and an increase in terminal devices in China, such as personal computer and smartphone? Also, did the manufacturers of consumer goods implement production in advance looking ahead to being imposed the increased tariff by the United States?

A: The sales volume of LCP and PPS for every application of smartphone, personal computer and servers for artificial intelligence increased. In particular, the growth of sales for server appliances will be large despite the small absolute quantity. Also, the Company does not recognize the customers' trend in front-loading production.

Q: Could you explain the reason why your high-grade PPS is adopted as a material of component for server of artificial intelligence?

A: It is highly evaluated its excellent resistance to heat and high dimensional accuracy by the special filler based on our original technology. Sales volume of PPS is expected to significant increase.

[Financial Strategy]

Q: I would like to ask about the impact of U.S. tariffs.

A: It is difficult to explain about the impact of U.S. tariff because the tariff policies have been changing over time. I would like to share the estimation on the assumption of the initial policies announced by the U.S. government. Currently, we produce just only inflators in the United States, but the production volume at our production site in U.S. does not meet the demand in the United States, so we are importing inflators from other production sites to compensate the lack of demand. Additionally, some parts are imported from companies outside the U.S. These imports are imposed tariffs, therefore the Company expects an impact of approximately 3 billion yen losses in the Safety Business. The total impact is expected to be a little less than 5 billion yen including other products. Nevertheless, we expect to limit the impact on operating income around 1 billion yen by making efforts to pass on costs to product prices and increasing market share of other segment products of Safety Business in the U.S. and China. We also expect to be inevitable getting indirect impacts on our business, such as a decline in consumer demand due to U.S. tariffs, but these impacts have not been incorporated into our forecast for the fiscal year ending March 2026.

Q: PBR of Daicel is low considering the relatively high capital efficiency, with ROE being close to 15%. This suggests a stagnation in profit growth. I think it is important to show how to expand profits to the market looking ahead to your future stock prices. I understood the forecast for the fiscal year ending March 2026 as presented, but I would like to ask you about measures how to expand profits for the fiscal year ending March 2027.

A: In conjunction with the next Mid-Term Management Strategy, we are also considering initiatives for the fiscal year ending March 2027. Firstly, we improve the top line by focusing on our foundation business of the Materials business, growth drivers of the Engineering Plastics business, and the Safety business. In particular, we are expecting a significant sales expansion in the Engineering Plastics Business, which is scheduled to operate a new plant for an increase in production in the fiscal year ending March 2027. We also plan to increase volume of production supply in Safety Business through reinforced production lines mainly in India and China production sites. Additionally, we expect a contribution from the sales of Pyro-Fuse for non-automotive applications, which we are currently developing. Furthermore, as previously mentioned, we aim to expand profits in Medical Healthcare and Smart Businesses.