

Fiscal Year ended March 2022 Consolidated Financial Results

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DAICEL CORPORATION

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Highlights



FY2022/3 Financial Results

- **Sales Revenue: 467.9 billion yen, Operating Profit: 50.7 billion yen.**
- The profit beyond the forecasts announced on February 2022.
- Although Safety was affected by the reduction in automobile production, profits from Materials and Engineering Plastics exceeded the plan due to factors such as the acetic acid market remaining above expectations and aggressive price correction efforts.



FY2023/3 Forecasts

- **Sales Revenue: 540 billion yen, Operating Profit: 46.5 billion yen.**
- Sales revenue are expected to reach record highs.
- We will expand sales in all segments, centering on Safety, Engineering Plastics, and Materials. We will also work to correct selling prices corresponding to rising raw material, fuel and distribution costs, but we expect a sales increase and a profit decrease due mainly to the effects of a decline in the acetic acid market and rising distribution costs.



Shareholder Return

- Increase the dividend for 2nd FY2022/3 by 2 yen from the previous forecasts
(Dividends forecasts for 2nd half : 18 yen per share, Annual : 34 yen per share)
- Annual dividends forecasts for FY2023/3 : 36 yen per share

Impact of Russian-Ukrainian Crisis

We were selling acetate tow to Russia and Ukraine from Japan, and sales of this product were less than 1% of the total consolidated sales of Daicel. As customers have changed production to other regions, the Russian-Ukraine crisis has had little impact on our consolidated financial results related to this business.

On the other hand, we have incorporated the rise in raw materials and fuel and distribution costs into the plan for the fiscal year ending March 2023. Furthermore, we will pay close attention to the effect of the prolonged situation on the product market and supply chain, and take measures in anticipation of various risks.

Review the Method of Allocating Corporate Expenses

We are transforming into a self-directed business organization through bold delegation of authority. We have reviewed the method of allocating corporate expenses from the fiscal year ending March 2023 in order to shift to a system in which each business unit bears responsibility for its own expenses and manages them accordingly.

Please refer to page 39 for the figures of operating income by segment after reviewing the allocation method.



Trend in Market

Segment	Main Product	Main Market	Results of 2022/3	Outlook for 2023/3
Medical Healthcare	Raw Material for Cosmetics and Health Food	Cosmetics Healthcare	The domestic market of cosmetics remained sluggish. In contrast, Chinese market became active through early recovery from Covid-19. The domestic health food market remained strong due to rising health consciousness during Covid-19.	Although the domestic cosmetics market is expected to be on a gradual recovery trend, there is no momentum before Covid-19. Chinese market is expected to continue to be strong The domestic market of health food is expected to be kept solid.
	Chiral Columns	Life Science	The demand for chiral columns was solid benefiting from the growing demand for US after the coronavirus pandemic and growth of the medicine market in China and India.	The demand for chiral columns is expected to remain strong due to growth in China and India, continuing from the previous fiscal year.
Smart	TAC(*), High Performance Films, Resist Materials and Solvents for Electronic Materials	Electronic Devices Semiconductor	The demand for liquid crystal display panel was strong under the recovery from Covid-19. The demand for other electronic devices was also growing. The semiconductor market was vigorous under the favorable demand.	The demand for LCD panels is expected to increase, although it will slow down compared with the previous year. Strong demand for other electronic devices and semiconductors are expected to continue.
Safety	Inflator for Air Bag	Automotive	The number of production in automotive increased larger than previous year owing to the recovery from the coronavirus pandemic. Nevertheless, the scarce supply of components such as semiconductor had a negative impact on the market.	The number of production in automotive is expected to increase from the previous fiscal year, but the future is uncertain due to the shortage of semiconductors and the influence of the situation in Ukraine.

*TAC (Tri-acetyl cellulose) : Acetic Acid cellulose for LCD film use


Trend in Market

Segment	Main Product	Main Market	Results of 2022/3	Outlook for 2023/3
Material	Acetyl (Acetic Acid, Acetic Acid Derivatives and Acetate Tow)	Raw Materials for Resins and Inks, Solvents for Paints	The demand of vinyl acetate and PTA remained strong under the recovery from Covid-19. However, due to the concern of supply disruption caused by North American cold wave and the reinforcement of environmental and electricity regulation of Chinese government, the market condition of acetic acid remained high. The demand of ethyl acetate also remained strong for various applications, including gravure inks. The market condition rose in line with the rise in the acetic acid market.	The demand of vinyl acetate and PTA is expected to be solid. On the other hand, the supply of acetic acid will be recovered thus the market condition of it is expected to decrease. The demand of ethyl acetate is also expected to remain strong. The Market condition is expected to decrease due to a decline in the acetic acid market.
		Fiber Filter	The global market of filter industry, which is the main user acetate tow, remained strong under the recovery from Covid-19	The global demand for filter is expected to remain flat.
	Chemical Epoxy, Caprolactone Derivatives and Other Chemical Products)	Raw Materials for Electrical Materials and Coatings	The automotive market, which is one of the main market of epoxy and caprolactone derivatives, was damaged from the lack of semiconductor despite recovering from Covid-19. In contrast, the electronic devices market, which is another main market of them remained strong.	The number of production in automotive is expected to increase. The electronic devices market is expected to remain strong.



Trend in Market

Segment	Main Product	Main Market	Results of 2022/3	Outlook for 2023/3
Engineering Plastic	POM PBT PPS	Automobile Component	Although the decrease in automotive production caused by supply chain disruption continued, the market of automotive parts remained solid because of the inventory expansion of automobile component manufactures.	The market of automobile component is expected to be solid continuously.
		Electricity, Electronic devices and precision machines	The demand for Smartphone and PC remained solid. On the contrary, the demand for white goods remained weak due to the demand of the stay-at-home consumption peaking out.	The demand for smartphones is expected to remain strong due to the switching of 5G compatible models. The demand for white goods is expected to be about the same as the previous fiscal year
	LCP	Electronic Devices	The demand for smartphone remained strong. In addition, there has been an increase of construction for new base stations under the spread of 5G technology.	It is expected that the demand for electronic devices will be kept strong.

Financial Results

(billion yen)

	21/3 Results	22/3 Forecasts*	22/3 Results	Y on Y		vs Forecasts	
				Change	%	Change	%
Net Sales	393.6	462.0	467.9	+74.4	+18.9%	+5.9	+1.3%
Operating Income	31.7	49.5	50.7	+19.0	+59.8%	+1.2	+2.4%
Ordinary Income	34.7	53.5	57.3	+22.6	+65.2%	+3.8	+7.1%
Income Attributable to Owners of Parent	19.7	29.0	31.3	+11.5	+58.5%	+2.3	+7.8%
Exchange Rate USD/JPY	106	112	112				
ROIC	4.1%	6.2%	6.2%				
ROE	6.6%	11.9%	12.3%				
ROA	3.2%	4.4%	4.7%				
EBITDA	59.1	77.7	78.9				
EPS (yen)	65.18	97.05	104.14				

<Y on Y>

- The demand recovered in a wide range of industries compared to the previous fiscal year, which was greatly affected by Covid-19. Therefore, sales volume increased mainly for Safety and Engineering Plastics.
- Operating profits increased due to price corrections corresponding to rising raw material, fuel prices and transportation cost and improved profitability through structural reforms, although direct sales costs increased due to an increase in sales volume, a global shortage of containers under Covid-19, and soaring transportation costs due to rising fuel prices.

* The forecasts were announced on February 2, 2022.

Net Sales and Operating Income by Segment

(billion yen)

Net Sales	21/3 Results	22/3 Forecasts*	22/3 Results	Y on Y		vs Forecasts	
				Change	%	Change	%
Medical / Healthcare	16.2	19.5	19.5	+3.3	+20.3%	-0.0	-0.0%
Smart	24.7	32.0	32.5	+7.8	+31.5%	+0.5	+1.5%
Safety	67.2	69.7	69.5	+2.2	+3.3%	-0.2	-0.4%
Materials	104.2	119.8	122.8	+18.6	+17.9%	+3.0	+2.5%
Engineering Plastics	168.6	210.0	212.3	+43.7	+25.9%	+2.3	+1.1%
Others	12.7	11.0	11.4	-1.3	-10.0%	+0.4	+3.7%
Total	393.6	462.0	467.9	+74.4	+18.9%	+5.9	+1.3%

Operating Income	21/3 Results	22/3 Forecasts*	22/3 Results	Y on Y		vs Forecasts	
				Change	%	Change	%
Medical / Healthcare	1.6	3.1	3.4	+1.9	+120.1%	+0.3	+10.8%
Smart	3.4	6.0	5.8	+2.4	+70.0%	-0.2	-3.4%
Safety	2.2	6.2	5.2	+3.0	+132.6%	-1.0	-16.3%
Materials	17.9	24.0	24.8	+6.9	+38.2%	+0.8	+3.2%
Engineering Plastics	21.2	24.0	25.8	+4.6	+21.7%	+1.8	+7.3%
Others	1.5	1.6	1.8	+0.3	+19.2%	+0.2	+10.4%
Corporate	-16.1	-15.4	-16.0	+0.0	+0.2%	-0.6	+4.1%
Total	31.7	49.5	50.7	+19.0	+59.8%	+1.2	+2.4%

* The forecasts were announced on February 2, 2022.

Segment Information – Full Year Results

<Y on Y>

Sales volume increased in each segment by seizing sales opportunities due to recovery of demand from the Covid-19

Medical / Healthcare	<ul style="list-style-type: none"> • Sales revenue of the cosmetics business increased due to the promotion of sales expansion to the Chinese market where demand is recovering. • In the chiral separation business, sales revenue increased due to sales expansion of chiral columns and CSPs(Chiral Stationery Phases) for oversea market, and growth in validation services in India and genomics products and services (related to genetic analysis) in the United States.
Smart	<ul style="list-style-type: none"> • Sales revenue of cellulose acetate for LCD (TAC) increased due to an increase in sales volume thanks to the recovery in demand for liquid crystal panels. • Sales revenue of high-performance films also increased because of an increase in sales volume due mainly to new adoption for TV displays. • Sales revenue of solvents for electronic materials and resist materials increased due to strong demand in the semiconductor materials market and an increase in sales volume, as well as an increase in selling prices due to rising raw material costs and other factors.
Safety	<ul style="list-style-type: none"> • Sales revenue of Inflator increased because of an increase in sales volume due mainly to the launch of a new program, although it was affected by a reduction in automobile production due to a shortage of semiconductors.

Segment Information – Full Year Results

<Y on Y>

Sales volume increased in each segment by seizing sales opportunities due to recovery of demand from the Covid-19.

Materials	<ul style="list-style-type: none"> • Sales revenue of acetic acid and acetic acid derivatives increased due mainly to the impact of rising market conditions. • Acetate tow sales revenue increased slightly due to effects of foreign exchange rate, although sales volume decreased slightly due to a change in accounting standards. • Sales revenue of caprolactone derivatives increased due mainly to a recovery in demand in the Chinese market. • Sales revenue of epoxy compounds increased due to an increase in sales volume because of sales expansion for electronic material applications where demand is strong.
Engineering Plastics	<ul style="list-style-type: none"> • Sales volume of Engineering Plastics increased due to sales expansion while making sales adjustments to secure strategic inventory. • Furthermore, we actively promoted price corrections due to rising raw material and distribution costs. As a result, sales of engineering plastics increased.

Segment Information – Results of 4th Quarter (Jan. to Mar.)

<vs Forecasts announced on Feb. 2022>

Medical / Healthcare	<ul style="list-style-type: none"> • Sales revenue of cosmetic raw materials (1,3-BG) were almost in line with the plan due to overseas sales adjustments in response to increasing domestic demand. • Sales revenue in the chiral separation business were almost the same as planned. Because chiral columns for overseas markets were firm, and other businesses also progressed as planned.
Smart	<ul style="list-style-type: none"> • Sales revenue of cellulose acetate for LCD exceeded the plan thanks to higher demand than expected, although some panel manufacturers adjusted their operations. • Sales revenue of high-performance films exceeded the plan, due mainly to the contribution of new adoption for TV displays. • Sales revenue of solvents for electronic materials were slightly lower than planned due mainly to a decrease in sales volume for LCD panel applications, although the selling price increased. • Sales revenue of resist materials are almost as planned.
Safety	<ul style="list-style-type: none"> • Inflator sales revenue fell below plan due to reduced automobile production.

Segment Information – Results of 4th Quarter (Jan. to Mar.)

<vs Forecasts announced on Feb. 2022>

Materials	<ul style="list-style-type: none"> • Acetic acid market conditions exceeded the expectations. • Sales revenue of acetate tow exceeded the plan due mainly to effects of foreign exchange rate. • Sales prices exceeded the plan for the entire segment due to aggressive price corrections corresponding to rising raw material and fuel and distribution costs.
Engineering Plastics	<ul style="list-style-type: none"> • Sales revenue of Engineering Plastics business increased because of price corrections corresponding to rising raw material, fuel prices and transportation cost and effects of foreign exchange rate, despite a decrease in sales volume due to a logistics disruption.

Net Sales and Operating Income by Segment (Y on Y Analysis)

(billion yen)

Net Sales	21/3 Results	22/3 Results	Change	%	Analysis		
					Quantity	Prices	Exchange Rate Impact
Medical / Healthcare	16.2	19.5	+3.3	+20.3%	+2.4	+0.8	+1.0
Smart	24.7	32.5	+7.8	+31.5%	+5.8	+2.0	+0.5
Safety	67.2	69.5	+2.2	+3.3%	-0.5	+2.7	+3.2
Materials	104.2	122.8	+18.6	+17.9%	-1.7	+20.3	+5.0
Engineering Plastics	168.6	212.3	+43.7	+25.9%	+15.9	+27.8	+6.6
Others	12.7	11.4	-1.3	-10.0%	-1.3	-	-
Total	393.6	467.9	+74.4	+18.9%	+20.7	+53.6	+16.3

Operating Income	21/3 Results	22/3 Results	Change	%	Analysis			
					Quantity	Prices	Exchange Rate Impact	Others
Medical / Healthcare	1.6	3.4	+1.9	+120.1%	+2.2	-0.1	+0.2	-0.2
Smart	3.4	5.8	+2.4	+70.0%	+2.7	-0.0	+0.2	-0.3
Safety	2.2	5.2	+3.0	+132.6%	+0.8	+1.3	+1.2	+0.9
Materials	17.9	24.8	+6.9	+38.2%	-0.4	+5.6	+2.0	+1.7
Engineering Plastics	21.2	25.8	+4.6	+21.7%	+6.3	+4.6	+1.3	-6.3
Others	1.5	1.8	+0.3	+19.2%	+0.3	-	-	-
Corporate	-16.1	-16.0	+0.0	+0.2%	-	-	-	+0.0
Total	31.7	50.7	+19.0	+59.8%	+12.0	+11.3	+4.8	-4.2

*Exchange rate impact is included in price impact.

Operating Income by Segment (Y on Y Analysis)

(billion yen)

	Analysis	Operating Income	Main Factors for Operating Income Changes
Medical / Healthcare	Quantity	+2.2	(Increase) Increase in sales volume of 1,3-BG, Equol and Chiral columns
	Prices	-0.1	(Decrease) Higher raw material prices
	Others	-0.2	(Decrease) Cost increases
Smart	Quantity	+2.7	(Increase) Increase in sales volume of TAC and high-performance films
	Prices	-0.0	(Decrease) Higher raw material prices
	Others	-0.3	(Decrease) Cost increases
Safety	Quantity	+0.8	(Increase) Increase in sales volume due to acquisition of new projects, Increased operation rate
	Prices	+1.3	(Increase) Exchange rate fluctuation
	Others	+0.9	(Increase) Inventory prices
Materials	Quantity	-0.4	(Decrease) Decreased in sales volume due to a change in accounting standards
	Prices	+5.6	(Increase) Upward trends in the acetic acid market, Sales price increase due to rising raw material price and logistics cost, and Exchange rate fluctuation
	Others	+1.7	(Increase) Inventory prices
Engineering Plastics	Quantity	+6.3	(Increase) Increase in sales volume due to recovery in demand from Covid-19
	Prices	+4.6	(Increase) Sales price increase due to rising cost
	Others	-6.3	(Decrease) Increase in direct selling expenses

Consolidated Balance Sheet

(billion yen)

	Mar. 31, 2021	Mar. 31, 2022	Change
Total Current Assets	312.5	360.2	+47.7
Cash, Deposits and Short-term Investment Securities	91.5	90.5	-1.0
Notes and Accounts Receivable-trade	93.2	102.6	+9.4
Inventories	108.7	142.0	+33.3
Other	19.2	25.2	+6.0
Total Non-Current Assets	327.9	338.6	+10.7
Property, Plant and Equipment	219.7	229.8	+10.1
Intangible Fixed Assets	10.6	10.1	-0.5
Investments and Other Assets	97.5	98.7	+1.1
Total Assets	640.4	698.8	+58.5
Liabilities	395.4	419.3	+23.9
Interest-bearing Liabilities	270.9	283.6	+12.6
Other	124.4	135.7	+11.3
Total Net Assets	245.0	279.5	+34.5
Total Liabilities and Net Assets	640.4	698.8	+58.5

- Of the total asset increase of 58.5 billion yen, 22.7 billion yen of total assets increased due to the effects of foreign exchange.
- We have strategically increased inventories, mainly in the engineering plastics business, in addition to the effects of rising foreign exchange and raw material and fuel prices.
- Property, Plant and Equipment includes both increase and decrease; the investment of plant for Acetic Acid raw material and newly inflator plant in India, and an impairment loss of plant for cosmetics raw materials, respectively.
- Interest-bearing debt increased because of short-term borrowing due to increased working capital.

Consolidated Cash Flow Statement

(billion yen)

	2021/3	2022/3	Change
Cash Flows from Operating Activities	57.9	43.0	-14.9
Cash Flows from Investing Activities	-34.2	-46.5	-12.3
Free Cash Flows	23.6	-3.5	-27.2
Cash Flows from Financing Activities	-17.1	-5.5	+11.6
Other	3.5	6.2	+2.8
Net Increase (Decrease) in Cash and Cash Equivalents	10.1	-2.9	-12.9
Cash and Cash Equivalents at End of Period	90.7	88.0	-2.8

Although profits increased, free cash flow was -3.5 billion yen due to aggressive capital investment and strategic inventory buildup to seize sales opportunities in response to logistics disruptions, resulting in a decrease of 27.2 billion yen compared to the previous year.

Forecasts

(billion yen)

	2022/3 Results	2023/3 Forecasts	Change	%
Net Sales	467.9	540.0	+72.1	+15.4%
Operating Income	50.7	46.5	-4.2	-8.3%
Ordinary Income	57.3	48.5	-8.8	-15.3%
Income Attributable to Owners of Parent	31.3	37.0	+5.7	+18.4%
Exchange Rate USD/JPY	112	115		
ROIC	6.2%	5.3%		
ROE	12.3%	13.0%		
ROA	4.7%	5.2%		
EBITDA	78.9	76.6		
EPS (yen)	104.14	125.12		

<Reference> Mid-term Management Strategy Targets

	2022/3	2023/3	2024/3	2025/3	2026/3
ROIC	1.5%	2.5%	4.5%	7.0%	10.0%
EBITDA	60.0	68.0	82.0	100.0	116.0

Forecasts

- We will expand sales in all segments, centering on Safety, Engineering Plastics, and Materials. We will also work to correct selling prices corresponding to rising raw material, fuel and distribution costs, but we expect a sales increase and a profit decrease due mainly to the effects of a decline in the acetic acid market and rising distribution costs.
- EBITDA is expected to decrease slightly and ROIC is expected to decrease in FY2023/3.
- Business assets have increased due to inventory buildup to ensure sales opportunities in response to supply chain disruptions and logistics disruptions, and aggressive capital investment
- Invested capital during the medium-term strategy period is expected to increase more than planned because of the impact of the timing of capital investment and other factors, however EBITDA is expected to remain at a level higher than the medium-term strategy.
- Currently, we are strategically increasing inventories in response to distribution disruptions, but we will realize efficient production by improving the accuracy of required inventory forecasts and reduce inventories without losing sales opportunities. And we will achieve a cash conversion cycle of 110 days during the medium-term strategy.

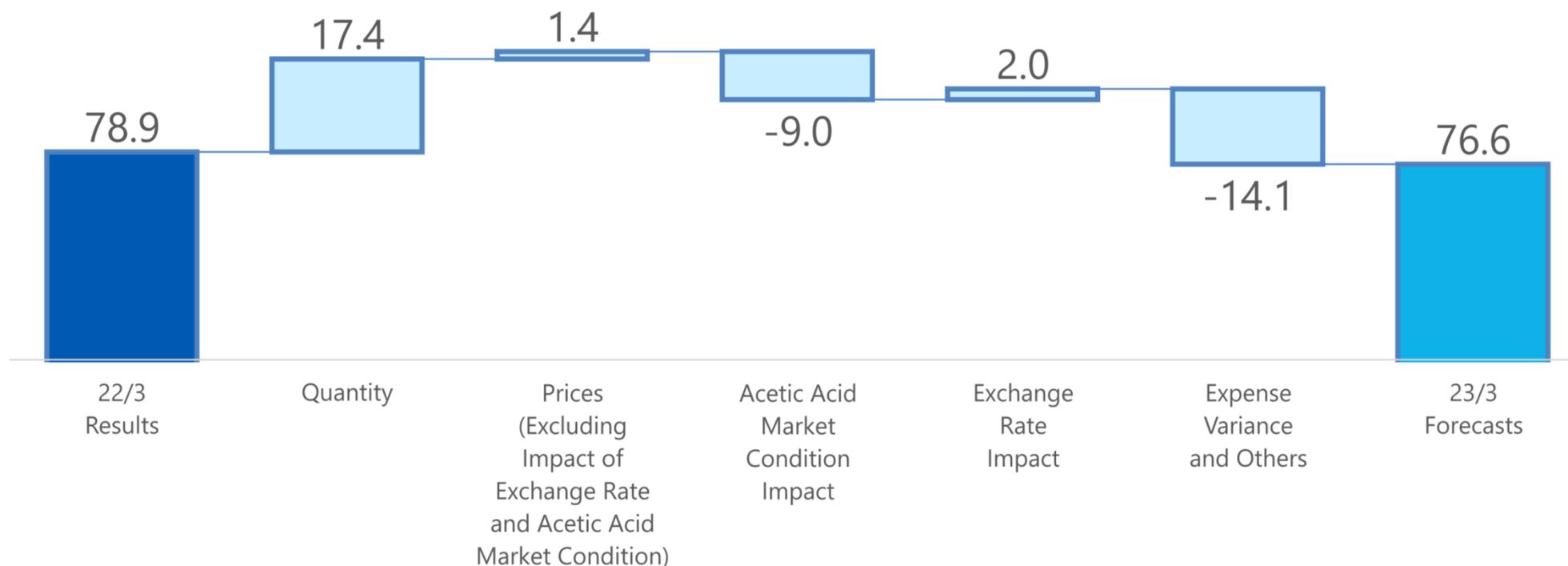
<Reference> Outlook for Capital Expenditure and Depreciation and Amortization Cost in the Medium-term Strategy Period (FY2022/3 to FY 2026/3)

		(billion yen)					
		2022/3	2023/3	2024/3	2025/3	2026/3	Total
Current plan	Capital Expenditures	40.8	72.0	94.6	48.5	32.9	288.9
	Depreciation & Amortization Cost	27.5	30.0	44.7	51.3	50.7	204.2
cf.) Mid-term Strategy	Capital Expenditures	55.0	45.0	52.0	32.0	26.0	210.0
	Depreciation & Amortization Cost	43.3	43.8	45.4	44.1	43.6	220.0

* Depreciation & amortization cost includes amortization of long-term prepaid expenses. In addition, the figure for 2022/3 of current plan is actual values.

Revised Forecasts - EBITDA (vs Forecasts Analysis)

(billion yen)



- <Quantity> Increases in sales volume due to expand sales in all segments centered on Safety, Engineering Plastics, and Materials, and increase in operation rate.
- <Prices> Despite the impact of decline in the acetic acid market, we will actively work to correct selling prices due to rising raw fuel and distribution costs.
- Foreign exchange assumptions FY2022/3: ¥ 112/US\$, FY2023/3: ¥ 115/US\$
- <Expense Variance and Others> Expenses will increase due mainly to the rising distribution cost, operation of a new plant for cosmetic raw materials and the launch of a new inflator program, although we will make thorough cost reductions.

Progress of Large-scale Investment Project

◇ Renewal of Aboshi Carbon Monoxide (Acetic Acid Raw Material) Plant

- We found that some devices have insufficient performance due to a design flaw by the device manufacturer. Therefore, we are carrying out plant re-construction in parallel with compensation negotiations with the manufacturer.
- Due to the embargo on Russian coal that was planned to be used as a raw material for the plant, we will switch to alternative coal sources. Therefore, we need to confirm the quality of the candidate alternative coal and plan to modify some equipment to meet the characteristics of this coal.
- For these reason, we have decided to postpone the start of commercial operations from June 2022 to June 2023 after annual maintenance. By effectively utilizing the period until commercial operation, we are working to reduce costs by further expanding the usable coal types. Moreover, we will start considering medium-term conversion of raw materials in anticipation of a transition to a low-carbon society.

◇ New 1,3-BG Manufacturing Plant in Aboshi

- We plan to start commercial operation in August 2022 after making equipment modifications based on the results of the previous test run.
- We will make improvements to further enhance the energy-saving effect of process innovation.

◇ Outlook for Depreciation Cost of Large-scale Investment Project

(billion yen)

	2022/3	2023/3	2024/3	2025/3	2026/3
Current plan	0	1.5	11.0	10.0	7.5
cf.) Previous Plan (announced on May 2021)	0	10.5	10.5	8.0	6.0
cf.) Mid-term Strategy (announced on Feb. 2021)	13.0	11.5	8.5	6.5	5.0

Forecasts - Net Sales and Operating Income by Segment

(billion yen)

Net Sales	2022/3 Results	2023/3 Forecasts	Y o Y	
			Change	%
Medical / Healthcare	19.5	24.0	+4.5	+23.1%
Smart	32.5	39.0	+6.5	+20.0%
Safety	69.5	86.0	+16.5	+23.8%
Materials	122.8	135.0	+12.2	+9.9%
Engineering Plastics	212.3	247.0	+34.7	+16.4%
Others	11.4	9.0	-2.4	-21.1%
Total	467.9	540.0	+72.1	+15.4%

Operating Income	2022/3 Results*	2023/3 Forecasts	Y o Y	
			Change	%
Medical / Healthcare	2.4	2.5	+0.1	+2.5%
Smart	4.0	4.1	+0.1	+1.6%
Safety	2.6	5.2	+2.6	+101.3%
Materials	18.3	9.2	-9.1	-49.8%
Engineering Plastics	22.1	25.0	+2.9	+13.1%
Others	1.2	0.5	-0.7	-58.1%
Total	50.7	46.5	-4.2	-8.3%

EBITDA	
2022/3 Results	2023/3 Forecasts
4.2	5.4
6.4	6.7
8.4	11.3
28.5	18.7
29.6	33.3
1.9	1.2
78.9	76.6

* Operating income by segment for FY2022/3 is the figure after reviewing the corporate expense allocation method.

Segment Information

We will proactively correct sales prices corresponding to rising raw material and fuel and distribution costs.

Medical / Healthcare	<ul style="list-style-type: none"> • In the cosmetics business, we will expand our supply capacity by operating a new cosmetics raw material (1,3-BG) plant and work to further expand sales. • In the health food business, we are focusing on intestinal microbiome materials and will work to expand sales of new and existing products. • In the chiral separation business, we will capture the demand of the pharmaceutical market and work to expand sales of chiral columns, validation services and other products and services, and further grow genomics products and services.
Smart	<ul style="list-style-type: none"> • We will work to increase market share of cellulose acetate for LCD (TAC) by improving its competitiveness through quality improvement. • As for high-performance films, we will work to expand sales of the newly developed product for TV display films, whose markets are expanding. In addition, we will expand our business domain and accelerate growth by taking over the film segment of the Electronic Components Division of Gunze Limited (see page 34 for details). • We will continue full manufacturing and full sales of electronic materials solvents and resist materials. In addition, we will work to increase production in order to respond to growing demand and accelerate the next production increase plan.

Segment Information

We will proactively correct sales prices corresponding to rising raw material and fuel and distribution costs.

<p>Safety</p>	<ul style="list-style-type: none"> We will steadily promote business structural reforms such as consolidation of production bases, cataloging and integration of products, and automating the production line. We will work to increase the market share of inflators by acquiring new programs mainly in emerging countries.
<p>Materials</p>	<ul style="list-style-type: none"> While maintaining a stable supply to the demand for acetate tow, we will work to expand sales of high-priced products such as heat-not-burn tobacco applications. We will respond to the strong demand for cellulose acetate and work to expand sales to new customers. Sales revenue of acetic acid and acetic acid derivatives increased due mainly to the impact of rising market conditions. We will work to expand sales of caprolactone derivatives while promoting allocation to high-priced and high-performance markets. We will work to expand sales of epoxy resins to the electronic materials field, where demand is strong.
<p>Engineering Plastics</p>	<ul style="list-style-type: none"> We will increase in sales volume of engineering plastics by improving supply capacity through fully operating production equipment and further improving operational availability. We thoroughly manage sales, production, and inventory to control distribution costs. In addition, we will accelerate cost reduction by deploying Daicel Production Innovation method to Polyplastics manufacturing bases.

Return to Shareholders

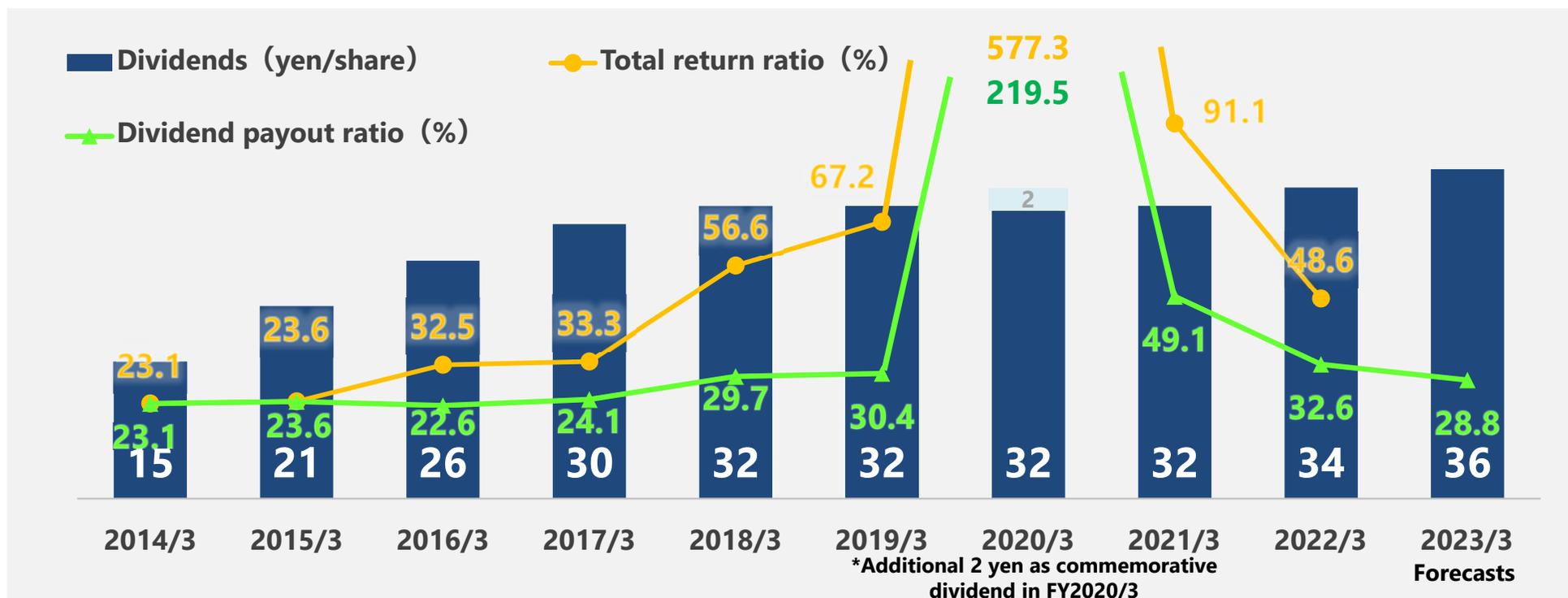
Policy: Maintain the 32 yen per share as the lower limit and total return ratio of 40% or higher

FY ended March 2022

- Dividends forecasts for 2nd half : 18 yen per share (increase by 2 yen from the previous forecast), Annual dividends forecasts : 34 yen per share
- Purchase of own stocks of 6 million shares for 5 billion yen. (Purchase period: From Nov. 2021 to Feb. 2022)

FY ending March 2023

- Annual dividends forecasts : 36 yen per share
- We increase dividends by 2 yen from the previous fiscal year because EBITDA was beyond our mid-term strategy.
- We will consider further strengthening shareholder returns and maintain returns in line with our policy.



Improving Profitability in the Safety Business

We are promoting the measures set forth in our mid-term management strategy to improve profitability and strengthen competitiveness. We aim to significantly increase profits from the fiscal year ending March 2024, when the consolidation of production areas is completed.

◇ Consolidation of production areas

- Completion of production area consolidation and abolition at multiple bases by the end of the fiscal year ending March 2023
- Decided to dissolve the Korean base (production was stopped in April 2022)

◇ Variety integration (Cataloging)

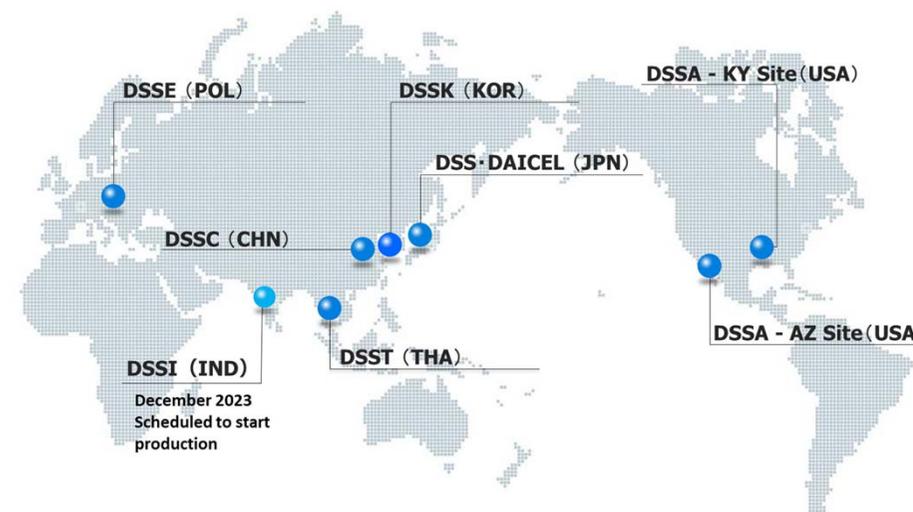
- By the fiscal year ending March 2026, we will reduce 144 product numbers of 30 varieties to 85 product numbers of 10 varieties.
- Reduce the number of parts by integrating product types
- Orders for products with integrated product types are progressing as planned

◇ Development of gas generator

- Stabilizing the quality of existing products with quality confirmation equipment
- Gas generator with improved combustion performance will be applied to some inflators from the fiscal year ending March 2023.
- A gas generator with improved quality and cost competitiveness is scheduled to be launched after 2025 by dry tableting, which is a new manufacturing method.

◇ Increased productivity per person

- Improve productivity per person by automating equipment and saving labor



	22/3 Results	23/3 Plan	26/3 Plan
Automation Rate	59%	67%	71%
Number of personnel * Compared to the fiscal year ended March 31, 2021	243 reduction	412 reduction	888 reduction

Increase Production of Products That Will Lead the Next Generation and Growth

We will aggressively invest in increasing production in the next-generation development and growth driving business, where the market is expanding, and secure cash generation output that exceeds the expectations of the mid-term management strategy (EBITDA final year target of 116 billion yen).

Classification	Product	Segment	Contents	Start of operation	Ability
Next Generation	1,3-BG	Medical / Healthcare	New plant at Aboshi	August 2022	Same capacity as existing plant
	high performance films	Smart	Increased capacity at Kameoka	FY ending March 2026	
	resist materials	Smart	Increased capacity at Arai	FY ending March 2025	※Apply microfluidic system
	wafer Level Optics	Smart	Increased capacity at Harima	FY ending March 2024	
Growth	solvents for electronic materials	Smart	Increased capacity at Ohtake	FY ending March 2024	
	inflator	Safety	New factory in India	December 2023	
	epoxy compounds	Materials	We are building a production increase system, including improving the efficiency of domestic production bases and establishing new overseas production bases.		
	LCP	Engineering plastics	New plant in Taiwan	1H of the FY ending March 2025	5,000ton/year
			Expansion of plant in Taiwan	—	5,000ton/year
	COC		New plant in Germany	FY ending March 2025	20,000ton/year
	POM		New plant in China (Phase 1)	FY ending March 2025	90,000ton/year
		New plant in China (Phase 2)	FY ending March 2026	60,000ton/year ※Existing plant △60,000ton/year	

New Products to Accelerate Growth

New products has been launched by co-creating with customers and by Freely Translating Functions. Daicel Group is working on creating new business by discover of new market needs and by co-creating value together with our business partners and customers.

New Products	22/3 Sales Results	23/3 Sales Forecasts	26/3 Sales Targets	31/3 Sales Targets
High functionality of Cellulose acetate  Environment – oriented Cellulose acetate resin New products of Fine Cellulose	¥ 0.1 billion	¥ 0.2 billion	Over ¥ 10 billion	Over ¥ 40 billion
One Time Energy (Industrial use, Pyro-devices for vehicles)  Pyro-fuse	¥1 billion	¥ 1.5 billion	Over ¥ 10 billion	Over ¥ 40 billion
High- performed films (Display, electronic components)	¥ 4 billion	¥ 5.5 billion	Over ¥ 10 billion	Over ¥ 20 billion
Composite materials of Inorganic and organic materials, high-performed materials	—	—	Over ¥ 10 billion	Over ¥ 30 billion

Towards Realization of Biomass Value Chain: Establishment of new organization

Daicel's strengths to work on "Biomass Value Chain"

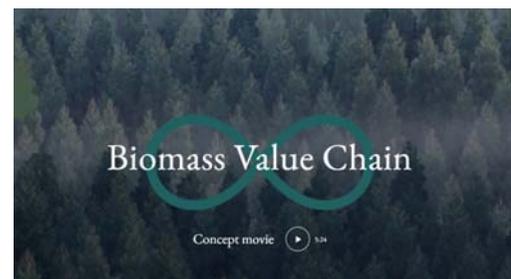
- Pioneer in plant-derived chemical products, having dealt with cellulose since its foundation
- Pioneer in non-petroleum C1 chemistry
- Currently, products using methanol as starting material account for 50% of chemical sales
- Capable of converting raw materials to a biomass product line through bio-methanol conversion

Established "Biomass Innovation Center" to accelerate social implementation

The realization of "New Biomass Product Trees" and "Biomass Value Chain" will be a major driving force for both the further development of our cellulose acetate business and the resolution of social issues such as carbon neutrality.

Biomass Innovation Center was newly established as an executive organization to oversee related initiatives and accelerate co-creation across industrial, academic, and governmental boundaries for social implementation.

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



Towards Realization of Biomass Value Chain: Creation of New Materials

We aim to create and expand sales of sustainable products by creating cellulose acetate as a biomass material and new materials using precise chemical modification technology.

1. Improve Biodegradability and Expand Sales of Conventional Cellulose Acetate

Cellulose acetate, our main product, combines the environmental characteristics of a plant-derived bioplastic with the same high processability as conventional commodity plastics. We are working on improving biodegradability and developing food grade products, and will develop new markets, starting with one-way applications such as cutlery, to meet the strong demand for biodegradable plastics from global customers and expand sales.



Image of molding cutlery and food containers

2. Strengthen the Lineup of New Fine Cellulose and Derivatives to respond various needs

We are creating new fine cellulose through precise chemical modification of cellulose. We will increase product variations to meet the diverse needs of our customers.

e.g., Metal adsorbent for precious metals and arsenic

Estimated market scale: ¥1 trillion for rare metal recovery, ¥100 billion for soil arsenic removal systems



Palladium extracted using metal adsorbent

Accelerating Innovation with “Melting Technology”

1. Creation of New Materials and Product Group by “Melting Technology”

By melting woody materials under mild condition,

- Develop various new materials through precisely controlled chemical reactions that were previously impossible
- Extracting reactive substances (lignin, hemicellulose, etc.) originally contained in wood without altering them, and creating new product groups using these substances as starting materials



Wood and Carbon Hybrid materials (Image)

e.g., Synthesis of high value-added chemicals from high-quality lignin as starting materials, Creation of new hybrid materials consisting of wood and inorganic materials such as metals and glass, Creation of novel hybrid materials of wood and synthetic polymers

2. Energy Saving of Conventional Manufacturing Process by “Melting Technology”

By melting woody materials under mild condition,

- Energy-intensive manufacturing process required for conventional wood melting can be significantly shortened
- Strengthening the competitiveness of the manufacturing industry by reducing environmental impact through energy conservation, reducing costs, and improving productivity

Accelerating Innovation with “Melting Technology”

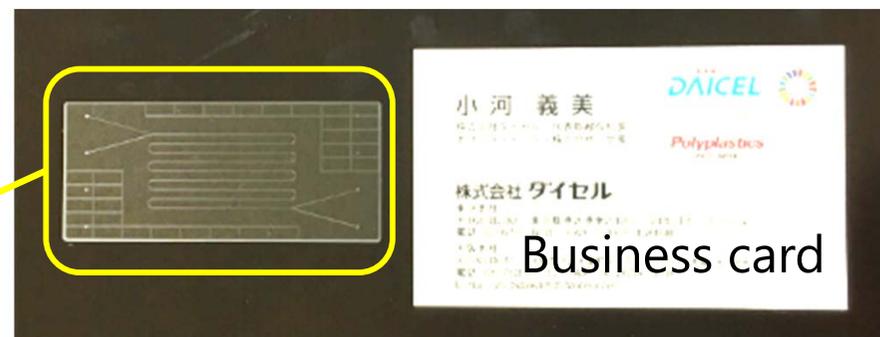
3. Revolutionary Desktop Chemical Plant Realized by Applying “Melting Technology” to Other Chemical processes.

- Melting Technology does not clog material in narrow channels
 - DAICEL Production Innovation modularized unit operation of a chemical plant and can be produced in approximately 40 different combinations
- ⇒ These enables precise reaction control in microdevices and nanofluidic channels, which were considered difficult in the past.

Microfluidic Devices

- Chemical operations such as mixing, reaction, and purification of substances in channels of several hundred micrometers on a substrate
- More than 10,000 substrates can be massively parallelized and more than several tens of tons/year can be produced, while maintaining the manufacturing methods established in the research area.

A microfluidic system allows the mixing and extracting operations with a glass chip the size of a business card.



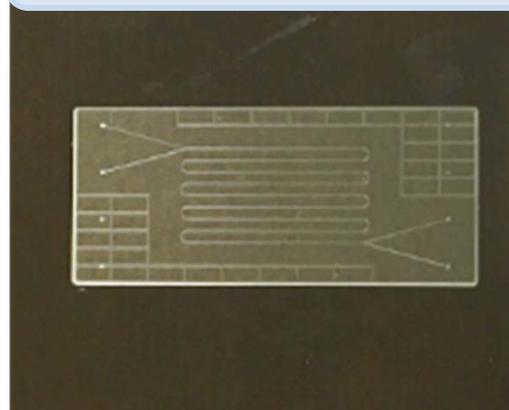
Accelerating Innovation with “Melting Technology”

Achieve idealized response by Revolutionary Desktop Chemical Plant

- No impurities are generated, eliminating the need for energy-intensive recovery processes from chemical plants
- Reduce development time by applying Materials Informatics simulation technology
- New or expanded plants can be built simply by increasing the number of substrates, eliminating the need for customer evaluation due to scale-up
- Reduces capital investment, saves energy, space, and resources



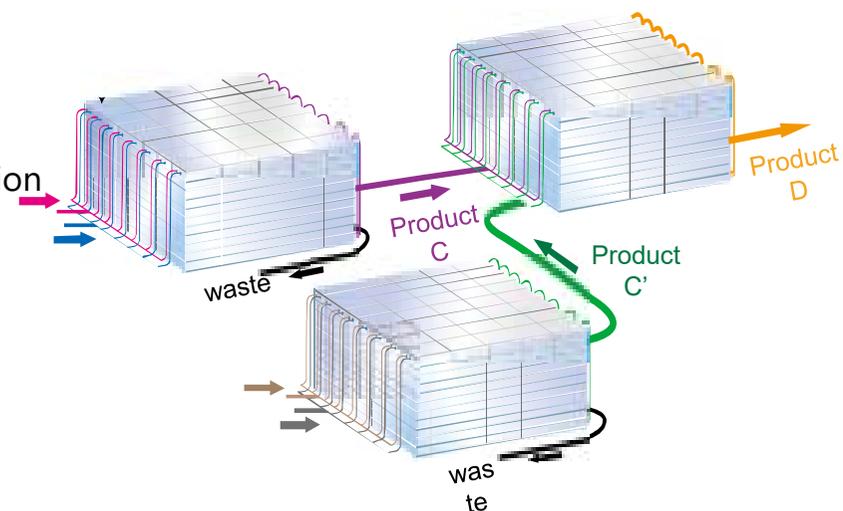
Conventional
Chemical Plant



Microfluidic Device



Parallelization

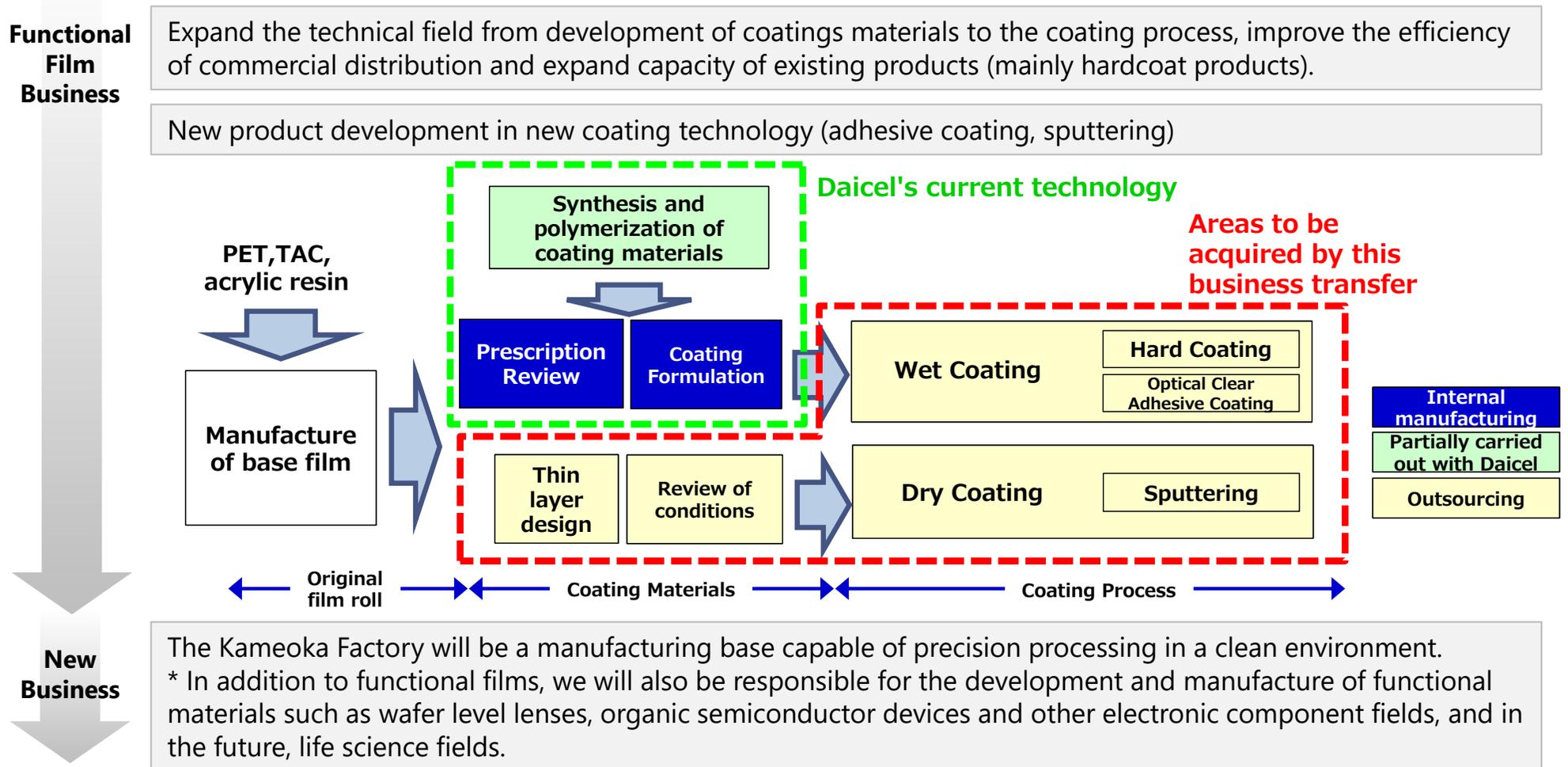


Desktop Chemical Plant (Image)

Plans to start operations at several domestic plants, beginning with semiconductor resist manufacturing at the Arai Plant in FY2025/3.

Business Expansion by Transfer of the Film Segment of the Electronic Components Division of Gunze Limited

We will acquire the film segment of the Electronic Components Division of Gunze Limited (Kameoka Factory) to expand the functional film business. And we will devise solutions by exploiting the synergies it expects to derive by combining our proprietary materials and wide-ranging product lines with newly acquired technologies and know-how.



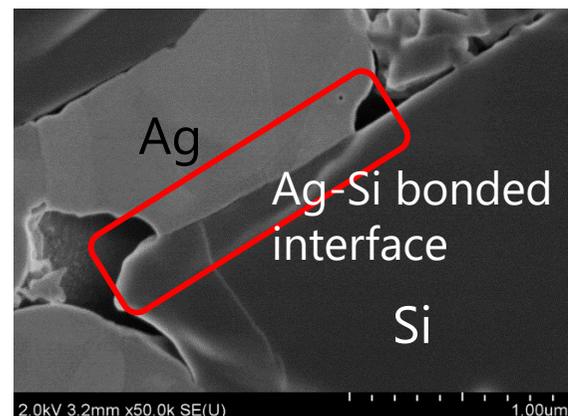
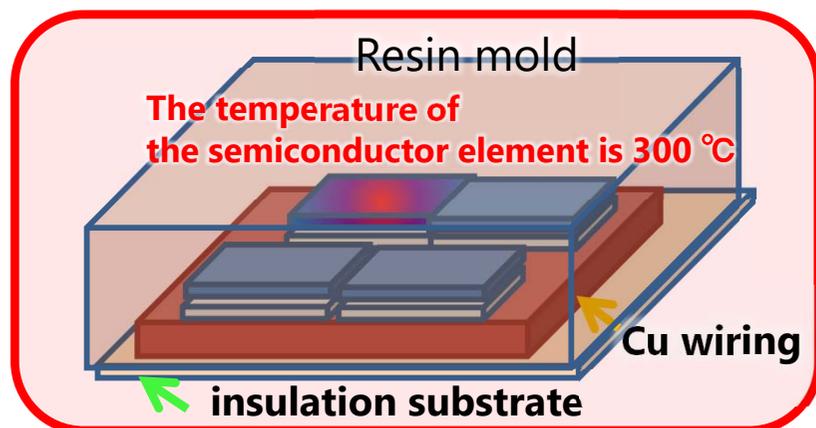
Advanced Materials & Packaging Institute

-Developing New Materials that Contribute to the Realization of a Smart Society

We have focused on organic/inorganic composite materials for next-generation power devices and the next-generation communication standard 6G, which is expected to grow significantly in the future, and our Research Center had been conducting customer needs search and basic research. We have newly established an "Advanced Materials & Packaging Institute" separate from the Research Center, and have moved to conducting applied R&D based on customer needs in parallel with basic research in this new division.

Development of organic/inorganic composite materials for realization of next-generation power

The market size of next-generation power devices is expected to be 4 trillion yen in 2030 (according to our research). We propose Ag-Si alloy sintering as a high heat resistant die bond joining technology that is indispensable for the practical use of next-generation power devices. While the entire industry has been sticking to the low temperature sintering technology of pure metals of Ag and Cu for more than 10 years, we are confident that the composite of Si, a semiconductor element, and Ag can relieve thermal stress relaxation of die bond joints. Ag-Si alloy sintering is expected to be a key technology that guarantees both the functionality of next-generation power devices and significantly reduce costs by reducing the amount of Ag used.



Life Science Business Division -Accelerate Life Science Related Business SBU Creation

We have integrated the medical-related businesses of the Daicel Group, such as chiral columns, a new injectable drug delivery device, and pharmaceutical solutions, and established the "Life Science Business Division" which formulates and promotes medical-related business strategies and R & D strategies.

Under the Life Science Business Division, we will pursue synergies in the medical-related business within the Group by utilizing the customer base of chiral columns, which has the largest market share in the world. In addition, we will accelerate research and development in the field of gene therapy where the features of the products and technologies of the Daicel Group can be utilized. Through these efforts, we aim to eventually set up an SBU dedicated to life science-related businesses.

Providing "Actranza™ Lab Technology" with Dutch Biotechnology Company

Our new injectable drug delivery device is a needle-free injector which administers the drug as a high-speed stream of fluid driven by instantaneous power to penetrate the skin and introduce even large molecules into cells. This device is expected to be applied to gene therapy drugs, etc., and we have already received consultations from several major Western pharmaceutical companies.

In addition, we have decided to provide Actranza™ Lab technology to the Dutch biotechnology company Immunetune, which develops next generation DNA vaccines against cancer and infectious diseases, and will conduct a joint efficacy evaluation. Using this collaboration with Immunetune as a stepping stone, we will further raise awareness of the Actranza™ Lab in Europe and the United States and promote joint research with other major pharmaceutical and medical device companies with an eye on clinical application. Through these activities, we aim to put our new drug delivery device into practical use at an early stage.



REFERENCES

Trend in Net Sales, Operating Income, and EPS

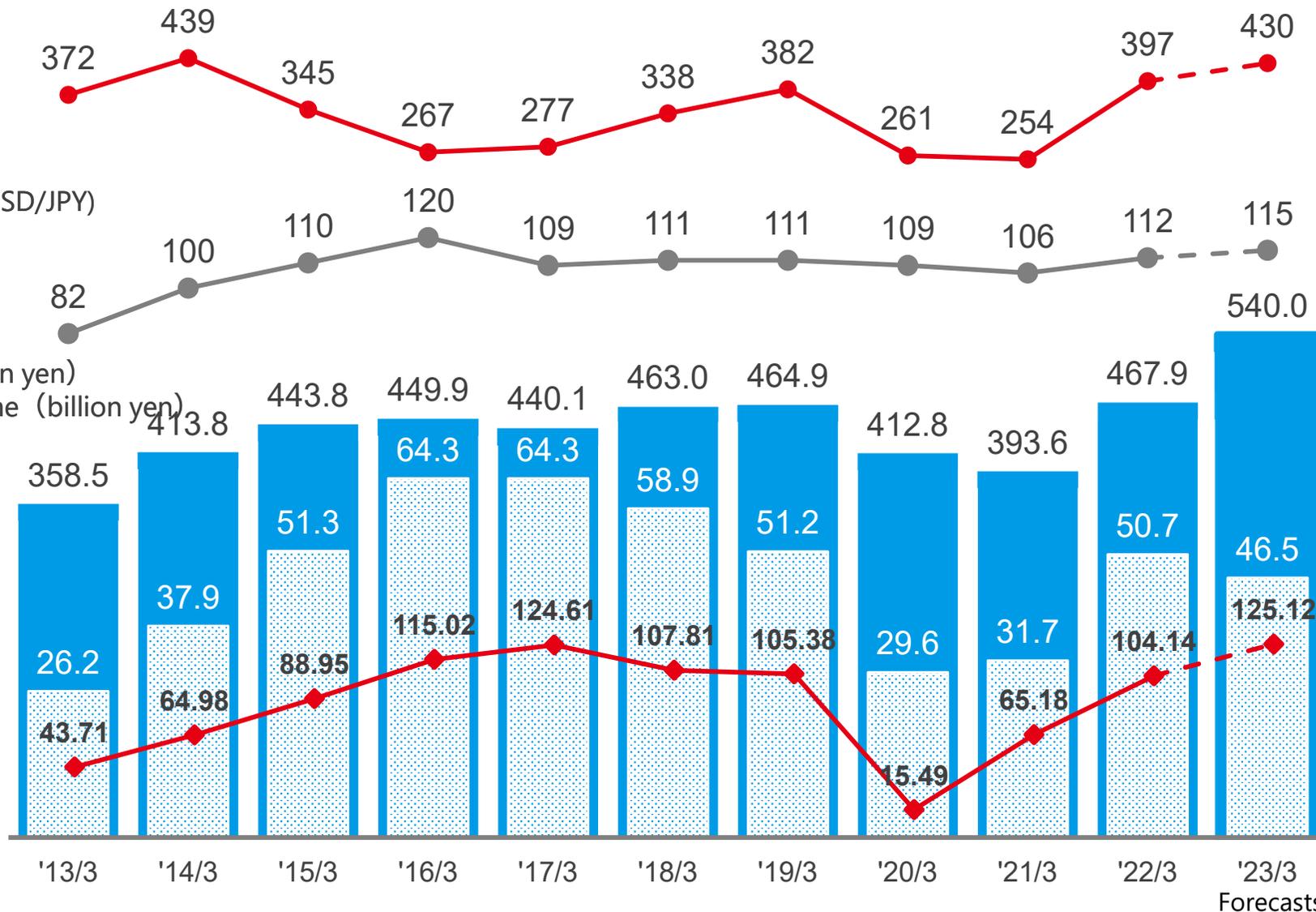
● Methanol(Asian spot price) (USD / ton)

● Exchange Rate(USD/JPY)

■ Net Sales (billion yen)

▨ Operating Income (billion yen)

◆ EPS (yen)



Operating Income by Segment (After Review the Method of Allocating Corporate Expenses)

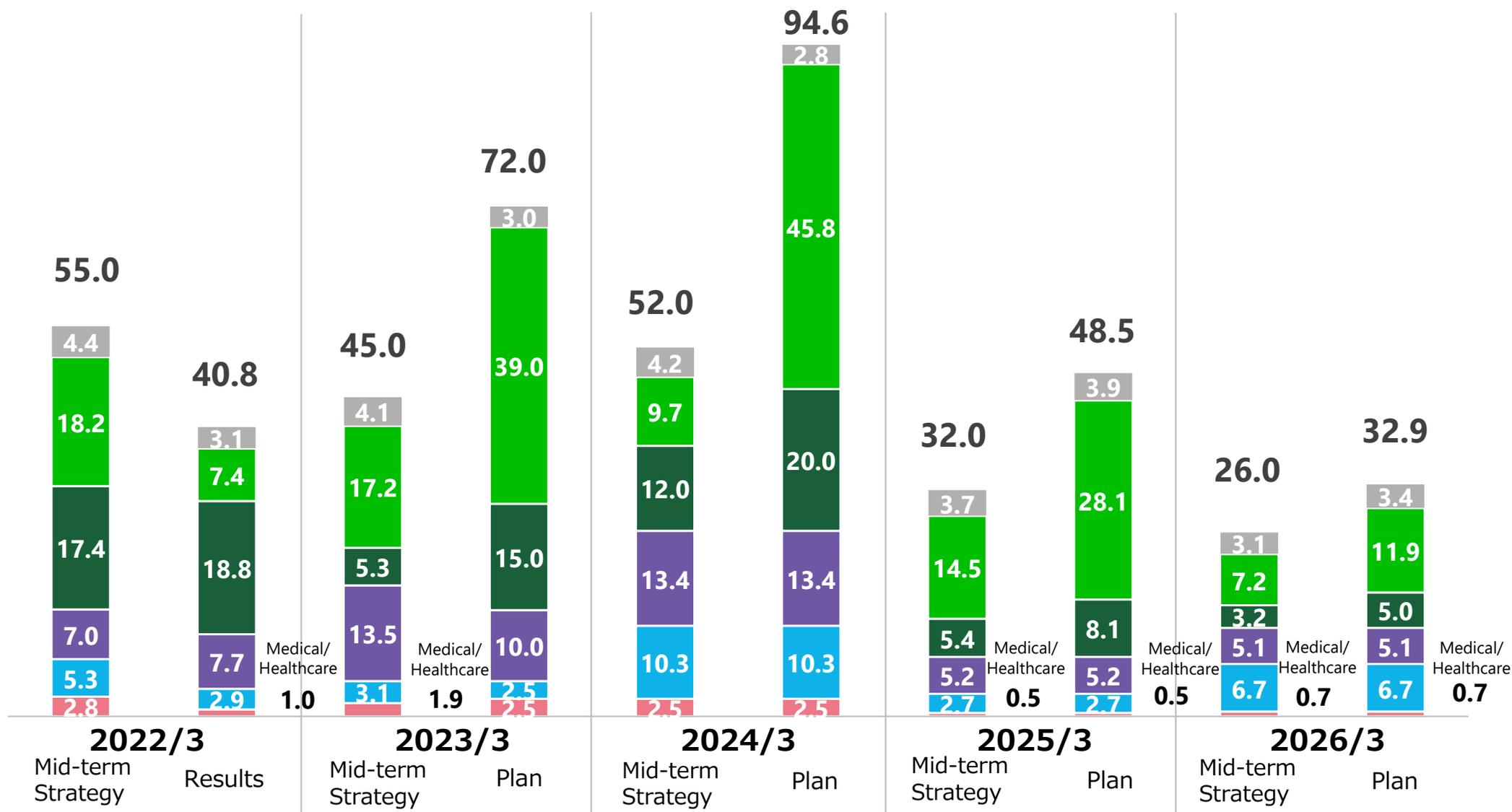
We are transforming into a self-directed business organization through bold delegation of authority. We have reviewed the method of allocating corporate expenses from the fiscal year ending March 2023 in order to shift to a system in which each business unit bears responsibility for its own expenses and manages them accordingly.

(billion yen)

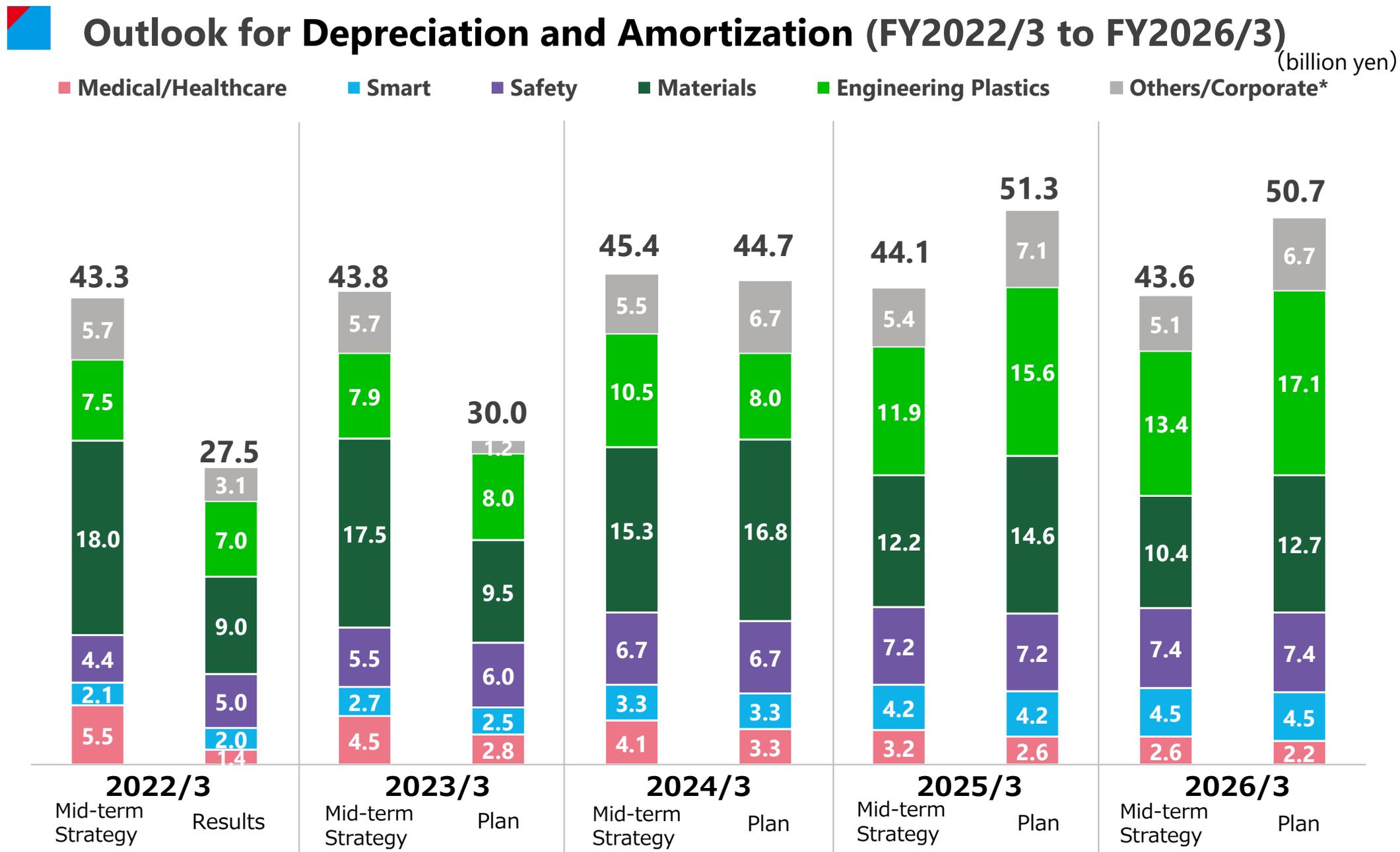
	2022/3 Results						2023/3 Forecasts					
	Before Review			(cf.) After Review			(cf.) Before Review			After Review		
	1H	2H	Total	1H	2H	Total	1H	2H	Total	1H	2H	Total
Medical / Healthcare	1.9	1.5	3.4	1.4	1.0	2.4	2.1	1.5	3.6	1.5	1.0	2.5
Smart	3.4	2.4	5.8	2.6	1.5	4.0	2.9	3.1	6.0	1.8	2.3	4.1
Safety	2.4	2.8	5.2	1.1	1.5	2.6	4.5	4.7	9.2	2.3	2.9	5.2
Materials	11.6	13.1	24.8	8.6	9.7	18.3	9.4	6.4	15.8	5.8	3.4	9.2
Engineering Plastics	15.1	10.7	25.8	13.2	9.0	22.1	14.1	15.4	29.5	11.3	13.7	25.0
Others	0.8	1.0	1.8	0.5	0.7	1.2	0.5	0.4	0.9	0.3	0.2	0.5
Corporate	-7.9	-8.1	-16.0	-	-	-	-10.5	-8.0	-18.5	-	-	-
Total	27.3	23.4	50.7	27.3	23.4	50.7	23.0	23.5	46.5	23.0	23.5	46.5

Outlook for Capital Expenditures (FY2022/3 to FY2026/3) (billion yen)

■ Medical/Healthcare
 ■ Smart
 ■ Safety
 ■ Materials
 ■ Engineering Plastics
 ■ Others/Corporate*



* The figure of plan for FY2023/3 is after reviewing the corporate expense allocation method.

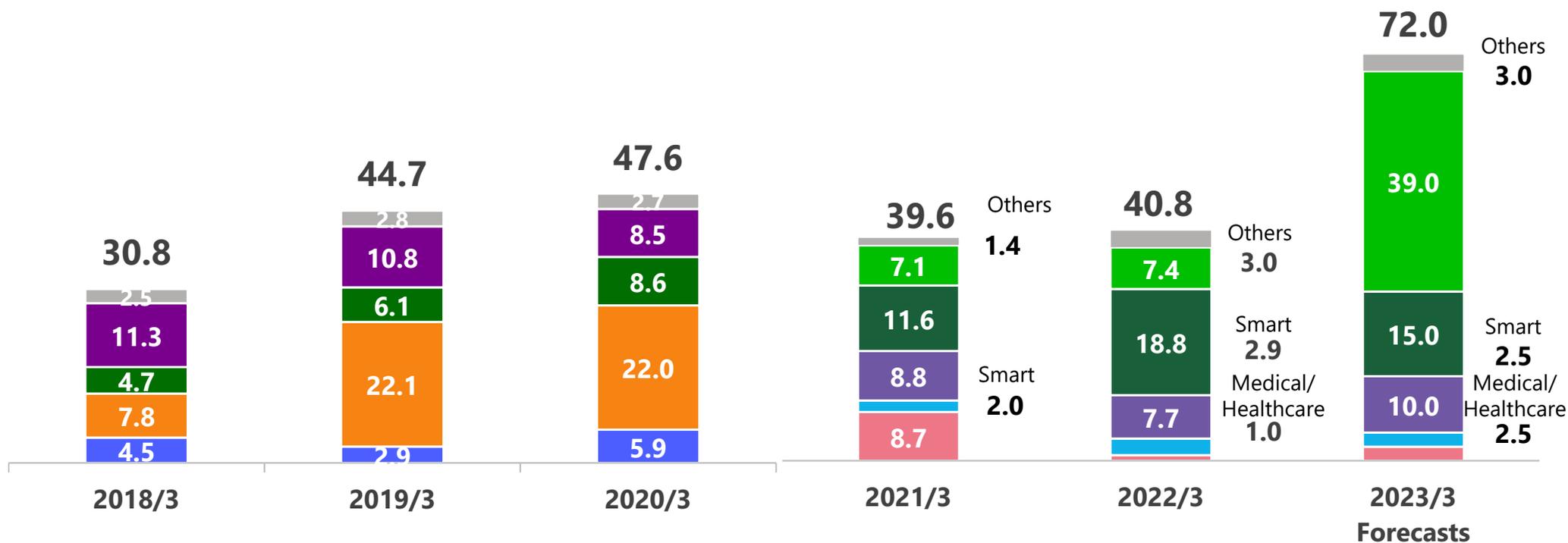


* The figure includes amortization of long-term prepaid expenses. In addition, the figure of plan for FY2023/3 is after reviewing the corporate expense allocation method. 41

Capital Expenditures

(billion yen)

- Cellulosic Derivatives
- Organic Chemicals
- Medical/Healthcare
- Smart
- Plastics
- Pyrotechnic Devices
- Safety
- Materials
- Others/Corporate
- Engineering Plastics
- Others/Corporate*

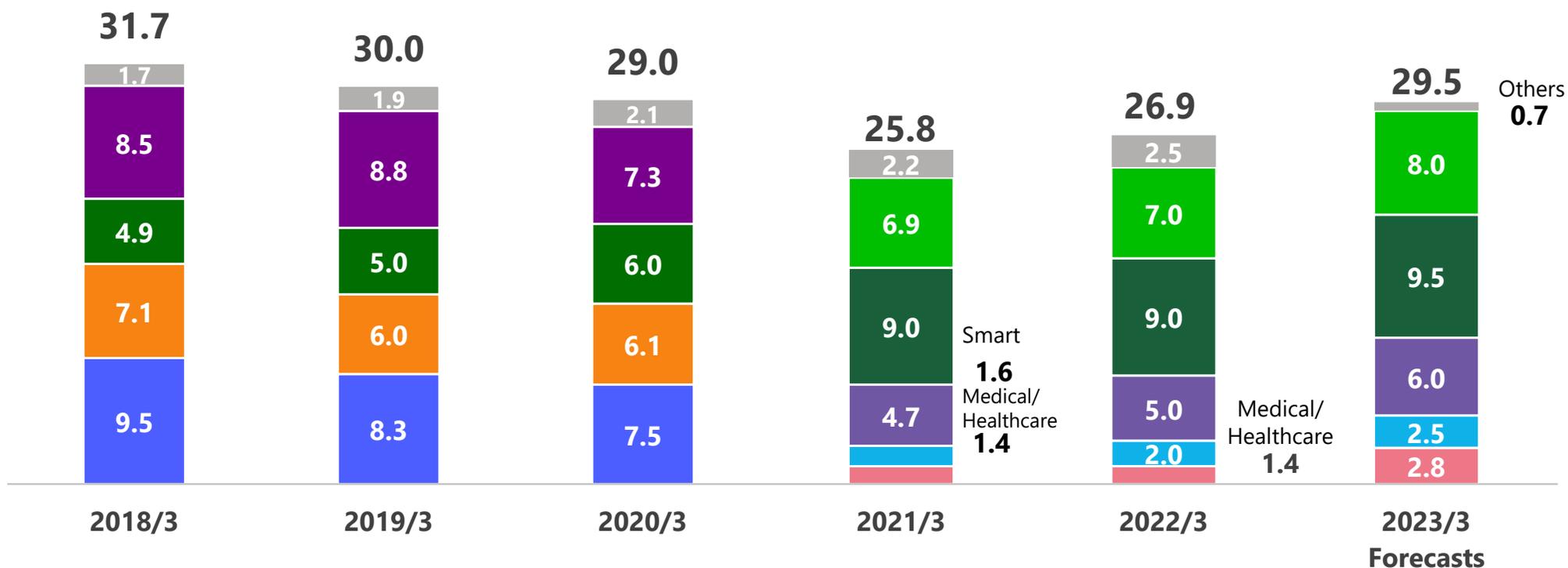


*The figures of "Others/Corporate" for FY2023/3 do not include 'Corporate'.

Depreciation and Amortization

(billion yen)

- Cellulosic Derivatives
- Organic Chemicals
- Medical/Healthcare
- Smart
- Plastics
- Pyrotechnic Devices
- Safety
- Materials
- Others/Corporate
- Engineering Plastics
- Others/Corporate*



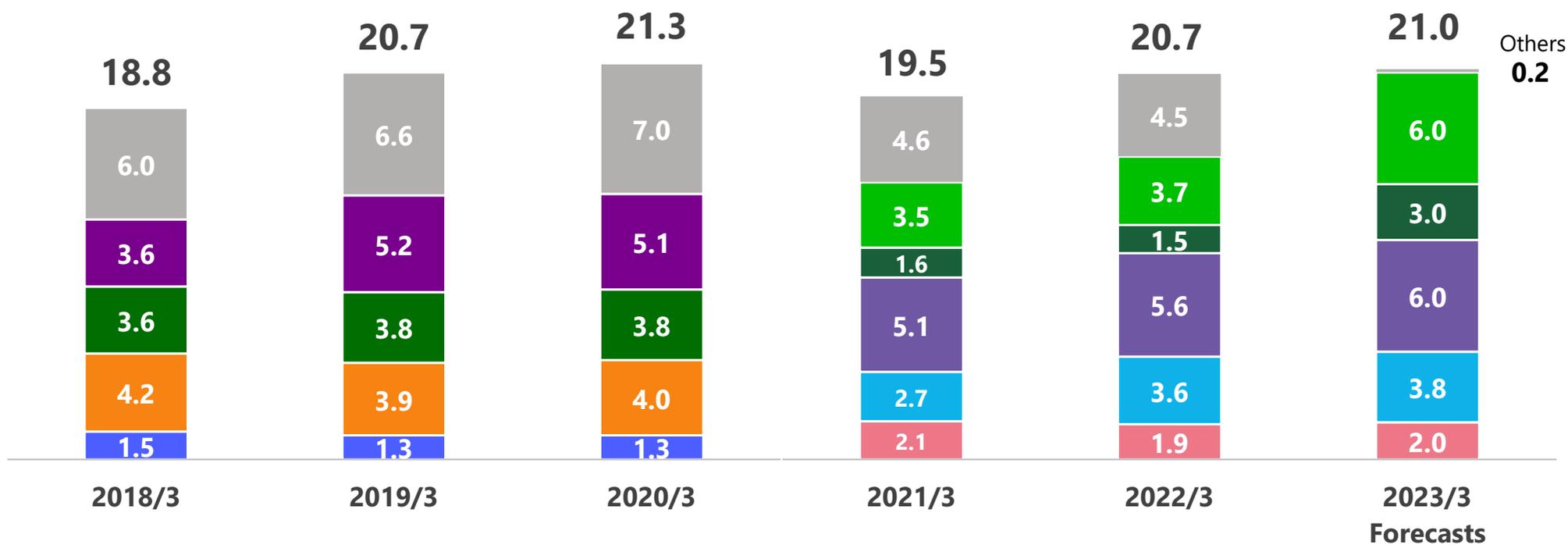
*The figures of "Others/Corporate" for FY2023/3 do not include 'Corporate'.



R&D

(billion yen)

- Cellulosic Derivatives
- Organic Chemicals
- Medical/Healthcare
- Smart
- Plastics
- Pyrotechnic Devices
- Safety
- Materials
- Others/Corporate
- Engineering Plastics
- Others/Corporate*



*The figures of "Others/Corporate" for FY2023/3 do not include 'Corporate'.

Quarterly Results for Sales and Operating income

(billion yen)

Net Sales	2021/3				2022/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Medical / Healthcare	3.9	3.9	4.2	4.2	4.8	4.8	5.0	4.9
Smart	5.1	5.2	7.3	7.1	8.0	7.5	8.6	8.5
Safety	10.7	16.5	19.5	20.5	16.3	15.6	18.5	19.1
Materials	25.6	23.7	25.6	29.3	28.3	29.8	31.2	33.6
Engineering Plastics	35.2	39.5	46.5	47.4	51.5	52.9	52.4	55.5
Others	2.4	3.7	3.0	3.6	2.6	2.8	2.6	3.4
Total	82.9	92.4	106.0	112.2	111.4	113.5	118.2	125.0

Operating income	2021/3				2022/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Medical / Healthcare	0.4	0.4	0.4	0.3	0.9	1.0	0.7	0.9
Smart	0.6	0.4	1.0	1.3	2.0	1.4	1.5	0.9
Safety	-2.3	0.6	2.2	1.7	0.7	1.7	2.0	0.8
Materials	3.9	3.6	3.4	7.1	6.0	5.6	6.7	6.4
Engineering Plastics	3.9	4.3	5.8	7.1	8.2	6.9	4.4	6.2
Others	0.4	0.5	0.4	0.2	0.5	0.2	0.4	0.6
Corporate	-3.8	-3.9	-3.6	-4.7	-4.4	-3.6	-3.6	-4.5
Total	3.1	6.0	9.6	13.0	13.9	13.3	12.0	11.4

Financial Forecast (FY ending March 2023)

(billion yen)

		2022/3 Results *			2023/3 Forecasts			Change (B)-(A)
		1 st Half	2 nd Half	Total(A)	1 st Half	2 nd Half	Total(B)	
	Medical / Healthcare	9.6	9.9	19.5	11.5	12.5	24.0	+4.5
	Smart	15.4	17.0	32.5	19.0	20.0	39.0	+6.5
	Safety	31.9	37.6	69.5	42.0	44.0	86.0	+16.5
	Materials	58.0	64.8	122.8	66.5	68.5	135.0	+12.2
	Engineering Plastics	104.4	107.9	212.3	123.0	124.0	247.0	+34.7
	Others	5.4	6.0	11.4	4.0	5.0	9.0	-2.4
Net sales		224.8	243.1	467.9	266.0	274.0	540.0	+72.1
	Medical / Healthcare	1.4	1.0	2.4	1.5	1.0	2.5	+0.1
	Smart	2.6	1.5	4.0	1.8	2.3	4.1	+0.1
	Safety	1.1	1.5	2.6	2.3	2.9	5.2	+2.6
	Materials	8.6	9.7	18.3	5.8	3.4	9.2	-9.1
	Engineering Plastics	13.2	9.0	22.1	11.3	13.7	25.0	+2.9
	Others	0.5	0.7	1.2	0.3	0.2	0.5	-0.7
Operating income		27.3	23.4	50.7	23.0	23.5	46.5	-4.2
Ordinary income		29.8	27.5	57.3	24.0	24.5	48.5	-8.8
Income attributable to owners of parent		22.0	9.2	31.3	18.5	18.5	37.0	+5.7
(ref.) Exchange rate USD/JPY		110	115	112	115	115	115	

* Operating income by segment for FY2022/3 is the figure after reviewing the corporate expense allocation method.



Assumptions

		2021/3		2022/3			2023/3		
		1 st Half (Results)	2 nd Half (Results)	1 st Half (Results)	3 rd Quarter (Results)	4 th Quarter (Forecasts)	4 th Quarter (Results)	1 st Half (Forecasts)	2 nd Half (Forecasts)
Exchange rate (USD/JPY)		107	105	110	114	115	116	115	115
Raw Materials	Methanol Asian spot price (USD/ton)	192	316	368	443	450	410	430	430
	Crude Oil Dubai (USD/bbl.)	37	53	70	78	75	96	100	100
	Domestic Naphtha (JPY/kl)	27,500	34,500	50,500	60,300	56,000	66,000	78,000	78,000

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