

Important Management Issues

June 21, 2024

DAICEL CORPORATION

FY2025/3 Financial Forecasts



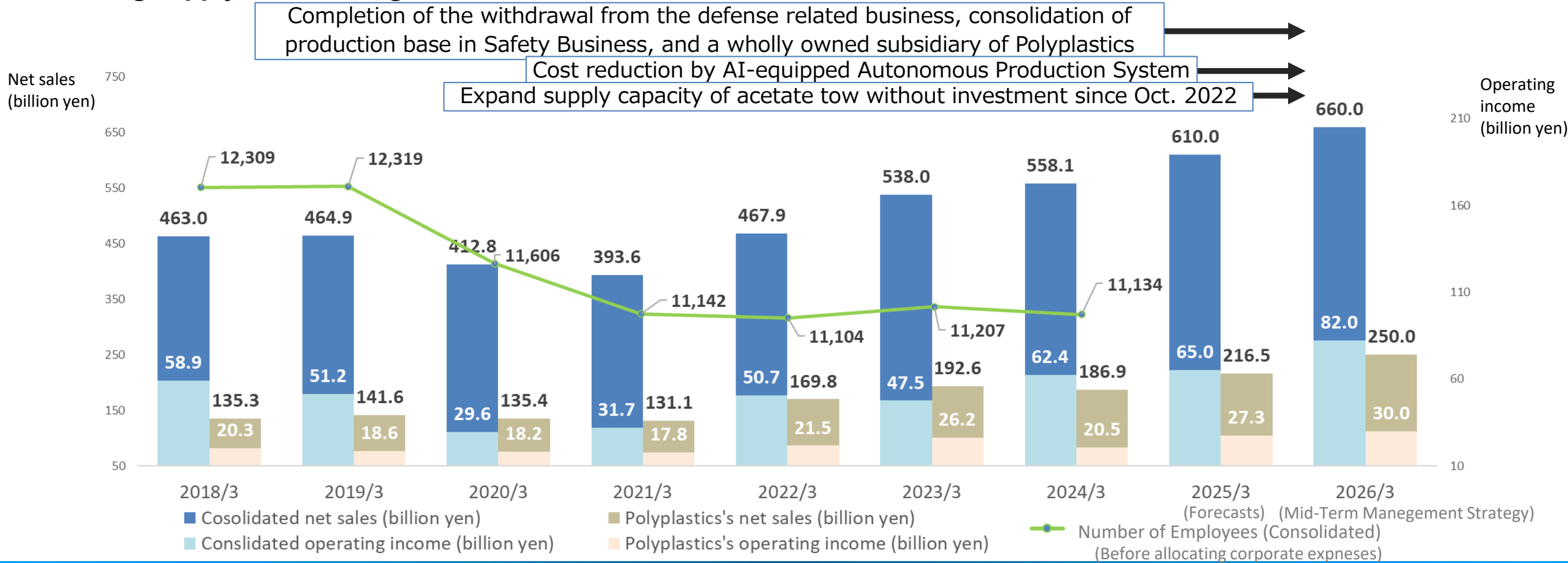
Unit : Billion Yen	FY2024/3 Results	FY2025/3 Forecasts	FY2026/3 Mid-term Target(Updated)	FY2026/3 Mid-term Target (Previous)
Net Sales	558.1	610.0	660.0	500.0
Operating Income	62.4	65.0	82.0	70.0
Operating Profit Margin	10.7%	11.2%	12.4%	14.0%
Income Attributable to Owners of Parent	55.8	58.0	58.0	48.0
EBITDA	96.1	107.5	136.0	116.0
ROE	17.1%	15.6%	17.1%	18.0%
ROIC	6.3%	6.4%	9.3%	10.0%
ROA	7.0%	7.0%	7.7%	8.0%

●Aiming for EBITDA of over 100 billion yen in FY2025/3.

Toward Our Vision



- (1)Continuing to strengthen the foundations of Monozukuri, including safety, quality, and compliance
- (2)Maximizing the efficiency of human resources for research and development to strengthen the top line, and early settlement of issues
- (3)Breaking away from conventional plant by plant management ,establish safe, secure and optimum production sites including supply chain management



Strengthening the Foundations of Monozukuri

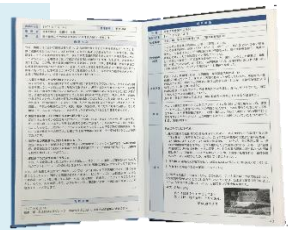


(1) Continuing to strengthen the foundations of Monozukuri, including safety, quality, and compliance

- ◇ In-house education for "thorough prevention of recurrence" and "prevention of fading of past incidents"
- ◇ Establishment of measures and systems for not only prevention (prevent mistakes and breakdowns) but also prevention of expanding further damages (prevent serious accidents after mistakes and breakdowns)
- ◇ Separation and clarification of execution functions from audit functions

Internal penetration

- Renewed Daicel Group Code of Conduct and Ethical Standards of Daicel Group
"Be a good member of society before being a business person"
- Issuance of a collection of serious incidents and notifications for the past 50 years (all employees always carry it to ensure employees remembrance)



Strengthen the system

- Separation and clarification of audit and execution functions related to safety, quality, and compliance
Execution function = > Establish Safety and Quality Assurance headquarters, linked with plant safety, environment and quality assurance
Audit function = > Establish assessment headquarters to expect a wide range of risks

Resource allocation

- Intensive investment in strengthening safety, quality and compliance
- Separate investment in safety, quality, and compliance, and monitor the steady implementation of 3S, KY, and near-miss improvements at worksites

Actions Toward New Businesses

(2) Maximizing the efficiency of human resources for research and development to strengthen the top line, and early settlement of issues

- ◇ Establish New R&D Division headquarters by merging Innovation and Business Development Headquarters with Research Center
- ◇ Division of research themes
 - ⇒ Consolidate short-term research themes into business units and concentrate human resources
 - ⇒ Consolidate medium- to long-term research themes into common new core technologies groups and allocate human resources effectively
- ◇ Reorganize from project structure mainly organized by concurrent duties staffs to a task force structure organized by dedicated staffs

Short-term Issues

Maximizing the cash generation capacity of foundation businesses

- **Cellulose Task Force** OP-I
Complete the cellulose acetate process conversion
- **xEV Task Force** OP-I

Short to mid-term Issues

Accelerating the growth business closely related to the market

- **Microdevice Task Force** OP-II
- **Beyond Coatings Task Force** OP-II
- **Biomass Acetyl Chain Task Force** OP-II

Long-term issues

Advanced development targeting future growth areas

- **Health** OP-II
DDS (Drug Delivery Systems)
- **Convenience/Comfort** OP-II
• Inorganic / organic composite materials
- **Environment** OP-III
• Next-generation methanol (CO₂ reduction)
• Biomass Value Chain

The Final Phase of Conversion of Production Process of Cellulose Acetate

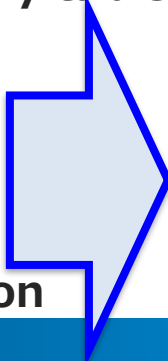
- ◇ The introduction of two-step crushing process and dope filtration facilities (scheduled to install them into all production lines until FY2025), reduction in cotton linter, increase in the adoption of low life cycle assessment (LCA) pulps
⇒ **Improve in quality of products, Reduction in cost, Optimize inventory**

- 1930~ Started production of cellulose acetate
- 1970~ Applied in practice of high-temperature acetylation, maturation in high temperature
- 1990~ Applied in practice of vacuum acetylation and precipitation in granular sludge
Started examination into application of broadleaf and elemental chlorine free (ECF) pulp
- 2015~ **Introduced in two-step crushing process**
- April 2023 **Introduced in facility of dope filtration**



- The final major conversion of production process applied to existent process has been completed

- Gas generant : Converted from kneading to screw feeder and dry tableting
- 1,3-BG : Converted from fluidized bed to stabilized bed
- MAC-C : Coal gasification by GE's gasification process
- Caprolactone monomer : High performance packed tower
- Inflator : Development of production lines with half cost and workload
- Cellulose acetate : Two-step crushing process and dope filtration

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- Microfluidic devices
 - Organic Gas, membrane for liquid separation
 - Pulp dissolution process at room temperature

Implement Microfluidic Device into Practice

◇ Implementation of manufacturing resist polymers in microfluidic devices

Mass production equipment will be installed at Arai plant from the end of 2024 to 2025.

We plan to increase in production scale according to customer needs. (numbering-up method)

Microfluidic device mass production equipment

(Image is for illustration purposes)

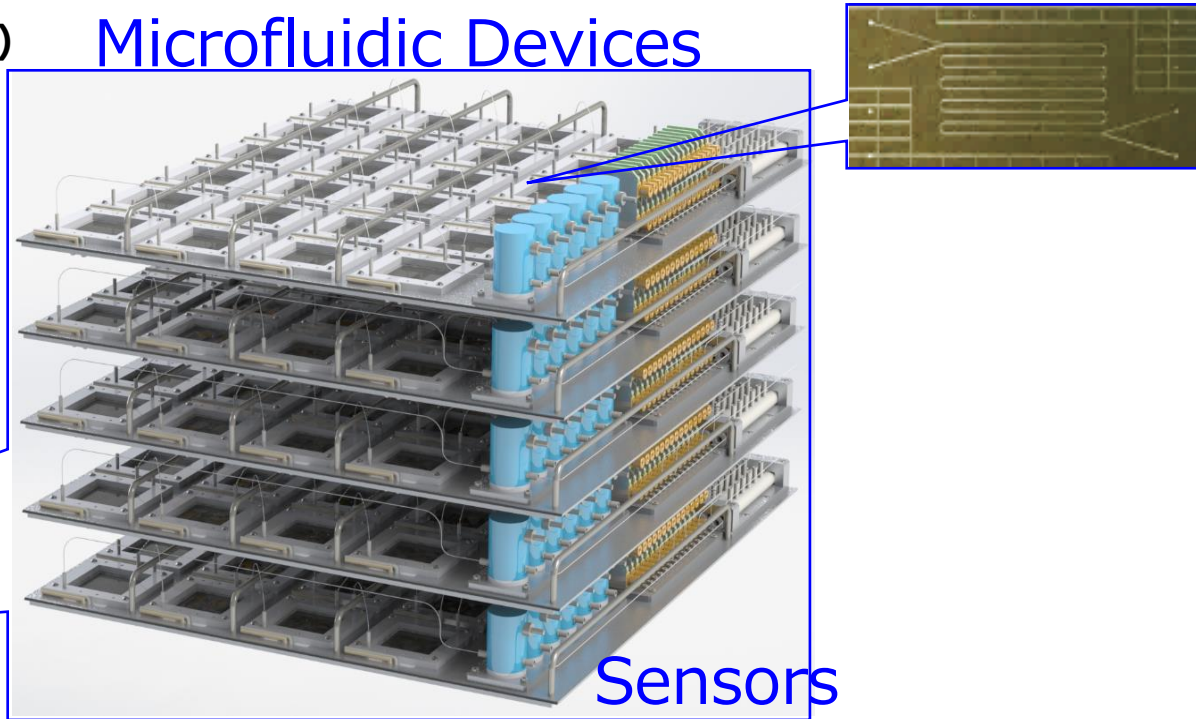
Control System

Microfluidic Devices

Sensors

Infusion System

Reaction System



Referenced from “Product.” IMT TAIWAN CO., LTD.
< <https://imtt.com.tw/en/product.php> >

Making a Full-scale Entry into Medical Industries



◇ Establishment of Daicel Medical Ltd., in October 2023

Novel Drug Delivery Devices



The photo shows the Actranza® lab for experimental animal studies.

Strategic capital partnership with PharmaJet

October 2023



Acquisition of second-class marketing license for medical devices in April 2024

PharmaJet is a medical device manufacture that has provided tens of millions of needle-free syringes for vaccination programs globally.

VVCC (Virtual Value Chain Control Center)



(3) Breaking away from conventional plant by plant management ,establish safe, secure and optimum production sites including supply chain management

2021

2022

2023

2024

2025~

The Development of safety system different by production sites

- ◆ Remote fire prevention and extinguishing facility
- ◆ Installation five senses into sensors

Toward wide-area safety and security system

- ◆ Identify the extent of affection and prevent the damage to outside of production sites

Safety Quality Delivery (SQD) assurance/Cost ultimate control

- ◆ Introduction of Autonomous Production System
- ◆ Continuous monitoring management of product quality
- ◆ Traceability system

Virtual consolidation of manufacturing process through supply chain

- ◆ Visualize the structure of supply chain by introducing one piece flow and lots for transfer methods

Completion of accounting management

- ◆ Utilization of asset input function of ERP

Actualize profit and loss statement and balance sheet in the virtual supply chain

- ◆ Application of the corporation law and improvements

Application of supercomputer and quantum computer

- ◆ Develop algorithms for production plans
- ◆ Utilize hybrid quantum-classical computing

VVCC

General disaster prevention center

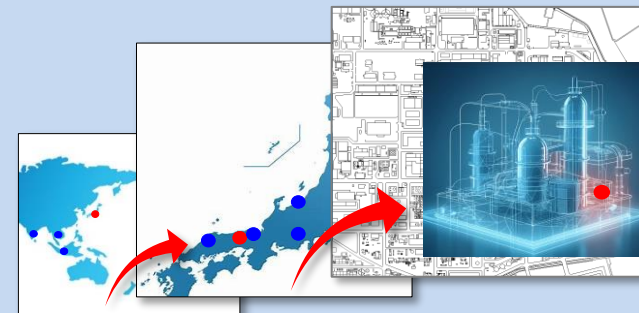
- ◆ Detection of fires and leaks in entire plant premises
- ◆ Use the prevention center as a refuge in case of natural disaster

Integrated management system of supply chain

- ◆ Small lots production ⇒ lots for transfer, optimized inventory, reserve stock management, reduction in period of review in production plans

Improve compliance

- ◆ Establish a production management system without handwork



Evolving Management Style

We will further advance our management to maximize the potential of human resources in Daicel Group

◇ **Establishment of Institute of Human-oriented Management**

Established a new think tank, "Institute of Human-oriented Management", that advocates the "return to humanity", in parallel with expanding the scope of utilization of AI. This institute proposes strategies and internal measures to realize this goal.

◇ **Communication that brings out the potential in human resources**

• **Open and diverse conference bodies**

Outside advisors with various backgrounds participate in the management meetings, then stimulating discussion.

• **DAICON (Daicel Group Business Model Contest)**

Employees present various issues and ideas for new business models that are created from the practical point of view and hold heated discussions with management. This leads to the creation of a new department.

• **Flat communication between employees and management**

The management hold events to directly talk with employees about what management has put into Mid-Term Management strategy.

