

DAICEL



**DAICEL REPORT
2025**

Contents

INTRODUCTION

- 02 Contents
- 03 Editorial Policy
- 04 Daicel Group's Basic Philosophy

DAICEL GROUP'S STRENGTHS

- 06 Message from the President and CEO
- 12 At a Glance
- 14 History of Daicel Group
- 16 Our Strengths in Terms of Product and Technology Lineage
- 18 Value Creation Process

VISION AND MATERIALITY

- 22 Long-Term Vision "DAICEL VISION 4.0"
- 24 Mid-Term Management Strategy
- 26 Financial Strategy
- 30 Sustainability Management and Materiality
- 32 List of Materiality KPIs and Results
- 34 Daicel Group's Challenge to Achieve Carbon Neutrality
- 36 Information Disclosure in Line with TCFD Recommendations
- 38 **Features** R&D Combined with Intellectual Capital
- 42 **Features** Human Capital

BUSINESS STRATEGY

- 48 Medical / Healthcare
- 50 Smart
- 52 Safety
- 54 Materials
- 56 Engineering Plastics

GOVERNANCE

- 60 Dialogue Between Outside Director and Outside Audit & Supervisory Board Member
- 64 Directors, Audit & Supervisory Board Members, and Executive Officers
- 66 Corporate Governance
- 72 Corporate Compliance / Risk Management

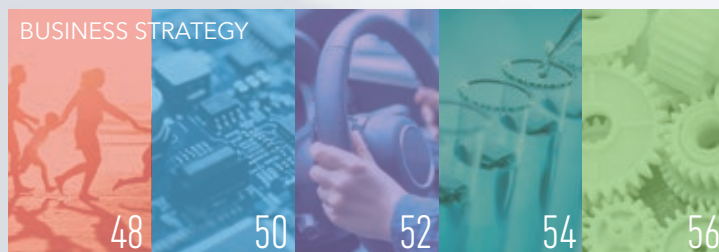
RESOURCES

- 74 Financial Information
- 80 Corporate Information / Independent Third-Party Assurance Report

Message from the President and CEO



Features Human Capital



Dialogue Between Outside Director and Outside Audit & Supervisory Board Member



Editorial Policy

The Daicel Group aspires to realize its Basic Philosophy of becoming "the company making lives better by co-creating value," and it continues to conduct its businesses with a view to both improving social sustainability and enhancing medium- to long-term corporate value. Aimed at providing our shareholders, investors, and many other stakeholders with a better understanding of the Daicel Group and a tool for communication, this report is a concise consolidation of financial and non-financial information that is highly relevant to our medium- to long-term value creation story. In editing our reports and website, we have taken care to disclose information in ways that are easy to read, easy to understand, and forthcoming.

Disclosure Structure for Financial and Non-Financial Information

DAICEL REPORT 2025
(Integrated Report)

DAICEL REPORT 2025

Management's approach, vision for the future, strategy and initiatives are compiled and disclosed in a consistent format. In order to provide a simple account of how we create value, we will discuss sustainability and materiality by incorporating items that are deeply connected to our Long-Term Vision and Mid-Term Management Strategy.

<https://www.daicel.com/en/sustainability/library.html>

Related Web Content

Sustainability Website

<https://www.daicel.com/en/sustainability/>

More detailed and comprehensive information about sustainability is sorted and presented under the items of Environment (E), Society (S), and Governance (G).

Sustainability Report

<https://www.daicel.com/en/sustainability/library.html>

Information on "Sustainability Website" as of the end of August every year is available in PDF format in the Archives.

ESG Data

<https://www.daicel.com/en/sustainability/library.html>

Only the detailed data regarding our sustainability initiatives is aggregated and presented.

Corporate Governance Report

<https://www.daicel.com/en/sustainability/governance/>

Investor Relations Information Website

<https://www.daicel.com/en/ir/>

Contains financial information such as Financial Results and Financial Result Presentation Materials mainly for the reference of investors, shareholders and many other stakeholders.

Securities Report (Japanese only)

<https://www.daicel.com/ir/annualreport.html>

At a glance

<https://www.daicel.com/en/ir/glance.html>

Presents the overview, history and strengths of the Daicel Group in a simple format.

Corporate Website

<https://www.daicel.com/en/>

Long-Term Vision

<https://www.daicel.com/en/plan/>

Mid-Term Management Strategy

Businesses & Products

<https://www.daicel.com/en/business/>

Daicel Corporation Official Channel (YouTube)

On our official YouTube channel, we showcase the Daicel Group's appeal from a variety of angles, including commercial videos, videos of experiments conducted by our researchers, and testimonials from our co-creation partners.

<https://www.youtube.com/channel/UCi-okVwAvbSvAYC4Ei6BQw>



Entities Within the Scope of Reporting

The Daicel Group consists of Daicel Corporation and 73 Group companies. The following terminologies are used in this report.

- Daicel Group/The Group: Daicel Corporation and its subsidiaries
- Daicel/The Company: Daicel Corporation
- Group companies: Subsidiaries of Daicel Corporation

The scope of the Group companies for reporting varies depending on the content of the initiatives. Refer to the following for more details.

Scope of Reporting for Human Resources and Governance Data
<https://www.daicel.com/en/sustainability/other/boundary.html>

Scope of Data Calculation for Environmental and Occupational Safety Performance
<https://www.daicel.com/en/sustainability/other/responsible.html>

Disclaimer and Caution with Respect to Forward-Looking Statements

As the sole purpose of this report is the provision of information to readers, in no way does the Company intend to solicit readers to take a certain action through this publication. Although the Company compiled this report based on information available to it and deemed trustworthy at the time of its issuance, the content of the report inherently includes a number of risks and uncertainties. Accordingly, Daicel provides no guarantee to the accuracy or integrity of information therein. When readers intend to use any part of information contained in this report, they are advised to use their own discretion.

Daicel shall bear no responsibility whatsoever to readers about damage, loss or other negative outcomes attributable to their investment decisions that relied on forecasts, numerical targets and other forward-looking statements featured in this report.

Reporting Period

FY2025/3 (April 1, 2024 through March 31, 2025)

(Note) Includes some content outside the reporting period

Guidelines Used for Reference

- IFRS, "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry (METI), "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation"
- GSSB, "The GRI Sustainability Reporting Standards (GRI Standards)"

● Basic Philosophy

The company making lives better by co-creating value

Sustainable Value Together

In the 1900s, celluloid, the world's first synthetic plastic, also became widespread in Japan and enriched people's lives. However, the special demand created by World War I led to problems including a proliferation of celluloid manufacturers in Japan, excessive industry competition, quality deterioration caused by shoddy mass production, and the indiscriminate logging of camphor trees, one of the raw materials for celluloid. Concerned about this situation, eight major celluloid manufacturers in Japan merged to reorganize the industry, which gave birth to today's Daicel.

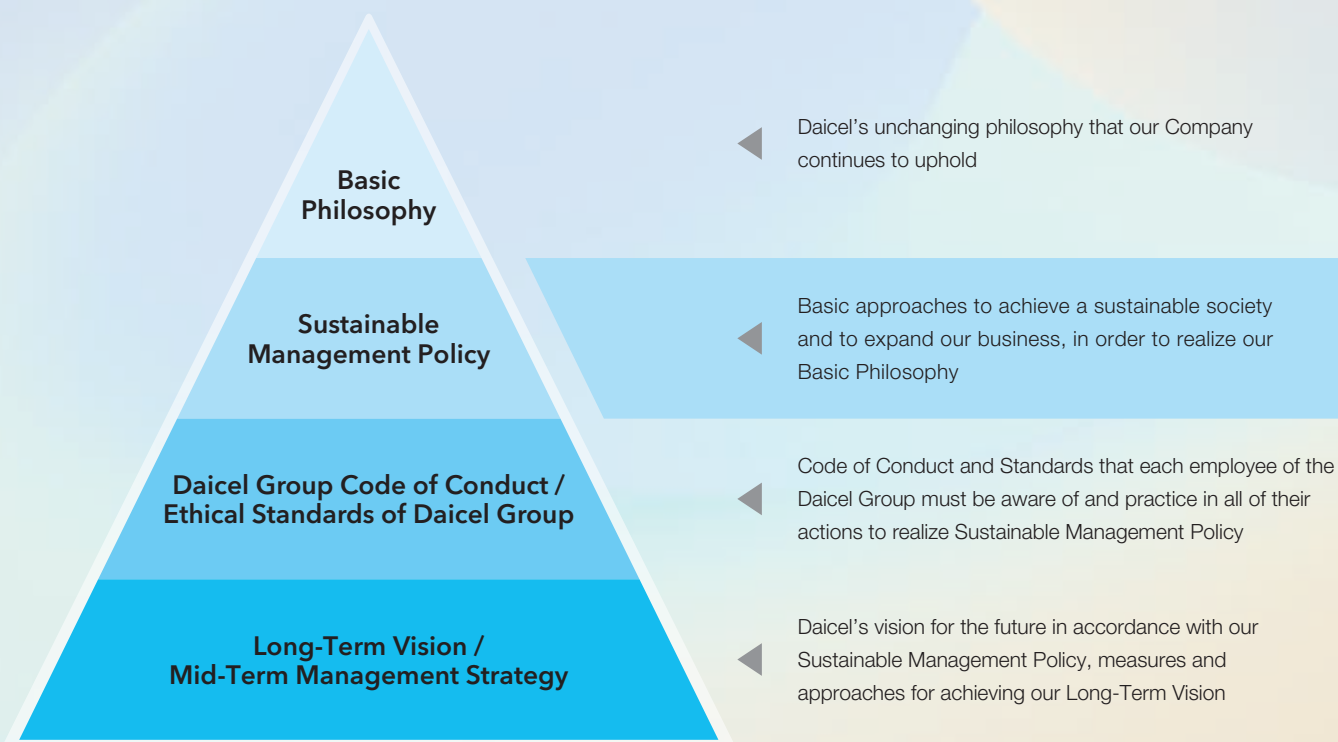
Since its founding, Daicel has not only managed raw material resources and stabilized production and quality, but also focused on nurturing downstream processors, and continued to grow through co-existence and co-prosperity with diverse stakeholders.

"The company making lives better by co-creating value"

This aspiration is a spirit that has been handed down at the Company, unchanged ever since its establishment.

Now, together with customers and business partners connected through the supply chain and partners across industry, government, and academia, we are working company-wide on value co-creation toward the major goal of contributing to the creation of a circular society in a way that is unique to Daicel.

● Corporate Philosophy



<https://www.daicel.com/en/profile/philosophy.html>

● Sustainable Management Policy

Upon a priority foundation of safety, quality and compliance, the Daicel Group will realize our Basic Philosophy by both contributing to the establishment of a sustainable society and pursuing business growth with integrity, tireless efforts and self-transformation.



Message from the President and CEO

We pursue the delivery of greater value and the enhancement of corporate value, aiming to be a “chemical manufacturer that creates the future” with abundant growth potential and unique characteristics.

INTRODUCTION

In May 2025, an incident occurred at our Aboshi Plant that resulted in the death of one of our employees. We sincerely mourn the loss of this employee and extend our deepest condolences to his family, and we also sincerely apologize to all those who have been concerned about this incident. Human life is our top priority, and these kinds of incidents should never occur. As a company, we will stand by the bereaved family and offer the fullest support, and we will fully cooperate with on-site inspections and investigations by the relevant authorities to determine the cause as quickly as possible and fulfill our corporate responsibility. As a company that upholds safety, quality, and compliance as the priority foundations of our business activities, we will reaffirm our commitment to these foundations among all employees and proceed with our business activities with a strong determination to never allow such incidents to occur again.

■ Thoughts upon Assuming the Position of President and CEO

In April 2025, I took over from former President Ogawa and assumed office as President and CEO.

Recently, our operating environment has been changing rapidly, with global environmental issues and natural disasters, the worldwide spread of novel infectious diseases, conflicts between nations, and the emergence of rapidly advancing technologies such as AI. We need to build a greater capacity to respond to changes than ever before for the Daicel Group to continue sustainable growth in such times.

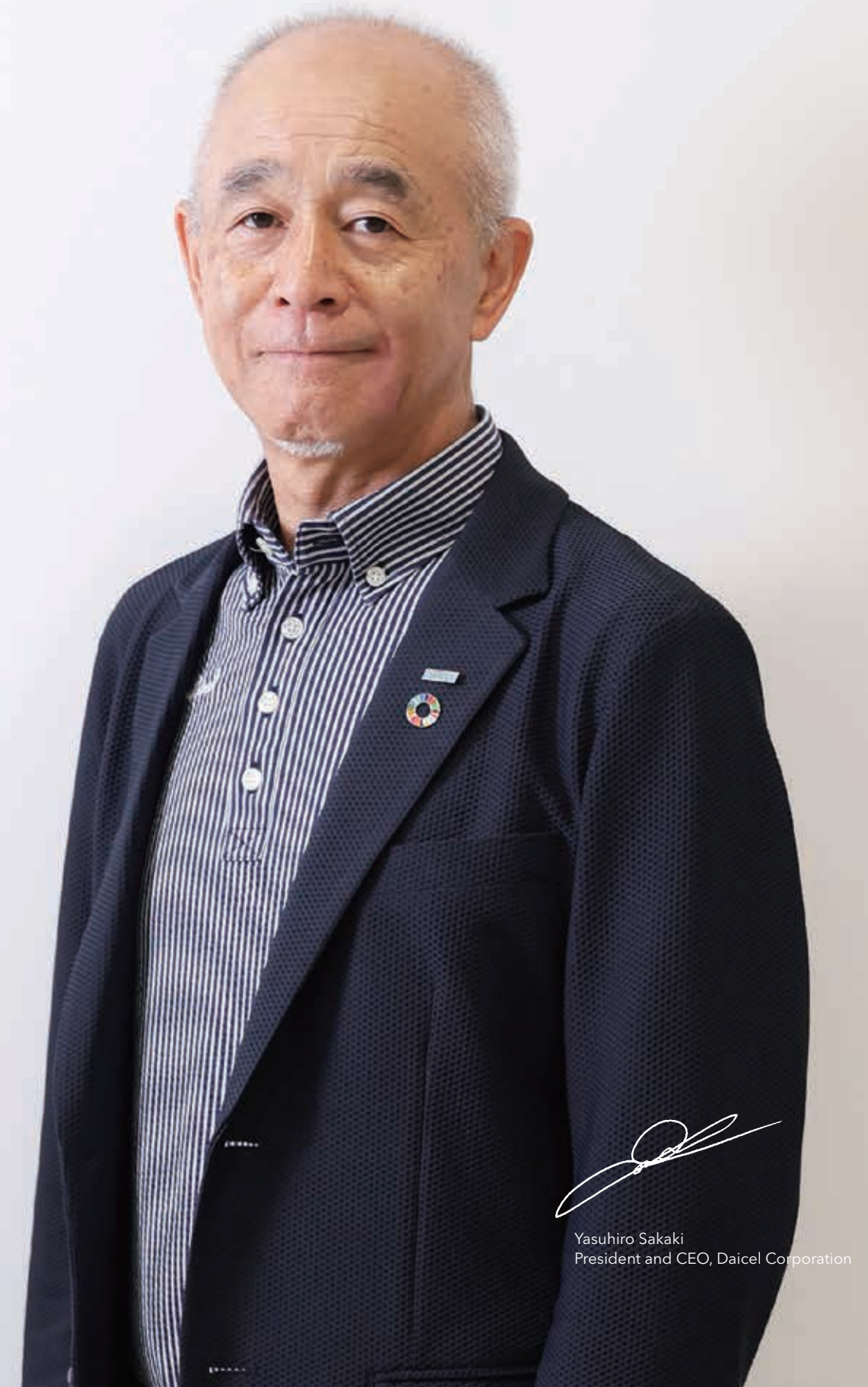
During my time as Senior Managing Executive Officer, I was engaged in extensive discussions with the then President and CEO and project members to formulate the fourth Long-Term Vision, DAICEL VISION 4.0, with the goal of achieving it by FY2031/3. The vision we set forth, “to achieve both a sustainable society and growth of the Daicel Group while contributing to the creation of a circular society,” represents our aspiration and pride as a chemical

manufacturer. It also indicates the pathway for embodying our Basic Philosophy of “the company making lives better by co-creating value.”

Under the Mid-Term Management Strategy, Accelerate 2025, based on the Long-Term Vision, we have pushed forward transformation of our business structure through selection and concentration, focused on improving productivity as well as asset and capital efficiency, and expanded value co-creation through collaboration with diverse partners. I am assuming the position of President and CEO as we pass through the final year of the Mid-Term Management Strategy and enter the latter half of realizing the Long-Term Vision, and I recognize my mission as steadily reaping returns on the growth investments made up to now, developing businesses that I hope will become the Daicel Group's earnings pillars in the next generation, and socially implementing and commercializing the innovative technologies we have seeded and developed. We will clearly demonstrate our commitment to growing these areas into contributing revenues by 2030 and linking them to further growth beyond FY2031/3. All officers and employees of the Daicel Group will work together to achieve these goals, and we will also focus on developing the next generation of management candidates who will discuss and realize our vision for the future.

■ My Origins as a Businessperson

In 1984, I joined Daicel, which was then a mid-sized chemical manufacturer, and was assigned to the sales department of the current Materials SBU, which handles organic chemicals, and took my first steps as a member of society. During my Monozukuri Training (manufacturing training) at the plant, despite knowing little about the challenges of reaction control in organic synthesis, I engaged in a candid discussion with senior colleagues on the production floor who treated me as an equal, even though they referred to me as a bold youngster. I still have not forgotten how, when I returned to headquarters after six months of



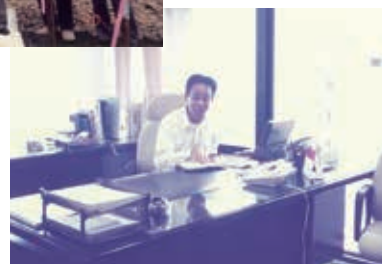
Yasuhiro Sakaki
President and CEO, Daicel Corporation

training, my seniors recognized my growth and sent me off with smiles.

The turning point came when, at 32, I was dispatched as President and CEO and sales manager to our Singapore subsidiary, which was then newly established. I spent a very intensive five and a half years there. Upon arrival, the Company was struggling with cash flows, and I worked tirelessly with the accounting staff to devise improvement strategies. During this time, Singapore was in the midst of the high economic growth period, and I experienced both the extremes of the bubble economy and the subsequent severe economic downturn triggered by the Asian financial crisis that began in Thailand. While striving to expand sales, we faced significant challenges such as order cancellations due to reduced demand, credit issues, and postponed investments, which had a significant negative impact on our business operations. However, as the Asian economies returned to a growth trajectory and the efforts made up to that point bore fruit, sales at the local subsidiary saw significant growth. These experiences provided a valuable opportunity for me to reaffirm the importance of risk management and the differences in speed among overseas companies. Within the Company, I also faced challenges in human capital development and team management, but through trial and error, I gained valuable insights, not only from successes but even more from failures. In my greeting to new employees in FY2026/3, I said, “There is growth that can only be gained through failure. I hope you will use failure as an opportunity for your own growth.” Looking back on my working life, I remember more clearly the times when I overcame crises and failed, and the many people who helped me through those times, than the times when things went smoothly. While also gaining a sense of accomplishment in my work, I was able to build relationships with many people with whom I remain close today, and this was a major turning point in my working life. These experiences formed my foundation as a businessperson and continue to serve as a source of strength in my management work.



Coal mine inspections in Australia during my time in raw material procurement, and my period in Singapore



■ Our Vision and the Daicel Group's Strengths

The goal we aim for, of course, is to realize our Basic Philosophy as “the company making lives better by co-creating value” and our Long-Term Vision of a circular society. To this end, we will continue to provide value unique to Daicel in the areas of health, safety/security, convenience/comfort, and environment, which are among the many social issues facing society today and where we can leverage the strengths of the Group.

However, in order to achieve this, it is essential that the Daicel Group maintain a strong corporate structure that can sustain growth regardless of the changes in the operating environment. Under the current Mid-Term Management Strategy, we have been accelerating the transformation of work styles by reviewing research and development and production systems in each business area, and reforming corporate organizational structures and the human resource system under the company-wide strategy of selecting and concentrating businesses through portfolio management and improving the efficiency of management through asset compression and cost reduction to continuously enhance profitability and the ability to create business.

The Daicel Group has significant strengths that cannot be easily replicated by other companies.

First, we are the only manufacturer in Japan that produces acetic acid, which has a wide range of applications, we have built a strong acetyl chain based on acetic acid, and provide products that boast top market share both in Japan and overseas. In particular, cellulose acetate, based on technologies accumulated over many years, has been widely adopted in acetate tow, polarizing protective film for liquid crystal displays, and other applications, and recently it is expected to see growing demand as an environment-friendly resin. In polymer chemistry as well, we supply engineering plastics essential for automotive weight reduction and electrification and the advancement of electronic devices, and demonstrate a global presence. At the same time, we are expanding our business in a wide range of fields, including automobile airbag inflators, pyro-fuse, and drug delivery devices, utilizing our unique pyrotechnics technology.

Furthermore, we have developed, the DAICEL Production Innovation, a plant operation support system, which has brought about dramatic improvements in the stability, safety, and productivity of chemical plant operations, as well as cost reductions. In FY2021/3, we developed the Autonomous Production System enhanced with AI and are currently implementing it in various plants. We are advancing efforts so that Daicel's manufacturing contributes not only to our own value but to that of the entire supply chain. As a first step, we are optimizing operations at our Aboshi Plant, Ohtake Plant, and Toyama Filter Tow Co., Ltd. (hereinafter, “Toyama Filter Tow”), which became a wholly owned subsidiary in April of this year, in order to optimize the entire chain from upstream raw materials such as methanol and pulp to downstream products such as acetate tow, thereby expanding the scope of value co-creation beyond the boundaries of the Group.

Another feature of the Group is that, together with universities and partner companies, we are advancing innovative technology development as with approach unique to Daicel for building a circular society. These technologies include Ultra Solar-reduction, which uses nanodiamonds to reduce CO₂ to CO and convert it into raw materials using only sunlight, a Microfluidic Device Plant, which reproduces conventional large-scale, energy-intensive chemical plants in an energy-efficient desktop size, and the Biomass Value Chain Concept, which applies technology to gently melt wood and circulate Japan's forests as a renewable resource. Although the timeframes for realizing these technologies vary, we will materialize the establishment of and exit strategies for them, and work toward their social implementation.

While expanding our business into various fields such as medicine,



electronics, automobiles, and daily necessities, the Daicel Group, which aims for groundbreaking technological innovation, may seem like a difficult-to-understand chemical company to outsiders. However, I believe that it is precisely because of these unique businesses and technological innovation capabilities that we can secure a distinctive position as an interesting chemical manufacturer that stands out from other comprehensive chemical manufacturers, and grow while balancing ecology and economy. To achieve this, we will expand our top-line revenue by strengthening our core Materials Business, which serves as the foundation for our earnings, and our Engineering Plastics Business and Safety Business, which are driving growth, while nurturing our Medical/Healthcare Business and Smart Business, which are next-generation growth initiatives, and we will then develop these five businesses into major revenue pillars. In addition, we will increase the number of businesses and product lines that contribute to society in the environment field, which is one of our focus areas. Some of these goals cannot be achieved by the Company alone, and collaborations and M&As will also be necessary. We will continue to pursue all possibilities with an open mind, refine the strengths of the Group, and work together with all employees to continue as a company full of resilience and growth potential and endowed with high potential and unique characteristics. This is how I see the Daicel Group's vision. Precisely because change is rapid and the outlook is uncertain, we at the Daicel Group will not hesitate to make a drastic transformation and move forward toward our vision.

■ Review of FY2025/3 and Outlook for FY2026/3

Looking at the current situation, although the world economy in FY2025/3 was affected by China's economic slowdown, the situations in Ukraine and the Middle East, and rising prices, the Group's main markets were supported by a recovery in demand, and for automotive- and electronics-related products we steadily captured sales

opportunities and increased volumes.

As a result, sales increased in almost all business segments, with net sales reaching 586.5 billion yen (up 5.1% year on year), marking five consecutive years of revenue growth, and EBITDA reached a record high of 102.4 billion yen (up 6.5% year on year). However, operating income was 61.0 billion yen (down 2.2% year on year) due to an operational issue that occurred at a plant for the carbon monoxide (CO), which is a raw material for acetic acid. We carried out equipment upgrades and maintenance enhancements at the CO plant in FY2025/3 and implemented permanent measures during regular maintenance in FY2026/3. Going forward, we will maintain stable operations, stabilize raw material procurement by expanding the types of coal that can be used as raw materials, and steadily realize cost advantages through the long-term oil-coal differential.

For the FY2026/3, although the global economy remains uncertain due to factors such as Trump's tariffs, the Chinese economy, and the situation in the Middle East, we expect revenue to increase due to higher sales volumes resulting from the increased production of engineering plastics, which we have invested in for growth, as well as the continued full production and sales of acetate tow. Operating income is expected to decrease due to factors such as the resolution of CO plant issues; an increase in depreciation and amortization expenses as well as temporary, but regular maintenance costs; and foreign exchange effects. However, we anticipate an increase in net profit and EPS due to the reduction of extraordinary losses from business restructuring in FY2025/3 and the continued sale of cross-shareholdings. Also, EBITDA is expected to decrease slightly but remain near the 100 billion yen level. To secure steady growth, we will continue business-structure reforms with a focus on our business portfolio, including selection and concentration of businesses, and swiftly complete short- and medium-term cost-reduction initiatives

such as lowering variable costs through process changes for key products and substantially cutting inventory costs to practice well-organized management.

Growth Strategies Focusing on the Business Portfolio

As reflected in our low PER, I recognize as a manager that a major issue for management is that expectations for the Group from outside are low on a broad level, not only in the stock market, and that we have not fully communicated our growth strategies in a way that is fully understood. In fact, although earnings have trended upward over the past five years, compared with the future vision drawn up when formulating the Mid-Term Management Strategy, businesses that were meant to become new earnings pillars have struggled to grow, resulting in an earnings structure overly dependent on certain products. As previously mentioned, the future growth strategy for the Daicel Group is to steadily reap the benefits of growth investments to boost top-line growth, and then use the generated cash to develop businesses that we expect to serve as the

next-generation earnings pillars and to increase the number of businesses that drive growth. In addition to such organic growth, we aim to raise corporate value to the next level by socially implementing innovative technologies through co-creation. We will present details of the growth strategies in the Mid-Term Management Strategy (page 24) and business strategy (page 46), but the basic concept is as shown in the figure below.

We are currently analyzing the outcomes and issues of the Mid-Term Management Strategy “Accelerate 2025,” while formulating the next Mid-Term Management Strategy that will serve as a roadmap for the FY2027/3-FY2031/3 period. The issues we place particular emphasis on are expanding the scale and improving the profitability of the Medical/Healthcare Business, which provides materials and solutions for life sciences and healthcare, and the Smart Business, which supplies products to the electronics market, and these businesses are both positioned as next-generation businesses. Both businesses boast products with world-leading market shares and several themes with promising commercial potential, and we will work to expand the businesses through appropriate resource allocation and increased speed.

Foundation

Improve productivity and pursue capital efficiency through relentless cost reduction to generate stable cash and improve ROIC

Materials Business

Growth

Promote proactive capital investment to further enhance global presence and competitiveness and contribute to a further increase in EBITDA

Safety Business

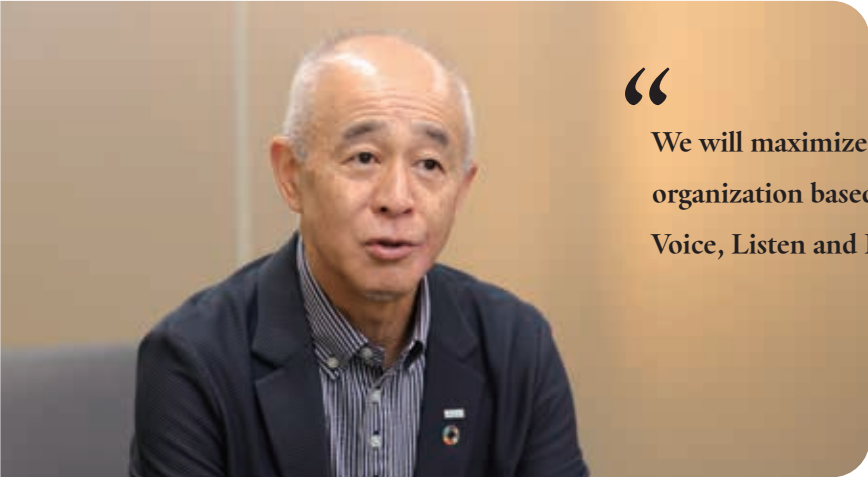
Engineering Plastics Business

Next-Generation

Expedite the effort to increase earnings while focusing on the launch of new products, development of new applications for existing products, and creation new businesses

Medical/Healthcare Business

Smart Business



“We will maximize the power of our people and organization based on the principles of Visualize, Voice, Listen and Respond workplace creation.”

Another important issue is clarifying the exit strategies for our R&D themes. We will allocate resources according to short, medium, and long-term themes and aim to contribute to earnings as soon as possible.

People and Organizations that Execute Growth Strategies

Human resources are the most important asset in corporate management. The business activities of the Daicel Group are supported by more than 10,000 employees. I believe that the driving force behind Daicel is the fact that each and every employee, with their diverse perspectives from around the world, respects and cooperates with one another, demonstrate their individual strengths, and that the growth of people is the growth of the Company. What is important is for employees themselves to think about what kind of company they want to work for and what kind of workplace they want to create, and to make daily efforts in their respective workplaces. Based on this, the Company has made continuous efforts to improve the internal workplace environment. Specifically, we have implemented various measures centered on the corporate department, including the human resource system, salary structures, welfare programs, women's empowerment, career challenges, promotion of young employees, and the active participation of senior employees. We will continue to focus on enhancing the internal environment based on people-centered management.

I have visited many companies, met management leaders and employees, and observed how they worked. Based on that experience, I believe thriving companies share one common feature. It is that middle managers, such as department heads and team leaders, act as true leaders, uniting their teams and expressed their candid opinions, even to superiors or top management. It is a form of energy that is invigorating even to onlookers.

I want the Daicel Group to be that kind of company. Of course, among the Group's middle managers, diverse human capital are active, including people with engaging personalities, with advanced skills, and who demonstrate outstanding technologies and skills. However, I believe there is still room for growth, where these individuals can further demonstrate their potential and create an organization with explosive growth. Although top-down management is important for maintaining discipline, bottom-up vitality is equally essential for developing people and organizations. We aim to be a company where leaders accumulate a wide range of experiences and learn from both successes and failures before assuming leadership roles, thereby maximizing organizational vitality through a well-balanced approach. To accelerate this development, we are also pursuing the establishment of foundational systems and mechanisms, such as a more appropriate human resource system, from the perspective of human capital investment.

As priority initiatives to enforce compliance, we are advancing the creation of Visualize, Voice, Listen and Respond workplaces where everyone can freely speak and listen to opinions, and “Bad News First & Fast,” under which matters that are hard to report or likely troubles are reported and consulted at an early stage with the team, and swift and appropriate responses are taken to minimize a negative impact, in an aim to strengthen field capabilities in an environment where individuals can work comfortably. We position these activities as important not only for

compliance but also for enabling individuals to maximize their capabilities while generating strong power as an organization and team. By fostering a corporate culture that is more open and vibrant than ever before, we believe that we will be able to promote co-creation across departments and divisions and resultantly generate innovative ideas and themes that will change the future of Daicel. We plan to incorporate new frameworks to realize this vision into our next Mid-Term Management Strategy.

To Our Stakeholders

The Daicel Group is advancing its business strategy and financial strategy in two areas: expanding the scale of its business and building a lean and robust financial structure, in order to meet the expectations of our stakeholders, including our shareholders and investors, for continued growth.

We will enhance corporate value and shareholder value by managing with a focus on asset and capital efficiency. With our aspiration to be “the company making lives better by co-creating value,” we aim to enhance our own corporate value and broaden co-creation with supply-chain partners; universities; research institutes; government bodies; industry competitors; and parties from other fields industries that share the same aspiration, to deliver greater value to society.

We will continue to deepen dialogue with and seek understanding and cooperation from various stakeholders including business partners, shareholders and investors, and local communities, working to realize people's well-being and a sustainable society.



At a Glance

We support the worldwide monozukuri manufacturing through the power of chemistry.

(As of March 31, 2025)

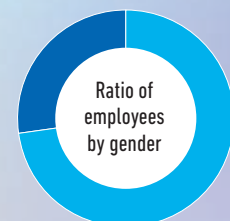
1919

Company founded

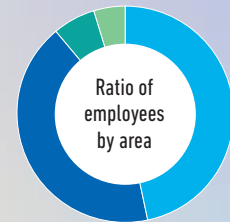
73 companies in
15 countries and regions
Number of Group companies

11,178

Consolidated number of employees



Male: 8,155 (73.0%)
Female: 3,023 (27.0%)



Japan: 5,217 (46.7%)
Asia: 4,724 (42.3%)
North America and Latin America: 714 (6.4%)
Europe: 523 (4.6%)

586.5 billion yen
Consolidated net sales

61.0 billion yen
Consolidated operating income

102.4 billion yen
EBITDA

Medical / Healthcare

► Page 48

We provide safe, high-quality healthcare materials and solutions for pharmaceutical development to a society that values quality of life.

World market leader



Chiral columns

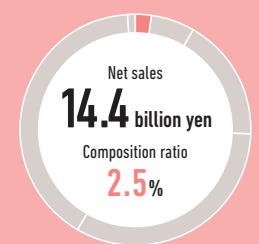
Chromatographic columns for separation of optical isomers. Contributing to the provision of safe medicine by separating active pharmaceutical components.



BELLOCEA®
(spherical cellulose acetate for cosmetics)

Its marine biodegradability is expected to contribute to solving the marine plastic waste problem in the cosmetics industry.

FY2025/3 results



Smart

► Page 50

We provide new solutions to the electronic materials market that makes life more enjoyable and fosters technical innovation.

World market leader



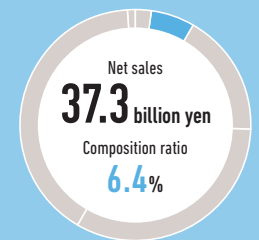
Cycloaliphatic epoxies

The world's only manufacturing process that contains no impurities and no chlorine, so it is widely used in electrical materials applications where reliability and durability are required. It is also attracting a great deal of attention for EV applications.



Solvent for electronic materials

High purity, low metal solvent production and quality control system with a proven track record in semiconductor process applications.



Safety

► Page 52

We provide safety and security to a wide range of industries with ONE TIME ENERGY® technology developed through our automobile airbag inflator business, which boasts a high global market share.

Japanese market leader



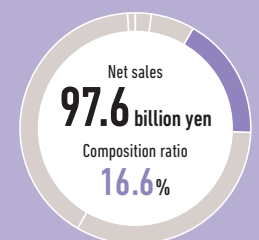
Automobile airbag inflators

Supplying the key component for automobile airbag systems that protect passengers in the event of a collision.



Pyro-Fuse

Supporting safe daily living by expanding ONE TIME ENERGY® technology (developed in the course of producing inflators) to industrial applications other than automobiles.



Materials

► Page 54

We provide value to a wide range of industries on the strength of our diverse product lineup centered on the acetyl chain.

Japanese market leader



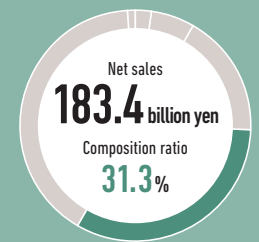
Acetic acid

The only manufacturer of acetic acid in Japan. Acetic acid is an environment-friendly ingredient for plastic products, providing solutions as an environment-friendly material.



Acetate tow

Acetate tow made from cellulose acetate boasts the strength of integrated production from acetic acid, high quality and stable supply backed by Daicel's advanced technologies, and high reliability.



Engineering Plastics

► Page 56

We provide high-function, high-value-added solutions to a wide range of industries with our technological capabilities cultivated over the years as a pioneer in engineering plastics.

World market leader



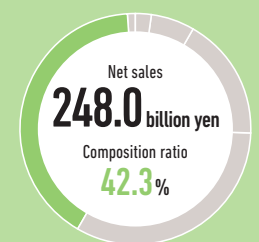
Polyacetal (POM)

Used in a wide range of applications such as automobiles, electronics and electrics, and industrial equipment, contributing to the development of the major industries of each era.



Liquid crystal polymer (LCP)

Used in many ultra-compact precision connectors for the latest IT devices, such as tablets and smartphones, which are becoming smaller and smaller, and support public infrastructure.



(Note) Figures for other segments are not included in net sales and composition ratio.

History of Daicel Group

Value Creation, Past and Present

Ever since its founding in 1919, Daicel has achieved growth by meeting the needs of society as it changes over time and developing and providing products that contribute to sustainability. Let us take a look back at the course of over 100 years of value creation as Daicel has challenged itself to achieve the ideal of *monozukuri* manufacturing.



1919- The Birth of the Cellulose Business and a New Organic Chemicals Business

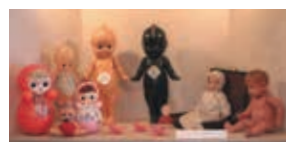


Daicel was founded in 1919 through the merger of eight celluloid companies. From the beginning, Daicel tried to make celluloid nonflammable and ended up developing acetate plastic made mainly from cellulose acetate. After establishing the Arai Plant in 1935, we then, in 1938, laid the foundations for our cellulose and organic chemicals businesses by setting up a system for consistent production of cellulose acetate from acetic acid.

Celluloid

Contributing to the development of the chemical industry

1919 Daicel was founded through the merger of eight celluloid companies. As a pioneer in the field of plastics, we contributed to the development of the Japanese chemical industry.



Cellulose acetate

Taking on the challenge of nonflammability

1938 Daicel commercialized cellulose acetate, offering a solution to flammability concerns associated with cellulose nitrate.



1950s Full-Scale Production in Our Cellulose Business



We rounded out our cellulose business in the 1950s. Production of cellulose acetate went into full operation at our Aboshi Plant in 1950. In 1953, this plant started the production of triacetyl cellulose (TAC), which contributes to fireproofing films for movies and photography and adding advanced properties to these films. Then, in 1958, our Sakai Plant began production of acetate tow for cigarette filters.

Triacetyl cellulose (TAC)

Fireproofing films for movies and photography and adding advanced properties

1953 We began producing TAC and after 2000, this business grew significantly as the material came to be used for optical film.



1960s Entry into the Petrochemical Business



During the 1960s, Daicel participated in one of Japan's first petrochemical complexes and began its petrochemical business in Hiroshima Prefecture's Otake City. With the rise of petrochemistry, new plastics saw an era of rapid growth. In the synthetic resins business, in addition to manufacturing AS resin and ABS resin, Daicel entered into a joint venture with a U.S. company to establish Polyplastics Co., Ltd. (hereinafter "Polyplastics") in 1964 and went into the Engineering Plastics business.

Polyacetal (POM)

Taking on the challenge of metal replacement

1964 Daicel began manufacturing engineering plastics, which serve as metal substitutes in various components. Their use has contributed to the development of lightweight components.



1980s Reorganization of the Acetic Acid Industry



In order to deal with a structural slump and to strengthen our main businesses, we went into the methanol carbonylation business, which was the cutting-edge technology at the time, as part of an effort to switch to raw materials that do not depend on petroleum. At that time, we started working on the concept of entrusted/entrusting manufacturing at cost-competitive plants with higher reaction efficiencies and called on existing manufacturers to launch joint projects. By completing manufacturing facilities for acetic acid using the methanol carbonylation process, we participated in the C1 Chemistry Project* and played a pivotal role in reorganizing the acetic acid industry.

* C1 Chemistry was a national project which aimed to break away from over-reliance on petroleum during the 1970s energy crisis.

Acetic acid using the methanol carbonylation process

Introducing new manufacturing methods

1980 Daicel introduced the world's third acetic acid plant that uses the methanol carbonylation process in Aboshi.



2000s Proactive Expansion of New Businesses



Daicel decided to make a full-scale entry into the automobile airbag inflator business in the 1980s and completed Japan's first inflator mass-production facility at our Harima Plant in 1988. In addition, the 1980s saw the launch of our chiral column business, and we started the sale of chiral columns having optical isomer separation functions in 1982. We established a separation and refinement center at our Aboshi Plant in 1986 and launched separation services for the separation of pharmaceutical intermediates and active pharmaceutical ingredients. In 1990, we founded Chiral Technologies, Inc. in the U.S.

Automobile airbag inflators

Provision of safety and security

1988 We commercialized inflators, core components for automobile airbag systems that protect passengers in the event of a collision.



2000s Expansion of the Inflator and TAC Businesses and Lateral Development of DAICEL Production Innovation



We have expanded our inflator business began in North America in 2000 and established bases for that purpose in six countries around the world. We have also expanded our display business by taking TAC, originally a raw material for movie and other films, and using it for manufacturing optical film. In the area of technology, we are opening the DAICEL Production Innovation system that we established at the Aboshi Plant and gradually extending it to the entire company and accelerating our process innovations. In 2017, we opened Innovation Park as a center for research and development and concentration of production technology.

DAICEL Production Innovation

Improvements in productivity

2000 We established DAICEL Production Innovation at our Aboshi Plant.



Long-Term Vision "DAICEL VISION 4.0" Mid-Term Management Strategy "Accelerate 2025"

By expanding the scope of value co-creation to include Daicel itself and our Group companies as well as our clients and customers connected in the supply chain, we aim to provide greater value to society beyond what a single company can realize and are steadily pushing ahead with the implementation of the strategy.

Toward expanding the scope of value co-creation

2020 We developed the Autonomous Production System, the evolved version of DAICEL Production Innovation using AI, jointly developed with the University of Tokyo. We seek to expand the system not only within the Group, but also across the supply chain, in order to achieve its overall optimization.

Implementing business structure transformation

2020 We implemented business organization reform. We transitioned to a market-driven organization based on the SBU* system.
2020 We made Polyplastics a wholly owned subsidiary. By doing so, we have expanded Polyplastics' options for growth strategies and further enhanced the corporate value of the Daicel Group by maximizing Group synergies.
2023 We founded Daicel Medical Ltd. and are working to obtain approval of medical equipment for jet injectors developed by applying the technologies we cultivated in the development of inflators.
2025 We made Toyama Filter Tow a wholly owned subsidiary. We integrated operations at three manufacturing bases, including our Aboshi Plant and Ohtake Plant, to strengthen the foundation of the acetate tow business

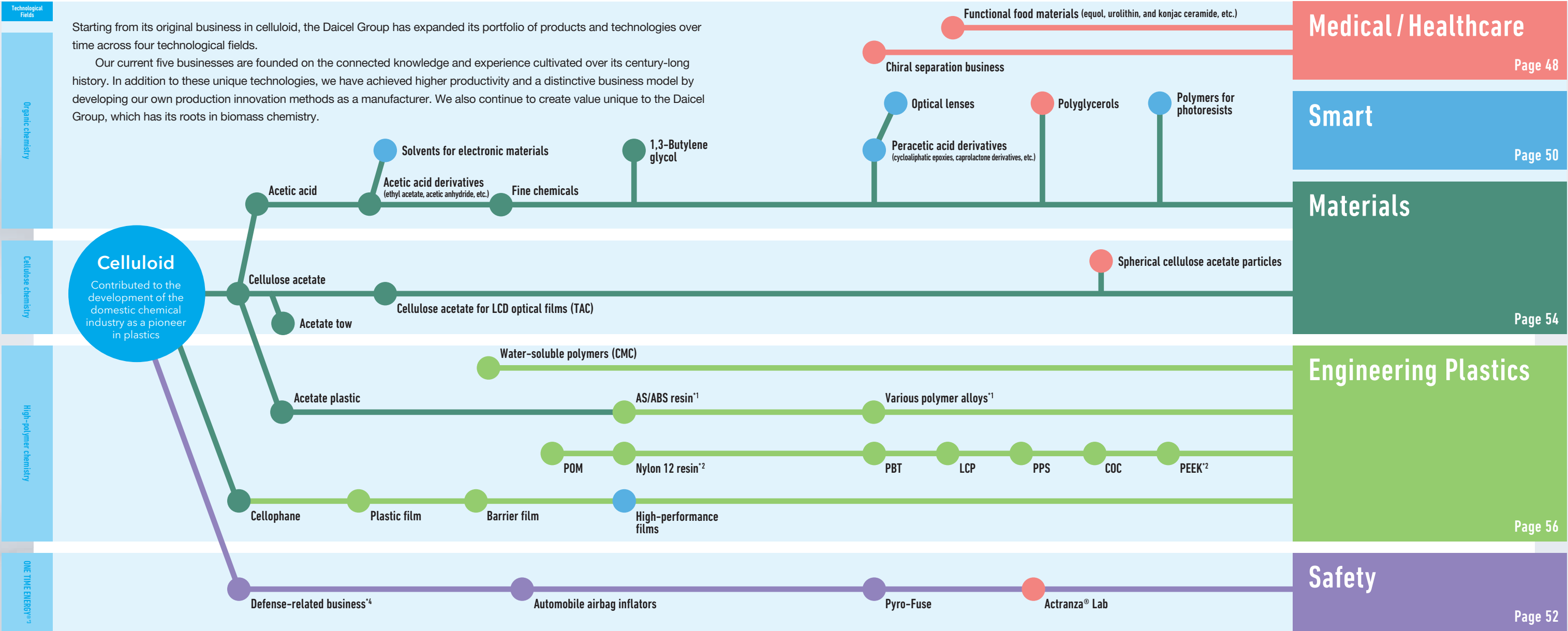
* Strategic Business Unit refers to a strategy-driven business unit designed to offer solutions that meet needs of the market.

Toward building the Biomass Value Chain

2023 Kanazawa University's Biomass Green Innovation Center started full-scale operations. We pursue the establishment of technologies to transform Japan's rich forest resources as well as byproducts and waste from primary industries into new biomass materials with value through next-generation chemical transformation processes.



Our Strengths in Terms of Product and Technology Lineage



^{*1} The business related to ABS resin and various polymer alloys was transferred to Novacel Co., Ltd. (equity-method affiliate) established in 2024, effective July 1, 2024. ^{*2} Products of Polyplastics-Evonik Corporation

^{*3} We define the technology developed in the course of producing inflators as ONE TIME ENERGY[®], which produces optimal energy safely, reliably, instantaneously, and only once, and are developing applications beyond automobiles. ^{*4} FY2023/3: Withdrew from the business

Strengths of Daicel Group

Strength 1 Pioneer in Biomass Chemistry

Even though Daicel is a chemical manufacturer, it has worked on shifting to raw materials that do not rely on petroleum since the 1970s. As a result, our main raw materials are methanol and wood-derived pulp, while raw materials derived from crude oil account for just around 20%.

Moreover, since its founding, the Company has been an expert in biomass chemistry that makes chemicals from plant-derived raw materials, including our original celluloid business and cellulose acetate, one of our main products.

Precisely because we excel at technologies to control natural materials, we are not only providing environment-adaptive materials but also leveraging technologies that gently dissolve wood to take on the creation of new product trees that are environment-friendly both as products and manufacturing processes.

<https://www.daicel.com/en/cellulose/>

Strength 2 Unique Technology Cultivated Since the Company's Founding

1. Acetyl Chain
- We are the only acetic acid manufacturer in Japan and have built a series of distinctive acetyl chains that produce acetyl chemicals, cellulose acetate, and other acetic acid derivatives, giving our business a strong global position.
2. Cellulose
- Utilizing the knowledge of handling natural materials and property control technology that we have accumulated over many years, we are developing highly functional products in a wide range of fields, centered on cellulose acetate, such as acetate fiber, filter materials, liquid crystal panel film materials, and cosmetic materials.

3. Engineering Plastics
- As a specialized manufacturer of engineering plastics, we maintain a broad product lineup centered on Polyplastics Co., Ltd., and have gained a large global market share by providing solutions to our customers, drawing out the best features of these products.
4. ONE TIME ENERGY[®]
- The pyrotechnics business developed because cellulose nitrate, the raw material for celluloid, can be used as an explosives raw materials. We have expanded this technology, which began in the defense-related business, to civilian products and are currently contributing to the safety of people's lives by applying it to a wide range of fields, including automobile airbag inflators, Pyro-Fuse, and drug delivery devices.

Strength 3 DAICEL Production Innovation

DAICEL Production Innovation supports the manufacturing foundation we have as a chemical manufacturer. By visualizing the approximately 8.4 million pieces of plant operation know-how possessed by skilled operators and incorporating them into the operation support system, production efficiency has been improved by a factor of three.^{*5} Furthermore, in 2020, we developed the Autonomous Production System, an evolution of this system using AI. In addition to safety and quality, the system contributes to the reduction of CO₂ emissions by optimizing energy use, and prevents problems by predicting equipment irregularities in advance in pursuit of the ultimate in production efficiency.

^{*5} Results at Daicel's Aboshi Plant

[DAICEL Production Innovation https://www.daicel.com/en/daicel-production-innovation/](https://www.daicel.com/en/daicel-production-innovation/)

Value Creation Process

Basic Philosophy

The company making lives better by co-creating value

Page 04

Over its century-long history, the Daicel Group has provided products that meet the needs of the times through co-creation with diverse partners and has contributed to people's well-being. In the value creation process diagram, the three elements of inputs, which indicate invested capital, the Daicel Group's value creation capability, and outputs and outcomes as the result are arranged along the horizontal axis.

Regarding Daicel Group's value creation capability, while recognizing trends in external changes and based on Sustainable Management Policy, which is one of our important values, we have shown our thinking of providing value by combining the strengths built over the Group's history, the priorities in the Mid-Term Management Strategy, and our core businesses.

We will pursue sustainable management that is unique to Daicel, where advancing the Group's growth strategy itself is integrated with efforts to realize the sustainability of society.

Goals of the Long-Term Vision

Balancing ecology and economy through
the Group's unique contributions to the
creation of a circular society

Long-Term Vision

Page 22



INPUT

Six Forms of Capital (Invested capital for FY2025/3)

Human capital

Number of employees (female ratio)	11,178 (27.0%)
Number of R&D Personnel	1,243
Ratio of overseas employees	53.3%

Intellectual property

R&D expenses	25.9 billion yen
Number of patents owned	Approx. 5,400
Number of trademarks owned	Approx. 2,000

Financial assets

Total assets	813.8 billion yen
Equity ratio	44.2%

Manufacturing capital

Capital expenditures	69.5 billion yen
Number of global production sites	Approx. 35 sites

Social capital

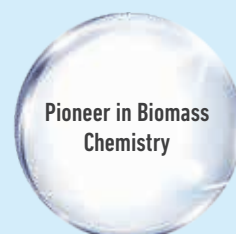
Number of group companies	73 companies
Number of engagements with investors	160 times

Natural capital

Energy consumption (in crude oil equivalent)	839 thousand kL
Water intake	101 million tonnes

Daicel Group's Value Creation Capability

Our Strengths in Terms of Product and Technology Lineage Page 16



Pioneer in Biomass
Chemistry



Unique technology
cultivated since
the company's founding



Pursuit of
production efficiency
through
DAICEL Production
Innovation

Mid-Term Management Strategy Page 24



Enhancement of
profitability



Enhancement of
business creation
capability



Solving social issues

BUSINESS STRATEGY Page 46

Medical/
Healthcare



Smart



Safety



Materials



Engineering
Plastics



Other

Sustainable Management Policy

Basic concept for setting safety, quality, and sustainable society with the growth of the Daicel

compliance as the priority foundations and balancing the pursuit of a Group's business

Trends in Social Change

OUTPUT/OUTCOME

Key Financial Indicators (FY2025/3 Results)

Net sales	586.5 billion yen
Operating income	61.0 billion yen
EBITDA	102.4 billion yen
ROIC	6.1%
Total return ratio	63.1%

Key Non-Financial Indicators

Addressing Social Issues Through Business Activities

Long-Term Vision
"Providing Happiness in Four Domains"

Health	
Safety/Security	
Convenience/Comfort	
Environment	

Balancing enhanced competitiveness
through technological innovation and
reduced environmental impact

DAICEL Production Innovation / Autonomous Production System
Microfluidic device plant
Ultra Solar-reduction using nanodiamonds

VISION AND MATERIALITY

Contents

- 22 Long-Term Vision “DAICEL VISION 4.0”
- 24 Mid-Term Management Strategy
- 26 Financial Strategy
- 30 Sustainability Management and Materiality
- 32 List of Materiality KPIs and Results
- 34 Daicel Group’s Challenge to Achieve Carbon Neutrality
- 36 Information Disclosure in Line with TCFD Recommendations
- 38 **Features** R&D Combined with Intellectual Capital
- 42 **Features** Human Capital

Long-Term Vision “DAICEL VISION 4.0”

Realizing a Sustainable Society While Achieving Sustainable Business Expansion

The Daicel Group has formulated its Long-Term Vision “DAICEL VISION 4.0” and its Mid-Term Management Strategy “Accelerate 2025” based on this vision, and is taking steps toward its realization.

On this page, we will introduce the four structural transformations that the Group hopes to achieve in order to “contribute to building a circular society,” as stated in our Long-Term Vision.

Goals of the Long-Term Vision

We believe that in order to achieve both a sustainable society and the growth of the Daicel Group in line with the Sustainable Management Policy, it is necessary to change the social structure that has taken mass production and mass consumption for granted.

Therefore, our Long-Term Vision is to contribute to the creation of a circular society through these challenges, while leveraging the strengths of our Group and working with partners that share our aspirations.

Social shift to realize a circular society as stated in our Long-Term Vision and Mid-Term Management Strategy

Existing Mass Consumption Society		Contribution to Building a Circular Society
Strategy that prioritizes only one's own interests	>>>	1 Formation of a New Business Group
Economic activities based on fossil resources	>>>	2 Realization of new Biomass Product Trees
Increased CO ₂ emissions and massive energy consumption	>>>	3 Implementation of carbon offsets and energy offsets
Formation of a society that ignores the future caused by products made from these activities	>>>	4 Providing happiness in four domains: 1.Health 2.Safety/Security 3.Convenience/Comfort 4.Environment

1 Formation of a New Business Group

In order to change the social structure, it is essential to form a group (New Business Group) that can co-create new value for society and the environment. From a manufacturing perspective, we are just one of the processes that lead to our customers' end products. The supply chain is made up of a number of interconnected processes. By combining the strengths of the various companies, it is possible to create more efficient manufacturing than a single company could do by trial and error, and to create better products and more environment-friendly manufacturing methods. Our goal is for the supply chain to evolve into a unified value chain with the strength of co-creation to provide greater value to society. In addition to vertical partnerships connected by supply chains, diverse connections through horizontal business partnerships such as those among companies in the same industry are called cross-value chains, and the path to forming such a New Business Group is divided into three operations (OP below) that expand the scope of co-creation from Daicel alone to the Daicel Group to partners.

Growth & Acceleration Strategy

【Operations for goal achievement】

Operation-I (OP-I) Original Daicel

Areas including domains to focus on in addition to current businesses

- Transformation of business structure (Selection and concentration of the business → Shifting to value providing type of organization)
- Transformation to asset-light
- Structural reforms to accelerate OP-II/III growth

Operation-II (OP-II) New Daicel

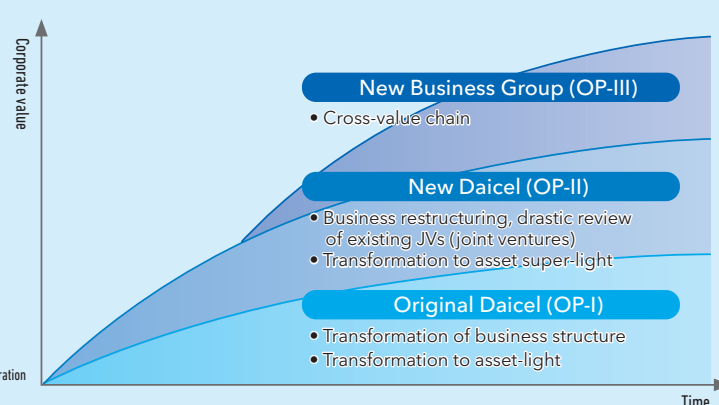
Peripheral areas of existing business to be expanded through M&A or collaboration

- Business restructuring, drastic review of existing JVs
- Transformation to asset super-light
- A company creating high added value that can aim at OP-III

Operation-III (OP-III) New Business Group

Cross-value chain that brings a vertical integration type of supply chain along with horizontal integration

- Building the No. 1 supply chain through diverse connections, without sticking to M&As



2 Realization of New Biomass Product Trees

Cellulose acetate, which has been our forte, is an environment-friendly biomass material, but its production process requires a large amount of energy. To address this issue, we have created a technique to extract cellulose from wood under environment-friendly conditions by utilizing “technology for melting wood” and to produce cellulose acetate from cellulose that does not react easily, using less energy, through joint research with universities. In addition to cellulose, it is now possible to extract reactive substances such as hemicellulose and lignin contained in wood, which have not been utilized in the past. We are taking on the challenge of creating a new product tree that is environment-friendly in both products and manufacturing processes, leveraging the Group's existing businesses and insights from throughout the years.

We are working on real world implementation of this technology as one means of changing from a society that massively consumes finite fossil fuels to one that recycles the forests that cover approximately 70% of Japan's land as renewable resources.

Biomass Value Chain Concept (Japanese only) <https://www.daicel.com/bvc/>

3 Implementation of Carbon Offsets and Energy Offsets

The chemical industry, which operates heavy and bulky plants, is generally considered an “energy-intensive industry.” The Daicel Group believes that in addition to creating products that benefit people and society, the manufacturing process must also be friendly to people and the earth. We are working to achieve carbon and energy offsetting through energy conservation based on DAICEL Production Innovation, as well as through innovations in manufacturing processes and new technologies that enable the reuse and effective utilization of carbon emissions.

Pages 34 to 37: Daicel Group's Challenge to Achieve Carbon Neutrality, Information Disclosure in Line with TCFD Recommendations

4 Providing Happiness in Four Domains

In response to rising social trends and needs, the Daicel Group has defined four focus areas that it offers from the angle of leveraging the Group's strengths to help solve social issues. By maximizing the unique materials and technologies we have cultivated since our founding, and by successively combining our strengths with those of our partner companies, we will provide products and services that continue to bring happiness to people.

Page 16: Our Strengths in Terms of Product and Technology Lineage “Unique Technology Cultivated Since the Company's Founding”

Health	Environment
Medical supplies - DDS*/Medical device - Medical devices/packaging materials (engineering plastics) Vital sensor - Nanodiamonds Functional food materials based on intestinal metabolites - Equol - Urolithin 8-Prenylnaringenin	Environmentally conscious solutions business Green chemicals - Review of existing in-house chemical chains - Spherical cellulose acetate particles BELLOCEA® - Fine cellulose - New cellulose derivatives
Safety/Security	Convenience/Comfort
Support for EV vehicles - Mass production of Pyro-Fuse - Sales expansion of inflators and Pyro-Fuse to China, Europe and the U.S. Integration with sensing technology through business-to-business collaboration - Participate into safety equipment in everyday life - Equipment to prevent injury by detecting a fall	Development and deployment of new functions through improved processing technology - Film technology - Coating technology Inorganic/organic composite electronic materials Materials for electronic devices - Optical lens, etc.

* DDSs: Drug delivery systems

Mid-Term Management Strategy

In line with our Mid-Term Management Strategy “Accelerate 2025,” which ends in FY2026/3, the Daicel Group has worked to expand the scope of value co-creation while enhancing the Group’s profitability and business creation capabilities. In the FY2026/3 and the subsequent Mid-Term Management Strategy period beginning in FY2027/3, we will continue to advance initiatives under the Long-Term Vision, DAICEL VISION 4.0, with a consistent focus on contribution to building a circular society.

Actively Driving Business Structure Transformation

During the current Mid-Term Management Strategy period, the environment surrounding the Group has changed rapidly and significantly, beginning with the COVID-19 pandemic and extending to heightened geopolitical risks and shifts in the monetary policies of major countries. Even in this environment, we have implemented various measures in line with our corporate, business, and functional strategies in order to contribute to the creation of a circular society by capitalizing on the strengths of the Group to continue to achieve sustainable growth as a company. In particular, we have actively pursued the transformation of our business structure in line with portfolio management, including the reorganization of our business structure from a traditional technology and product-based organization to a market-driven organization providing solutions focused on target markets, and the full acquisition of Polyplastics, a leading engineering plastics company that was a joint venture with a U.S. company. We have worked to increase business synergies and invested aggressively in production for business expansion by positioning Polyplastics as a growth business for the Group. In our Safety Business, which is also a growth business, we are striving to increase sales further by improving our profit structure through consolidation and reorganization of production sites and by expanding output in growth markets such as India and China.

History of Business Structure Reforms		
April 2020	Company-Wide	Company-wide business organization reform (SBU system)
October 2020	Engineering Plastics	Made Polyplastics Co., Ltd. a wholly owned subsidiary
October 2022	Smart	Started operations at Daicel Beyond Ltd.
March to April 2023	Medical / Healthcare Safety	Transferred the pharmaceutical development and manufacturing contract business Withdrew from defense-related business
October 2023	Medical / Healthcare Safety Safety	Established Daicel Medical Ltd. Completed consolidation of production sites for the Safety Business Started manufacturing at Indian production site
March 2024	Engineering Plastics	Formed a joint venture for resin compound business
December 2024	Smart	Withdrew from organic semiconductor devices business
March to April 2025	Materials	Made Toyama Filter Tow Co., Ltd. a wholly owned subsidiary

Recognizing Transformation into an Asset-Light Structure and Creation of New Businesses as Ongoing Challenges

We have been working to achieve the asset-light structure (improvement of management efficiency) through balance-sheet control by reducing assets, including inventory and other working capital. However, our assets have temporarily expanded due to an increase in property, plant and equipment following a large-scale investment in production expansion and an increase in strategic inventory associated with the start of operations at new plants. Regarding cellulose acetate, which accounts for the majority of the Group’s inventory assets, we are implementing measures such as reducing raw material inventory through manufacturing process changes, but this will continue to be our challenge.

In addition, in terms of new business creation, the contribution to profit of the Medical/Healthcare and Smart businesses, which are one of our next-generation businesses, is lagging behind the Mid-Term Management Strategy plan, and we recognize this as another challenge. However, we

have been nurturing seeds of new businesses, such as the launch of new products and entry into new fields, and will accelerate our efforts to achieve early results. At the same time, during the current Mid-Term Management Strategy period, we have been sowing the seeds for new businesses and technological innovation themes in the medium to long term as priority items, and promoting R&D and implementation. These items are the Group’s priorities toward achieving a balance between ecology and economy, and in the next Mid-Term Management Strategy, we will continue to accelerate such efforts by actively allocating resources to themes targeting the earliest possible social implementation, depending on each item’s progress.

Key Initiatives Being Promoted

- Horizontal expansion and acceleration of Autonomous Production System
- Introduction of microfluidic device into the manufacturing process of resist polymer for starters
- Promotion of Beyond Coating (new development of high performance film business)
- Biomass Value Chain
- Functional modification of nanodiamonds
- Inorganic/organic composite materials

Business Portfolio-Conscious Management

We will continue to reform our business structure through business portfolio management.

Foundation

We will aim to generate stable cash and contribute to the improvement of ROIC by pursuing productivity improvements and capital efficiency through relentless cost reductions.

Materials

While continuing full production and full sales of our mainstay product, acetate tow, we will advance manufacturing process changes across cellulose acetate, further strengthening the competitiveness of our foundation businesses.

Growth

We will contribute to the expansion of EBITDA through aggressive investment in increased production and sales expansion.

Engineering Plastics

We will achieve early full operation of the capacity expansion facilities for POM and LCP implemented in FY2025/3, while strengthening our global marketing capabilities to grow the top line. Furthermore, we will further accelerate EBITDA growth by increasing the production volume of POM and COC in the next Mid-Term Management Strategy period.

Safety

We will steadily capture sales opportunities and grow the top line by expanding sales through increased production capacity at local manufacturing sites in line with the increase in airbag installation rates in the Indian market and by developing products that meet the collision performance needs of Chinese automobile manufacturers.

Next-Generation

We will create new sources of revenue by realizing early profitability for items we have been developing, and launching new items.

Medical / Healthcare

In the life science area, we will aim to launch and expand our medical device business by focusing on the early acquisition of regulatory approval of medical device and the establishment of manufacturing and sales systems. In the healthcare area, in tandem with increasing production to meet the steady rise in demand for our core product, equol, we will achieve full-scale monetization of the Healthcare Business through the launch of new products.

Smart

We will firmly capture growing demand in the advanced semiconductor (logic/memory) market and extend the application of our products into back-end semiconductor manufacturing process.

For details on the growth strategies for each business, please refer to pages 48-57 of the BUSINESS STRATEGY section.

Financial Strategy

We will strengthen our cash generation capabilities and financial base, while continuing to actively engage with the capital markets with the aim of enhancing sustainable corporate value.

Yoichi Nemoto

Managing Executive Officer, Deputy General Manager, Corporate Support Headquarters
Division Manager, Group Governance and Financial Coordination
Responsible for SCM Headquarters



Promoting Growth Investment Backed by High-Level Cash Generation Capabilities and Sound Financial Base

Under our Mid-Term Management Strategy, “Accelerate 2025,” the Group aims to maximize profits in the Materials Business as a foundation business and invest the cash generated in growth businesses such as the Engineering Plastics Business and Safety Business, as well as in next-generation fields and R&D, in order to grow the top line and create new profit pillars.

In FY2025/3, despite the impact of issues at the carbon monoxide (CO) plant, the effects of growth investments centered overseas began to materialize, and the automotive-related and electronic materials markets showed signs of recovery, coupled with exchange rate effects, resulting in EBITDA reaching a record high of 102.4 billion yen.

In FY2026/3, we expect an increase in the sales volume of our main products, a resolution of CO plant issues, and improved productivity at our U.S. sites in the Safety Business site. However, due to the negative impact of the yen's appreciation and an increase in temporary maintenance costs in the Engineering Plastics Business, EBITDA is expected to decrease slightly, yet to remain at a level close to 100 billion yen.

From FY2027/3 onwards, we will increase cash generation capabilities by expanding production of POM and LCP in the Engineering Plastics Business and expanding sales in the Safety Business.

In addition to the cash we generate by ourselves, we believe it is important to build a robust financial footing that also takes credit rating into consideration so that we can secure funds necessary for growth investment through effective appropriate utilization of interest-bearing debt such as external borrowings and corporate bonds.

While ensuring financial stability, we aim to build a lean and robust balance sheet with high asset efficiency and are promoting measures to generate cash from the balance sheet across the Group, such as by controlling liquidity on hand mainly for cash and deposits, reducing working capital using CCC as a benchmark, and systematically reducing cross-shareholdings.

	FY2024/3 results	FY2025/3 results	FY2026/3 forecasts*
Net sales	558.1 billion yen	586.5 billion yen	600.0 billion yen
Operating income	62.4 billion yen	61.0 billion yen	54.0 billion yen
Ratio of operating income to net sales	11.2%	10.4%	9.0%
Net income attributable to owners of the parent	55.8 billion yen	49.5 billion yen	54.0 billion yen

* As of May 13, 2025

	FY2024/3 results	FY2025/3 results	FY2026/3 forecasts*
ROE	17.1%	13.8%	14.8%
ROIC	6.3%	6.1%	5.4%
ROA	7.0%	6.0%	6.6%
EBITDA	96.1 billion yen	102.4 billion yen	97.0 billion yen

Optimizing Cash Allocation Based on Company-Wide Balance-Sheet Control

Our asset-light policy and the targets for capital-profitability indicators (ROE, ROIC, and ROA) in the Mid-Term Management Strategy are intended to express our intent internally and externally to prioritize improving capital efficiency through balance-sheet control and maximizing returns.

Excluding external factors such as exchange rate fluctuations, business assets such as working capital including cash and deposits, inventories as well as manufacturing facilities can be directly handled by business divisions, plants, and Group companies. With the introduction of ROIC, we have seen a steady progress in changing mindsets regarding business assets among all parties involved.

For example, although there were special factors such as strategic inventory buildup to hedge supply risks related to plant expansion, our various measures such as inventory reduction at production sites, revisions to quality control methods, and pulp inventory reduction through the manufacturing process change in cellulose acetate have been steadily advancing. We expect these measures to continue contributing to the improvement of ROIC. In addition, we have deployed tools that contribute to the Visualization of working capital at overseas subsidiaries as well, and have started to implement balance-sheet control for each Group company.

We are also continuing to reduce cross-shareholdings with the aim of improving asset efficiency. In addition, the ratio of cross-shareholdings (including deemed-held shares) to consolidated net assets was 17.0% for the FY2025/3, and is projected to be 12.3% by the end of the FY2026/3.

We will constantly simulate the impact of these Group-wide actions and changes in business strategies in response to the external environment on the balance sheet and management indicators, and flexibly review cash allocation. We believe it is important to regularly disclose the results of these reviews and to ensure that our stakeholders understand our financial strategies, including proactive investment in growth areas and enhanced shareholder returns.

As of the update of the Mid-Term Management Strategy in May 2023

Cash-in (Cumulative total for 3 years beginning FY2024/3)

Operating CF	287.6 billion yen
Cash	End of FY2023/3 93.5 billion yen Sale of cross-shareholdings 38.9 billion yen
Debt financing	0.0 billion yen (or more)

Cash-out (Cumulative total for 3 years beginning FY2024/3)

Growth investments	190.0 billion yen (or more)
Shareholder returns	85.0 billion yen (or less)
Debt repayment	85.0 billion yen (or less)
Cash	60.0 billion yen

Total amount available for distribution
420.0 billion yen (or more)

As of May 2025

Cash-in (Cumulative total for 3 years beginning FY2024/3)

Operating CF	280.0 billion yen
Cash	End of FY2023/3 93.5 billion yen Sale of cross-shareholdings 48.5 billion yen
Debt financing	0.0 billion yen (or more)

Cash-out (Cumulative total for 3 years beginning FY2024/3)

Growth investments	220.0 billion yen (or more)
Shareholder returns	94.0 billion yen (or less)
Debt repayment	48.0 billion yen (or less)
Cash	60.0 billion yen

Total amount available for distribution
422.0 billion yen (or more)

Although We Face Challenges in Terms of Capital Profitability, We Will Further Strengthen Our Efforts in the Next Mid-Term Management Strategy

ROE, ROIC, and ROA, which we have set as important management indicators, currently exceed the estimated cost of capital and maintain spreads, but we are not satisfied with these levels.

In FY2025/3, ROIC was roughly flat year on year, but both ROE and ROA decreased in line with a decline in net income that resulted from a one-off extraordinary loss such as a business liquidation due to structural reforms. Looking ahead to FY2026/3, while ROE and ROA are expected to improve, ROIC is projected to decline due to a decrease in operating income and an increase in fixed assets. This falls short of the targets set in the Mid-Term Management Strategy, indicating that issues remain on both the asset and return sides.

In response to this situation, we are regularly monitoring capital profitability indicators and cost of capital levels, and the Board of Directors is conducting a wide range of discussions based on the results, including setting hurdle rates for business portfolio management, reviewing and revising the portfolio, and making decisions on resource allocation. Furthermore, through an ROIC tree that decomposes ROIC into its elements and breaks issues down to the field level, we are building a mechanism that enables each employee to connect them to personal actions. Beyond this, in the next Mid-Term Management Strategy, we will further strengthen initiatives to improve capital profitability.

We Will Continue to Engage in Active Dialogue with the Capital Markets to Enhance Corporate Value

Looking at our stock price, the PBR as of March 31, 2025, was approximately 0.9x, below the 1x threshold, and we recognize it as a challenge. When PBR is broken down into ROE and PER, the low PER remains noticeable, with a PER of about 7x compared to an ROE of 13.8%.

This reflects low market expectations for the Company, and we believe it is important to thoroughly explain the stability of our foundation businesses as well as the revenue expansion and business development of our Engineering Plastics Business and Safety Business, which we position as growth businesses, in order to generate expectations for the enhancement of corporate value. To this end, we will enhance our IR information disclosure, clearly communicate the Group's growth strategy using quantitative data, and strive to achieve sustainable growth in EPS, and improve cash generation capabilities.

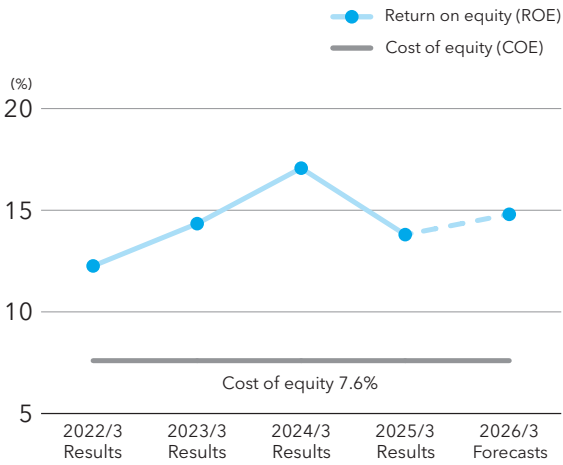
In addition, we aim to strengthen two-way communication with shareholders and investors and translate this into actions that contribute to enhancing our corporate value. Among our recent initiatives, based on feedback from investors and analysts, we have clarified our policy of stable and progressive dividends and flexible share buybacks, adding a target of a total return ratio of 40% or more and a dividend on equity (DOE) of 4% or more to our shareholder return policy that started in FY2025/3. Moreover, starting in FY2026/3, we have changed the coefficients used to calculate performance-based compensation for Directors from "consolidated net sales and consolidated operating income" to "consolidated net sales, EBITDA, and ROIC" to ensure that compensation for Director serves as a sound incentive for corporate value enhancement.

Daicel is committed to accelerating the implementation of growth strategies, steadily promoting financial strategies to support them, and sustainably increasing corporate value.

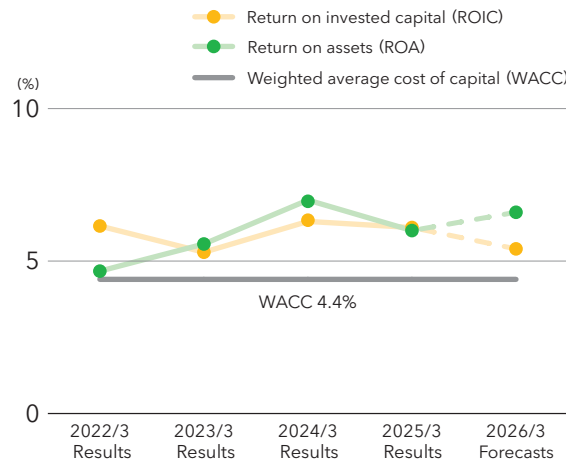
Communication with Shareholders and Investors

Main activities	FY2023/3	FY2024/3	FY2025/3
Individual interview (1on1)	115	162	160
Overseas road show (face-to-face)	0	2	2
Conference sponsored by securities companies	1	3	3
Business briefing	3	2	0
Plant tour	0	0	1
Briefing for Individual Investors	2	0	1

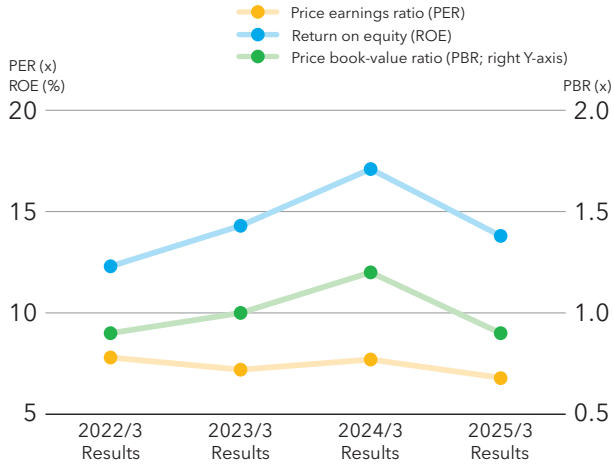
Trends of ROE and COE



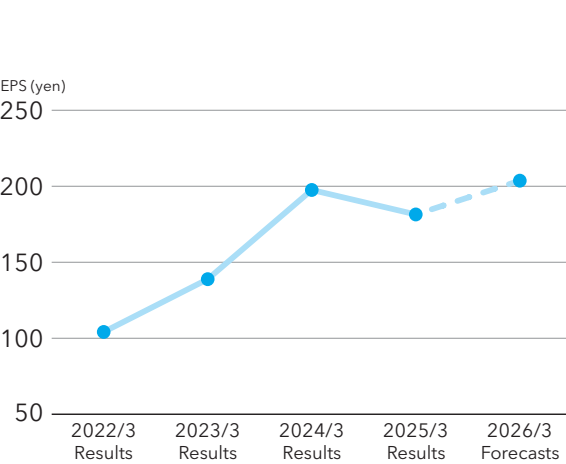
Trends of ROIC, ROA, and WACC



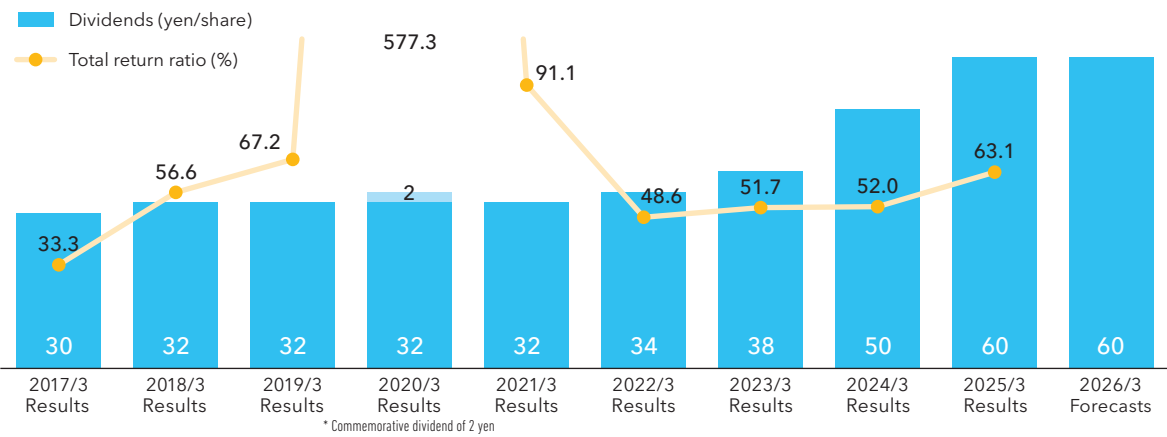
Trends in Stock Price Indicators



Trends in Earnings per Share (EPS)



Trends in Shareholder Returns



Sustainability Management and Materiality

Based on our Sustainable Management Policy, we will continue to focus on our core businesses through our continued efforts in business selection and concentration without compromising our commitment to safety, quality, and compliance, which are the priority foundations of our manufacturing, and will strive to achieve a sustainable society while expanding our business.

📖 Page 05: Sustainable Management Policy

Sustainable Management System

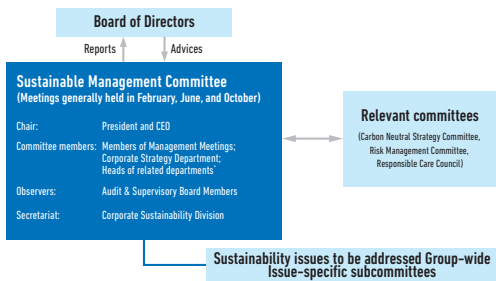
The Daicel Group established the Sustainable Management Committee (typically meets three times a year), chaired by the President and CEO, to discuss and manage key sustainability issues (materiality) at the management level. In addition, for theme-specific subcommittees established to address sustainability-related topics such as Life Cycle Assessment (LCA) and procurement, the appointed officer acts as the responsible person, working to strengthen initiatives and further enhance information disclosure.

The regular progress evaluation of KPIs by the Sustainable Management Committee ensures implementation of the CAPD* cycle. In addition, the Board of Directors will receive regular reports from the Sustainable Management Committee concerning the status of the KPIs related to materiality in order to supervise the promotion of sustainability at the Daicel Group.

In FY2025/3, the Sustainable Management Committee met three times, mainly discussing the response to climate change, such as GHG emission reductions, the certification system for contributions to build a circular society (System name: CycloVia), and DE&I efforts, with the details reported to the Board of Directors.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, the Daicel Group has adopted a CAPD improvement cycle to avoid the risk of overlooking crucial facts and realities that often lie hidden in the initial planning stage.

Diagram of the Sustainable Management System



* Depending on the topic, participants will be drawn from each SBU, plant production-related departments, Group companies, etc.

Topic

CycloVia* (Certification System for Contributions to Build a Circular Society)

The Daicel Group aims to realize a circular society as outlined in our Long-Term Vision, DAICEL VISION 4.0, and we recognize increasing demand for products and technologies that contribute to building such a society as a key business opportunity. In FY2025/3, to capitalize on this opportunity, we initiated CycloVia, a system that recognizes the products and technologies within the Group that contribute to the development of a circular society. This certification system utilizes the assessment items detailed in the table on the right for evaluation. Certification is granted by the Sustainable Management Committee, and we will work to foster its development and wider adoption.

In addition, we plan to proactively operate this certification system throughout the Group, and explore its use as a metric to quantify our contribution to realizing a circular society, which is central to our vision.

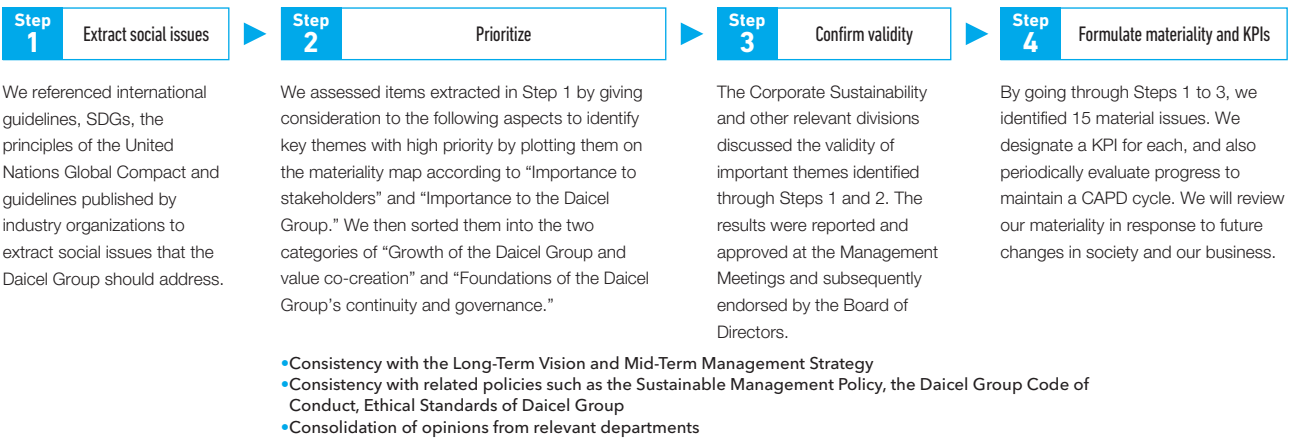
* Formed by combining "Cycle" with "Via" (Latin for "road"). This indicates pathways and actions taken to contribute toward the realization of a circular society.

Assessment Items	
Use of Circular Materials	
Reuse of Waste	
Reusability	
Recyclability	
Comparison	Reduction of Carbon Footprint of Product
	Water Use Reduction
	Reduction of Hazardous Substances
	Yield Improvement
Application to Business Fields for the Realization of a Circular Society	Contribution to the Renewable Energy Sector
	Contribution to Environmental Protection and Conservation
	Contribution to Energy and Resource Conservation
	Others
Environmental Certifications and Accreditations	

CycloVia Certified Products (As of June 2025)

Product and Technology	Organization	Rationale for Certification	Characteristics
CMC DAICEL (Link to Japanese website)	Daicel Miraizu Ltd.	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
HEC DAICEL (Link to Japanese website)	Daicel Miraizu Ltd.	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
CELISH (Link to Japanese website)	Daicel Miraizu Ltd.	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
Cellulose Acetate	Daicel Corporation	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
Acetate tow	Daicel Corporation	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material Acquired PEFC COC certification
TOPAS® COC	Polyplastics Co., Ltd.	Contributes to environmental protection and conservation Contributes to energy and resource conservation	By facilitating the use of monomaterials, contributes to easier recycling processes, leading to waste reduction through plastic packaging recycling, decreased reliance on virgin resin raw materials, and lower energy consumption during packaging resin production Certified by the independent German testing institute Institut cyclos-HTP as a mechanically recyclable additive for mixing and compounding with PE and PP Granted Critical Guidance Recognition by the Association of Plastics Recyclers in the United States, confirming that the material is recyclable without negatively impacting the high-density polyethylene recycling process
BELLOCEA® S7	Daicel Corporation	Utilizes circular materials	Confirmed to decompose in the ocean, these spherical particles, derived from cellulose acetate, present a solution for reducing environmental impact
QILIP, food bag clip which is highly sealable, reusable, and freezer-safe. (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the Biomass Mark scheme of the Japan Organics Recycling Association
*"RAKU-PDI" Ring, product for easy and hygienic waste disposal around the kitchen sink and its exclusive bag. (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the BiomassPla. Certification system of the Japan BioPlastics Association
*"RAKU-PDI" Self-Standing Drain Bag, product for easy and hygienic waste disposal around the kitchen sink. (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the Biomass Mark scheme of the Japan Organics Recycling Association
*"RAKU-CHIN" Easy-Place Drain Bag, product for easy and hygienic waste disposal around the kitchen sink.	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the BiomassPla. Certification system of the Japan BioPlastics Association
*"SANKAKU" Corner irazu, product folding detachable sink drain and its exclusive disposable drain bag (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the Biomass Mark scheme of the Japan Organics Recycling Association

Materiality Identification Process



Materiality List

1. Materiality aimed at achieving growth of the Daicel Group and value co-creation

In terms of products, manufacturing processes, and people under the Sustainable Management Policy, we have clearly identified areas where we will leverage our strengths to proactively create value in solving social issues represented by the SDGs.

	Classification	Materiality
Materiality aimed at achieving growth of the Daicel Group and value co-creation	Sustainable Product	Contribute to beauty and health
		Contribute to the smart society
		Provide safety and security for society
		Provide environment-friendly materials and technology
	Sustainable Process	Contribute to the development of a circular society
		Respond to climate change
	Sustainable People	Promote DE&I
		Support personal growth

2. Materiality related to the foundations of the Daicel Group's continuity and governance

We established respective considerations of priority foundations for value creation, including safety, quality, and compliance, for E (environment), S (social), and G (governance).

	Classification	Materiality
Materiality related to the foundations of the Daicel Group's continuity and governance	Environment	Reduce environmental impact
	Social	Ensure process safety and disaster prevention, occupational health and safety
		Ensure chemical safety and enhance product quality
		Respect human rights
		Foster a corporate culture that meets employee needs
	Governance	Promote sustainable procurement
		Strengthen foundation for Group governance and compliance

Materiality Monitoring

Along with established KPIs and targets, the progress of the identified materiality items is monitored through periodic evaluations by the Sustainable Management Committee and supervision by the Board of Directors.

📖 Pages 32 to 33: List of Materiality KPIs and Results

Our sustainability website provides comprehensive disclosure of our sustainability efforts, including detailed information on materiality. <https://www.daicel.com/en/sustainability/>

Site Map (Note) Items in blue frame are also summarized in this report. The ★ mark indicates the materiality of our Group.

Sustainability Management Materiality
Responsible Care Activities Policy List

Environmental Report
Environmental Management
★ Response to Climate Change
Information Disclosure in Line with TCFD Recommendations
★ Reduction and Recycling of Waste
Emission Management of Chemical Substances
Water Resource Preservation
Environmental Management and Prevention of Air Pollution
Preserving Biodiversity

Social Report
★ Respect for Human Rights
Customer Satisfaction and Safety Assurance
★ Enhancing Product Quality
★ Chemical and Product Safety
★ Process Safety and Disaster Prevention
Distribution Safety
Creating Attractive Workplaces
★ Occupational Health and Safety
Policy and Guidelines on Human Resources
Initiatives to Help Employees Maintain Mental and Physical Health
★ Support for Human Resource Development
★ Promoting Diversity, Equity and Inclusion
★ Foster a Corporate Culture That Meets Employee Needs
★ Sustainable Procurement
Contribution to Local Communities and Society

Governance
★ Corporate Governance
★ Corporate Compliance
★ Risk Management
Information Security / Information Management
Tax Policy
List of Data Collection Boundaries
Scope of Reporting for Human Resources and Governance Data
Scope of Data Calculation for Environmental and Occupational Safety Performance
List of Declarations and Certifications
ESG Data
GRI Standards Content Index
Participation in Initiatives and External Recognition

List of Materiality KPIs and Results

KPIs and FY2023/3, FY2024/3, and FY2025/3 results are listed for the identified materiality.

Angles	Classification	Materiality	Content	KPIs		Target	FY2023/3 Results	FY2024/3 Results	FY2025/3 Results	Related Page	
Materiality aimed at achieving growth of the Daicel Group and value co-creation	Sustainable Product	Contribute to beauty and health	•Providing solutions for the pharmaceutical and medical markets	•Our chiral columns used in pharmaceutical analysis methods ^{*1}		•FY2026/3: 95 cases (cumulative)	•88 cases	•113 cases	•124 cases	Medical https://www.daicel.com/lifesciences/en/	
			•Providing sustainable cosmetic raw materials and health food	•Total number of people provided with functional food ingredients per year		•FY2026/3: 2.23 million (twice the FY2021/3 figure)	•1.24 million people	•1.69 million people	•1.62 million people	Cosmetics/Healthcare https://www.daicel.com/healthcare/en/	
		Contribute to the smart society	•Providing solvents for semiconductor processing and polymers for resists	•New product rate of safe, high-boiling point solvents essential for advanced semiconductor manufacturing processes ^{*2}		•FY2026/3: 23.9%	•3.2%	•7.7%	•8.4%	Electronics https://www.daicel.com/smart/en/	
		Provide safety and security for society	•Providing products that ensure the safety and security of mobility	•Average number of our safety devices installed per vehicle ^{*3} •Diversified small mobility ^{*4} devices and new safety devices to prevent home accidents ^{*5} put on the market		•FY2026/3: 3 units/vehicle •FY2026/3: New safety device proposals, with a total of 2 cases by FY2031/3	•2 units/vehicle •New business proposals: 2 under review	•2.2 units/vehicle •New business proposals: 2 cases	•2.2 units/vehicle •New business development initiatives: 2 cases	Mobility https://www.daicel.com/safety/en/	
		Provide environment-friendly materials and technology	•Providing materials and technology that reduce environmental impact such as environment-friendly plastics	•Rate of recyclable raw materials ^{*6} used in products •Production of environment-friendly (highly biodegradable, etc.) cellulose acetate		•FY2031/3: 30% or more •FY2026/3: 10,000-20,000 tonnes/year	•15.9% •7,993 tonnes/year	•15.8% •7,625 tonnes/year	•16.5% •8,282 tonnes/year	Environment & Energy https://www.daicel.com/en/business/purpose/eco-energy.html	
	Sustainable Process	Contribute to the development of a circular society	•Building Biomass Value Chain •Reuse of waste and CO ₂	•External proposals for resource recycling systems using natural materials		•FY2026/3: 3 cases	•Under research and development	•1 case	•1 case	Biomass Value Chain (Japanese text only) https://www.daicel.com/bvc/	
Respond to climate change		•Reduction of GHG emissions through production innovation, energy innovation, and process innovation	•GHG emission reduction rate of our Group ^{*7}		•Scope 1 and 2 FY2031/3: 50% reduction (compared to FY2019/3)	•1% increase	•3.5% reduction	•0.5% reduction	Response to Climate Change https://www.daicel.com/en/sustainability/environment/climate-change.html		
Sustainable People	Promote DE&I	•Creating a workplace where everyone can work with energy, regardless of their gender, age, nationality or disability	•Ratio of women in management positions ^{*8} •Ratio of persons with disabilities that have been with the Company more than three years ^{*9} (1 – persons with disabilities that left the Company in three years after joining / total number of employed persons with disabilities) × 100		•FY2026/3: 10% or more •Sustain 95% or more	•4.9% •96.0%	•5.6% •97.4%	•6.3% •100%	Promoting Diversity, Equity and Inclusion https://www.daicel.com/en/sustainability/social/diversity.html		
	Support personal growth	•Personnel development for honing expertise •Framework to support employees who take on challenges •Building highly fair evaluation system	•Status of initiatives for personnel development, review of human resource system, introduction and review of career seminars or management training for department managers ^{*8}		•Disclose results	•Strengthened system to support employees' career autonomy -Implemented of age-specific career training for employees in their 30s, 40s, and 50s -Established a Career Support Center in the Human Resources Division to provide career consultations for employees -Launched an expertise development program (for talent cultivation of administrative personnel) -Introduced coaching training given by external lecturers for department managers -Offered AI training to all employees (voluntary participation) •Introduced career support expenses (30,000 JPY/person) •Planned and implemented training for managers			Support for Human Resource Development https://www.daicel.com/en/sustainability/social/hrd.html		
Materiality related to the foundations of the Daicel Group's continuity and governance	Environment	Reduce environmental impact	•Promotion of waste reduction and recycling	•Percentage of industrial waste recycled by our business sites and domestic Group companies		•FY2026/3: 99% or more	•98.4%	•98.0%	•98.6%	Reduction and Recycling of Industrial Waste https://www.daicel.com/en/sustainability/environment/industrial-waste.html	
	Social	Ensure process safety and disaster prevention, occupational health and safety	•Elimination of process incidents	•Serious occupational accidents ^{*8} •Serious process safety incidents ^{*9}		•Continue 0 (zero) cases •Continue 0 (zero) cases	•0 cases •0 cases	•1 case •0 cases	•0 cases •0 cases	Process Safety and Disaster Prevention https://www.daicel.com/en/sustainability/social/safety-security.html	
			•Minimization of damages based on crisis assessments	•Percentage of safety training held based on past incidents (occupational accidents and process safety incidents) ^{*9}		•Continue to 100%	•100%	•100%	•100%	Occupational Health and Safety https://www.daicel.com/en/sustainability/social/ohs.html	
		Ensure chemical safety and enhance product quality	•Reinforcement of management to prevent recurrence of quality defects •Centralized management and sharing of chemical substance information	•RC-related regulation audit rate ^{*9} •Number of violations of chemical regulations •Number of problems caused by product safety •Rate of initial response to customer complaints within 24 hours ^{*9} •Rate of completion of customer briefings within 25 days		•Continue to 100% •Continue 0 (zero) cases •Continue 0 (zero) cases •FY2026/3: 100% •FY2029/3: 100%	•41% •(Initiative from FY2024/3) •(Initiative from FY2024/3) •88.0%	•100% •0 cases •0 cases •89.4% •(Initiative from FY2025/3)	•100% •0 cases •0 cases •87.4% •70%	Chemical and Product Safety https://www.daicel.com/en/sustainability/social/chemical-safety.html	
			Respect human rights	•Establishment and implementation of human rights due diligence •Development of a framework for corrective and remedy actions, and employee education	•Rate of progress in annual plans for human rights due diligence targeting the Daicel Group •Rate of progress in annual plans for human rights due diligence targeting suppliers		•FY2026/3: 100% •100% continuation	•88.7% (FY2020/3-FY2025/3) (19 out of 19 domestic Group companies, 28 out of 34 overseas Group companies) ^{*10} •(Drafting and implementation of plans for human rights due diligence targeting suppliers)		•(Conducted human rights due diligence for domestic and overseas suppliers, followed up with suppliers on identified issues and improved 50 cases)	•100%
		Foster a corporate culture that meets employee needs		•Shortening of working hours and improvement in the annual paid leave acquisition ratio •Support for flexible work styles •Promotion of employee health	•Rate of continuous paid leave taken ^{*8} (a five-day consecutive leave once per year) •Percentage of male employees who have taken parental leave ^{*8} •Status of efforts to promote employee health ^{*8}		•FY2026/3: 100% •FY2026/3: 100% •Disclose results	•Organized an "Employee Wellness Promotion Center" as a health management organization that promotes the mental and physical health of each employee on four different levels: company-wide, by business site, by workplace, and individually •Promoted health management aimed at the physical and mental health of each and every one of employees and their families, business partners, and local residents by holding sports events, etc. •Expanded babysitter subsidy benefits •Distributed "Guidance for Taking Parental Leave" to eligible employees and their supervisors •Recognized as a "Certified Health & Productivity Management Outstanding Organization (White 500)" for the sixth consecutive year •Certified as a "Sports Yell Company" for the second consecutive year			
			Promote sustainable procurement	•Improvement of CRS levels across the supply chain	•Sustainable procurement rate (new item set in FY2025/3) •Implement FY2025/3 version of SAQ and achieve 100% rate of suppliers (2) that meet standard (1) of our Group. (1) Benchmark points (4 points or higher for 9 key items; 3 points or higher for 24 other items) (2) Suppliers accounting for over 85% of purchasing value and suppliers of critical raw materials (165 companies in total) * The following old KPI was achieved in FY2024/3 (past targets/performance are shown in parentheses) *Percentage of raw fuel suppliers who meet our benchmark points as a result of SAQ [*]		•FY2026/3: 100% (FY2024/3: 100%)	•(79%)	•(100%)	•62%	Sustainable Procurement https://www.daicel.com/en/sustainability/social/supply-chain.html
			Governance	Strengthen foundation for Group governance and compliance	•Reinforcement of corporate governance	•Status of efforts to strengthen the supervisory function by the Board of Directors Evaluation target of the Board of Directors by Outside Directors and Outside Audit & Supervisory Board Members: (out of 5 points) •Rate at which legal checks are made and response measures taken for material matters requiring executive decision		•Average of 4.0 points or above •Continue to 100%	•(Initiative from FY2024/3) •100%	•4.4 points •100%	•4.3 points •100%
•Enforcement of thorough compliance •Strengthening of risk management	•Issues reported to the Help Line •Percentage of executives and employees who know how to use the Help Line system and can contact the Help Line when they discover compliance violations ^{*11} (= percentage of employees who have taken Help Line reporting training)				•Disclose results •FY2026/3: 100%	•76 cases •10%	•102 cases •18% (1,074 personnel)	•126 cases •97% (5,988 personnel)	Corporate Compliance https://www.daicel.com/en/sustainability/governance/compliance.html		

*1 Targets: Pharmacopoeias in Japan, the U.S. and Europe *2 Highly safe high boiling point solvents: Solvents for electronic materials with high solubility and low toxicity such as MMPGAC *3 Targets: Products for Japanese automakers

*4 Bicycles, mobility scooters, electric kick scooters, etc. *5 Drowning while bathing indoors, infant suffocation, falls, etc.

*6 Recyclable raw materials: biomass raw material, use of atmospheric CO₂, reuse of waste, and recycling Targets: Main resin materials of Daicel, Polyplastics, and Daicel Miraizu *7 Realization of carbon neutrality in FY2051/3 (Scopes 1, 2, 3) *8 Scope: Daicel Corporation *9 Scope: Domestic manufacturing sites of Daicel Corporation *10 The base number of group companies represents the companies that are candidates for human rights due diligence as of April 2024 *11 Daicel and domestic Group companies

Daicel Group's Challenge to Achieve Carbon Neutrality

The chemical industry provides beneficial materials that also contribute to reduction of environmental impact; however, the manufacturing processes of these materials require a lot of energy. The Daicel Group has taken this challenge head-on and is working on creating highly effective solutions that will not only reduce the environmental impact of the manufacturing processes but will also help in achieving carbon neutrality.

In this page, we will introduce the Daicel Group's initiatives being implemented from three angles, reducing costs, improving productivity and enhancing competitiveness as a manufacturing company with a view toward achieving manufacturing that is economical as well as ecological, while at the same time reducing its environmental impact.

Medium- and Long-Term Reduction Targets for GHG Emissions

The Daicel Group has set a medium- and long-term reduction targets in line with the standard of SBT*1.5°C.

2050: Achieve carbon neutrality

Scope: 1, 2, 3 of the Daicel Group

2030: 50% reduction in GHG emissions (compared to FY2019/3)

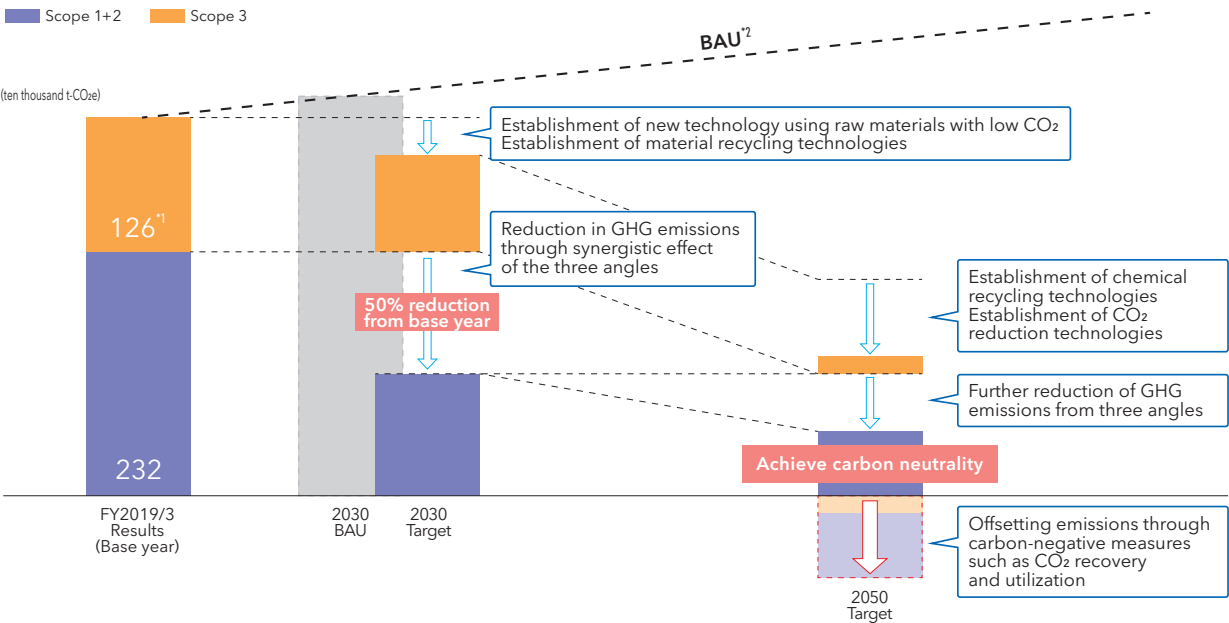
Scope: 1, 2 of the Daicel Group

* Science Based Targets: Goal setting consistent with science

Approach and Roadmap for Achieving Carbon Neutrality

Over the years, the Daicel Group has been working toward reducing the use of energy and cutting down GHG emissions from three angles (Please refer to the next page for details). To achieve the medium and long-term targets, we have identified the items that will contribute to reduction of GHG emissions from these three angles and calculated specific reduction amounts. Subsequently, we have created a roadmap and update it regularly. Although the individual items and reduction amounts are undisclosed, we will start with the implementation of the most feasible items, taking into account the return on investment that reflects internal carbon pricing.

Roadmap



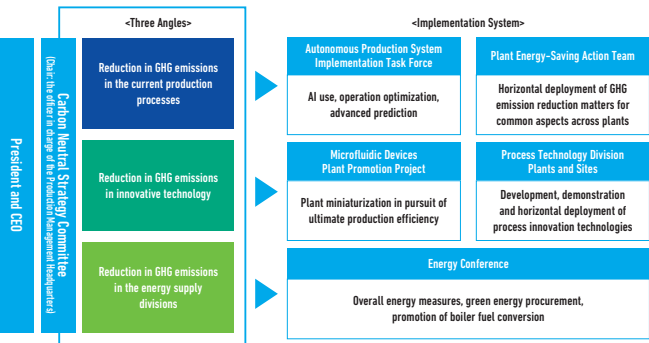
*1 Since the calculations for Scope 3 were started from FY2020/3, we have tentatively shown the results for FY2020/3. We are working on gradually expanding the categories and boundaries in Scope 3 calculations.
*2 Business as Usual: GHG emissions without additional measures

Reduction of GHG Emissions from Three Angles <https://www.daicel.com/en/sustainability/environment/climate-change.html#anc-5>



Our Promotion System for the Reduction of GHG Emissions

The Carbon Neutral Strategy Committee has been established under the direct control of the President and CEO to promote energy conservation and GHG emissions reduction in the Group. The Committee is chaired by the officer in charge of the Production Management Headquarters and members include representatives from production, energy supply, and other corporate divisions in Japan. It strives to construct a circular process that is in harmony with the global environment from the Three Angles. In addition, we introduced internal carbon pricing in April 2025 in order to develop and execute appropriate investment plans which can achieve our medium- and long-term targets.



Information Disclosure in Line with TCFD Recommendations

The Daicel Group endorsed the TCFD recommendations in November 2021. In accordance with the recommendations, the Group disclosed information on each item related to climate change for governance, strategy, risk management, and metrics and targets, and conducted a scenario analysis in major business areas in FY2024/3.

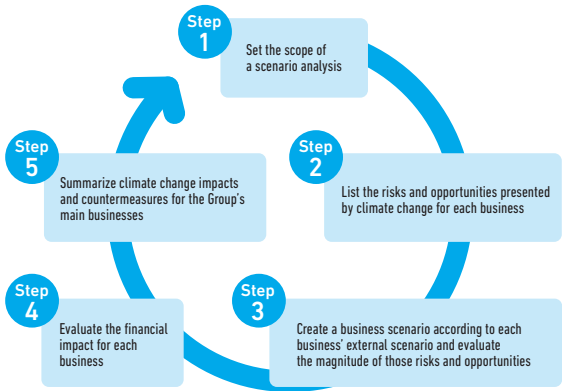


Governance

Our response to climate change is discussed at the management level. At the Sustainable Management Committee held three times in FY2025/3, discussions mainly focused on responses to climate change, including the implementation of the “Certification System for the Contribution to Build a Circular Society” (System name: CycloVia), initiatives to reduce GHG emissions, and the implementation of an internal carbon pricing system, with the details reported at the Board of Directors.

Strategy

In order to examine strategies and organizational resilience in light of climate-related risks and opportunities, the Daicel Group conducted a scenario analysis using the following procedures with reference to climate change scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), and considered the impact as of 2030.



Implementation procedures for scenario analyses

Scenario analyses follow the procedures listed on the right.

Scenario analysis conditions and overview

1. Scenario analysis scope

The following businesses were evaluated as the Group's main business areas.

- **Engineering Plastics Business (Polyplastics)**
- **Acetyl Business centered on cellulose acetate (Material SBU)**
- **Safety Business (Safety SBU)**

2. Time frame

We examined transition risks, physical risks, and transition opportunities in 2030.

3. Assumed scenarios

Based on information from the IPCC, IEA, and other sources, we examined the risks and opportunities of two scenarios: one in which decarbonization progresses (1.5°C/2°C scenario) and the other in which decarbonization does not progress (4°C scenario).

As the temperature increase at 2030 in both the 4°C scenario and the 1.5°C/2°C scenario is around 1.5°C and not significantly different from one another, the physical risk in 2030 is assumed to be similar in both the 1.5°C scenario (in part, below 2°C scenario) and the 4°C scenario. Therefore, no distinction is made for each of the two scenarios in terms of physical risk, and the same situation is predicted for 2030.

Scenario Overview

	1.5°C/2°C	4°C
Societal changes	● In order to limit the increase in average temperature to less than 1.5/2°C by the end of this century, bold legislation and technological innovation will be promoted. ● Efforts are being made to realize a decarbonized society around the world, and environmental performance (low environmental impact) is a value provided to customers on a par with QCD. ● In the chemical industry, companies and businesses that cannot adapt to a decarbonized society will be weeded out, and procurement risks for raw materials and fuels will increase as consolidation progresses. ● Public scrutiny of non-compliance with environmental policies will increase (a condition for stopping transactions from customers). ● An increasing proportion of renewable energy will destabilize the power supply.	● There is a gap between regions where bold legislation is prompt, mainly in Europe, and regions where the emphasis is on economic growth and the introduction of strict regulations is slow, especially in emerging countries. This gap results in a lack of progress in GHG reduction. ● Customers evaluating environmental performance (low environmental impact) are limited. ● In the fossil fuel and chemical industries, there is no active investment, and procurement risks for raw materials and fuels will increase as consolidation of companies and businesses in such industries progresses due to the aging facilities. ● Public scrutiny of non-compliance with environmental policies will increase (a condition for stopping transaction from some customers). ● An increasing proportion of renewable energy will destabilize the power supply in some regions.
Technological innovation	● Technologies related to CCU* and resource recycling (circular economy) have been actively developed and put into practical use in 2030. ● Investment in energy-saving and CO₂-saving technologies is becoming more active, and the acquisition of these technologies is directly linked to cost competitiveness.	● Rising energy prices will increase investment in energy-saving technologies, and the availability of technology acquisition is directly linked to cost competitiveness.
Climate change	● The scale of disasters such as typhoons and floods will increase. ● Extreme weather, such as high temperatures, is progressing.	● The scale of disasters such as typhoons and floods will increase. ● Extreme weather, such as high temperatures, is progressing.

* Carbon dioxide Capture and Utilization

INTRODUCTION	DAICEL GROUP'S STRENGTHS	VISION AND MATERIALITY	BUSINESS STRATEGY	GOVERNANCE	RESOURCES
--------------	--------------------------	------------------------	-------------------	------------	-----------

Scenario Analysis Results -Risks and Opportunities-

The following table shows the risks and opportunities related to climate change in the analyzed businesses, their degree of impact, and proposed countermeasures.

Risks/ Opportunities	Category	Details	Overall		Engineering Plastics (Polyplastics)		Acetyl Chain		Safety		Response
			4°C	1.5/2°C	4°C	1.5/2°C	4°C	1.5/2°C	4°C	1.5/2°C	
Transition Risks	Policies and Regulations	Increased operating costs due to the introduction and strengthening of carbon pricing (taxes)	●●	●●●	●●	●●●	●	●●●	●	●●●	Promote activities to achieve the GHG emissions reduction target (50% reduction in total compared to FY2019/3) Quantify risks associated with ICP implementation
		By introducing and strengthening carbon pricing (taxes), the increased costs to upstream business partners are passed on, resulting in higher procurement costs	●●	●●●	●●	●●●	●	●●●	●	●●●	Reduce the impact by promoting the reduction of GHG emission intensity in cooperation with suppliers Switch to low-GHG raw materials
		Strengthening of GHG emissions regulations based on carbon emission targets and policies of each country, including EU Carbon Border Adjustment Measure	●●	●	●●	●	—	—	●	—	Promote activities to achieve the GHG emissions reduction target (50% reduction in total compared to FY2019/3) Switch to energy-saving, low-GHG raw materials, and change suppliers
	Market	Price fluctuations of petrochemical-derived raw materials to realize a low-carbon society	—	●●●	●●	●	—	●●●	●	—	Optimize inventory management Promotion of multiple purchases, simplification of raw materials through formulations, and standardization of quality through improvement of manufacturing technology
	Technology	Increase in equipment investment costs for energy saving and productivity improvement	—	●●	—	●●	—	●●	—	—	Resolve risks by accelerating the development of technology and know-how for formulation design and technical services
Physical Risks	Reputation	Identification of and response to risks and opportunities related to climate change, and increasing demand for disclosure of environmental management information	—	●	—	●	—	—	—	—	Reinforce systems and structures related to environmental measures Continue disclosing information related to the environment in accordance with the changing needs of society
	Chronic /Acute	Intensification of disasters due to abnormal weather conditions (heavy rain, floods, and typhoons), resulting in suspension of operations and damage to raw materials and products Supply chain disruptions	—	●	—	●	—	●	—	●	Strengthen BCP for climate change
	Chronic	Worsening working conditions and the spread of infectious diseases due to the rise in average temperature	—	—	—	—	—	—	—	—	Continue making work environment improvements
	Market	Expansion of new markets for environment-friendly products (Biodegradable plastics, EVs, renewable energy, recycling, and water resource conservation)	—	●●●	—	●●	—	●●●	—	●●	Develop recycling business (recompounding business) Develop low-GHG products (utilization of CCU technology, and development of bio-based products) Functionalize cellulose acetate, develop new fine cellulose, and commercialize BIC* projects Develop market for EV current interrupters Operate CycloVia ²
	Resource Efficiency	Reduction of operating costs through energy saving and productivity improvements	—	●●●	—	●●●	—	●●●	—	●	Adopt DAICEL Production Innovation and the Autonomous Production System
Other Reduction Activities ³			●●	●●●	●●	●●●	●	●●●	●	●●	

(Impact) ●●●: Over 10 billion yen, ●●: Several billion yen, ●: Less than 1 billion yen, -: Almost no impact

*1 Biomass Innovation Center. The research division of our company aiming to convert biomass resources into raw materials. *2 CycloVia: Name of our in-house certification system, the "Certification System for the Contribution to Build a Circular Society."

*3 Other reduction activities: Investment for a 50% reduction in GHG emissions (Scope 1, 2), reducing the impact of carbon pricing due to GHG emission reductions, transitioning to low-GHG raw materials, overall reduction activities in the supply chain, etc.

Risk Management

The Daicel Group regards climate change as a major risk in sustainable management, and we conduct risk assessment, formulate responses, and confirm implementation status as part of the Group's risk management system. The Sustainable Management Committee conducts detailed examinations for key issues.

Risk Management <https://www.daicel.com/en/sustainability/governance/risk-management.html?id=anc-2>

Metrics and Targets

The Group has listed “Respond to climate change,” “Provide environment-friendly materials and technology,” and “Contribute to the development of a circular society” as three of its 15 key sustainability issues (materiality), and has set KPIs for each. For “Respond to climate change” we will further develop energy-saving measures to achieve GHG emission reduction targets and carbon neutrality by 2050. In addition, in January 2025, we launched an in-house certification system, the “Certification System for the Contribution to Build a Circular Society” (System name: CycloVia). In April 2025, we also implemented an internal carbon pricing system. We will build a new structure by utilizing these systems as indicators of risks and opportunities.

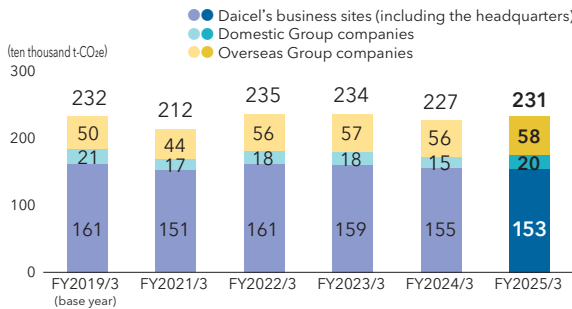
Pages 32 to 33: List of Materiality KPIs and Results

The Group's Sustainable Management Policy includes the development of a circular processes that coexist with the global environment. We will continue to discuss products and services that contribute to a low-carbon economy, and consider setting better metrics and targets.

GHG Emissions Reductions and FY2025/3 Results

The Group's GHG emissions for FY2025/3 increased by 1.9% year on year to 231 ten thousand tonnes of CO₂e. This increase resulted from higher operating levels at some domestic Group company plants and the establishment of new plants at overseas Group companies, despite ongoing efforts to reduce emissions, such as self-consignment of electric power.

GHG Emissions (Scope 1, 2)



We will thoroughly conduct R&D aimed at commercialization by maximizing the use of internal and external resources.



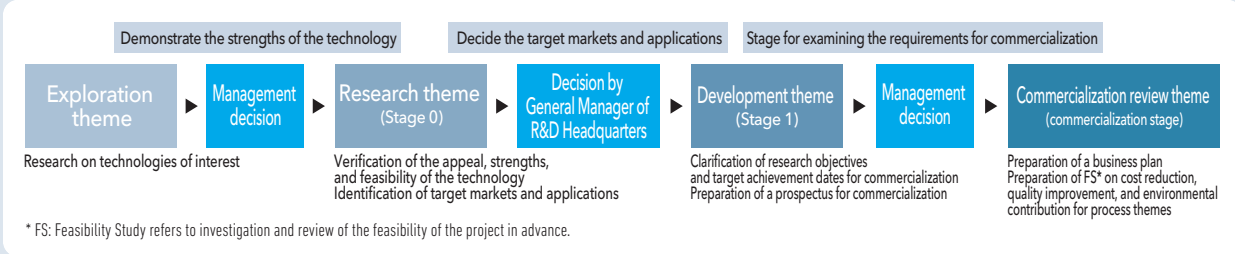
Toshio Shiwaku

Director, Senior Managing Executive Officer
General Manager of R&D Headquarters,
Responsible for Intellectual Property Center

The mission of the R&D Headquarters is to understand market needs, establish technologies while engaging with customers, and create new businesses and develop products with a time-oriented approach.

Under the current Mid-Term Management Strategy, we have been pursuing mid- to long-term research themes that balance ecology and economy, such as the creation of a New Biomass Product Trees through the mild melting of wood, the establishment of CO₂ reduction technology using nanodiamond catalysts, and the development of microfluidic device plants that perform chemical reactions on glass substrates the size of a business card, through collaboration with universities and partner companies. However, we currently face the challenge of not being able to advance research themes closely related to existing businesses to the stage of commercialization. Although research should be conducted with free thinking and enthusiasm, discipline is also required to maintain a business perspective and ensure steady progress toward commercialization. To further advance research toward commercialization, we newly established the R&D Headquarters in April 2024, consolidating the corporate research departments and introducing a stage management system and task force team system for company-wide research themes, which we have begun to implement.

The benefit of introducing stage management is that we can classify all company research themes, previously managed and advanced separately by each organization, into common stages of exploration, research, development, and commercialization review, and manage them centrally. By clarifying the conditions required to move to the next stage, we can now effectively engage internal resources such as marketing and production technology, in addition to R&D, at the time of commercialization review under management decision-making.



For themes approaching commercialization, we have adopted a task force team system that brings together dedicated personnel with the necessary skills from multiple departments to promote cross-functional social implementation. The creation of new businesses requires the optimal utilization of resources throughout the entire company, not just from R&D divisions. We are now able to allocate resources from other divisions that are responsible for existing businesses to the launch of new businesses, a process that was previously difficult, and will aggressively pursue R&D for commercialization.

While maximizing the use of internal resources, there are many cases where new fundamental technologies are required to advance research. The social implementation of research themes is our domain, and we conduct joint research with universities and partner companies according to their areas of expertise to acquire the fundamental technologies needed to achieve this. We solve highly difficult challenges more efficiently by combining our respective strengths and advancing research.

The utilization of intellectual property (IP) is also essential for R&D. As the officer in charge of the Intellectual Property Center, I will promote the internal penetration of IP landscapes and further encourage the company-wide use of IP information. At the same time, we will engage in proactive intellectual property activities to protect and strengthen our business by shifting from patent applications based on the maintenance of existing technologies to strategic patent applications and portfolio construction based on the results of IP landscapes.

Taking on New Market Development for the Biodegradable Plastic CAFBLO® in a Task Force Team



Technology development by TFT members

One of our core products, cellulose acetate, which is made from natural raw materials, is highly biodegradable and friendly to the environment and human body. Utilizing our manufacturing technology that was accumulated over many years, we have developed cellulose acetate CAFBLO®, which controls substitution and polymerization degrees and significantly improves decomposition speed in seawater while maintaining conventional quality. Currently used in cutlery and fishing gear, it is expected to contribute to solving the problem of plastic waste flowing into the ocean and soil.

Currently, with an eye toward advancing into new markets, we have established a task force team (hereinafter "TFT") as the first initiative within the Group. The TFT is working to expand the variety of resins and develop new manufacturing processes that achieve costs aligned with market needs, with the aim of entering the largest market segment of various food applications. The TFT is composed of cross-functional members from various departments and organizations, including the

R&D Headquarters with expertise in synthesis technology, the Material SBU familiar with the development process of existing grades, and Polyplastics, a Group company specializing in engineering plastics with skills in resin performance evaluation. By assigning human capital with the necessary elemental technologies to dedicated teams, we are able to combine their strengths to achieve rapid and dynamic development. Moreover, by conducting high-quality communication with TFT members as hubs, we are able to efficiently utilize the knowledge accumulated within their respective organizations, thereby strengthening the connections between organizations.

The challenge in developing new markets for cellulose acetate was that plasticizers used to lower the process temperature to a range where cellulose acetate could be molded would leach out depending on the end use of the product. In response to this challenge, the TFT is developing a grade that can be used in a wide range of food applications by incorporating a substituent that acts as a plasticizer into the molecular structure to prevent elution. Among our recent activities, we have successfully established the technology at the laboratory level and are working closely with the marketing division to engage in dialogue with customers and refine the design of detailed functions other than leachability according to the application. At the same time, toward mass production, we are co-creating with Kanazawa University to develop a new manufacturing process that dramatically improves productivity so we can compete on cost in general-purpose plastics, a competing material.

For details on CAFBLO®, please refer https://www.daicel.com/cell_ac/en/

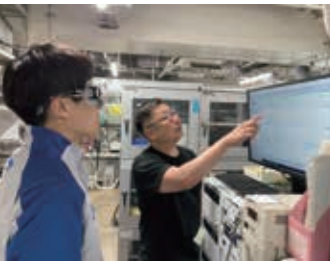
Social Implementation of a New Cellulose Material with Daicel Taking the Lead, yet Collaborating with Multiple Universities

We actively conduct joint research with universities and partner companies according to their fields of expertise to acquire the fundamental technologies needed for social implementation of our research themes. One such initiative is the social implementation of a new cellulose material conducted with Kyoto University and Kanazawa University.

The new material, Molecular Cellulose Assembly, is produced using a novel technology that selectively dissolves lignin and hemicellulose contained in wood to separate cellulose. The separated cellulose molecules form a dense assembly, characterized by light weight, high elasticity, and high strength. Conventionally, separating cellulose from wood, a biomass polymer that is difficult to dissolve, required multiple energy-intensive processes such as pulping using high-temperature, high-pressure treatment. With the new technology, cellulose can be separated under far milder conditions and simpler steps, and by tuning the reaction conditions for the wood, the structure of the separated cellulose can be controlled to achieve desired functions.

This technology was established in collaboration with Kyoto University's Nakamura Laboratory, which specializes in developing catalysts and molecular conversion methods suited for the complex structure of wood, and research has been continuing. Currently, we are engaged in technological studies for scale-up, leveraging our strength in manufacturing and mass production of cellulose acetate, toward social implementation. In May 2025, members of our R&D and engineering divisions began the operation of trial production equipment at the BGIC*, co-creation center, at Kanazawa University, marking the first step toward mass production. Furthermore, we are exploring applications in high-value-added fields through joint research with multiple laboratories at Kanazawa University that specialize in cellulose functionalization technology. With Daicel at the center, by dividing roles and collaborating with multiple universities and laboratories with different specialties, we will broaden solutions to address various challenges up to social implementation and accelerate efforts to launch the first commercial product of the new cellulose material by FY2031/3.

* BGIC: Biomass Green Innovation Center



Conducting a research with Professor Nakamura of Kyoto University



Trial production equipment

Leveraging Intellectual Capital to Create and Strengthen Businesses

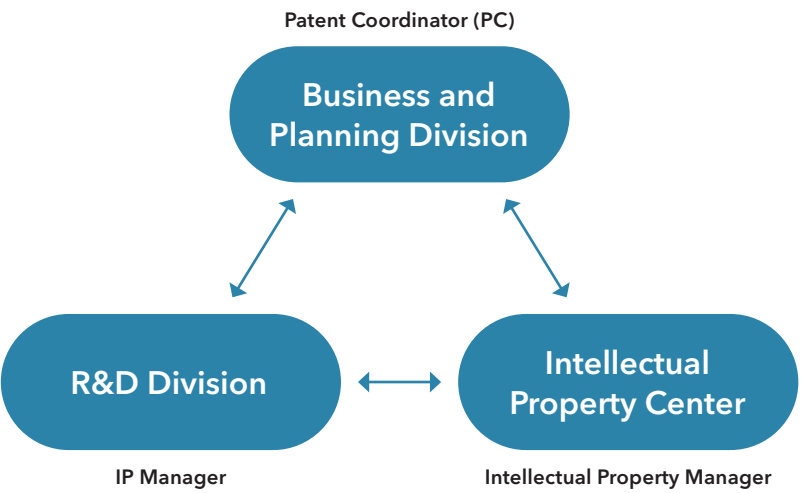
Daicel's Basic Philosophy is "the company making lives better by co-creating value." We actively invest in and leverage intellectual property and intangible assets to continue delivering value aligned with societal needs together with diverse partners that share our aspirations.

Basic Concept and Promotion System - Proactive IP to Strengthen Businesses -

The Daicel Group's Intellectual Property Center operates under the slogan Proactive IP (offensive intellectual property activities). This means not only defensive IP activities such as preserving and securing the Group's IP (including patents, utility models, designs, trademarks, and know-how), while respecting third-party IP, but also offensive IP activities that secure market advantages, acquire core technologies, and promote business creation by proactively leveraging IP with a global, forward-looking perspective.

Accordingly, the Group pursues IP creation and utilization not only through the Intellectual Property Center but mainly via the Intellectual Property Activity Team organized in business portfolio management units and by major research themes, comprising members from (1) the business and planning division, (2) the R&D division, and (3) the Intellectual Property Center. A distinctive feature is that members of (1) the business and planning division, who are users of intellectual property, serve as team leaders. By integrating business, R&D, and intellectual property, we are able to pursue proactive intellectual property activities with a focus on business utilization from the initial stages of rights acquisition.

Intellectual Property Activity Team



Approximately 35 Intellectual Property Activity Teams within Daicel and its Group companies are responsible for invention recognition, application and know-how confidentiality decisions, rights acquisition, maintenance decisions, patent utilization, third-party patent decisions and avoidance, and patent litigation response for their respective themes.

Patent Coordinator (PC)
Business-side manager responsible for formulating and promoting intellectual property strategy

IP Manager
Manager responsible for technological aspects of intellectual property strategy

Intellectual Property Manager
Manager responsible for executing intellectual property strategy

PCs and IP Managers are officially appointed within the Company to continuously carry out proactive intellectual property activities under this system.

Intellectual Property Risk Management

The Daicel Group conducts research and analyses of other companies' intellectual property according to changes in development stages and business environments in order to appropriately manage intellectual property risks. The results of these research are reviewed by the Intellectual Property Center and feed back to the Intellectual Property Activity Team as necessary. In reviewing intellectual property risks, we consider various perspectives, including confirmation of the existence of rights infringements, verification of the validity of rights, proposals for prevention designs, and the possibility of in-licensing, in order to determine appropriate risk countermeasures. This enables us to appropriately manage intellectual property risks and promote stable business operations.

Utilizing Intellectual Property as Information - IP Landscape (IPL) -

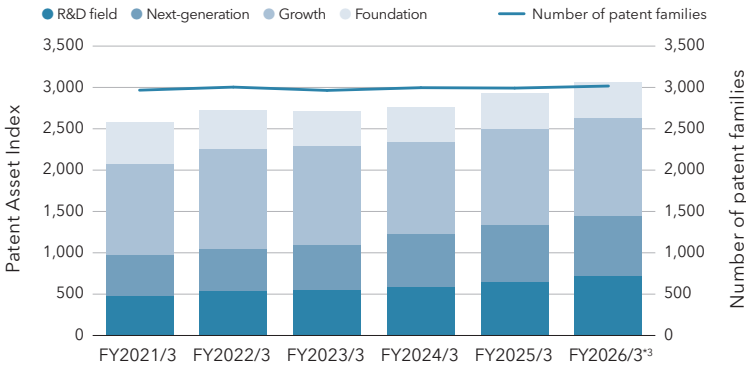
The Daicel Group is also engaged in IPL, which involves the broad utilization of intellectual property information, which is big data, not only in intellectual property activities but also in research and development activities, business operations, among others. IPL utilizes not only intellectual property information, but also all kinds of information, including technology, academic papers, markets, companies, politics, laws, etc. to visualize the current status of Daicel's management, business, and research. Analysis reports prepared by IPL are shared among the Intellectual Property Activity Team and people in charge of business planning and research and development, and are used to explore new applications for existing products and to create, select, and promote new business themes through comparative analysis with other companies.

In addition, the Intellectual Property Center of the Group implements education programs necessary for IPL (including methods for collecting, organizing, and utilizing various information such as intellectual property information) for all employees and promotes the spread of IPL throughout the Group by disseminating information related to IPL through the intranet.

Building a Strategic Patent Portfolio Using IPL

Securing competitive advantage requires not only protecting core in-house technologies but also building a patent portfolio through strategic acquisition of IP rights from a market perspective. Based on the positioning of our and others' IP that have been visualized in IPL, the Group is building a strategic patent portfolio by acquiring the Company's intellectual property, while anticipating the rights that other companies are likely to seek. Here, other companies includes not only competing companies but also customers and partner companies with whom we co-create value. To build a portfolio that is a barrier to entry for competitors, yet a shared asset for customers and partner companies, we include "the degree of attractiveness of our IP as seen by others" as an item in our internal IP portfolio evaluation.

Trends in the Group's Patent Asset Index and Number of Patent Families



The patent asset index (PAI)¹, which represents the total relative value at the patent family level, has been steadily increasing during the current Mid-Term Management Strategy period. On the other hand, the number of patent families² has remained almost flat during the same period. This indicates that the Group is building a strategic, high-value patent portfolio.

The PAI bar colors correspond to the three portfolio quadrants (next-generation, growth, and foundation businesses) and the corporate R&D Headquarters. The significant PAI increase in the next-generation and R&D field, which serve as the source of future growth, indicates that we are conducting IP activities with a focus on future competitive advantage.

¹ Total relative value at the patent-family level (using LexisNexis® PatentSight®)
² A grouping of patent filings when a patent application is filed in multiple countries
³ Data as of April 1 of each fiscal year is presented

Promoting IP Activities Among Management and Employees

Issuing the White Paper on Intellectual Property and Opinion Paper

Each year, the Intellectual Property Center publishes the White Paper on Intellectual Property that aggregates overviews and data on the Group's intellectual property activities and the Opinion Paper that summarizes explanations and analyses of important themes related to the activities, and posts them on the intranet. We prepare these documents with particular attention to communication aimed at the management tier, and, after publishing the White Paper on Intellectual Property and Opinion Paper, we provide direct reports of our annual activities to management, receive feedback, and utilize it to improve operations.

Holding Patent Technology Briefings

Since FY2022/3, we have continuously held Daicel Group Patent Technology Briefings as a cross-divisional forum to share and discuss the background of inventions and their business use based on patents filed by the Daicel Group. Anyone interested can participate regardless of their division, and a total of 1,188 people have actively taken part, using it as an opportunity to mutually understand the research themes and markets of other divisions and to stimulate co-creation and collaboration across organizational boundaries.

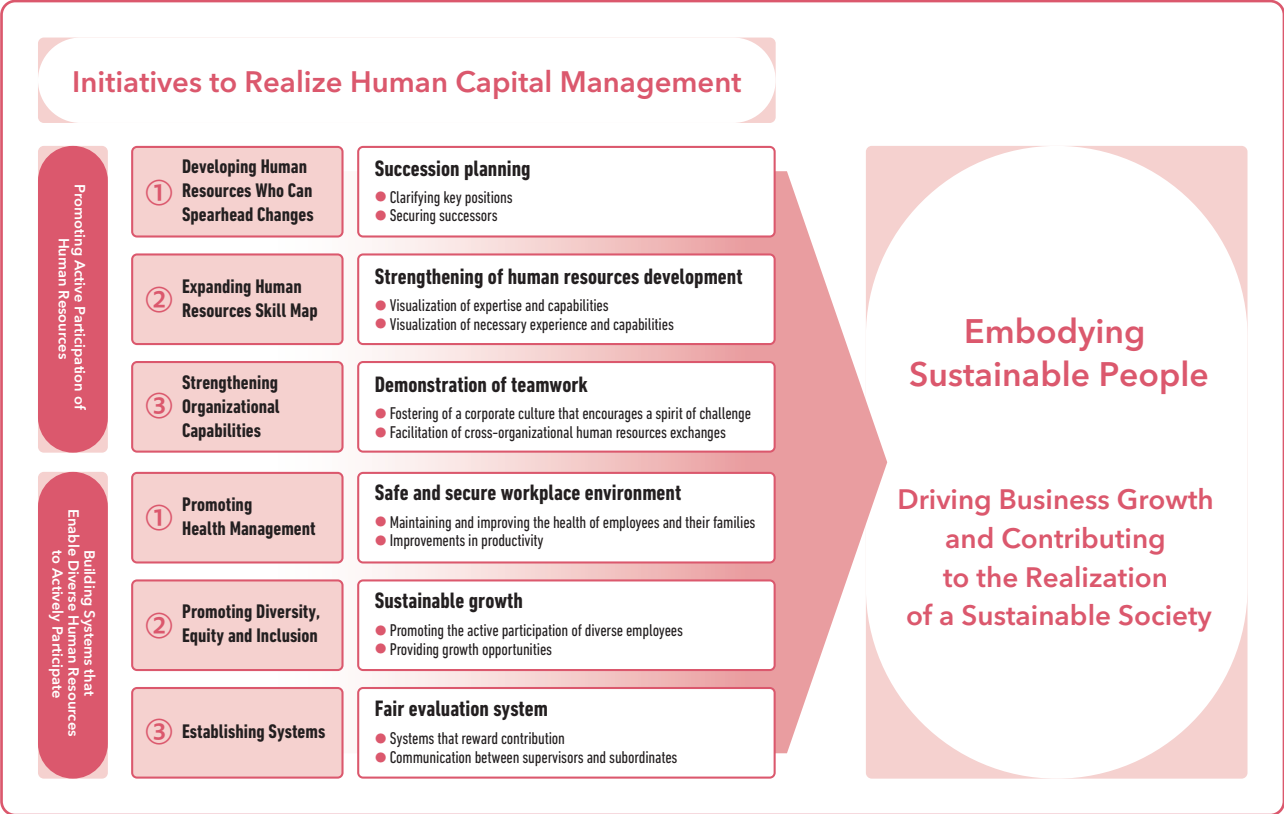
Toward the Realization of Human Capital Management



Scene of the President's award presentation ceremony and roundtable discussions at each plant

With the aim of realizing Sustainable People (well-being of those who work), one pillar of our Sustainable Management Policy, the Daicel Group is building systems in which diverse employees can grow with a sense of presence and accomplishment, thereby contributing to the growth of the company. To help employees draw out their potential and leverage their strengths, we pursue our Long-Term Vision around two pillars: "promoting the active participation of human resources" and "building systems that enable diverse human resources to actively participate."

Daicel's Human Resources Strategy



(3) Strengthening Organizational Capabilities

To convert individual capabilities into organizational strength, we will foster a culture where each employee can engage in dialogue freely across organizational boundaries and pursue new discoveries and challenges. As part of these efforts, since FY2022/3, we have held DAICON, a business competition where employees from all departments with the same aspirations gather to propose new business ideas. This initiative is aimed at discovering new business opportunities and human capital with leadership skills who can push forward the new businesses, and providing employees with opportunities to take on new challenges. Through DAICON, we are discovering new perspectives and ways to utilize technologies that were not visible within departments, and building internal networks that would not have been created through normal business operations, all of which contribute to strengthening of our organizational capabilities. Among other initiatives, we are conducting activities to promote the penetration of the Mid-Term Management Strategy across departments, developing leaders who can engage and lead people across organizational boundaries, and providing opportunities for employees to achieve self-realization.



Scene of the FY2025/3 presentation



Outside Directors and other members of the management team participated

2. Building Systems that Enable Diverse Human Resources to Actively Participate

(1) Promoting Health Management

We operate a Healthcare Committee composed of labor and management members to support the self-directed health management of employees and their families to maintain a workplace where every employee can work in good physical and mental health. To support the maintenance and promotion of health throughout the Group, we have established a dedicated health management organization, the Group Health Support Center, which uses a health management strategy map to visualize the impact of health issues on business operations. In March 2025, Daicel was recognized as a Health Management Excellence Corporation 2025 (White 500) by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, along with Polyplastics Co., Ltd., Daicel Safety Systems Inc., Daicel Ohtake Sangyo Co., Ltd., and Daicel Arai Chemical Ltd. This is the sixth consecutive year that we have been recognized as a White 500 company, and we will continue to promote the health of our employees.



(2) Promoting Diversity, Equity and Inclusion



DE&I lecture by Outside Director Okajima

Within the corporate division overseen by a Director and Senior Managing Executive Officer, we have established a function dedicated to diversity promotion, and are building diversity-related systems and conducting communication and awareness initiatives. Our diversity promotion initiatives are based on promotion of the active participation of female employees in the company, and we have introduced a mentor system for female management candidates and hold regular meetings between female officers and female managers to promote their further career growth. In addition, we actively promote diverse working styles for our employees, and since 2018, we have encouraged male employees to take childcare leave. We have also introduced remote work for all employees as part of our efforts to promote flexible working styles according to their respective life events from an early stage, and are confident that the systems have become well established.

(3) Establishing Systems

We are focusing on systems that fairly evaluate and reward people who contribute to the organization and on promotion of communication based on trust between supervisors and subordinates. Among our past initiatives, in April 2021, we reformed the human resource system for managers

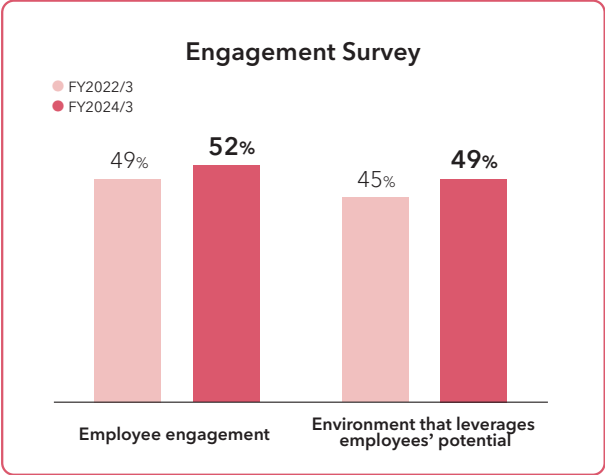
and introduced the Restricted Stock Compensation System to encourage employees to engage in management from a management perspective. This system is designed to link the enhancement of corporate value with employee rewards. In addition, we have implemented a multi-dimensional evaluation system to foster mutual trust and understanding among supervisors, subordinates, and colleagues. Furthermore, we carried out a reform of the human resource system for non-management employees in April 2022. We split what had been a single career track into multiple tracks and clarified the expected roles for each course, and enabled each employee to make more proactive choices about their career within the Company. We have also simplified our evaluation methods and revised the system to place greater emphasis on dialogue with supervisors, which has enabled employees to feel that they are growing and that their achievements are being rewarded.

- Toward Corporate Value Enhancement -

In order to enhance corporate value, it is important for each employee to be able to demonstrate their potential to the fullest, which in turn necessitates the creation of a workplace environment that realizes this. We are working to improve employee engagement and conduct an engagement survey every two years for the entire Daicel Group to understand employees' attitudes toward the company and their work. This survey has a high response rate of over 90% of Daicel Group employees, and we take employees' responses seriously and disclose the results to all employees and labor unions. Furthermore, the Human Resources Division carefully analyzes the survey results and identifies the Company's strengths and areas for improvement. Recognizing that each organization faces different issues, we share results with departments and apply them to improve operations company-wide and locally. This has created a cycle of identifying and addressing potential issues within the organization.

In the FY2024/3 survey, items such as "I understand what outcomes are expected in my job" and "I can consult my direct supervisor when needed" received a high percentage of positive responses, which confirms that there is an environment in place where employees understand their roles and can work with confidence. Conversely, although scores are rising, there remains room for improving items designed to assess an environment that leverages employees' potential, such as "We have organizational structures that generate results" and "Ideas and resources are effectively shared across organizational boundaries."

We report these results to management and pursue improvement initiatives in each department. Based on employee feedback, we visualize potential organizational issues and make steady improvements in order to foster a workplace where employees can contribute more proactively. We will continue initiatives that support each person's growth and work fulfillment, maximize our human capital, and pursue sustainable value creation.



Michiro Gensaka
Deputy General Manager of Corporate Support Headquarters, Director of Human Resources Division

We are promoting human capital management to shape the future of our organization.

The driving force behind the Daicel Group's 100 years of transformation and growth lies in the challenges and growth of each and every Daicel employee. We believe that in the coming era, an organization where each employee can maximize their abilities and motivation and take on challenges will drive corporate competitiveness and sustainable growth.

Higher engagement is also key to employees feeling pride and meaning in their work and deepening their connection to the organization. We will build an environment in which we can achieve both employee growth and organizational evolution through dialogue-oriented management and career support. We aim to build a future that we can love together with employees through human capital management.

BUSINESS STRATEGY

Contents

- 48 Medical / Healthcare
- 50 Smart
- 52 Safety
- 54 Materials
- 56 Engineering Plastics

Medical / Healthcare



Business Overview

The Life Sciences business includes the manufacture and sale of chiral (optical isomer) columns^{*1} (in which we have a large share of the global market) and separation services, which are used to analyze and acquire optical isomers in the development and manufacturing processes of pharmaceuticals. We are also working to expand our business domain into the biotechnology field. In the Healthcare business (Cosmetics and Health Foods), we aim to contribute to improving people's QOL^{*2}, and are developing high-quality cosmetic ingredients, marine-biodegradable spherical cellulose acetate particle (BELLOCEA®), and unique functional food ingredients produced from natural materials using extraction technologies and bioconversion technologies.

^{*1} Chromatographic columns for separation of optical isomers (used for separation of active pharmaceutical ingredients, etc.) ^{*2} QOL: Stands for Quality of Life and refers to not only physical wealth but also mental quality of life

Main Businesses	Main Products
Life Sciences	Chromatographic columns/stationary phases (chiral columns and achiral columns), chiral reagents, separation services/purification services, analytical services, synthesis services, reagents for genetic analysis research, new drug delivery devices
Healthcare	Cosmetic ingredients (Polyglycerols, Polyglycerin derivatives, spherical cellulose acetate particles (BELLOCEA®), etc.), functional food ingredients (FLAVOCELL (S-Equol), URORICH®, ASTROHOP®, Konjac ceramide, Lactobionic acid (Lactose ferment), etc.)

Daicel Group's Strengths

【Life Sciences】 A leading company in optical isomer separation technologies	Separation technology developed over many years since the commercialization of chiral columns in 1982, and a global network of pharmaceutical companies and researchers.
【Life Sciences】 Special Medical Materials business	We promote business synergies through collaboration between medical businesses within the Group, such as Polyplastics' POM and COC (have superior functionality and are used as medical materials) and the Life Sciences SBU's Actranza® Lab (a new needle-free drug delivery device).
【Healthcare】 Unique manufacturing technology	In Cosmetics, it is possible to produce colorless, transparent polyglycerols with few byproducts and high water solubility. In Health Foods, we utilize our proprietary anaerobic fermentation technology* to manufacture with biotechnology intestinal metabolites that some people cannot produce in their body. * Fermentation technology in the absence of oxygen

Our Business Environment

Opportunities	Risks
■ Increased activity in the development of new gene therapeutics and vaccines, triggered by vaccines for the novel coronavirus ■ Growth of the cosmetics market in Asia and recovery in domestic demand of inbound tourism ■ Increasing demand for biomass and biodegradable raw materials in the cosmetics industry ■ Growth of the functional health foods market due to increasing health consciousness	■ Uncertainty over the Chinese economy ■ Impacts on the pharmaceutical industry from cuts to scientific research budgets and changes in healthcare policy in the U.S. ■ Replacement with new ingredients in healthcare products

Performance Targets, Capital Expenditures, Depreciation and Amortization

FY2025/3 Results				FY2026/3 Plans*			
Net sales	Operating income	Capital expenditures	Depreciation and amortization	Net sales	Operating income	Capital expenditures	Depreciation and amortization
14.4 billion yen	0.3 billion yen	0.9 billion yen	1.1 billion yen	15.5 billion yen	0.3 billion yen	1.5 billion yen	1.0 billion yen

* The FY2026/3 plan does not factor in the effects of U.S. tariff measures.

Business Environment and Progress of the Mid-Term Management Strategy

■ Life Sciences

The Group operates its optical isomer separation business centered on chiral columns, which holds the world's top share, worldwide, primarily in Japan, the U.S., France, China, and India. The chiral column business continues to perform strongly, and in India and China where the generic pharmaceutical market is expanding rapidly, growth comes not only from sales of columns used for analysis and separation of optical isomers in the field of small-molecule drugs, but also from separation, purification, and synthesis services tailored to the needs of pharmaceutical companies. These services are expanding their target areas beyond small-molecule drugs to include mid-sized molecule drugs such as peptide drugs and oligonucleotide drugs, which are expected to serve as next-generation drugs, and we are working to further develop this business.

Currently, we are also strengthening regulatory approval and marketing efforts for launching of novel drug delivery devices suited for the administration of DNA and mRNA vaccines in the field of large-molecule drugs. This device utilizes the ONE TIME ENERGY® control technology accumulated in our Safety Business to deliver fluids into specific tissues at high speeds without the use of needles. The precise depth control that is difficult to obtain with conventional injection systems enables us to not only effectively deliver fluids the inside of the skin where there are many immune cells, but also to deliver fluids into cells, which is expected to allow for effective gene expression. As a first step, we are currently seeking regulatory approval of medical device in Japan as a subcutaneous drug delivery devices, targeting a market that has already achieved significant scale, and submitted a regulatory application in February 2025 for subcutaneous delivery device. We will establish a track record in Japan at an early stage and prepare for overseas expansion in Europe and the U.S., which are at the forefront of advanced therapeutics.

Entry into the Regenerative Medicine Field (Exosomes) Using Separation, Purification, and Assembly Technologies



Automatic purification equipment for exosomes

The medical and pharmaceutical market has evolved from small-molecule drugs to mid- to large-molecule drugs, and in recent years, the gene therapy and regenerative medicine markets have been growing rapidly. With a focus on exosomes, which are small vesicles secreted from cells that play an important role in intercellular communication and are expected to be applied to the diagnosis and treatment of various diseases, we are working on the development of an automated purification equipment for exosomes. This combines our strengths in separation and purification technologies with assembly and processing technologies, and we are focusing on the future expansion of exosomes, which are expected to be the next regenerative medicine technology after iPS cells. In FY2026/3, we showcase prototypes at trade shows and aim to launch the product for R&D purposes by the end of the fiscal year.

Business Environment and Progress of the Mid-Term Management Strategy

■ Healthcare

As a next-generation business, this business has focused on the strengthening of its revenue base with existing products and creation of new materials. As a result, we captured strong inbound demand for both cosmetic and health food ingredients, and recent sales have been strong. In particular, sales rose for our flagship Polyglycerols (which is highly regarded for its quality and appearance as a raw material for high-performance surfactants for cosmetics due to its low impurity content, colorlessness, transparency, and high water solubility) and for FLAVOCELL (functional ingredient: equol, a functional food ingredient that supports women's well-being during menopause by exerting estrogen-like effects).

In addition, three new products were launched in FY2025/3. BELLOCEA® BS7, a cosmetic texture enhancer made from biodegradable cellulose acetate, is gaining attention as an alternative material to address the issue of microplastic beads in cosmetics. P-PGLE MO04/MO06 (polyglyceryl oleate) is a surfactant that can impart viscosity without the need for thickening agents, making it suitable for makeup cleansing applications. In health food ingredients, we launched ASTROHOP® (functional ingredient: 8-prenylnaringenin, hereinafter referred to as 8PN), which promotes the uptake of amino acids into muscles, potentially prevents muscle atrophy, and is expected to prevent sarcopenia^{*1}.

Looking ahead, we will focus on increasing sales of FLAVOCELL, which enjoys strong demand, while in cosmetic ingredients, we will enhance our product lineup through the creation of additional sustainable materials, and in health food ingredients, we will develop and promote new products centered on intestinal metabolites to cultivate businesses that will become pillars of our revenue.

Contributing to Better Aging® with ASTROHOP®, Leveraging Intestinal Bacteria Library and Anaerobic Fermentation Technology

Leveraging the Company's extensive intestinal bacteria library and proprietary anaerobic fermentation technology, ASTROHOP®, launched in FY2025/3, is a product in which xanthohumol, a compound found in hops, is fermented with selected strains of intestinal bacteria under oxygen-free conditions. This produces 8PN, a metabolite normally produced in the human gut, in tank culture efficiently. 8PN is a health food ingredient expected to prevent muscle atrophy resulting from aging, promote muscle mass recovery, and enhance the uptake of amino acids into muscles. Even in small amounts, it demonstrates functionality, making it easy to be incorporated into various forms such as supplements, beverages, and foods, while continuous consumption allows it to spread throughout the body, potentially enhancing its functionality further.



Hops, the raw material for 8PN

Japan's aging population is steadily increasing, with the gap between average life expectancy and healthy life expectancy standing at 8.48 years for men and 11.64 years for women^{*2}. In addition, the leading causes for requiring care among those aged 65 and older are sarcopenia and frailty, which are associated with aging, malnutrition, inactivity, and conditions such as fractures or falls, joint diseases, and age-related weakness. To cope with these issues, 8PN is expected to have effects on both aspects of nutrition and exercise by promoting amino acids uptake into muscles and preventing muscle atrophy. It contributes to achieving "Better Aging®," where the gap between average life expectancy and healthy life expectancy is narrowed, and enables people to age in a way that is favorable to each of them.

^{*1} Refers to decrease in muscle mass and muscle strength resulting from aging ^{*2} Excerpted from 2022 data provided in the 2025 edition of the Annual Report on the Ageing Society

Smart



Business Overview

Our Smart Business provides materials and solutions mainly for the electronics market. The Functional Products business handles cycloaliphatic epoxies for which we use a globally unique manufacturing method and caprolactone derivatives. Based on our organic synthesis technology cultivated over many years, these products enjoy wide adoption in EV motor insulators and next-generation displays, and they are also used for semiconductor substrates. The Advanced Technology business manufactures high-performance polymers for photoresists and solvents for electronic materials used in the semiconductor manufacturing process as well as functional films with the anti-glare characteristics and strength required for various displays ranging from smartphones and tablets to in-vehicle displays.

Main Businesses	Main Products
Functional Products	Cycloaliphatic epoxies, caprolactone derivatives, optical lenses
Advanced Technology	Polymers for photoresists, solvents for electronic materials, high-performance films

Daicel Group's Strengths

Provision of market-oriented solutions that meet customer and market needs	Provides the electronics market with a variety of solutions and value from materials to components by leveraging material design such as synthesis and compounding as well as processing technologies including coating, printing, and resin molding.
Achievement of the world's largest market share for cycloaliphatic epoxies through our unique manufacturing methods	Produces high-quality cycloaliphatic epoxies using the world's only distinctive manufacturing method. Cycloaliphatic epoxies are high quality and high performance, with a manufacturing method that does not contain chlorine, which corrodes and cracks metals, and is applicable to electronic materials and mobility materials for EV motor insulators, etc.
Continuation of stable supply and response to increasingly sophisticated demands	Possesses the technical capabilities and stable supply capacity to continuously meet the high level of quality requirements of the semiconductor industry. Based on the relationship of trust built through this track record, we can develop products in close contact with our customers and respond to new, increasingly sophisticated, requirements.

Our Business Environment

Opportunities	Risks
- Semiconductor market expansion due to the full-fledged arrival of the IoT, AI, and 5G era - Expansion of the display market with the spread of new technologies such as high resolution, high durability, bendability and foldability, and curved surface structures - Popularization of EVs - Switch to fluorine- and silicon-free materials due to PFAS regulations	- Uncertainty over the Chinese economy - In the semiconductor materials market, lower prices due to the emergence of overseas products, and restrictions on available markets due to intensifying trade friction between the U.S. and China - Shrinking domestic market due to customers' overseas relocation of development and production sites - The European Chemicals Agency's moves to tighten regulations on epoxy compounds

Performance Targets, Capital Expenditures, Depreciation and Amortization

FY2025/3 Results				FY2026/3 Plans*			
Net sales	Operating income	Capital expenditures	Depreciation and amortization	Net sales	Operating income	Capital expenditures	Depreciation and amortization
37.3 billion yen	-0.8 billion yen	2.3 billion yen	2.8 billion yen	40.5 billion yen	1.4 billion yen	4.0 billion yen	2.5 billion yen

* The FY2026/3 plan does not factor in the effects of U.S. tariff measures.

Business Environment and Progress of the Mid-Term Management Strategy

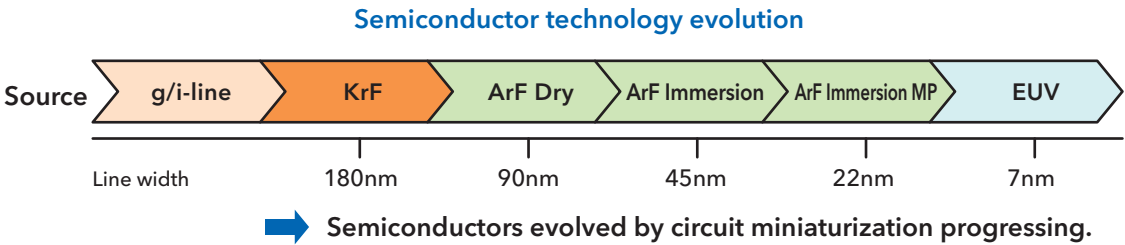
Functional Products

Our cycloaliphatic epoxies are a unique product with distinctive features, and we will leverage these strengths to advance into new markets and differentiate our offerings. The product offers superior heat resistance compared to competing materials and has low viscosity for excellent processability. Furthermore, thanks to Daicel's unique manufacturing process, the product contains few impurities and no chlorine, which can cause malfunctions in electronic devices, making it widely used in electrical materials that require high reliability and durability. Taking advantage of this strength of the Company, we will expand sales in existing markets such as those for electronic materials and LCD panels, while also developing applications for heavy electrical equipment and power modules to expand sales in new markets. We will also work to expand our business by introducing cycloaliphatic epoxies into the semiconductor market together with our Advanced Technology business.

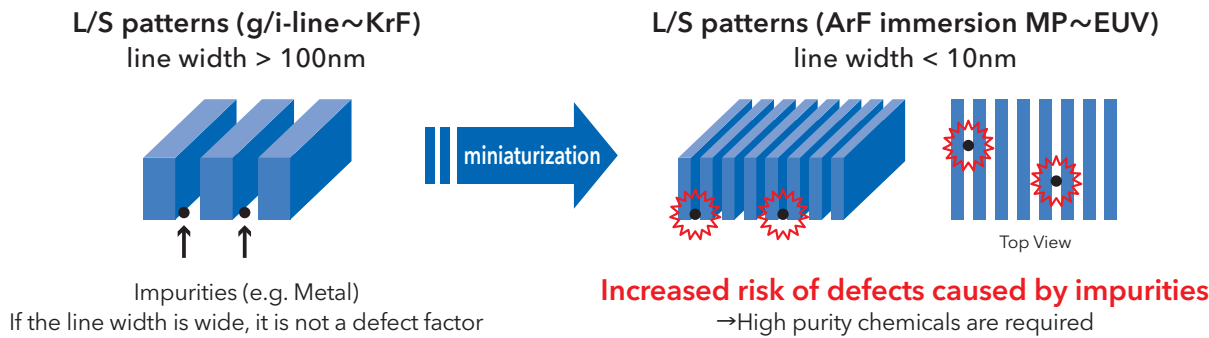
We will work to increase sales of caprolactone derivatives in existing markets for urethane applications and paint protection film for automobiles. In Europe and the U.S., meanwhile, we will aim to increase our market share by developing new applications in addition to existing markets.

Advanced Technology

We intend to capture demand in the semiconductor market, which is projected to grow 10% annually, and strengthen our semiconductor-related business to meet the needs for cutting-edge technologies. Specifically, in the field of solvents for electronic materials, we will capture demand and increase sales in the semiconductor market, which has been on a recovery trend since FY2025/3. We also plan to increase sales of polymers for photoresists to meet growing demand for AI applications. Furthermore, although our polymers for resist are mainly used for immersion ArF, the adoption of EUV exposure is expanding because it offers narrower line widths (nodes) than immersion ArF due to improvements in performance backed by the miniaturization of circuits. To respond to these needs, we are advancing the development of polymers for resist for EUV in collaboration with customers. Taking advantage of the stringent semiconductor-grade quality control and stable supply enabled by our integrated production starting from monomers, we will also focus on introducing new products aligned to the needs of customers.



Highering chemicals associated with miniaturization of semiconductors (illustration)



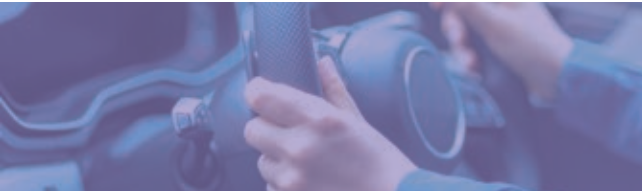
Looking Ahead

Capture growth trends in the semiconductor market, provide competitive products, and expand our business

Currently, we provide solvents for electronic materials and polymers for resist for the front-end semiconductor manufacturing process. Moreover, we will introduce our products into the back-end process of advanced semiconductor manufacturing and aim to have our products adopted throughout the entire semiconductor manufacturing process.

In the front-end process, the Company provides high boiling point solvents used for resist solvents and thinners, which are essential in the photolithography process of semiconductor manufacturing. Our PGMEA (MMPGAC) is among the best in the domestic semiconductor photoresist industry in terms of market share. In order to further expand our business, we believe it is important to quickly enter the back-end process of advanced semiconductor manufacturing, and in the rapidly evolving semiconductor industry, quickly responding to customer needs will lead to strengthening our competitiveness in the future. We will further expand our business by introducing cycloaliphatic epoxies, photoresists, etc. into the back-end process and broadening our product lineup utilizing our technologies.

Safety



Business Overview

The main products of the Safety Business are automobile airbag inflators (gas generation devices), which protect the lives of occupants and pedestrians by inflating airbags within milliseconds after a collision. Our automobile airbag inflators are highly regarded as the key component of airbag systems. The instantly activated driving force/propulsive force developed for inflators is named ONE TIME ENERGY®, and is being used in applications other than airbags. Pyro-Fuse, which can safely and instantaneously interrupt high voltage and large currents in an emergency, is one example, and is expected to be deployed in various industries where automation is advancing due to the spread of electric vehicles (hereinafter “EVs”) and AI.

Main Businesses	Main Products
Mobility	Automobile airbag inflators
Industry	Pyro-Fuse, gas generators for seat belt pretensioners (PGG)

Daicel Group’s Strengths

Inflator technology accumulated over the years	After launching automobile airbag inflators in 1988, we commenced fully integrated production beginning with gas generant and have won people’s trust and contributed to their safety ever since.
Toyota Production System meets DAICEL Production Innovation	For excellent quality and productivity, we applied the Toyota Production System to our production system, which is based on the DAICEL Production Innovation methodology.
Image Analysis System	We use an image analysis system developed together with Hitachi, Ltd. to realize product quality assurance by “all point management,” instead of “representative management.” Through adept quality control, we build strong trust-based relationships with customers.

Our Business Environment

Opportunities	Risks
■ Growth of automobile production in emerging countries ■ Growing need for enhanced automotive safety performance ■ Rise of Chinese EV manufacturers ■ Advancement and popularization of technologies such as EVs and renewable energy aimed at achieving carbon neutrality	■ Impact of the change in the U.S. administration ■ Uncertainty over the Chinese economy ■ Changing function and performance needs as self-driving and other active safety technologies evolve ■ Slowdown in the growth of the EV market

Performance Targets, Capital Expenditures, Depreciation and Amortization

FY2025/3 Results				FY2026/3 Plans*			
Net sales	Operating income	Capital expenditures	Depreciation and amortization	Net sales	Operating income	Capital expenditures	Depreciation and amortization
97.6 billion yen	3.9 billion yen	11.0 billion yen	7.1 billion yen	101.0 billion yen	6.4 billion yen	12.0 billion yen	8.0 billion yen

* The FY2026/3 plan does not factor in the effects of U.S. tariff measures.

Business Environment and Progress of the Mid-Term Management Strategy

We currently operate our business in automobile airbag inflators, which is one of the Group’s flagship products, around the globe, with production sites in Japan, China, Thailand, India, the U.S., and Poland. In particular, we are focusing on the Indian and Chinese markets, which experience increases in the number of automobiles produced and in the number of airbags equipped in an automobile. The number of automobile production units is expected to grow by approximately 6% globally by 2030 (compared to 2024)*, and in the Indian and Chinese markets in particular, the number of side-impact airbags is expected to continue to increase in addition to front-impact airbags due to stricter safety standards for automobiles. Against this backdrop, the Group began mass production of front-impact inflators at a production base in India in October 2023, and mass production of side-impact inflators in September 2024. We are also continuing to expand production lines at our sites in China to strengthen our production capacity and capture the growing demand for airbags.

In addition, during the current Mid-Term Management Strategy period, we have been working to improve profitability and strengthen competitiveness by consolidating production sites and integrating inflator models (cataloging) that were different by vehicle type. On the other hand, at our site in the U.S., although we consolidated production from two sites into one. Since the onset of the coronavirus pandemic, however, labor costs have risen sharply due to accelerated inflation and employee retention rates have declined, and improving productivity and profitability has become a key challenge. To address the challenge, in FY2025/3, we strengthened collaboration between the head office, each site, and customers, and worked to improve work efficiency through appropriate personnel allocation, and automation, and other measures. As a result, profitability improved in the fourth quarter of FY2025/3 due to productivity improvements. We will continue to improve productivity in FY2026/3 and aim for further improvements in business performance. In addition, we will promote local procurement of parts and raw materials imported from overseas at our U.S. site to develop a structure under which we can flexibly respond to additional U.S. tariffs and reinforce competitiveness.

*Growth rate in the number of automobiles produced according to S&P

Looking Ahead

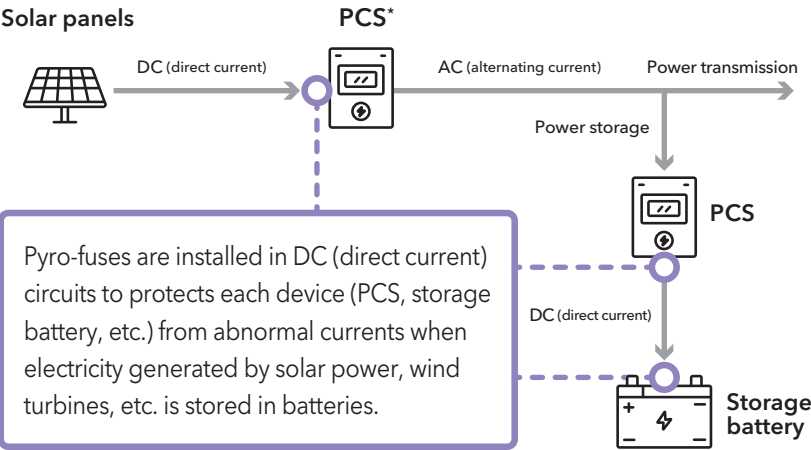
We are developing and manufacturing pyro-fuses that instantly cut off electric current, capitalizing on the technology and high reliability we have cultivated in the field of automobile airbag inflators. Currently, automobile manufacturers are accelerating the development of larger-capacity and higher-voltage batteries to extend the driving range of electric vehicles and enable high-speed charging. Under these circumstances, demand for our products is growing as devices that can instantly and reliably cut off the current to prevent electric shock and secondary accidents to passengers in the event of a traffic accident or malfunction. In Europe, we have received orders for high-voltage pyro-fuses for EVs and plan to begin mass production by FY2026/3. In the future, we will strengthen our marketing efforts and focus on expanding sales while closely monitoring the EV strategies of automakers in various countries.



Pyro-Fuse

In addition to automotive applications, demand for pyro-fuses is growing for renewable energy power generation and manned eVTOLs (electric vertical takeoff and landing aircraft). In terms of renewable energy power generation, in recent years, China has been forging ahead with its action plan for carbon dioxide peaking before 2030 and is accelerating development plans such as solar and wind power generation. Moreover, with the increase in battery voltage and capacity in renewable energy power generation systems, power conditioners, and energy storage systems, the need for pyro-fuses as a measure against fires caused by overcurrent is rapidly increasing. We will conduct market research for industrial applications and focus on development with the aim of creating new businesses through co-creation with customers. We also plan to start production of pyro-fuses for manned eVTOLs by FY2026/3. Manned eVTOLs, which contribute to alleviating severe traffic congestion and reducing environmental impact, are currently attracting significant attention and have high growth potential over the medium to long term. We will work to increase orders in the future, capitalizing on our ONE TIME ENERGY® technology refined in the automotive field.

Expected application areas for renewable energy power generation



* PCS stands for Power Conditioning System, which is a device that converts DC power into AC power.

Cut off current in emergencies to prevent fires, etc.

(1) Circuit malfunction/overcharge



(2) Short circuits



Materials

Business Overview

The Materials Business provides a wide variety of materials to a wide range of industries. We are the only manufacturer in Japan of acetic acid, which has a wide variety of applications, and have built an acetyl chain (Please refer to the next page for details.) centered on acetic acid that consists of chemicals made from acetic acid, cellulose acetate, which is made from wood and cotton fiber-derived cellulose and acetic anhydride, and acetate tow, which is spun from this. We have the highest share of triacetyl cellulose (TAC), which is used for LCD optical films, in the world and a high share of acetate tow in global terms. Besides these products, we manufacture and sell various chemical products based on our organic synthesis technology developed over many years. Our distinct odorless grade of 1,3-butylene glycol (1,3-BG), an ingredient for cosmetics, is highly regarded.

Main Businesses	Main Products
Acetyl	Acetic acid, acetic anhydride, acetate tow
Chemical	Cellulose acetate for LCD optical films (TAC), cellulose acetate, 1,3-butylene glycol (1,3-BG), ethyl acetate and other organic solvents, ketene derivatives, ethylamine

Daicel Group’s Strengths

Optimized plant operation through DAICEL Production Innovation	Achieved energy and resource savings, high quality, and stable supply in the manufacturing process through optimized plant operation that greatly reduced wastage and loss. DAICEL Production Innovation https://www.daicel.com/en/daicel-production-innovation/
Acetic acid recycling system that supports the acetyl chain	As a system that supports the acetyl chain, in addition to manufacturing acetic acid which sits at the core of this chain, established a recycling system whereby we recover, refine, and reuse acetic acid byproducts from customers and our Group plants.
Technical support that leverages our technological capabilities	Offers global technical support in response to customer needs regarding cellulose acetate and acetate tow, leveraging our accumulated property control for cellulose, a natural material, and processing technologies.

Our Business Environment

Opportunities	Risks
- Expectations for biomass materials and marine biodegradable materials - Increase in demand for various products due to economic growth - Increased demand for heated tobacco products	- Uncertainty over the Chinese economy - Fluctuations in raw material and fuel prices - Rise of competing manufacturers, especially in emerging countries

Performance Targets, Capital Expenditures, Depreciation and Amortization

FY2025/3 Results				FY2026/3 Plans*			
Net sales	Operating income	Capital expenditures	Depreciation and amortization	Net sales	Operating income	Capital expenditures	Depreciation and amortization
183.4 billion yen	29.6 billion yen	11.5 billion yen	19.9 billion yen	181.5 billion yen	23.0 billion yen	24.0 billion yen	18.0 billion yen

* The FY2026/3 plan does not factor in the effects of U.S. tariff measures.

Business Environment and Progress of the Mid-Term Management Strategy

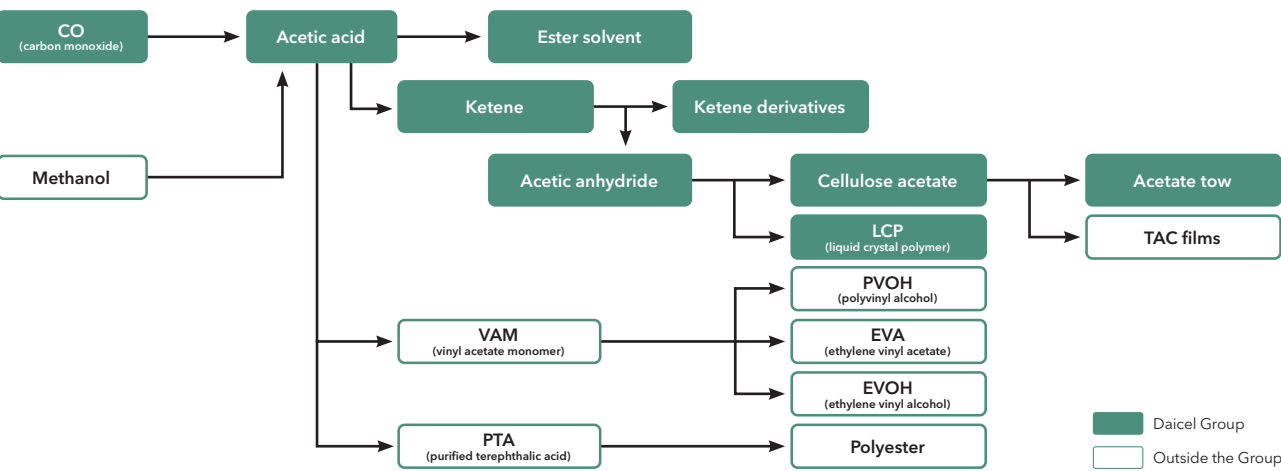
Acetyl

For acetate tow, the main product of the Acetyl business and primarily used in cigarette filters, we have increased production volume through measures such as debottlenecking and secured strong demand with the aim of expanding supply capacity and strengthening the supply chain under the Mid-Term Management Strategy, thereby contributing to revenue growth.

However, issues arose at the new acetic acid raw material plant, a carbon monoxide (CO) plant, which began operations in February 2024, affecting production in FY2025/3. The CO plant switched its raw material from asphalt to coal as part of a plant renewal due to aging, and the change in the coal’s production origin led to the issues. The Company has implemented measures to address these issues and expects to resolve them by FY2026/3. As the next step, we will continue to operate stably and reap proportional cost benefits from switching raw materials to strengthen our competitiveness.

This will further strengthen Daicel’s acetyl chain and continue to support future growth as a foundation business.

Acetyl Chain



Chemical

In cellulose acetate, our main product, we are working to improve profitability through production process changes and develop new applications such as CAFBLO®. Triacetyl cellulose (TAC) for optical films used as a raw material for protective films and retardation films for liquid crystal displays, faces intensifying competition from other materials. However, TAC’s share in the retardation film market remains strong, and we will maintain our share in the TAC market by expanding sales to overseas TAC film manufacturers.

Sales of 1,3-BG, that is used mainly as a cosmetic raw material, is strong both in Japan and overseas. Our odorless grade for unscented basic skincare products is particularly well regarded, and we aim to steadily maintain our market share in FY2026/3 as well. We will continue to expand sales in overseas markets and aim for further growth.

Page 39: Taking on New Market Development for the Biodegradable Plastic CAFBLO® in a Task Force Team

Looking Ahead

Acetate tow Contributing to the improvement of ROIC for the entire Daicel Group

Although demand for acetate tow, which is mainly used in cigarette filters, continues to decline in developed countries, it is growing in emerging and developing countries due to population growth and economic development, resulting in steady growth overall. In addition, factors such as the increasing adoption rate of cigarette filters in emerging markets, the trend toward longer filters, and the growing demand for heated tobacco products have contributed to a well-balanced supply and demand situation for acetate tow.

In this environment, we are strengthening stable business relationships with major customers through multi-year contracts, while increasing sales volume through capacity expansion without additional investment, such as debottlenecking, and operating at full production and full sales capacity. We will also integrate the production at three sites — Toyama Filter Tow Co., Ltd., which was made a wholly owned subsidiary in April 2025 in addition to existing Daicel Aboshi Plant and Ohtake Plant — and establish an optimal production system that can respond quickly to changes in the market environment to further stabilize production and reduce costs.

Cellulose acetate Enhancing quality and productivity and improving profitability through process conversion

By converting the manufacturing process for cellulose acetate, which is the principal raw material for acetate tow and one of our key products, we will reduce environmental impact and costs and improve quality and productivity, while also promoting an asset-light approach, including the reduction of raw-material and product inventory.

Cellulose acetate, which is made from natural pulp, has faced issues such as low reactivity attributable to raw materials and the formation of impurities. By improving the pre-processing and post-processing steps in production, we will resolve these issues and improve quality and productivity, integrate raw material types, reduce inventory, and strengthen the profitability of the entire business.

Engineering Plastics

Business Overview

Polyplastics, our Group company, accounts for a large portion of sales in this business. Polyplastics is a leading manufacturer of engineering plastics with special features such as mechanical strength, heat resistance, and chemical resistance, contributing to making automobiles lighter and more electrified, and to the higher performance of electronic devices. Daicel Miraizu Ltd. (hereinafter “Daicel Miraizu”) offers a diverse range of commercial products to various industries, including water-soluble polymers that are drawing attention for use in lithium-ion batteries for EVs, whose adoption has been accelerating in recent years, as well as AS resins with a wide range of applications from daily necessities to automobiles.

Main Businesses	Main Products
Polyplastics	Polyacetal (POM), polybutylene terephthalate (PBT), polyphenylene sulfide (PPS), liquid crystal polymer (LCP), cyclic olefin copolymer (COC)
Daicel Miraizu	Water-soluble polymers (CMC), barrier films for packaging, AS resin

Daicel Group’s Strengths

Ability to develop new applications and group synergies	As a group of engineering plastics experts, we work with customers to develop applications that meet the needs of key industries (e.g., electrical and automotive industries) and society as they change with the times. In addition, we provide optimal solutions across the group by combining the extensive product lineups of Polyplastics, Daicel Miraizu, and Polyplastics-Evonik*.
Expansion of technical solutions system in major regions	Polyplastics’ Technical Solution Centers in the major regions of Japan, China, Taiwan, Thailand, the U.S. and Germany are linked together. This makes them able to provide uniform solutions worldwide for everything from material formulation and design to support for molding and processing.
Sophisticated manufacturing technologies and quick delivery with uniform quality	Promotes the further sophistication of production by combining manufacturing technologies for engineering plastics that we have accumulated for over 50 years with DAICEL Production Innovation. Polyplastics leverages a network of 32 sites in 11 countries and globally provide these technologies with uniform quality and quick delivery.

* Polyplastics-Evonik Corporation is a joint venture between Polyplastics and Evonik Industries AG of Germany, an equity-method affiliate of the Company

Our Business Environment

Opportunities	Risks
■ Proliferation of electric vehicles and autonomous driving technology ■ Changes in infrastructure, devices, and services due to AI and next-generation communications ■ Higher expectations for biomass materials and growing interest in the circular economy ■ Switch to fluorine- and silicon-free materials due to PFAS regulations	■ Uncertainty over the global economy ■ Soaring raw material prices and procurement concerns due to greenflation ■ Rise of competing manufacturers, especially in emerging countries ■ Various tighter regulations in Europe, including environmental ones ■ Changing supply-demand balance due to rapid economic fluctuations

Performance Targets, Capital Expenditures, Depreciation and Amortization

FY2025/3 Results				FY2026/3 Plans*			
Net sales	Operating income	Capital expenditures	Depreciation and amortization	Net sales	Operating income	Capital expenditures	Depreciation and amortization
248.0 billion yen	27.0 billion yen	43.3 billion yen	9.5 billion yen	256.0 billion yen	22.1 billion yen	29.0 billion yen	12.5 billion yen

* The FY2026/3 plan does not factor in the effects of U.S. tariff measures.

Progress of the Mid-Term Management Strategy and Future Initiatives

As Japan’s first specialized manufacturer of engineering plastics, Polyplastics has supported worldwide manufacturing for more than half a century. During the current Mid-Term Management Strategy period, we have focused on expanding supply capacity and sales, and enhanced our competitiveness in the global market.

■ Polyacetal (POM)

Polyacetal (POM) is widely used as a material for automobiles, home appliances, industrial equipment, among others. Demand remains strong particularly in the Chinese market, and we export from plants in Japan and Malaysia as well to meet the demand. In light of this situation, we are currently increasing production capacity in China. In FY2025/3, we ceased operations at our existing plant (annual production capacity of 60,000 tonnes) in accordance with the environmental policy of the Nantong Economic and Technological Development Area in China, and commenced operations at our new plant (annual production capacity of 90,000 tonnes) in the first phase in November 2024. Furthermore, we plan to expand production in the second phase (annual production capacity of 60,000 tonnes) in FY2027/3. This will make it possible to respond to steadily growing domestic demand in China, improve lead times, reduce transportation costs, and build a production system that can better meet customer needs.

The next stage of our global expansion strategy will focus on strengthening our approach to Chinese automobile manufacturers and developing the medical field. At our sites in China, we have assigned staff to provide technical support and develop resin formulations to respond to the rapid development pace of Chinese automobile manufacturers, and are strengthening our design-in activities by developing a structure enabling close cooperation with customers. As a result, we have seen higher evaluations from customers recently, and the number of cases leading to orders is increasing. We are also focusing on the medical field as a new area, and our efforts have begun to bear fruit, as a major European medical-device manufacturer has adopted our products in theirs. Based on this track record, we will continue to expand sales in the medical field.



A new plant commenced operations at DP Engineering Plastics (Nantong) Co., Ltd. (China) in November 2024

■ Liquid Crystal Polymer (LCP)

Liquid crystal polymers (LCP) are mainly used in electronic components such as PCs, smartphones, and server connectors, boasting the top global market share. Previously, production was conducted at our Fuji Plant in Japan. To ensure we capture future demand growth, we established a new plant (annual production capacity of 5,000 tonnes) in Taiwan, which began operations in February 2025. Driven by market growth in major applications such as electronic devices and AI servers, global sales volume of LCP is expected to increase significantly. Furthermore, we will utilize the excess capacity created at the Fuji Plant to strengthen the development of new polymers in order to capture future growth opportunities. In addition, LCP low dielectric properties and high flow properties have been highly evaluated, and recently, its adoption has increased in GPU (graphics processing unit) sockets and cooling fans for AI servers, leading to a rapid increase in demand. In addition to existing markets, we will actively expand sales of AI servers, which are expected to grow further in the future, and provide solutions with higher added value.



Connectors using LAPEROS® LCP

■ Cyclic Olefin Copolymer (COC)

In Europe, where there is a high level of concern for environmental conservation, governments in various countries are strengthening regulations on plastic waste, and in the recycling of beverage PET bottles, it is necessary to separate the different resins, such as the bottle and label. Polyplastics’ cyclic olefin copolymer (COC) is used as a label material with low specific gravity that maintains printability and shrinkage characteristics as well as adhesion. Labels made from COC float in water, enabling easy separation from the bottle due to the difference in material density, thereby contributing to improved recycling rates. As demand for COC for PET bottle labels has been growing rapidly in recent years, we plan to commence operations at a new plant (annual capacity of 20,000 tonnes) in Germany by FY2027/3. We will strive to achieve stable supply of high-quality products through increased production and further expand sales mainly for environmentally friendly packaging materials such as PET bottle labels, thereby contributing to the improvement of PET bottle recycling rates.



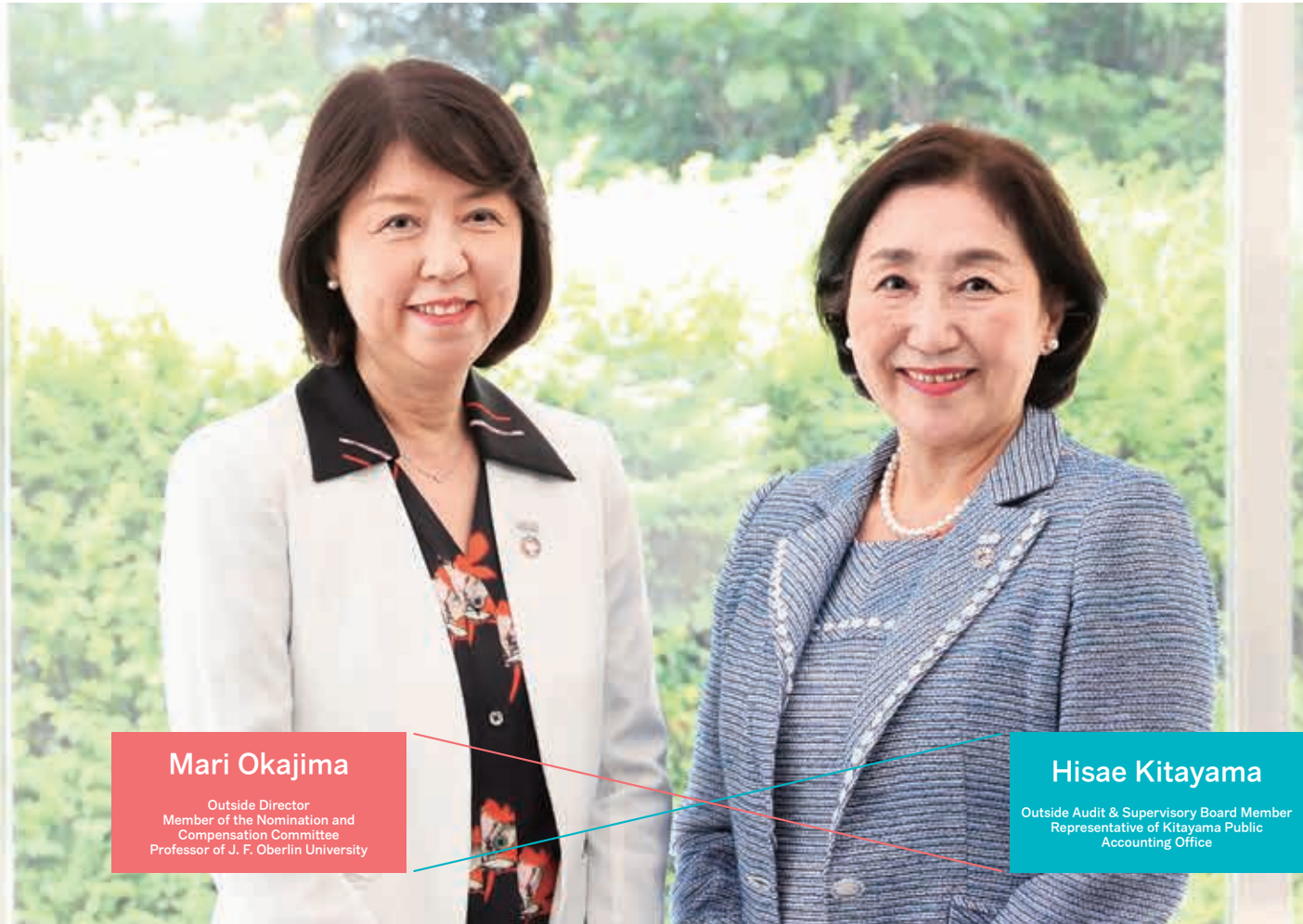
Contributing to the improvement of PET bottle recycling rates

GOVERNANCE

Contents

- 60 Dialogue Between Outside Director and Outside Audit & Supervisory Board Member
- 64 Directors, Audit & Supervisory Board Members, and Executive Officers
- 66 Corporate Governance
- 72 Corporate Compliance / Risk Management
- 74 Financial Information
- 80 Corporate Information / Independent Third-Party Assurance Report

Dialogue Between Outside Director and Outside Audit & Supervisory Board Member



Mari Okajima

Outside Director
Member of the Nomination and
Compensation Committee
Professor of J. F. Oberlin University

Hisae Kitayama

Outside Audit & Supervisory Board Member
Representative of Kitayama Public
Accounting Office

Accelerating diversity and strengthening governance with a sense of urgency and balance between offense and defense

As we enter the final year of the Mid-Term Management Strategy “Accelerate 2025” and are in the process of formulating the next Mid-Term Management Strategy toward FY2031/3, what is required of the Daicel Group to strike a balance between contributing to a sustainable society and achieving corporate growth?
We asked an Outside Director and an Outside Audit & Supervisory Board Member speaking from an objective stance and diverse perspectives, to discuss the Daicel Group’s challenges and pathways to solutions.

Daicel seen from each perspective

Okajima Throughout my career, which includes working for an airline and currently teaching at a university, I have had few opportunities to interact with chemical manufacturers, and I first learned about Daicel through a TV commercial. I thought it seemed like a company taking on the challenge of innovative and interesting things, but I didn’t fully understand its operations. Looking into it, I came to see it as a very aggressive company that, despite being a company with a history of more than 100 years, has developed initiatives like DAICEL Production

Innovation. After becoming an Outside Director and visiting manufacturing sites, I have come to see Daicel as a group comprising honest engineers with an open mind, capable of implementing innovative initiatives such as the virtual company concept and partnerships with various external organizations. I now find Daicel a company that can combine rationality with flexible thinking and a long-term perspective on the future of society.

Kitayama When I worked at an audit firm, I audited several companies in the chemical industry as a CPA, and at that time my image of Daicel

was that of a rigid company. However, the more I learned about the Company through my role as an Outside Audit & Supervisory Board Member, the more surprised I was by many things. While many companies now tout sustainability and ESG, Daicel was early to embrace the ambition of growing itself through building a circular society, and has taken on that challenge boldly. In addition, the Daicel Group’s vision of contributing to a sustainable society while growing together with society resonated with me and I also thought such vision fits the times.

Moreover, as a pioneer in producing chemicals from plant-derived cellulose, Daicel is promoting such concepts as the Biomass Value Chain Concept, which aims to revitalize regional economies by recycling forests as an alternative to petroleum-based raw materials, and is developing groundbreaking technologies like a microfluidic device that minimizes the size of large-scale plants. Seeing all this, I feel that Daicel is an energetic company capable of driving innovation.

Results and challenges of the Mid-Term Management Strategy “Accelerate 2025”

Kitayama The biggest highlight of the past five years was the structural reform through business selection and concentration, which led to the complete acquisition of Polyplastics in FY2021/3. By doing so, we made engineering plastics a core business and expanded the business scale. Furthermore, we are expanding the Autonomous Production System, an evolution of the DAICEL Production Innovation, across the Group, and in R&D, are forming task forces on promising technologies to accelerate commercialization.

On the other hand, we have also decided to withdraw from certain businesses after carefully assessing the business environment. From the perspective of an Audit & Supervisory Board Member, I believe that in order to streamline and accelerate the mechanisms and processes for achieving medium-term targets, it is necessary to strengthen the function of regularly monitoring the progress and risk management of each business with a sense of urgency. FY2026/3 will be an important year for identifying various issues and linking them to the next Mid-Term Management Strategy, so I hope that active discussions will be held within the Company and at the Board of Directors.

Okajima In the first half of the Mid-Term Management Strategy, we shifted to a market-driven approach from a product-driven one amid the COVID-19 pandemic, and carried out organizational reforms based on the shift. As Ms. Kitayama mentioned, we implemented drastic measures, such as turning the Engineering Plastics Business into our core business. I believe that FY2031/3 will be a turning point. Since we have been actively sowing the seeds for future growth, I think it is necessary to accelerate the creation of new businesses and the action to monetize them. Under the strong leadership of President and CEO Sakaki, who is responsible for monetization, I believe the Company will continue to take on various challenges. However, in implementing reforms, it is important to engage with employees carefully and work together as one team to achieve the goals for FY2031/3.

In addition to strategy, I am also concerned about measures to

improve Daicel’s PER (price-to-earnings ratio) and PBR (price-to-book ratio), which are of high interest among officers. Despite generating reasonable profits, the Company is not recognized for its growth potential in the stock market, with its PER remaining only about half the industry average. While I believe that the Company should be evaluated more highly based on shareholder returns and ROE, I also think it is important to carefully and clearly communicate the future potential and growth prospects of the business.

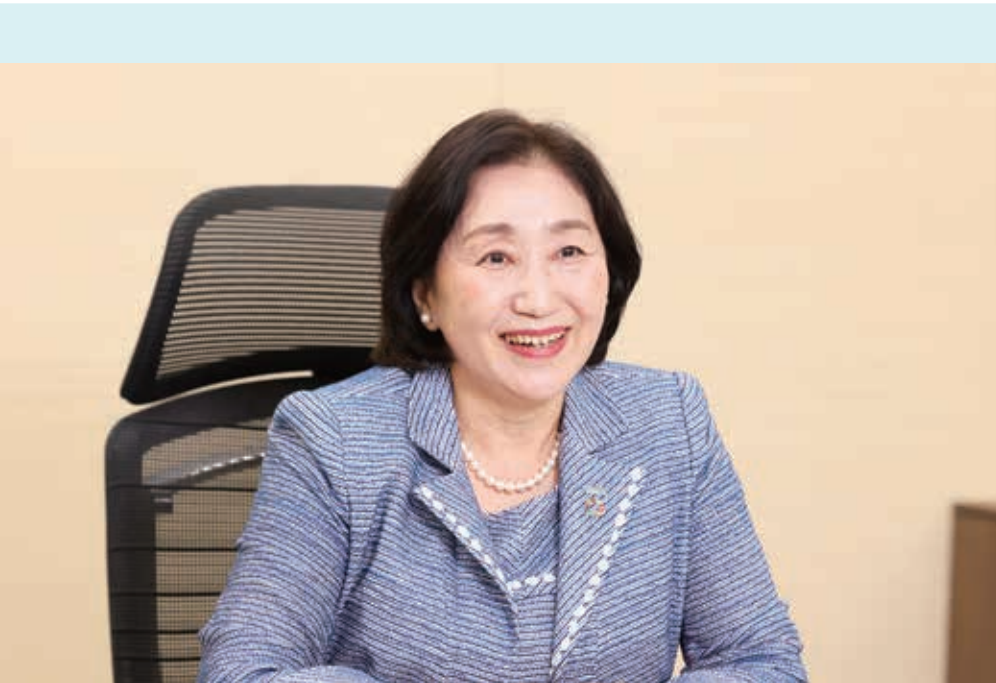
Kitayama The corporate website features numerous initiatives aimed at driving innovation in the industry, such as cross-value chain initiatives to transform supply chains and plans for microfluidic device implementation. However, the focus is primarily on qualitative discussions, and it is unclear whether these initiatives can be realized in the near future or what impact they will have on performance. I’d like to see that such quantitative benefits be included and told as an innovative story toward the future, and believe that the way of communicating it is crucial.

Daicel is a company that started with biomass and the business, shaped over its long history, is closely associated with ESG and sustainability. A value-creation story in which advancing the Company’s growth strategy makes society and people better off is presumably easy to understand.

Okajima As Ms. Kitayama just mentioned, the essence of corporate sustainability efforts is to advance them within its core business, not as a separate initiative. In that sense, it is only natural that the sustainability and corporate growth are integrated, and Daicel’s commitment to making this the core of its business activities is highly commendable. As a chemical manufacturer that has been a pioneer in environmental initiatives even before terms like SDGs were in use, we hope Daicel will become a leader in development of environmentally conscious technologies.

Accelerating the active participation of women with a focus on providing opportunities

Okajima Daicel announced its “Diversity, Equity & Inclusion (DE&I) Declaration” in FY2024/3. I believe that being a company where everyone can work comfortably is the essence of DE&I in the corporate world. I also believe that the most important factor in advancing this is strong commitment from top management. In fact, Daicel has been actively conducting employee training on these topics, and such efforts have started to produce results. For example, the percentage of female managers is gradually increasing, and the rate of male employees taking paternity leave is also rising. However, I find the current pace not sufficient and our challenge is now to accelerate the pace. Actually, given Daicel’s small gender pay gap, it can be inferred that the placement of human resources is relatively unbiased. However, even though there should be equal opportunities, the percentage of female managers has not risen to a sufficient level, and there are probably issues at the promotion and advancement stages. We have conducted unconscious bias surveys to identify unconscious prejudices and assumptions, and there are signs of progress in raising awareness.



However, it is even more important that everyone understands how such initiatives contribute to improving corporate performance and corporate value and continues to implement them. In addition, it takes time to develop leaders, not just female leaders. It is also necessary to give women opportunities to grow by gaining experience in solving problems in responsible positions at an early stage.

Kitayama I agree. Equity is fundamentally about opportunity; given that other companies in the same industry already have female directors and executive officers, Daicel too should intentionally promote women to higher positions. Promotion changes the world they see and expands what they can achieve. From my perspective, there are several women who I think are well-suited for the role, so I would like to see women become division heads, general managers, and even officer candidates at an early stage.

Okajima Positions really shape people. The natural way to proceed may be to wait for them to gain experience and grow as people, but that takes too much time. I believe there is significant value in boldly promoting human resources and taking on challenging initiatives with a greater sense of urgency.

In the meantime, there is also the issue of women's motivation. Recently, there seems to be an increasing number of young people, regardless of gender, who do not want to become managers. However, when considering diversity, there's no need to insist on role models specific to women. What matters is presenting examples of managers that anyone would aspire to become, and there should be no distinction based on gender.

Kitayama As the workplace environment improves and flexible working styles become more widespread, it is true that role models do not need to be women. If people, regardless of gender, accumulate successful experiences as managers, they will want to take on even greater challenges. I hope that more and more people will think this way and that the Company will become more vibrant.

Strengthening well-balanced governance between offense and defense

Okajima I feel that the Board of Directors provides solid input and engages in transparent discussions. However, I think it can be difficult for only internal personnel to put the brakes on ongoing investment projects or proposals. When projects are proceeded only internally, people who have objections may get swallowed up by stronger players. At the Board of Directors, there have been comments that this is precisely why it's necessary to seek objective opinions at an early stage from outside the Company. Furthermore, the causes and background of issues such as problems or delays in plans are frequently discussed. When an abnormality occurs and the same thing happens repeatedly in projects that were previously progressing smoothly, it is important to consider the possibility that there may be changes in corporate culture or work environment and that such changes may have caused the abnormality. Such matters are hard to notice from inside alone. This is where governance must function and what matters is how quickly we can recognize the signs and address them before they escalate. In addition, when problems arise, the frontline is usually doing its utmost. So it is important to analyze challenges from multiple perspectives, including whether there was undue burden on the frontline. These considerations should also be incorporated into the approach to governance.

Kitayama At Daicel, even if internal discussions on investment projects or new businesses have proceeded according to a set plan, there are cases where the Board of Directors actively discusses them and decides to review them again. In that sense, I think I can recognize Daicel as a company that is able to stop and think. However, when it comes to new businesses, although we receive explanations about production technology and cost reduction when starting, I sometimes question whether the project team and the SBU (strategic business unit) are working together on the project by incorporating investment recovery plans with due consideration given to future changes in the market

environment. Therefore, in addition to regular monitoring, if things are not going well, the Board of Directors should promptly consider countermeasures and make decisions based on strict withdrawal criteria before losses expand. Putting such a framework in place constitutes defensive governance. However, defense alone won't bring growth, so the Board of Directors must assess the extent to which risks are hedged for innovative technological developments and investment projects before pushing them forward. I believe that strengthening a well-balanced governance between offense and defense is essential.

Linkage between compensation for Directors and ROIC

Okajima Regarding compensation for Directors, Daicel has traditionally used net sales and operating income as performance-linked indicators, but starting in FY2026/3, we have replaced operating income with EBITDA, an internationally recognized evaluation indicator, and added ROIC. With similar momentum seen in the stock market and Outside Directors also calling for the consideration of appropriate indicators, the Nomination and Compensation Committee made the decision. ROIC is believed to directly reflect corporate value and the soundness of management, and is also an indicator that Daicel emphasizes. Therefore, I think linking it to compensation for Directors is appropriate for us to achieve our Mid-Term Management Strategy. However, while EBITDA indicates profitability from a short- to medium-term perspective, ROIC focuses on capital efficiency over the medium to long term. Therefore, there are aspects that are difficult to improve in the short term, and the calculation method is somewhat complex. It is important to first deepen understanding within the Company and to explain it clearly and carefully to stakeholders.

Kitayama ROIC should ideally be compared with WACC (weighted average cost of capital) for each business to assess the spread (range, difference) between the two, and as the next step, we need to deepen the management of ROIC by business segment from the company-wide

ROIC, and shift toward portfolio review and performance evaluation. Eventually, I'd like to see a system that also links to individual target-setting and incorporates indicators from an ESG perspective, such as environmental assessments and employee satisfaction surveys.

Working together from our respective positions to support sound management

Okajima As an Outside Officer, I believe it is important to take an overview of management while also looking at things from a field perspective, that is, with a magnifying glass, and I think I can make use of my corporate working experience in this regard. In terms of diversity initiatives, I will actively promote the advancement of women, who are considered the largest minority group. Daicel, which promotes people-centered management, is a company that exists because of its people and its operations, and no matter how much DX and AI advance, that remains our starting point and foundation. I would like to continue exchanges and dialogue with employees to help create an environment where everyone can maximize their abilities.

Kitayama As a certified public accountant, I will focus on whether management is conscious of capital costs, capital profitability (ROIC, etc.), and stock prices in order to achieve sustainable growth and enhance corporate value. I will also monitor whether the business portfolio and the allocation of management resources are appropriate. In terms of M&A, for example, I will oversee not only accounting treatment but also how the business will be shaped by the deal, the business plan, goodwill assessment, and the post-acquisition management structure. Fortunately, I am invited by Standing Audit & Supervisory Board Members to participate in interviews in the field, so I will actively visit the workplace, communicate with employees, and share the information I gathered with Outside Directors. Through meetings of the Board of Directors and meetings among Outside Officers I will continue to work closely with the Board of Directors and Audit & Supervisory Board Members to provide oversight and advice aimed at ensuring sound management.



Directors, Audit & Supervisory Board Members, and Executive Officers

(As of the end of June 2025)

Directors



Yoshimi Ogawa

Chairperson of the Board, Member of the Nomination and Compensation Committee, Responsible for Institute of Human-oriented Management, Executive Consultant of Polyplastics Co., Ltd.

April 1983 Joined the Company
April 2002 Head of Business Process Innovation
June 2006 Executive Officer, Vice President of Aerospace & Defense Systems/Safety Systems Company
June 2009 Head of Production Technology
June 2011 Director
June 2013 Managing Executive Officer
June 2017 Senior Managing Executive Officer
June 2019 Representative Director, President and CEO
April 2025 Chairperson of the Board (incumbent)



Toshio Shiwaku

Director, Senior Managing Executive Officer, General Manager of Assessment Headquarters, General Manager of R&D Headquarters, and Responsible for Intellectual Property Center

April 1987 Joined Polyplastics Co., Ltd.
April 2007 Chief of Research and Development Center of Polyplastics Co., Ltd.
March 2011 Executive Officer, Chief of Business Strategies Department, Corporate Strategy Division, Chief of POM Business Strategies Department and Chief of New Business Development Department of Polyplastics Co., Ltd.
June 2015 Managing Executive Officer, General Manager of Corporate Strategy Division and General Manager of Corporate Planning Department of Polyplastics Co., Ltd.
June 2016 Representative Director of Polyplastics Co., Ltd.
June 2017 Representative Director and President of Polyplastics Co., Ltd.
April 2021 Senior Managing Executive Officer of the Company (incumbent)
General Manager of Performance Materials Headquarters
June 2024 Director (incumbent)



Teisuke Kitayama*

Outside Director, Member of the Nomination and Compensation Committee

June 2005 Director President (Representative Director) of Sumitomo Mitsui Financial Group, Inc., Chairperson of the Board (Representative Director) of Sumitomo Mitsui Banking Corporation
April 2017 Director of Sumitomo Mitsui Banking Corporation
June 2017 Advisor of Sumitomo Mitsui Banking Corporation
June 2018 Director of Daicel Corporation (incumbent)
October 2018 Honorary Advisor to Sumitomo Mitsui Banking Corporation (incumbent)



Mari Okajima*

Outside Director, Member of the Nomination and Compensation Committee

April 2012 Vice President of Cabin Safety Promotion Department of Japan Airlines Co., Ltd.
April 2013 Vice President of Cabin Attendants Department, Haneda of Japan Airlines Co., Ltd.
November 2014 Deputy General Manager of Cabin Division and Vice President of The 1st Cabin Attendants Department, Haneda of Japan Airlines Co., Ltd.
June 2015 Deputy General Manager of Cabin Attendants Division and Vice President of Cabin Attendants General Affairs of Japan Airlines Co., Ltd.
September 2021 Professor at J. F. Oberlin University (incumbent)
June 2023 Director of Daicel Corporation (incumbent)



Yasuhiro Sakaki

Representative Director, President and CEO, Member of the Nomination and Compensation Committee, Responsible for Corporate Planning & Strategy Office, and Responsible for Healthcare SBU

April 1984 Joined the Company
June 2012 Head of Organic Chemical Products Company
June 2014 Executive Officer
June 2016 President of Aerospace & Defense Systems/ Safety Systems Company
June 2017 Managing Executive Officer
June 2019 Senior Managing Executive Officer
June 2020 Director
April 2025 Representative Director, President and CEO (incumbent)



Naotaka Kawaguchi

Director, Senior Managing Executive Officer, General Manager of Production Management Headquarters, Responsible for Engineering Center, Responsible for Safety and Quality Assurance Headquarters, and Responsible for Safety SBU

April 1986 Joined the Company
April 2002 General Manager of Manufacturing Technology Department, Ohtake Production Company
June 2006 Head of Production Innovation Center, Production Technology
June 2009 Representative Director and President of Daicel Safety Systems Inc.
April 2011 Vice President of Aerospace & Defense Systems/Safety Systems Company
June 2014 General Manager of Harima Plant, Aerospace & Defense Systems/ Safety Systems Company
June 2015 Executive Officer
June 2019 President of Aerospace & Defense Systems/Safety Systems Company
April 2020 Head of Safety SBU
June 2020 Managing Executive Officer
April 2023 Senior Managing Executive Officer (incumbent)
June 2024 Director (incumbent)



Toshio Asano*

Outside Director, Chairperson of the Nomination and Compensation Committee

April 2010 President & Representative Director, Presidential Executive Officer of Asahi Kasei Pharma Corporation
April 2014 Presidential Executive Officer of Asahi Kasei Corporation
June 2014 President & Representative Director and Presidential Executive Officer of Asahi Kasei Corporation
April 2016 Director and Standing Advisor of Asahi Kasei Corporation
June 2016 Standing Advisor of Asahi Kasei Corporation
June 2019 Director of Daicel Corporation (incumbent)
June 2022 Advisor of Asahi Kasei Corporation
June 2024 Special Advisor to Asahi Kasei Corporation (incumbent)



Keita Nishiyama*

Outside Director, Member of the Nomination and Compensation Committee

April 1985 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
June 2011 Director-General of the Task Force for Management and Financial Investigation of TEPCO, Cabinet Secretariat
June 2012 Senior Executive Managing Officer, Innovation Corporation of Japan (currently Innovation Network Corporation of Japan)
July 2012 Deputy Director-General (Economic and Social Policy), Minister's Secretariat, Ministry of Economy, Trade and Industry
June 2013 Deputy Director-General (Economic and Industrial Policy Bureau), Minister's Secretariat, Ministry of Economy, Trade and Industry
July 2014 Deputy General Manager of Liaison and Coordination Office, Nuclear Damage Liability Support Organization, Executive Officer of Tokyo Electric Power Company (Assistant to Chairman and in charge of Corporate Planning Division (joint))
June 2015 Director and Executive Officer of Tokyo Electric Power Company (Assistant to Chairman and in charge of Corporate Planning Division (joint))
July 2018 Director-General of Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry
July 2020 Retired from the Ministry of Economy, Trade and Industry
November 2020 Representative Director at Nishiyama Research Institute, Inc. (incumbent)
June 2023 Director of Daicel Corporation (incumbent)



Kotaro Sugimoto

Representative Director, Senior Managing Executive Officer, Member of the Nomination and Compensation Committee, General Manager of Corporate Support Headquarters, Responsible for Corporate Compliance Program Division, Responsible for Corporate Sustainability, Responsible for Digital Strategy Center and Responsible for Material SBU

April 1984 Joined the Company
June 2011 Head of Raw Material Purchasing Center
June 2014 Executive Officer, Representative Director and President of Daicel Logistics Service Co., Ltd.
June 2017 Managing Executive Officer
June 2019 Representative Director (incumbent)
June 2020 Senior Managing Executive Officer (incumbent)



Yuriya Komatsu*

Outside Director, Member of the Nomination and Compensation Committee

April 1988 Assistant Portfolio Manager of Credit Suisse Trust and Banking Co., Ltd.
April 1990 Senior Analyst of SPARX Asset Management Co., Ltd. (currently SPARX Group Co., Ltd.)
May 1996 Senior Research Analyst of The Dreyfus Corporation
December 1999 Vice President of Fiduciary Trust Company International
September 2000 Partner of INTELLASSET, INC.
November 2004 Partner of Worldeye Capital Inc.
June 2006 Vice President of Olympus Capital Holdings Asia
July 2010 Managing Director of Daiwa Quantum Capital Limited
October 2014 Member of the Board of KADOKAWA DWANGO Corporation (currently KADOKAWA Corporation), Member of the Board of DWANGO Co., Ltd.
June 2022 Director of Daicel Corporation (incumbent)
January 2023 Director of IA Partners Inc.



Seiji Kito*

Outside Director, Member of the Nomination and Compensation Committee

March 2022 Representative Director and Executive Vice President of Nippon Life Insurance Company
March 2023 Director of Nippon Life Insurance Company
June 2023 Chief Director of Tokyo Opera City Cultural Foundation (incumbent)
Chief Director of Nissay Culture Foundation (incumbent)
June 2025 Director of Daicel Corporation (incumbent)

Standing Audit & Supervisory Board Members

Mikio Yagi

Outside Audit & Supervisory Board Members

Junichi Mizuo*

Representative Director and Chairperson of the Japan Compliance & Governance Institute, Honorary Professor of Surugadai University

Hideo Makuta*

Attorney at Law, Ginza Chuo Law Office

Hisae Kitayama*

Certified Public Accountant, Representative of Kitayama Public Accounting Office

Senior Managing Executive Officers

Takashi Miyamoto

President and CEO of Polyplastics Co., Ltd.
General Manager, Performance Materials Headquarters

Managing Executive Officers

Yoichi Nemoto

Deputy General Manager, Corporate Support Headquarters
Division Manager, Group Governance and Financial Coordination
Responsible for SCM Headquarters

Hiroshi Iwase

Head of Smart SBU
President, Daicel Beyond Ltd.

Seiji Sakano

Head of Life Sciences SBU

Kazuya Kurosawa

Head of Material SBU
President of Toyama Filter Tow Co., Ltd.

Executive Officers

Hitoshi Hayashi

Deputy General Manager of Assessment Headquarters
Division Manager of Assessment Promotion, Assessment Headquarters

Masahiko Hirokawa

Deputy General Manager of Corporate Support Headquarters
Division Manager of Investor Relations & Corporate Communications, Corporate Support Headquarters
Head of Corporate Sustainability

Yosuke Omae

Plant General Manager, Harima Plant
Division Manager of Global Technical Control, Safety SBU

Seiji Yamakado

Representative Director and President of Daicel Miraizu Ltd.
Chairperson of Shanghai Daicel Polymers, Ltd.

Ryohei Yamada

Deputy Head of Life Sciences SBU
Division Manager of Medical Device Division, Life Sciences SBU

Nobuhiko Ikeda

Plant General Manager of Arai Plant
Representative Director and President of Daicel Arai Chemical Ltd.

Eiichi Ryobo

Head of Safety SBU
Chairperson, Daicel Safety Systems (Jiangsu) Co., Ltd.
Chairperson, Daicel Safety Technologies (Jiangsu) Co., Ltd.
Chairperson, Daicel Safety Systems Americas, Inc.

Takaharu Takikawa

Head of Engineering Center

* Independent Director or Independent Audit & Supervisory Board Member

Corporate Governance

Based on our Basic Philosophy of being a “company making lives better by co-creating value,” we see the reinforcement of corporate governance as a key management priority for improving corporate value and thereby contributing to the interests of our various stakeholders. Along with maintaining an efficient and dynamic organizational structure that enables us to quickly respond to changes in our business environment, we strive to preserve and reinforce the already highly effective corporate governance structure through which we consistently improve our corporate value by ensuring managerial transparency and legal compliance.

Changes in Corporate Governance Enhancement

	FY2001/3	FY2011/3	FY2021/3
Separation of supervisory from business execution functions	●2000/3 Introduced the Executive Officer System ●2001/3 Appointed Outside Directors		●2018/3 Increased the ratio of Outside Directors to 50% ●2023/3 Increased the ratio of Outside Directors to 60%
Clarification of management responsibility and building a system that responds quickly to changes in the environment		●2004/3 Shortened the term of office for Directors from two years to one	
Establishment of various committees	●2001/3 Established the Nomination and Compensation Committee	●2007/3 Established the Information Disclosure Committee / the Risk Management Committee ●2011/3 Established the Internal Control Council	
Effectiveness evaluation of the Board of Directors		●2017/3 Started to evaluate the effectiveness of the Board of Directors ●2021/3 Improved the method for evaluating the effectiveness of the Board of Directors ●2023/3 Changed the method for evaluating the effectiveness of the Board of Directors (Evaluation by an external expert)	
Development of internal control systems		●2007/3 Established the Basic Policy for structuring Internal Control Systems	

Corporate Governance Framework

The Company has established a corporate framework under which its Board of Directors makes management decisions in an efficient manner and fulfills its supervisory functions, and its Audit & Supervisory Board accomplishes its auditing and supervisory functions. Such a framework has enabled us to keep reinforcing our corporate governance. Specifically, by welcoming Outside Directors and allowing them to provide opinions and advice based on their expertise, Daicel is working to ensure that the decisions made by its Board of Directors are appropriate and the execution of Director duties is effectively supervised. Moreover, we have adopted an Executive Officer System that has enabled us to clearly separate our decision-making, supervisory, and business execution functions. Such a clear division of roles has allowed us to bolster our business management structure and, consequently, corporate activities.

 **Corporate Governance**
<https://www.daicel.com/en/sustainability/governance/>

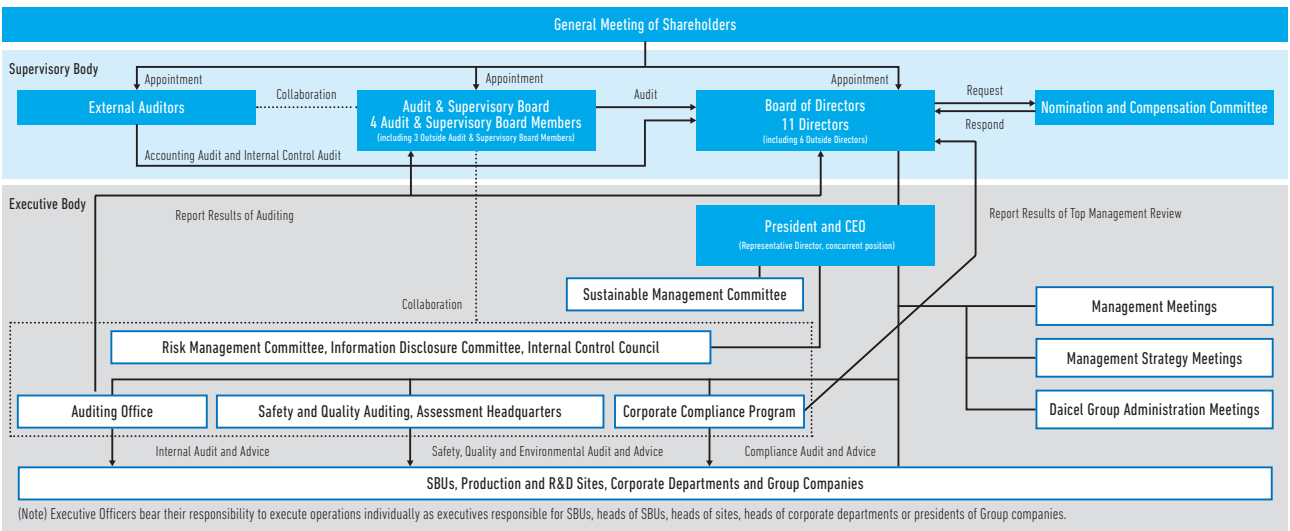
 **Corporate Governance Report (As of June 26, 2025)**
https://www.daicel.com/en/sustainability/pdf/governance/cg_report_20250626.pdf

 **Standards for Independence of Outside Directors / Outside Audit & Supervisory Board Members**
https://www.daicel.com/en/sustainability/pdf/governance/Standards_for_Independence.pdf

Outline of Corporate Governance Framework (As of the end of June 2025)

Item	Content
Type of organizational structure	Company with Audit & Supervisory Board
Chairperson of the Board of Directors	Chairperson of the Board
Number of Directors	11 (including 2 female Directors)
Number of Outside Directors	6 (all 6 are independent Directors)
Number of Audit & Supervisory Board Members	4 (including 1 female Director)
Number of Outside Audit & Supervisory Board Members	3 (all 3 are independent Audit & Supervisory Board Members)
Number of Executive Officers	17 (including 4 officers concurrently serving as Directors)
Number of Board of Director meetings held in FY2025/3 (Average attendance rate of Outside Directors/Outside Audit & Supervisory Board Members)	16 (100%/100%)
Number of Audit & Supervisory Board meetings held in FY2025/3 (Average attendance rate of Outside Audit & Supervisory Board Members)	15 (100%)
Term of office for Directors	1 year
Term of office for Audit & Supervisory Board Members	4 years
Average term in office for Directors	4.3 years
Average term in office for Audit & Supervisory Board Members	3.6 years
External Auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework (As of the end of June 2025)



[Board of Directors]

The Company recognizes the role of the Board of Directors as being to establish a direction the Company should aim for, formulate specific strategies toward that end, and supervising efforts to achieve those goals from an objective standpoint. Consisting of five Inside Directors and six Outside Directors, the Board of Directors makes decisions about important matters regarding corporate management and supervises the execution of business and business operations.

Number of Resolutions, Discussions, and Reports by the Board of Directors (FY2025/3)

Resolution and Report Classification	Number of Topics under Discussion
Management strategy, sustainability, governance, IR, individual matters	58
Accounting and finance	45
HR and remuneration	37
Risk management, corporate compliance and corporate ethics	8
Audit & Supervisory Board Members, External Auditors and internal audits	5
Total	153

[Audit & Supervisory Board]

The Audit & Supervisory Board comprises four members, and three members are Outside Audit & Supervisory Board Members. The Audit & Supervisory Board holds meetings to share information, deliberate on, and make decisions about important issues related to the Company’s audits. Outside Audit & Supervisory Board Members possess extensive experience in accounting, legal affairs, and other disciplines, as well as broad insight into fields such as CSR, corporate governance, and business ethics, and fulfill auditing functions from a third-party, independent standpoint.

Major Activities of Audit & Supervisory Board Members

Dialogue with Executive Officers such as the President and CEO	The Audit & Supervisory Board Members are provided opportunities for dialogue with the President and CEO, senior managing executive officers, managing executive officers, etc. to ascertain the management situation and concerns, and when necessary, issues are raised and suggestions are made.
Attending important meetings	Besides the Board of Directors meeting, the Standing Audit & Supervisory Board Members attend other important meetings such as management meetings, planning meetings, management strategy meetings, Internal Control Council meetings, grasp a wide range of information and state their opinions as and when necessary.
Audit and site visit	The Standing Audit & Supervisory Board Members take a lead in conducting site visits at offices, Group companies and other units in Japan and overseas. During the visits, they receive explanations of the status of business execution, ask questions, and state opinions based on their expert knowledge. In FY2025/3, we conducted audits of 20 internal departments, on-site audits at 7 business sites, and on-site audits at 27 Group companies.
Collaboration with internal audit departments and External Auditors	The Audit & Supervisory Board Members hold regular meetings with the Auditing Office, Corporate Compliance Program Division, and Safety and Quality Auditing, Assessment Headquarters, which are internal audit departments, and receive reports on the implementation status of plans and activities. They hold meetings with the External Auditors about ten times a year and receive timely reports on the status of execution of duties and the results of audits, and they also exchange necessary information and opinions through discussions on major audit matters.

[Nomination and Compensation Committee]

The Nomination and Compensation Committee reports in response to requests from the Chairperson of the Board of Directors or the Audit & Supervisory Board, with a focus on maintaining transparency, appropriateness, and objectivity with regard to decision-making processes for personnel affairs and compensation relating to personnel that include Directors, Audit & Supervisory Board Members and Executive Officers. The committee is chaired by an Outside Director and consists of six Outside Directors, the Chairperson of the Board and two Representative Directors.

Composition of the Board of Directors and Audit & Supervisory Board (As of the end of June 2025)

 male  female

Position	Name	Responsibilities, Key Background, etc.	Sex	Term of Office	Independent Director or Independent Audit & Supervisory Board Member	Business Execution		Board of Directors (Attendance Rate)	Audit & Supervisory Board (Attendance Rate)	Nomination and Compensation Committee (Attendance Rate)	Primary Areas of Knowledge and Experience (Skill Matrix)*									
											Corporate Management	Global Management	Marketing and Business Planning	Technology and R&D	Finance and Accounting	Legal Affairs, Intellectual Property and Risk Management	DX	Sustainability		
Directors	Inside	Yoshimi Ogawa	Chairperson of the Board, Chairperson of the Board of Directors, Member of the Nomination and Compensation Committee, Responsible for Institute of Human-oriented Management, Executive Consultant of Polyplastics Co., Ltd.		14 years				 (100%)		 (100%)									
		Yasuhiro Sakaki	President and CEO, President, Member of the Nomination and Compensation Committee, Responsible for Corporate Planning & Strategy Office and Healthcare SBU		5 years				 (100%)		 (—)									
		Kotaro Sugimoto	Representative Director, Senior Managing Executive Officer, Member of the Nomination and Compensation Committee, General Manager of Corporate Support Headquarters, Responsible for Corporate Compliance Program Division, Corporate Sustainability, Digital Strategy Center, and Material SBU		6 years				 (100%)		 (100%)									
		Toshio Shiwaku	Director, Senior Managing Executive Officer, General Manager of Assessment Headquarters, General Manager of R&D Headquarters, and Responsible for Intellectual Property Center		1 year				 (100%)											
		Naotaka Kawaguchi	Director, Senior Managing Executive Officer, General Manager of Production Management Headquarters, Responsible for Engineering Center, Safety and Quality Assurance Headquarters, and Safety SBU		1 year				 (100%)											
	Outside	Teisuke Kitayama	Outside Director Member of the Nomination and Compensation Committee Honorary Advisor of Sumitomo Mitsui Banking Corporation		7 years				 (100%)		 (100%)									
		Toshio Asano	Outside Director Chairperson of the Nomination and Compensation Committee Special Advisor of Asahi Kasei Corporation		6 years				 (100%)		 (100%)									
		Yuriya Komatsu	Outside Director Member of the Nomination and Compensation Committee Former Director of IA Partners Inc.		3 years				 (100%)		 (100%)									
		Mari Okajima	Outside Director Member of the Nomination and Compensation Committee Professor at J. F. Oberlin University Former Deputy General Manager of Cabin Attendants Division of Japan Airlines Co., Ltd.		2 years				 (100%)		 (100%)									
		Keita Nishiyama	Outside Director Member of the Nomination and Compensation Committee Representative Director at Nishiyama Research Institute, Inc. Former Director-General of Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry		2 years				 (100%)		 (100%)									
Seiji Kito (New Appointment)	Outside Director Member of the Nomination and Compensation Committee Former Representative Director and Executive Vice President of Nippon Life Insurance Company		-				 (—)		 (—)											
Audit & Supervisory Board Members	Inside	Mikio Yagi	Standing Audit & Supervisory Board Member		2 years			 (100%)	 (100%)											
		Junichi Mizuo	Outside Audit & Supervisory Board Member Representative Director and Chairperson of the Japan Compliance & Governance Institute, Honorary Professor of Surugadai University		7 years				 (100%)	 (100%)										
	Outside	Hideo Makuta	Outside Audit & Supervisory Board Member Attorney at Law, Ginza Chuo Law Office		5 years				 (100%)	 (100%)										
		Hisae Kitayama	Outside Audit & Supervisory Board Member Certified Public Accountant, Representative of Kitayama Public Accounting Office		3 years				 (100%)	 (100%)										

* In "Primary Areas of Knowledge and Experience (Skill Matrix)", up to five items that are particularly expected from each person are listed. It does not represent all the knowledge and experience that each person possesses.

Effectiveness Evaluation of the Board of Directors

Every year, the Company conducts and publicly releases a summary of an effectiveness evaluation of the Board of Directors, which aims to maintain and improve the Board’s performance and find the most suitable approach to corporate governance.

FY2025/3 Initiatives Based on the FY2024/3 Effectiveness Evaluation

In view of the Effectiveness Evaluation of FY2024/3, in FY2025/3 we spent more time reporting on the status of execution of management strategies, matters related to return on capital and stock prices, and the status of initiatives related to sustainability and human capital in order to further enhance discussions at the Board of Directors. We also focused on explaining individual proposals linked to portfolio management.

Summary of the Evaluation Process and Results

Evaluation Process	Questionnaires were distributed to all Directors and Audit & Supervisory Board Members, and individual interviews were conducted based on their responses to further investigate the issues. These results were then compiled and analyzed by the Secretariat and reported to and discussed by the Board of Directors.
Main Evaluation Item	•Composition of the Board of Directors •Details of deliberations, resolutions, reports, etc. •Method of operation of the Board of Directors
Overview of Evaluation Results	Members of the Board of Directors engaged in productive discussions with Outside Directors and Outside Audit & Supervisory Board Members who actively offered their opinions, and we were able to confirm that the effectiveness of the board is generally satisfactory. On the other hand, it was confirmed that there are issues to be discussed for further improvement of effectiveness. The main issues raised are as follows: (1) Board composition issues •Further discussions on the process of appointing senior management (2) Board deliberation issues •Further enhancement of reports on promoting human capital management •Further discussions on promoting group governance (3) Board operation issues •Further consideration to the provision of information that contributes to appropriate judgment (technical terms, in-house terminology, etc.) •Discussions on the role of the Chairperson of the Board of Directors
Action To Be Taken	We will discuss the above issues at the Board of Directors meeting for FY2026/3 and confirm our commitment to continue addressing them in order to further enhance effectiveness.

Appointment and Nomination Procedures for Directors and Senior Management

In nominating and appointing Directors, Audit & Supervisory Board Members, and management executives such as Executive Officers, Daicel seeks individuals with the right personality, knowledge, motivation, ethical stance, and management perspectives for leading the Company and who meet the basic criteria of supporting and upholding the Daicel Group’s Basic Philosophy, Sustainable Management Policies, Daicel Group Code of Conduct, and Ethical Standards of Daicel Group, and possess the necessary credentials and experience for enhancing Daicel’s medium- to long-term corporate value. The Board of Directors decides on nominations and appointments based on the advice of the Nomination and Compensation Committee.

Compensation for Directors and Audit & Supervisory Board Members

1. Basic Policy

- (1) Compensation of Directors and Audit & Supervisory Board Members shall be determined by Board of Directors’ resolution for Directors, and Audit & Supervisory Board Members’ discussion for Audit & Supervisory Board Members within the scope of the total amount of compensation, etc., approved by the General Meeting of Shareholders.
- (2) Compensation of Directors shall consist of monthly compensation, performance-based bonuses, and stock compensation, which will generally be paid according at a 55:30:15 ratio that is subject to change according to one’s position. This rule does not apply to Outside Directors, who shall be paid only a monthly compensation. The compensation of Audit & Supervisory Board Members shall consist solely of monthly compensation.
- (3) To ensure objectivity, transparency, and validity regarding compensation, the Board of Directors makes its decision following deliberations based on recommendations made by the Nomination and Compensation Committee.

2. Basic Policy on Compensation

- (1) Monthly Compensation
- In principle, the monthly compensation of Directors and Audit & Supervisory Board Members is a fixed amount paid in accordance with internal rules that are determined by the Directors’ duties and job titles in business execution and as to whether or not the Audit & Supervisory Board Members are full-time.
- Regarding monthly compensation, the Company has revised the compensation to an appropriate and fair level reflective of its business performance, accomplishment of medium- to long-term business plans, and social situation, among other factors.
- (2) Performance-Based Bonuses
- Performance-based bonuses of Directors are paid in accordance with the accomplishment of performance indicators designated by the Board of Directors. Currently, net sales, EBITDA, and ROIC are used. The basic amount of the performance-based bonus is calculated by multiplying the rank-based amount with a payment rate that fluctuates between 0% and 200%, depending on the level of accomplishment of the performance indicators. The payout rates linked to the weight and achievement rate of each indicator are calculated as shown in the table below.

The Coefficients of Payment Rate for Calculating Performance-Based Bonuses

Indicator	Weight	Target Achievement Rate	Coefficient
Consolidated net sales	40%	120% or more	200%
		More than 100% but less than 120%	*1
		100%	100%
		More than 80% but less than 100%	*2
		80% or less	0%
EBITDA	40%	120% or more	200%
		More than 100% but less than 120%	*1
		100%	100%
		More than 80% but less than 100%	*2
		80% or less	0%
ROIC	20%	120% or more	200%
		More than 100% but less than 120%	*1
		100%	100%
		More than 80% but less than 100%	*2
		80% or less	0%

*1 These bonuses are proportional to the percentage that the target figure was achieved, within a range of 101% to 199%. *2 These bonuses are proportional to the percentage that the target figure was achieved, within a range of 1% to 99%.

The final amount of performance-based bonuses are determined by assessing the status of each Director from the perspectives of practicing Sustainable Management Policy and accomplishing Mid-Term Management Strategy, and adding or subtracting up to 20% to or from the basic amount of the performance-based bonus.

(3) Restricted Stock Compensation System

Daicel introduced Restricted Stock Compensation System to step up value-sharing with shareholders and motivate Directors to contribute more to medium- to long-term improvement in corporate value. The stocks cannot be transferred for a period of 30 years, and the Board of Directors decides on an amount for each eligible individual, which is then divided by the stock price at a certain point to calculate the number of shares to be awarded.

Total Compensation for Directors and Audit & Supervisory Board Members (FY2025/3)

Category	Number of Recipients	Amount (Annual)			
		Cash Compensation		Stock-Based Compensation	Total
		Monthly Compensation	Performance-Based Bonuses		
Directors (Outside Directors)	12 (6)	304 million yen (79 million yen)	79 million yen (-)	67 million yen (-)	451 million yen (79 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	6 (3)	111 million yen (39 million yen)	-	-	111 million yen (39 million yen)
Total	18	415 million yen	79 million yen	67 million yen	563 million yen

* A resolution of the 158th Annual General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Directors to a maximum of 640 million yen annually (including compensation for Outside Directors to a maximum of 140 million yen annually).

* A resolution of the 158th Annual General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Audit & Supervisory Board Members to a maximum of 130 million yen annually.

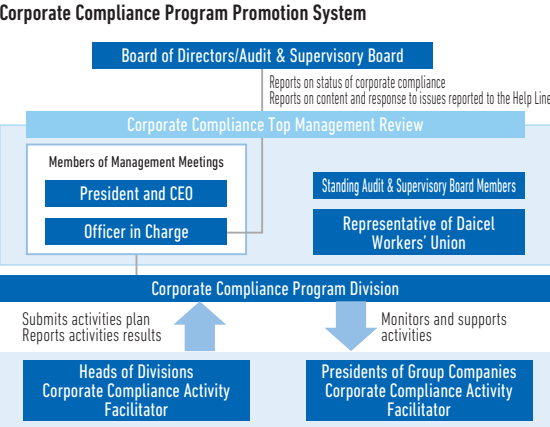
Corporate Compliance

One of the foundations for sustainable management is corporate compliance. Each department and Group company (hereinafter “each organization”) of the Company formulates action plans based on the Daicel Group Code of Conduct and Ethical Standards of Daicel Group, and under the same sense of values, we are working on corporate compliance activities throughout the Group and instilling corporate compliance in each and every employee.

Daicel Group Code of Conduct	As a guideline for regulating the behavior of individuals, it shows the items that each officer and employee should always be aware of and put into practice with the first priority to self-control as a member of society.
Ethical Standards of Daicel Group	It is a necessary condition for survival in a diversifying global society as a model of business execution of the Company, and indicates universally applicable items in all areas of activity.

Promotion System

The Company has established a Corporate Compliance Program Division under the responsibility of Senior Managing Executive Officers to promote its corporate compliance activities across the entire Group. Each organization independently practices corporate compliance activities with a corporate compliance activity facilitator at their cores. At meetings of the corporate compliance Top Management Review which are held at least once a year, activities of and important issues concerning each organization are discussed. The details of these meetings are reported to the Board of Directors. The Corporate Compliance Program Division holds meetings with each organization that include an internal audit aspect, to promote better corporate compliance activities, and works to raise awareness of and support organizations’ corporate compliance activities in addition to swiftly identifying and correcting business risks through dialogue.



Fair Business Practices

The Group stipulates its compliance with fair transactions in the Ethical Standards of Daicel Group and has formulated the Daicel Group Basic Policies on Anti-Corruption and Compliance with Competition Law. We promote fair business practices by thoroughly implementing rules on approval of expenses for entertainment and gifts to public servants and business partners and offering employee education through e-learning and hierarchical training. In FY2025/3, there were no violations in anti-corruption laws and regulations, including those related to anti-competitive conduct, bribery, and conflicts of interest, with no fines or administrative monetary penalties.

Compliance Help Line System (Whistleblower System)

We have established a “Compliance Help Line System” in accordance with the Whistleblower Protection Act. In addition to the internal contact points, we have also set up external points of contact hosting an external institution for receiving reports and consultations from within the Company. We have also set up a contact point on our website to respond to inquiries from outside the Company. The Board of Directors is regularly reported on the status and results of responses to all reports and consultations received by the Group’s hotline. We have also formulated rules on whistleblower protection, and are working on raising awareness of the rules and complying therewith. We are working to strengthen awareness-raising activities at each workplace as well as raise awareness through hierarchical training and e-learning during Compliance Awareness Month, and we also conduct reporting drills using simulated cases.

Overview of the Compliance Help Line System of Our Group

Target users	All employees in the Daicel Group and all stakeholders (e.g., customers, suppliers, partner company employees, retirees, and community residents)
Reporting content	Matters that may be in violation of the Ethical Standards of Daicel Group (Illegal acts, anticompetitive behavior, corruption, bribery, human rights violations, harassment, employment environment, environmental pollution, and other compliance violations)
Features	Anyone can report anonymously. Matters concerning Group companies can be reported to the Daicel help line as well as to Group company help lines

Cases of Reporting and Consultation of the Entire Daicel Group as Reported to the Corporate Compliance Program Division

	FY2023/3	FY2024/3	FY2025/3
Identified disruptive behaviors	35	50	70
Harassment, etc.	20	30	42
Dissatisfaction with the Company	16	21	4
Others	5	1	10
Total	76	102	126

Risk Management

The Daicel Group recognizes the vital role of risk management and adheres to its Risk Management Regulations so that it responds appropriately to the risks inherent in its corporate activities and minimizes the impact should any such risks materialize.

Overview of Risk Management

In the Daicel Group, all departments and Group companies (hereinafter “each organization”) seek to improve risk management by carrying out the CAPD cycle¹ as a part of their business operations. Each organization identifies risks that could have a major impact on its ability to achieve business targets and classifies them into risk categories (Check), considers and establishes countermeasures for preventing the risks from materializing and for minimizing damage in the event they materialize (Act, Plan), implements countermeasures (Do), reevaluates the risks after a certain period of time (Check), and reconsiders countermeasures based on the results (Act).

In addition, Daicel has established the Risk Management Committee, which coordinates and promotes the risk management for each organization. The committee reviews the progress of risk-related measures for each organization, and it provides advice and support as necessary. Risks requiring a Company-wide response are addressed by setting up projects and implementing other measures. Moreover, to promote risk management more effectively, we renewed the committee’s structure in April 2024, including increasing the number of the secretariat’s members. In the future, we will strengthen discussions and exchanges of opinions with each organization, obtain information from internal and external experts and disseminate it within the company, and also consider methods for conducting an inventory of potential risks and the introduction of management tools. The committee reports on its discussions about progress on countermeasures addressing risks that could have a major impact on the management of the Group, the status of Business Continuity Plans (BCPs), and other key issues during the Management Meeting and Board of Directors Meeting at the end of each fiscal year.

¹ CAPD cycle: Daicel carries out the CAPD rather than the typical PDCA to avoid the risk of overlooking important crucial facts and realities that often lie hidden in the initial planning stage

Targeted Risk Categories

1. Risks related to business strategy	10. Risks related to group management / control
2. Risks related to production technology, production equipment and utilities	11. Risks related to legal and corporate compliance
3. Risks related to construction and repair (including safety, quality, purchasing, etc.)	12. Risks related to employment, human resources and employee fraud / crime
4. Risks related to stable supply of products	13. Risks related to finance / investment, credit, finance, and accounting
5. Risks related to intellectual property	14. Risks related to public relations and inappropriate information use
6. Risks related to purchasing and procurement	15. Risks related to antisocial groups and social communities
7. Risks related to quality management and product liability	16. Risks related to climate change
8. Risks related to responsible care (including environmental problems), accidents, and disasters	17. Risks related to human rights
9. Risks related to information systems / networks and information security	

Strengthening BCP Management

The Daicel Group formulates and manages business continuity plans (BCPs) to minimize damage in the event of emergencies, such as major disasters or a pandemic caused by a new virus, as well as to maintain business operations or at least ensure the early resumption of business operations. The BCPs are revised as necessary.

The Group organizes BCPs in all three stages from “Preparedness” (BCP I) to “Initial Contingency Response” (BCP II) and “Resumption of Operations” (BCP III). We plan and prepare measures to limit any decline in performance associated with a disaster or incurred damage and to quickly resume business.

The following measures were taken to strengthen our BCPs in FY2025/3.

Preparedness (BCPI)	•Consider and implement preventive measures through risk assessments, and post-measures through crisis assessments ² for processes dealing with self-reactive substances •In preparation for material procurement risks, procure long lead-time components needed for the maintenance of proper inventory levels
Initial Contingency Response (BCPII)	•The planned installation of remote monitoring cameras and remote firefighting equipment •Review the information sharing system among sites in the company-wide disaster preparedness system •Review and consider disaster preparedness measures for wide-area disasters •Conduct disaster drills at each site, and confirm the operation of the company-wide information sharing system
Resumption of Operations (BCPIII)	•Prepare “BCP for Individual Products” ³ •Start considering a review of the systematization and operation mechanisms for the business continuity plan related to our Group’s procurement, production, and sales through a company-wide project

² An assessment of response measures to prevent further damage or secondary accidents anticipating the occurrence of an accident
³ “BCP for Individual Products” summarizing plans and information required to maintain or resume business operations for individual products or product groups

Financial Information

Consolidated Eleven-Year Summary

As of and for the years ended March 31

(Millions of Yen)

	FY2015/3	FY2016/3	FY2017/3	FY2018/3		FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3	FY2025/3
Operational Results												
Net sales	¥ 443,775	¥ 449,878	¥ 440,061	¥ 462,956		¥ 464,859	¥ 412,826	¥ 393,568	¥ 467,937	¥ 538,026	¥ 558,056	¥ 586,531
Operating income	51,303	64,349	64,306	58,932		51,171	29,644	31,723	50,697	47,508	62,393	61,011
Ordinary profit	55,063	65,404	66,215	61,093		53,433	31,781	34,683	57,291	52,035	68,396	62,320
Net income attributable to owners of the parent	31,252	40,313	43,198	37,062		35,301	4,978	19,713	31,254	40,682	55,834	49,480
Financial Position												
Net assets	¥ 356,177	¥ 368,720	¥ 399,429	¥ 413,541		¥ 423,243	¥ 392,583	¥ 245,000	¥ 279,544	¥ 310,435	¥ 375,410	¥ 375,037
Total assets	565,332	560,190	599,708	644,078		654,791	597,992	640,385	698,836	765,606	839,169	813,831
Interest-bearing debt	86,981	71,276	72,291	99,743		104,306	92,787	270,938	283,553	321,974	304,118	286,117
Cash Flows												
Cash flows from operating activities	¥ 57,412	¥ 65,419	¥ 86,168	¥ 66,888		¥ 58,523	¥ 57,193	¥ 57,869	¥ 42,993	¥ 26,847	¥ 76,729	¥ 93,406
Cash flows from investing activities	(30,283)	(31,407)	(34,722)	(33,189)		(41,095)	(45,864)	(34,220)	(46,528)	(44,093)	(55,374)	(47,869)
Cash flows from financing activities	(29,230)	(31,470)	(19,942)	(1,962)		(25,636)	(47,883)	(17,050)	(5,452)	19,956	(52,373)	(48,855)
Cash and cash equivalents, end of year	66,737	65,237	96,275	128,290		120,016	80,674	90,747	87,986	93,493	68,408	64,767
Per Share Information												
Basic net income per share (yen)	¥ 88.95	¥ 115.02	¥ 124.61	¥ 107.81		¥ 105.38	¥ 15.49	¥ 65.18	¥ 104.14	¥ 138.87	¥ 197.56	¥ 181.44
Net assets per share (yen)	922.71	966.36	1,067.63	1,136.32		1,198.77	1,166.56	789.34	919.88	1,033.52	1,303.21	1,357.77
Cash dividends per share (yen)	21.00	26.00	30.00	32.00		32.00	34.00	32.00	34.00	38.00	50.00	60.00
Financial Indicators												
EBITDA	¥ 76,936	¥ 90,320	¥ 95,142	¥ 91,888		¥ 82,221	¥ 59,765	¥ 59,128	¥ 78,893	¥ 79,084	¥ 96,098	¥ 102,384
Ratio of operating income to net sales (%)	11.6	14.3	14.6	12.7		11.0	7.2	8.1	10.8	8.8	11.2	10.4
ROIC (%)	8.0	9.5	9.1	7.7		6.1	3.8	4.1	6.2	5.3	6.3	6.1
ROE (%)	10.5	12.2	12.2	9.8		9.1	1.3	6.6	12.3	14.3	17.1	13.8
ROA (%)	5.8	7.2	7.4	6.0		5.5	0.8	3.2	4.7	5.6	7.0	6.0
Total asset turnover (times/year)	0.8	0.8	0.8	0.7		0.7	0.7	0.6	0.7	0.7	0.7	0.7
Equity Ratio (%)	57.3	60.2	61.6	59.8		60.1	60.6	37.1	38.9	38.6	42.8	44.2
Dividend payout ratio (%)	23.6	22.6	24.1	29.7		30.4	219.5	49.1	32.6	27.4	25.3	33.1
Total return ratio (%)	23.6	32.5	33.3	56.6		67.2	577.3	91.1	48.6	51.7	52.0	63.1
Others												
Capital expenditures	¥ 30,629	¥ 40,256	¥ 39,528	¥ 30,819		¥ 44,694	¥ 47,568	¥ 39,555	¥ 40,840	¥ 56,308	¥ 77,458	¥ 69,461
Depreciation and amortization	23,409	23,914	29,031	31,720		30,044	29,002	25,830	26,948	30,835	32,970	40,952
Research and development expenses	14,031	15,306	16,806	18,843		20,749	21,295	19,540	20,741	21,878	23,393	25,931
Number of employees (at year-end)	10,173	10,709	11,556	12,309		12,319	11,606	11,142	11,104	11,207	11,134	11,178

(Note) Amortization of goodwill is not included in depreciation and amortization

Consolidated Balance Sheets

Daicel Corporation and Consolidated Subsidiaries
March 31, 2025 and 2024

Millions of Yen

	FY2024/3	FY2025/3
Assets		
Current assets		
Cash and deposits	¥ 73,183	¥ 65,142
Notes receivable - trade	6,557	7,406
Accounts receivable - trade	107,855	106,528
Inventories	182,510	177,879
Other	39,426	38,725
Allowance for doubtful accounts	(52)	(56)
Total current assets	409,481	395,626
Non-current assets		
Property, plant and equipment		
Buildings and structures	190,774	212,279
Accumulated depreciation	(121,749)	(121,941)
Buildings and structures, net	69,024	90,337
Machinery, equipment and vehicles	663,018	663,533
Accumulated depreciation	(544,768)	(537,199)
Machinery, equipment and vehicles, net	118,249	126,334
Tools, furniture and fixtures	35,054	35,885
Accumulated depreciation	(29,797)	(30,126)
Tools, furniture and fixtures, net	5,257	5,759
Land	36,547	30,814
Construction in progress	79,871	66,181
Total property, plant and equipment	308,949	319,426
Intangible assets		
Goodwill	85	66
Other	10,687	10,574
Total intangible assets	10,773	10,641
Investments and other assets		
Investment securities	80,023	56,652
Deferred tax assets	2,394	3,078
Retirement benefit asset	13,977	14,912
Other	13,602	13,520
Allowance for doubtful accounts	(33)	(26)
Total investments and other assets	109,964	88,137
Total non-current assets	429,688	418,205
Total assets	¥ 839,169	¥ 813,831

Millions of Yen

	FY2024/3	FY2025/3
Liabilities		
Current liabilities		
Notes and accounts payable - trade	¥ 62,184	¥ 61,239
Short-term borrowings	31,758	35,899
Short-term bonds payable	27,000	-
Current portion of bonds payable	10,000	20,000
Current portion of long-term borrowings	16,291	16,999
Income taxes payable	6,378	11,273
Provision for repairs	-	4,603
Other	55,191	60,339
Total current liabilities	208,804	210,353
Non-current liabilities		
Bonds payable	90,000	70,000
Long-term borrowings	124,741	138,021
Deferred tax liabilities	23,128	11,048
Provision for retirement benefits for directors	36	37
Provision for repairs	1,344	122
Provision for environmental measures	102	1
Retirement benefit liability	2,710	2,831
Asset retirement obligations	1,198	1,205
Other	11,691	5,173
Total non-current liabilities	254,954	228,440
Total liabilities	463,758	438,794
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	0	0
Retained earnings	233,664	253,721
Treasury shares	(15,895)	(16,171)
Total shareholders' equity	254,045	273,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	43,319	27,490
Deferred gains or losses on hedges	(14)	(14)
Foreign currency translation adjustment	53,371	51,052
Remeasurements of defined benefit plans	8,723	7,629
Total accumulated other comprehensive income	105,399	86,158
Non-controlling interests	15,964	15,052
Total net assets	375,410	375,037
Total liabilities and net assets	¥ 839,169	¥ 813,831

Consolidated Statements of Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2025 and 2024

Millions of Yen

	FY2024/3	FY2025/3
Net sales	¥ 558,056	¥ 586,531
Cost of sales	398,776	421,785
Gross profit	159,280	164,746
Selling, general and administrative expenses	96,887	103,735
Operating profit	62,393	61,011
Non-operating income		
Interest income	1,565	1,205
Dividend income	2,367	2,546
Share of profit of entities accounted for using equity method	2,067	2,523
Foreign exchange gains	1,339	-
Rental income from non-current assets	472	474
Subsidy income	344	663
Other	794	583
Total non-operating income	8,952	7,996
Non-operating expenses		
Interest expenses	1,666	1,981
Foreign exchange losses	-	2,209
Bond issuance costs	2	2
Settlement payments	-	1,200
Other	1,279	1,294
Total non-operating expenses	2,949	6,687
Ordinary profit	68,396	62,320
Extraordinary income		
Gain on disposal of non-current assets	155	46
Gain on sales of investment securities	11,198	15,859
Gain on sale of shares of subsidiaries and associates	-	4,553
Total extraordinary income	11,354	20,459
Extraordinary losses		
Loss on retirement of non-current assets	819	6,292
Impairment losses	1,668	7,053
Loss on valuation of investment securities	506	968
Loss on valuation of shares of subsidiaries and associates	-	364
Loss on sale of shares of subsidiaries and associates	723	1,493
Loss on liquidation of business	-	1,106
Total extraordinary losses	3,718	17,279
Profit before income taxes	76,032	65,499
Income taxes - current	17,113	21,481
Income taxes - deferred	2,374	(6,459)
Total income taxes	19,487	15,022
Profit	56,545	50,477
Profit attributable to non-controlling interests	710	996
Profit attributable to owners of parent	¥ 55,834	¥ 49,480

Consolidated Statements of Comprehensive Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2025 and 2024

Millions of Yen

	FY2024/3	FY2025/3
Net profit	¥ 56,545	¥ 50,477
Other comprehensive income		
Valuation difference on available-for-sale securities	10,416	(15,828)
Deferred gains or losses on hedges	(58)	(0)
Foreign currency translation adjustment	20,144	(2,463)
Remeasurements of defined benefit plans, net of tax	5,229	(1,072)
Share of other comprehensive income of entities accounted for using equity method	700	(165)
Total other comprehensive income	36,432	(19,530)
Comprehensive income	92,977	30,946
Comprehensive income attributable to		
owners of parent	91,245	30,239
non-controlling interests	¥ 1,732	¥ 707

Consolidated Statements of Cash Flows

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2025 and 2024

Millions of Yen

	FY2024/3	FY2025/3
Cash flows from operating activities		
Profit before income taxes	¥ 76,032	¥ 65,499
Depreciation	33,644	41,355
Impairment losses	1,668	7,053
Amortization of goodwill	59	18
Increase (decrease) in provision for repairs	(2,220)	3,380
Interest and dividend income	(3,933)	(3,751)
Interest expenses	1,666	1,981
Share of loss (profit) of entities accounted for using equity method	(2,067)	(2,523)
Loss (gain) on disposal of non-current assets	(155)	(46)
Loss on retirement of non-current assets	819	6,292
Loss (gain) on sale of investment securities	(11,198)	(15,859)
Loss (gain) on sale of shares of subsidiaries and associates	723	(3,060)
Loss (gain) on valuation of investment securities	506	968
Loss (gain) on valuation of shares of subsidiaries and associates	-	364
Loss on liquidation of business	-	1,106
Decrease (increase) in trade receivables	(6,177)	(250)
Decrease (increase) in inventories	1,420	2,812
Increase (decrease) in trade payables	487	(288)
Other, net	(2,767)	476
Subtotal	88,510	105,529
Interest and dividends received	5,921	5,969
Interest paid	(1,433)	(1,972)
Income taxes paid	(16,901)	(18,317)
Income taxes refund	633	2,196
Net cash provided by (used in) operating activities	76,729	93,406
Cash flows from investing activities		
Net decrease (increase) in time deposits	(4,236)	4,443
Purchase of property, plant and equipment	(65,618)	(69,963)
Proceeds from sale of property, plant and equipment	6,318	98
Purchase of intangible assets	(3,590)	(2,379)
Purchase of investment securities	(1,232)	(91)
Proceeds from sale and redemption of investment securities	13,216	18,354
Purchase of shares of subsidiaries and associates	-	(444)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	466	4,373
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(804)
Loan advances	(513)	(7)
Proceeds from collection of loans receivable	809	517
Other, net	(992)	(1,965)
Net cash provided by (used in) investing activities	(55,374)	(47,869)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,690)	4,839
Net increase (decrease) in short-term bonds payable	(3,002)	(27,000)
Proceeds from long-term borrowings	29,489	33,551
Repayments of long-term borrowings	(12,852)	(17,836)
Redemption of bonds	(30,000)	(10,000)
Purchase of treasury shares	(15,000)	(15,000)
Dividends paid	(12,859)	(15,170)
Dividends paid to non-controlling interests	(893)	(765)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(200)	-
Repayments of lease liabilities	(1,363)	(1,474)
Net cash provided by (used in) financing activities	(52,373)	(48,855)
Effect of exchange rate change on cash and cash equivalents	5,932	(323)
Net increase (decrease) in cash and cash equivalents	(25,084)	(3,641)
Cash and cash equivalents at beginning of period	93,493	68,408
Cash and cash equivalents at the of period	¥ 68,408	¥ 64,767

Company Data (As of March 31, 2025)

Corporate Overview

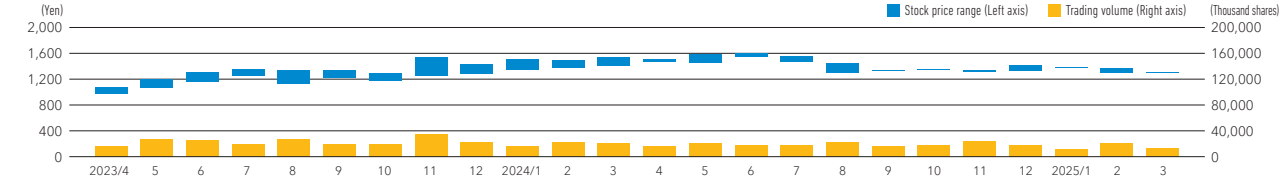
Corporate Name:	Daicel Corporation
Establishment:	September 8, 1919
Capital:	¥36,275,440,089
Number of employees:	11,178 (Consolidated) 2,540 (Non-consolidated)
Status of Stock	
Common stock authorized:	1,450,000,000 shares
Issued:	276,942,682 shares
Listing:	Tokyo Stock Exchange Prime Market
Stock Code:	4202
Shareholder registry administrator:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Number of shareholders:	35,109
Accounting auditor:	Deloitte Touche Tohmatsu LLC

Principal Domestic Locations

Office	
■ Osaka Head Office	Grand Front Osaka Tower-B, 3-1, Ofuka-cho, Kita-ku, Osaka 530-0011 Tel: +81-6-7639-7171 Fax: +81-6-7639-7181
■ Tokyo Head Office	JR Shinagawa East Bldg., 2-18-1, Konan, Minato-ku, Tokyo 108-8230 Tel: +81-3-6711-8111 Fax: +81-3-6711-8100
■ Nagoya Sales Office	JP Tower Nagoya, 1-1-1, Meieki, Nakamura-ku, Nagoya, Aichi 450-6325 Tel: +81-52-582-8511 Fax: +81-52-582-7943
Training Center	
■ H.R. Training Center	14-1, Kouto 3-chome, Kamigori-cho, Akou-gun, Hyogo 678-1205
Innovation Park	
1239, Shinzaike, Aboshi-ku, Himeji-shi, Hyogo 671-1283	
Plant	
■ Himeji Production Sector/Aboshi Plant	1239, Shinzaike, Aboshi-ku, Himeji-shi, Hyogo 671-1281
■ Himeji Production Sector/Hirohata Plant	12, Fuji-cho, Hirohata-ku, Himeji-shi, Hyogo 671-1123
■ Harima Plant	805, Umaba, Ibogawa-cho, Tatsuno-shi, Hyogo 671-1681
■ Arai Plant	1-1, Shinko-cho, Myoko-shi, Niigata 944-8550
■ Ohtake Plant	1-4, Higashisakae 2-chome, Otake-shi, Hiroshima 739-0695
■ Kanzaki Plant	12-1, Kanzaki-cho, Amagasaki-shi, Hyogo 661-0964

Stock Information

Stock Price Range



Shareholder Composition (As of March 31, 2025)



Top 10 Shareholders (As of March 31, 2025)

	Number of shares (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,106	15.88
Custody Bank of Japan, Ltd. (Trust Account)	28,313	10.67
Nippon Life Insurance Company	17,402	6.56
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	9,456	3.35
FUJIFILM Holdings Corporation	8,390	3.16
Daicel Group Employee Shareholding Association	6,454	2.43
Daicel Shareholding Ownership Association	5,806	2.19
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	5,683	2.14
Sumitomo Mitsui Banking Corporation	5,322	2.00
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	4,198	1.58

Each rate of shareholding was calculated after deducting the number of treasury shares from the number of shares outstanding

Rating for Our ESG Initiatives (As of August, 2025)



(Note) For details on each index, please refer to Daicel's website. <https://www.daicel.com/en/sustainability/initiative.html>

Independent Third-Party Assurance Report



Independent Assurance Statement

September 30, 2025

Mr. Yasuhiro Sakaki
President and CEO
Daicel Corporation

1. Purpose

We, Sustainability Accounting Co., Ltd., have been engaged by Daicel Corporation (thereinafter “the Company”) to provide limited assurance on greenhouse gas (GHG) emissions of the Company’s business sites in FY2025/3, which are 1.49 million t-CO₂e for Scope1, 46.2 thousand t-CO₂e for market-based Scope2 and 1.46 million t-CO₂e for Scope3 (Categories 1,2,3,4,5,6 and 7). The purpose of this process is to express our conclusion on whether the GHG emissions were calculated in accordance with the Company’s standards. The Company’s management is responsible for calculating the GHG emissions. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

2. Procedures Performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and 3410 (ISAE3410). The key procedures we carried out included:

- Interviewing the Company’s responsible personnel to understand the Company’s standards
- Reviewing the Company’s standards
- Onsite inspection of business sites
- Performing cross-checks on a sample basis and performing a recalculation to determine whether the GHG emissions were calculated in accordance with the Company’s standards

3. Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the GHG emissions have not been calculated in all material respects in accordance with the Company’s standards.

We have no conflict of interest relationships with the Company.

Takashi Fukushima
Representative Director
Sustainability Accounting Co., Ltd.

Thoughts on the Cover

Daicel has been taking on the challenge of contributing to the transformation of society from one that consumes large amounts of fossil resources to a sustainable one that recycles renewable resources.

Co-creation with various partners across organizational boundaries is essential in our journey to contribute to the creation of a circular society while aligning ecology and economy, armed with our pride as a pioneer in biomass chemistry and our proprietary, innovative technologies.

The simple yet powerful sphere on the cover embodies our strong resolve to advance toward realizing our Basic Philosophy under new leadership. We will create new value together with various external partners by integrating the knowledge, skills, and experience of the Daicel Group's diverse human resources.



Daicel Corporation

Inquiries:

Investor Relations & Corporate Communications
JR Shinagawa East Bldg., 2-18-1, Konan,
Minato-ku, Tokyo 108-8230, Japan
Tel: +81-3-6711-8121 Fax: +81-3-6711-8100
<https://www.daicel.com/en/>

Published August 2025

〈Trademark Attribution〉

- ACTRANZA® is a registered trademark of Daicel Corporation in Japan and other countries.
- ASTROHOP® is a registered trademark of Daicel Corporation in Japan and other countries.
- BELLOCEA® is a registered trademark of Daicel Corporation in Japan and other countries.
- Better Aging® is a registered trademark of Daicel Corporation in Japan.
- CAFBLO® is a registered trademark of Daicel Corporation in Japan and other countries.
- LAPEROS® is a registered trademark of Polyplastics Co., Ltd. in Japan and other countries.
- ONE TIME ENERGY® is a registered trademark of Daicel Corporation in Japan and other countries.
- TOPAS® is a registered trademark of TOPAS Advanced Polymers GmbH in Germany, the United States and other countries.
- URORICH® is a registered trademark of Daicel Corporation in Japan.