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<tr><td colspan="2">Q&A Summary of presentation of 1st Half of Fiscal Year ending March 2024 Consolidated Financial Result</td></tr>
<tr><td>Date and Time</td><td>November 6, 2023 (Monday) 13:00 – 14:30 (JST)</td></tr>
<tr><td>Presenter</td><td>Yoshimi Ogawa
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Presentation Material	Presentation "1st Half of Fiscal Year ending March 2024 Consolidated Financial Result" https://www.daicel.com/en/news/assets/pdf/20231102_7.pdf (Published on November 2, 2023)

■Medical / Healthcare business

Q: Could you explain how to develop your medical health care businesses?

A: Regarding medical business field, we will participate in it as a provider of medical supplies and materials, not as a CDMO. In addition, we plan to cooperate with healthcare businesses for a synergy creation.

■Safety business

Q: Regarding the second quarter of safety segment, you have achieved the target of net sales. However, you have not achieved the target of operating profit. According to the presentation material, it explains that the business in North America is in process of improving business. Is there any risk of delaying the

improvement of profit? Are you expecting to meet the target of operating profit in the final fiscal year of the mid-term strategy management?
A: As planned, we have terminated the production of inflator at the production site in Kentucky on the end of October 31, that is one of the production sites in North America. Although some extra expenses increased due to the implementation of disposal of unnecessary inventory and terminations of employment contracts, we plan to make surplus within the 2nd half. Moreover, we will proceed the sales expansion and a cost decrease after the next fiscal year for the achievement of mid-term management strategy.

Q: What kind of impacts have your safety businesses been affected by a strike by United Automobile Workers and a delay in EV adoption by Japanese automotive manufactures for the Chinese market?
A: There is no impact of United Automobile Workers to the safety business. Although the struggle of EV adoption by Japanese automotive manufactures for the Chinese market is one of the causes of a decrease in production volume. However, these are quite small impacts to directly effect to our businesses in the whole sales volume in safety segment.

Q: How do you feel the response to achieve the target of getting a 25% market share of inflator at the end of mid-term management strategy? Also, are there some impacts of a recall of a competing company?
A: It is going smoothly toward the achievement of getting 25% market share in the mid-term management strategy. In addition, the new production site in India started production operation in October. Currently, we produce the products for only Japanese automotive manufacturers, however we will expand sales to the Korean and Indian local manufacturers.
Regarding the recall of a competing company, we still have not decided any plans. When we provided alternative products in response to a recall of another company before, we allocated so many our company resources to the response to it that we could not engage enough improvement activities we ought to engage. If we get a similar request this time, we will establish robust production system not to have a bad influence on the improvement activities.

■ **Materials business**
Q: I supposed that the strong demand of acetate tow in material segment has

remained now, but could you keep the margin on a dollar basis under the circumstances of a decrease in raw material and fuel costs?
A: Nothing has been changed regarding the great demand of acetate tow. Currently we receive a lot of inquiries from all over the world. Therefore, we believe that we can maintain our profit after that.

■Engineering Plastic business

Q: What is the reason behind an increase in profit in the Engineering Plastics segment from 1st quarter to 2nd quarter? Also, what are the challenges of expanding sales under the circumstances of an upcoming large investment of POM plant in China?
A: We believe that the distributed inventory for automotive parts, which was greatly affected in the 1st quarter, has almost disappeared in the 1st half. Demand has been recovering since the 2nd quarter, and we believe that sales will be commensurate with market trends in the 2nd half. On the other hand, LCP, which has many applications for electronic devices, has been significantly affected by the market downturn, although it has been improving. As for the sales expansion of POM, we recognize that the biggest challenge is to strengthen marketing to Tier1 Chinese automotive parts manufacturers. POM is a material with excellent sliding properties, and we believe that these properties will be advantageous as a material for EV applications. We will develop applications that can meet the need for noise reduction in vehicles and can take advantage of sliding properties in cooling systems and propose them to Chinese automotive parts manufacturers and automotive manufacturers.

Q: You said the company lowered the sales price of engineering plastics in the 1st half of this fiscal year to prioritize sales volume. Could you explain the sales pricing strategy in the 2nd quarter and the 2nd half?
A: At first, raw material and fuel prices rose sharply from the fiscal year ended March 2022 to the 1st half of the fiscal year ended March 2023, then declined. Therefore, until the 2nd half of the fiscal year ended March 2023, we asked our customers to agree to a price increase to pass costs of an increase in raw material and fuel prices. However, in the fiscal year ending March 2024, we restored sales price due to a decline in raw material and fuel prices.
From the fiscal year ended March 2022 to the 1st half of the fiscal year ended March 2023, when the market condition of engineering plastics recovered, we could not

provide customers with enough supply so that we lost market share. In addition, we plan to start operations of POM and LCP new plants in the next fiscal year. For the 2nd half of the fiscal year ending March 2024, our top priority is to ensure sales volume and regain market share even if we sacrifice sales price.

Q: Could you explain the outlook for the second half of this fiscal year of Engineering Plastics Business?
A: The sales of product for automotive applications account for 50% of sales of Polyplastics Co., Ltd. Global automotive production volume in the 2nd half is expected to be comparable to the 1st half of the fiscal year ending March 2024. Focusing on Japanese automotive manufacture, the production volume in the 2nd half will be 4% higher than in the 1st half. Sales revenue and operating income of the 2nd half of Polyplastics Co., Ltd are expected to be in line with previous forecast due to an increase in sales volume (vs 1st half- sales revenue +15%, operating income +75%).

Q: How does the delay in EV adoption by Japanese automotive manufactures for the Chinese market affect Engineering Plastics business?
A: Japanese automotive manufactures account for 80% of sales of automotive applications in Engineering Plastics Business. If they lose their global market share, it has a negative impact on our company. However, the impact of the delay in EV adoption by Japanese automotive manufactures for Chinese market has not appeared. We would like to expand sales to non-Japanese automotive manufactures due to our heavy dependence on Japanese automotive manufactures.

Q: Could you give us your opinion on the polyfluoroalkyl substances (PFAS) regulations?
A: It depends on how the regulations will be defined; however, it is expected that fluorine resin for heat-resistant applications will be substituted for engineering plastics without fluorine. There is no specific demand yet, but we are receiving many inquiries from customers about our products, such as LCP, PPS, and PEEK. Enforcement of the regulations will lead to great demand for our products. Although it is difficult to state clearly how big the market will be, we believe that LCP, PPS, PEEK, and PEK resin will replace PFAS.

■Capital investment

Q: What is the plan of capital investment related to conversion of cellulose acetate manufacturing method?
A: We plan to change the manufacturing method on all TAC (Smart business) and DAC (Materials business) production lines until the fiscal year ending March 2025 and March 2026.

Q: Regarding capital investment for Engineering Plastics business. The company plans to make a capital investment of 100 billion yen over three years, but I think this amount is a heavy investment in a short period of time. If the Company places emphasis on capital efficiency, I think reviewing the Company's investment plan is an option.
A: In recent years, the amount of capital investment has increased significantly, especially in Germany. We are always looking for possibilities to diversify investment risk. Regarding investment to increase POM production in China, we plan to increase capacity by 90,000 tons to respond to strong domestic demand and relocate 60,000 tons at the request of Chinese government. However, we will reconsider the capacity and timing of investment as necessary. We have set deadlines for investment decisions to assess the situation and make decisions.

Q: The Company plans aggressive capital investment in the Engineering Plastics segment over the next fiscal year. Despite a significant increase in depreciation cost, the Company plans for a significant increase in profits in the final year of Mid-Term Management Strategy. Is the Company considering asking their customers and partners to bear some of the capital investment costs to realize super asset-light?
A: We recognize that risk diversification is an important theme as capital investment costs are rising due to inflation. The partner company has made capital participation in increasing POM production in China. This capital participation not only diversifies risk but also has the advantage of quickly increasing the facility utilization rate by an offtake agreement with partner companies according to the proportion of investment by an offtake agreement with partner companies according to the proportion of investment.

■**DAICEL Production Innovation**
Q: Can the Company achieve further cost reductions by realizing virtual factories?
A: Yes. Significant benefits can be created by optimizing logistics, energy consumption, and production. Furthermore, we will reduce total costs by expanding

the optimal range to supply chains that a product flow is connected. We believe that the Autonomous Production System jointly developed with the University of Tokyo will become a production scheduler. Autonomous Production Systems can detect signs of trouble and improve the accuracy of production planning. Highly accurate production planning makes it possible to achieve optimal production and inventory levels, leading to asset downsizing.

Q: Will standardization through DAICEL Production Innovation be the key to collaboration with other companies?
A: Yes. Our company has accumulated standardized data through DAICEL Production Innovation. Accumulation of data leads to improved prediction accuracy, which is an advantage in promoting DX. Furthermore, by combining it with other company’s data, it becomes an even greater strength. We will provide Autonomous Production Systems free of charge to other companies that have introduced DAICEL Production Innovation and will further accumulate data. Having highly accurate data leads to value.

■Financial strategy
Q: Please tell us again about the Company’s policy on shareholder returns.
A: As indicated in our Mid-Term Management Strategy, our target is total return ratio of 40% or more. Although we have not set a clear target for the dividend payout ratio, we will maintain a trend of increasing dividends. In this fiscal year, the income attributable to owners of parent is expected to increase by about 10 billion yen compared to the initial forecast due to the gain on sale of cross-shareholdings, so we will carry out share buybacks of 15 billion yen, an increase of 5 billion yen from the previous 10 billion yen. As a result, the total return ratio will be over 50%. We will continue to control our balance sheet and implement shareholder returns in the next fiscal year and beyond, while taking profit status, equity ratio, and DE ratio into consideration.

Q: Is the company selling cross-shareholdings ahead of schedule for the three-year plan?
A: We are on schedule, however as the market value of stocks has been rising, we believe we need to pick up the pace.