Summary of Q&A Session at Financial Results Presentation for the 1st Half of Fiscal Year Ending March 2026	
Date and Time	Nov. 7, 2025 (Fri.) 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 Materials 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 President, Toyama Filter Tow Co., Ltd. **Eiichi Ryobo** Executive Officer Head, Safety SBU

	Chairperson, Daicel Safety Systems (Jiangsu)Co., Ltd. Chairperson, Daicel Safety Technologies (Jiangsu) Co., Ltd. Chairperson, Daicel Safety Systems Americas, Inc. **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 ” 1st Half of Fiscal Year ending March 2026 Consolidated Financial Result” https://www.daicel.com/en/ir/pdf/ss/ss160e_2q.pdf (Published on Nov. 6, 2025)

[Company-wide]
Q: What are the details of the subsidies recorded on the PL?
A: We received subsidies from the prefectural government for new facilities (1,3-BG and CO) at the Aboshi plant. Although the subsidies will be paid evenly over 10 years, we recorded ¥1.2 billion all at once from an accounting perspective. Additionally, for the relocation of Polyplastics' Plantin China, we expect to receive over ¥9 billion in the second half of the fiscal year.

Q: Both acetate tow and POM are facing new competition from Chinese companies. What impact do these competitors have on tobacco manufacturers and POM sales?
A: Regarding acetate tow, Chinese competitors do not ship to our major tobacco manufacturer customers, so there is no impact on our net sales. Their shipments are believed to go primarily to restricted countries and certain manufacturers in Southeast Asia, so there is no impact on our business.

Regarding POM in the Chinese spec-in market, competitors' capabilities are improving, but there is still a considerable gap. They have no entry opportunity in critical components like fuel system parts and door locks, so our market advantage in these areas remains firm.

Q: The "super asset light" transformation targeted in the Mid-Term Management Strategy remains unachieved, and operating income also seems unlikely to reach the original targets. Could you explain the current progress status and background, either quantitatively or qualitatively?
A: The "super asset light" transformation is not our ultimate goal alone; it is a process that involves gradual integration and optimization. We cannot achieve this all at once, but rather, through accumulating achievements via partial optimization strategies. Since this often involves counterparties, it cannot be realized solely by our company.
We also need to accelerate structural reforms, especially in the Materials segment, where organic synthetic materials were originally fine chemicals, but have now shifted to commodities due to competition from China. As other petrochemical manufacturers are undertaking business reforms, we also need to speed up similar efforts, where progress on our side has lagged. We recognize our delay in "super asset light" transformation as well, and plan to provide more detailed updates in the next Mid-Term Management Strategy.

[Safety]
Q: What is the financial performance at the Arizona and India sites in the Safety business segment? What is the projected sales volume for inflators?
A: For the full-year forecast, the Arizona plant is expected to record a profit before U.S. tariff impact, but a slight loss including the tariff impact. The tariff costs are intended to be ultimately passed on to customers via selling price adjustments.
In India, mass production started with three lines in October 2023, and we are considering expanding the lines further in FY2025 and FY2026. Discussions with customers and assessments of which products to supply are ongoing.
Total net sales volume of inflators in the Safety segment is expected to fall slightly short of 100 million units this fiscal year, representing approximately a 5% increase compared to the previous year.

[Materials]

Q: In the Materials segment, operating income declined significantly in the second quarter. Shut-down maintenance was supposed to have a positive effect, but net sales of acetate tow also fell sharply. You expect improvements from the second half. What were the changes from 1Q to 2Q, and what do you expect for the second half? In particular, what has happened with acetate tow sales?
A: Sales of acetate tow dropped sharply in the second quarter, mainly because inventories built up at local customers, resulting in lower shipments. Some customers are starting to show signs of recovery from January 2026, but this does not apply to all, and we expect a full recovery for the majority of customers in the second half of FY2026. Many tobacco manufacturers close their books in December, so negotiations for next year have already started. For our part, we have factored in increased shipments from January to March in our plans.
The deterioration from 1Q to 2Q was due to mechanical troubles at the CO plant in August and a delay in resuming operations after shut-down maintenance. Shut-down maintenance was originally finished in June, with the CO plant set to restart at the same time. However, both were delayed until July, causing fixed costs from 1Q to spill over into 2Q. This also led to increased inventories, as acetate tow net sales in 2Q decreased further compared to 1Q.

Q: What is the outlook for the long-term contract prices for acetate tow starting in January? With current inventory levels and the competitors' situation, it seems challenging.
A: The quantity and price of acetate tow have already been agreed with major manufacturers. Negotiations with local customers are ongoing. Although competition is intense, our focus is on specialty-grade acetate tow, and we are negotiating to maintain prices by leveraging product mix and differentiation.

Q: Regarding supply-demand balance for acetate tow, why did local manufacturers build up inventories? There are also reports of acetate tow manufacturers in Europe shutting their plants.
A: Local manufacturers accumulated inventories because there was a global shortage of shipping containers and overall logistics disruption after the COVID-19 pandemic. Assuming suppliers would prioritize shipments to major manufacturers, local companies proactively built up safety stock. Heightened geopolitical risks also led to speculative demand.
Major manufacturers emphasized securing contracted volumes and brought in-

house part of the production that had been outsourced to local manufacturers, further reducing demand for local makers and causing their inventory accumulation. The impact of closures of other companies' plants in Europe is expected to emerge after 2027. These are believed to be relatively small and mainly driven by aging equipment, so the overall impact is not expected to be significant.

Q: Can we expect acetate tow shipments to be slightly lower this fiscal year, with an increase projected for next year?
A: We expect a decrease in sales volume this fiscal year, but an increase in FY2026.

Q: Three months ago, US competitors mentioned deteriorating supply-demand for acetate tow, but you did not comment on this because most of your shipments are based on long-term contracts with major tobacco manufacturers. Nonetheless, your recent decline in sales for acetate tow was larger than expected. Could you explain the background for this? You said that local manufacturers were adjusting their inventories, but are acetate tow shipments to major manufacturers developing as you expected three months ago?
A: More than 80% of our total acetate tow sales volume is to major tobacco manufacturers. The reason why shipments to local customers have a large impact on your sales despite small lot sizes, is that priced higher per unit. As a result, even a modest decline in shipment volume to these customers causes a noticeable drop in net sales. We had started promising negotiations with new local customers in autumn 2024, but they unexpectedly began inventory adjustments and decided to buy from their existing suppliers instead. As a result, our plans to enter these new accounts fell through. Even among our existing local customers, volumes were slightly below plan.
Demand for major tobacco manufacturers is as expected. As these companies are focusing on heat-not-burn cigarettes, the demand for specialized filters is increasing. Ensuring stable supply of these filters is one of our top priorities.

[Engineering Plastics]
Q: Looking at the first half, engineering plastics do not appear to have slowed much. Why is operating income forecasted to decline in the second half even as net sales grow? Regarding the integration with Polyplastics Co., Ltd. on April 1st 2026, when will synergies in areas like human capital and automotive marketing appear?
A: Automotive production volumes have remained relatively stable, but we expect

a slight recovery in the second half. The most significant changes in the first half were seen in POM and LCP. The decline in net sales of POM to a various industry sector in China was particularly significant, and we are responding to improve performance.
We seek to recover in the second half, but competition in the POM market remains intense. Front-loaded demand was observed in FY2024 and FY2025, mainly due to US tariffs and anti-dumping measures for POM in China. The anti-dumping consideration began at the start of 2025, with the final decision made this May. This led to a surge in demand earlier, during FY2024. In the second half of FY2025, we will focus on recovering sales volume through pricing strategy, but margins may be compressed.
LCP demand has been strong for servers since the first half, and we anticipate this continuing for the full year. The difference in operating income between the first half and the second half is also influenced by timing of shut-down maintenance and our conservative assumptions for exchange rates and raw material costs.
On human capital, Daicel Group's corporate expenses are around 30%, higher than the industry average. Over the next five years, we aim to reduce these costs by not replacing retirees and by leveraging AI. More details will be provided in our next Mid-Term Management Strategy.

Q: If POM cannot compete with Chinese suppliers, the operating income for the segment will not improve. What are your strategies to win against Chinese competitors?
A: Currently, demand for POM in a various industry sector remains sluggish. One reason is that US tariffs introduced this April made Chinese companies, our customers, more reluctant for export products made from POM to the US, so many decided to cut back or stop shipments. Another factor is increased competition: from the second half of FY2024 to the first half of FY2025, three Chinese competitors started up new POM plants with a combined capacity of 180,000 tons. Combined with the previous 580,000 tons (excluding our new plant), total capacity was 760,000 tons (820,000 tons including our new plant). While market demand is about 600,000 tons per year with annual growth of 4–6%, the market will face difficult conditions for a few years due to new entrants and anti-dumping measures. Our supply capability in Greater China region is currently 93,000 tons (China: 90,000 tons, our share: 63,000 tons; Taiwan: 30,000 tons), but demand for our products is 140,000 tons. We are making up the difference by exports from Malaysia

and Japan. When our second new plant starts operating next year, our supply capacity in the Greater China region will be 135,000 tons. If we get through this year, the impact of anti-dumping will largely resolve by next autumn.
Due to increased competition from new plants entering the market, we are planning to raise our plant utilization rates and are also looking at expanding our non-branded product sales in addition to DURACON. We are pursuing optimal production and sales at each location, reducing fixed costs by increasing operating rates, and actively promoting our products for specification in automotive and medical applications. In China, where competition is intense, we aim to grow our market share by providing solutions to customers through co-creating value between Daicel and Polyplastics, offering technical services and cost reductions through the DAICEL Production Innovation.

Q: What percentage of engineering plastics sales is accounted for by POM? Among these POM sales, what proportion is spec-in products, and what proportion is non-branded or non-spec-in products?
A: POM accounts for about 40% of Polyplastics' net sales, with more than half of that portion coming from spec-in applications in automotive and medical applications.

Q: Given that Japanese automotive manufacturers are losing market share in China, do you still see shifting production to China as the right approach? How much are competitors discounting non-spec-in products?
A: Since China represents the world's largest market, we are focusing on growing our POM sales there. Chinese POM suppliers are in several tiers: foreign manufacturers like us, relatively high-quality Chinese producers, and emerging manufactures. We do not compete with emerging makers in the same applications, including a various industry sector. We focus on customers who value quality, carefully managing price gaps versus the overall market.
The price reductions by local Chinese competitors for non-spec-in products have ranged from 20 to 25% this fiscal year. Normally, spec-in products would not be impacted, but overall market conditions forced price reductions even in premium-grade uses.
While global automotive production volume is largely unchanged, Japanese OEMs have experienced a 4% drop in output worldwide and a sharper 12% decrease in China. While we sell a significant amount to Japanese automotive manufactures,

we also target Chinese OEMs to offset the loss of sales volume to Japanese automakers in China.

Q: In the remaining 60% of engineering plastics sales (excluding POM), LCP stands out as a particularly high-growth product. How is that 60% split between electronics and automotive applications? I believe your undervalued stock price is because the detail of your business is not clear.
A: Looking at our net sales mix for the previous fiscal year, POM was about 40%, PBT just over 20%, PPS just over 10%, and LCP just over 10%. Of POM net sales, 50% was automotive, 40% other industries; PPS and PBT were both over 70% automotive; LCP was about 80% mobile and PC applications.

Q: Could you provide the quantitative factors behind the projection that operating income will decline to ¥6 billion in the second half?
A: Sales volume shows an increase from the first half to the second half. Overall, sales volume will increase by more than 10%, particularly as we focus on recovering the sharp decline in POM that occurred in the first quarter. Negative factors include the effects of shut-down maintenance and a conservative view on exchange rates and raw material costs for the second half.

Q: When will the synergies from your collaboration with Mitsui Chemicals, Inc. materialize? This collaboration involves two products, but do you also see value in pursuing similar initiatives with other partners or Engineering Plastics product lines?
A: The collaboration with Mitsui Chemicals Inc. aims at responding the shift to electric vehicles (EVs). Currently, the standard is 400V, but there is a rapid shift toward higher voltages in EV components, with some companies already reaching 800V and others forecasting levels above 1,000V. Of our current lineup, only PPS is suitable for 400V. To address future high-voltage requirements, we are exploring 6T nylon based on polyphthalamide (PPA) for its high comparative tracking index (CTI). PPA is commonly considered by customers for use in E-axle inverter applications. To better meet these needs, we have added ARLEN® to our product lineup. AURUM® is also included in response to the electrification trend, especially for robust motor insulation, where stronger and more reliable engineering plastics are required. Polyplastics/Evonik's PEEK is suitable but difficult to process, so thermoplastic polyimides are considered an optimal alternative. These materials are under consideration by multiple companies in the industry. The aim is to

complement our engineering plastics portfolio with these new materials. Beyond this case, we are also exploring various opportunities with other products and partners.

Q: While polyimide and polyamide are the mainstream in thermoplastics, are niche materials like modified PPE also under consideration?
A: Yes, these are among the candidate materials we are reviewing.

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