



Fiscal Year ended March 2023 Consolidated Financial Results

May 11, 2023

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- (1) Shareholders Return

* Since the fiscal year ended March 31, 2023, we have changed the method to allocate all corporate expenses to each business segment. The figures of operating income and EBITDA by segment for the fiscal year ended March 31, 2022 are reclassified based on the new allocation methods.

FY2023/3 Financial Results

Net Sales 538bn yen, Operating Income 47.5bn yen, EBITDA 79.1bn yen, ROE 14.3%, EPS 138.87yen

- (Y on Y) Sales revenue increased due to an increase in sales volume and revise the sales prices in Materials business, despite delay in recovery of demand in automotive and electronic devices market.
- (Y on Y) EBITDA slightly increased resulting from thorough cost reduction and steady implementation of measures to improve profitability with an eye to the future, although we have been faced with the tough business environment such as delay in recovery of product demand and rise in raw material and fuel prices.

FY2024/3 Forecasts

Net Sales 572bn yen, Operating Income 53bn yen, EBITDA 89bn yen, ROE 14.5%, EPS 154.04yen

- We will expand sales in all businesses by seizing sales opportunities associated with recovery in demand.
- Sales revenue of acetate tow in Materials business will increase significantly due to an increase production by fully utilizing existing facilities and the effect of revision of sales price.
- Although depreciation expenses will increase from the start of operation of the raw material of acetic acid (carbon monoxide) plant, operating income and EBITDA will increase because of the effect from raw material conversion of carbon monoxide and improvement of profitability in each business.

Shareholders Return

- Annual dividends forecasts for FY2023/3 : **38 yen per share**
(increase by 4 yen from previous fiscal year, dividends forecasts for 2nd half : 20 yen per share)
- Annual dividends forecasts for FY2024/3 : **44 yen per share** (increase by 6 yen from previous fiscal year, because of the increase in EBITDA as cash-creation capacity)
- **Cancellation of 16 million shares of treasury stock.** (ratio to the total number of issued shares before cancellation: 5.28%)

Financial Results

Financial Results



Unit : Billion Yen	2022/3 Results	2023/3 Forecasts*	2023/3 Results	Y on Y		vs Forecasts	
				Change	%	Change	%
Net Sales	467.9	579.0	538.0	+70.1	+15.0%	-41.0	-7.1%
Operating Income	50.7	54.0	47.5	-3.2	-6.3%	-6.5	-12.0%
Ordinary Income	57.3	59.0	52.0	-5.3	-9.2%	-7.0	-11.8%
Income Attributable to Owners of Parent	31.3	41.0	40.7	+9.4	+30.2%	-0.3	-0.8%
Exchange Rate USD/JPY	112	137	136				

	2022/3 Results	2023/3 Forecasts*	2023/3 Results
EBITDA	78.9	86.0	79.1
ROE	12.3%	14.2%	14.3%
ROIC	6.2%	5.4%	5.3%
ROA	4.7%	5.6%	5.6%
EPS (Yen)	104.14	138.44	138.87

* The forecasts were announced on November 2, 2022.

<Y on Y>

- Sales revenue increased due to company-wide efforts to revise sales prices corresponding to rising raw material, fuel prices and the effect of exchange rates, despite the impact of delayed recovery in automobile production because of the shortage of semiconductor and decrease in demand for electronic devices.
- Operating income and ordinary income decreased due to a decrease in sales volume and the impact of rise in raw material and fuel and distribution costs, despite efforts to revise the sales prices and reduce costs thoroughly.
- In previous fiscal year, an impairment loss of 10 billion yen was recorded. Therefore, Income attributable to owners of parent increased, compared with the previous fiscal year.
- **EBITDA was slightly higher than the previous year, and we were able to maintain the cash-creation capacity even though demands for the products were weak.**
- **ROE and EPS were improved resulting from the effect of share buyback.**

<vs Forecasts>

- Despite efforts to expand sales channels and correct selling prices in each business, financial performance fell short of plan due to decreases in sales volume resulting from a delay in the recovery in demand for automobiles and electronic devices, which had been expected from the second half of the fiscal year, and the economic slowdown in China.
- **Further strengthening sales expansion and cost reduction initiatives were implemented in the fourth quarter and we will continue to implement them in the next fiscal year.**

Net Sales and Operating Income by Segment

Unit : Billion Yen	Net Sales						
	2022/3 Results	2023/3 Forecasts*	2023/3 Results	Y on Y		vs Forecasts	
				Change	%	Change	%
Medical / Healthcare	19.5	24.0	22.5	+3.0	+15.5%	-1.5	-6.2%
Smart	32.5	37.0	29.6	-2.9	-8.9%	-7.4	-20.0%
Safety	69.5	93.0	84.0	+14.5	+20.9%	-9.0	-9.7%
Materials	122.8	157.0	154.8	+32.0	+26.0%	-2.2	-1.4%
Engineering Plastics	212.3	259.0	238.1	+25.8	+12.2%	-20.9	-8.1%
Others	11.4	9.0	9.1	-2.4	-20.7%	+0.1	+0.6%
Total	467.9	579.0	538.0	+70.1	+15.0%	-41.0	-7.1%

Unit : Billion Yen	Operating Income						
	2022/3 Results	2023/3 Forecasts*	2023/3 Results	Y on Y		vs Forecasts	
				Change	%	Change	%
Medical / Healthcare	2.4	2.3	0.7	-1.7	-71.3%	-1.6	-69.6%
Smart	4.0	1.5	-0.6	-4.7	-	-2.1	-
Safety	2.6	5.7	-0.1	-2.7	-	-5.8	-
Materials	18.3	16.0	21.9	+3.6	+19.6%	+5.9	+37.1%
Engineering Plastics	22.1	28.0	25.3	+3.2	+14.5%	-2.7	-9.6%
Others	1.2	0.5	0.3	-0.8	-70.9%	-0.2	-30.6%
Total	50.7	54.0	47.5	-3.2	-6.3%	-6.5	-12.0%

EBITDA	
2022/3 Results	2023/3 Results
4.2	3.6
6.4	2.1
8.4	6.4
28.5	32.0
29.6	34.0
1.9	0.9
78.9	79.1

* The forecasts were announced on November 2, 2022.

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

Unit : Billion Yen	Net Sales						
	2022/3 Results	2023/3 Results	Change	%	Analysis		
					Quantity	Prices	Exchange Rate Impact*
Medical / Healthcare	19.5	22.5	+3.0	+15.5%	+0.2	+2.8	+2.5
Smart	32.5	29.6	-2.9	-8.9%	-4.8	+1.9	+1.2
Safety	69.5	84.0	+14.5	+20.9%	+6.7	+7.9	+7.9
Materials	122.8	154.8	+32.0	+26.0%	-3.4	+35.4	+20.9
Engineering Plastics	212.3	238.1	+25.8	+12.2%	-11.3	+37.1	+23.4
Others	11.4	9.1	-2.4	-20.7%	-2.4	-	-
Total	467.9	538.0	+70.1	+15.0%	-15.0	+85.1	+55.8

*Exchange rate impact is included in prices.

Unit : Billion Yen	Operating Income							
	2022/3 Results	2023/3 Results	Change	%	Analysis			
					Quantity	Prices	Others	Exchange Rate Impact*
Medical / Healthcare	2.4	0.7	-1.7	-71.3%	-0.0	+1.1	-2.8	+1.1
Smart	4.0	-0.6	-4.7	-	-2.4	-2.1	-0.1	+0.2
Safety	2.6	-0.1	-2.7	-	+1.6	+1.1	-5.5	+2.1
Materials	18.3	21.9	+3.6	+19.6%	+1.7	+1.3	+0.6	+9.8
Engineering Plastics	22.1	25.3	+3.2	+14.5%	-3.3	+15.3	-8.8	+8.1
Others	1.2	0.3	-0.8	-70.9%	-0.8	-	-	-
Total	50.7	47.5	-3.2	-6.3%	-3.3	+16.7	-16.6	+21.2

*Exchange rate impact is included in prices and others.

Operating Income by Segment (Y on Y Analysis)

Unit : Billion Yen		Operating Income	
		Analysis	Change
Medical / Healthcare	Quantity	-0.0	(Decrease) Sales volume of main products such as 1,3-BG and chiral columns increased, but the volume impact was negative due to the difference in the sales mix.
	Prices	+1.1	(Increase) Impact of exchange rate fluctuations
	Others	-2.8	(Decrease) Increase in depreciation and other expenses
Smart	Quantity	-0.24	(Decrease) Decrease in sales volume of TAC for optical films
	Prices	-2.1	(Decrease) Increase in raw material and fuel prices
	Others	-0.1	(Decrease) Cost increases
Safety	Quantity	+1.6	(Increase) Increase in sales volume, and increased operation rate
	Prices	+1.1	(Increase) Impact of exchange rate fluctuations
	Others	-5.5	(Decrease) Cost increases due to the increase in labor costs and logistics expenses, and the expenditure for consolidating support for productivity improvement
Materials	Quantity	+1.7	(Increase) Increase in sales volume of acetate tow and caprolactone derivatives and increased operation rate
	Prices	+1.3	(Increase) Increase in sales price of acetate tow and impact of exchange rate fluctuations
	Others	+0.6	(Increase) Inventory prices
Engineering Plastics	Quantity	-3.3	(Decrease) Decrease in sales volume
	Prices	+15.3	(Increase) Increase in sales prices due to rise in costs, and impact of exchange rate fluctuations
	Others	-8.8	(Decrease) Increase in direct selling expenses, other expenses and inventory prices

Segment Information – Full Year Results

Segment	Main Markets	Market Environment	Our Business Situation(Y on Y) and Actions
Medical / Healthcare	Cosmetics Healthcare	<p>In the cosmetics, the domestic market stayed on its recovery trend. The Chinese market has been sluggish due to the impact of lockdown in China.</p> <p>The domestic health food market remained strong.</p>	<p>Sales volume of 1,3-BG increased due to sales expansion by the start operation of new plant, despite the impact of a lockdown in China.</p> <p>Sales volume of health food increased due to growth of main products.</p> <p>We revised selling prices responding to rising raw material and fuel prices and logistics costs.</p>
	Life Science	<p>Regarding chiral columns and stationary phases, overseas demand was strong overall, although the demand in China temporarily decreased due to the impact of a spread of COVID-19.</p>	<p>Sales volume of chiral columns and stationary phases increased because of sales expansion to overseas market.</p> <p>The sales of service businesses (analytical services / synthesis services / purification services) in India increased.</p>
Smart	Electronic Devices Semiconductor	<p>The LCD panels have been in continuous production adjustment due to the sluggish demand caused by passing the peak of increase in its production, which had been recovered from the COVID-19 in the previous fiscal year.</p> <p>Semiconductor market remained steady until 2Q, but it slightly decreased in demand from the second half of the fiscal year.</p>	<p>We promoted expansion of our TAC*'s market share in TAC film market by working to develop new customers by improving production methods and improving quality, despite a decline in sales volume of TAC due to a decline in demand for LCD application market.</p> <p>Sales volume of high-performance films increased due to sales expansion for in-vehicle display applications.</p> <p>Regarding solvents for electronic materials and photoresist materials, sales volume of application for LCD panel decreased, on the other hand, for semiconductor increased.</p> <p>We revised selling prices responding to rising raw material and fuel prices and logistics costs.</p>

*TAC (Tri-acetyl cellulose) : Cellulose acetate for LCD film use

Segment Information – Full Year Results

Segment	Main Markets	Market Environment	Our Business Situation(Y on Y) and Actions
Safety	Automotive	The number of production in automotive exceeded previous year despite the impact of lockdown in China in the first quarter, semiconductor shortage and a spread of Covid-19 in China.	<p>Although the pace was slow, sales volume of inflator increased due to recovery of demand from the COVID-19 pandemic and the start of sales of new acquisition programs.</p> <p>Despite efforts to reduce costs thoroughly at each site and consolidate production regions such as the closure of a business site in South Korea, increase in logistics costs, labor costs due to a shortage of personnel in North America and increase in expenses such as support from Japan to North America had a significant impact on financial performance.</p>
Materials	Raw Materials for Resins and Inks, Solvents for Paints	The demand for VAM and PTA, the main applications of acetic acid, showed a downward trend from the third quarter. The acetic acid market condition remained weak due to the recovery in supply. The demand of ethyl acetate for LCD applications decreased.	<p>Selling price of acetic acid fell due to the impact of declining market conditions.</p> <p>Sales volume of acetic acid and ethyl acetate decreased.</p> <p>Reduce costs by reviewing production plans and maintenance plans according to plant operating conditions</p>
	Fiber Filter	Global cigarette production remained flat and increased year-on-year. Additionally, demand for heat-not-burn cigarettes increased. For those reasons, the demand for acetate tow remained strong.	<p>Sales volume of acetate tow increased due to the expansion of supply capacity by utilizing existing facilities.</p> <p>We revised selling prices responding to rising raw material and fuel prices and logistics costs. The price in 2023, which has been applied to since January 2023, has also revised.</p>
	Raw Materials for Electrical Materials and Coatings	For caprolactone derivatives, the demand of special applications of urethane remained strong. For the epoxy compounds, the demand of application for LCD materials and electronic substrate decreased.	<p>Sales volume of caprolactone derivatives increased due to sales expansion of applications for automotive paint protection film (PPF) .</p> <p>Sales volume of epoxy compounds decreased.</p> <p>We revised selling prices responding to rising raw material and fuel prices and logistics costs.</p>

Segment Information – Full Year Results

Segment	Main Markets	Market Environment	Our Business Situation(Y on Y) and Actions
Engineering Plastics	Automobile Component	The demand for automobile components remained sluggish due to not only automobile production cuts but also inventory reductions by component manufacturers, although its demand for HEVs and EVs remained strong.	Despite the effort of sales expansion of general-purpose grade products to compensate losses by declining demand in high-end product market, our main market, sales volume of engineering plastics decreased due to a decline in demand. We promoted to control distribution costs including air freight costs by closely managing PSI (Production, Sales, and Inventory) amid soaring logistics costs. We revised selling prices responding to rising raw material and fuel prices and logistics costs.
	Electricity, Electronic Devices and Precision Machines	The production volume of electronic devices such as smartphones, PCs and electronics appliances decreased due to a lockdown in China and sluggish demand resulting from the slowdown in consumer spending against a background of unstable economic conditions.	

Balance Sheet

Unit : Billion Yen		Mar. 31, 2022	Mar. 31, 2023	Change
Total Current Assets		360.2	406.6	+46.4
	Cash, Deposits and Short-term Investment Securities	90.5	93.8	+3.3
	Notes and Accounts Receivable-trade	102.6	101.5	-1.0
	Inventories	142.0	177.2	+35.2
	Other	25.2	34.1	+8.9
Total Non-Current Assets		338.6	359.0	+20.4
	Property, Plant and Equipment	229.8	256.1	+26.3
	Intangible Fixed Assets	10.1	11.2	+1.1
	Investments and Other Assets	98.7	91.7	-7.0
Total Assets		698.8	765.6	+66.8
Liabilities		419.3	455.2	+35.9
	Interest-bearing Liabilities	283.6	322.0	+38.4
	Other	135.7	133.2	-2.5
Total Net Assets		279.5	310.4	+30.9
Total Liabilities and Net Assets		698.8	765.6	+66.8

- The total asset increased 66.8 billion yen; 17.6 billion yen of total assets increased because of exchange rate fluctuation.
- The reasons of increases in inventories are as follows:
 - The effects of foreign exchange and rise in raw materials and fuel prices.
 - Building up inventories for relocation of Polyplastics' compounding plant in China.
 - Temporary build-up of product inventories due to delayed demand recovery.
- Property, Plant and Equipment increased due mainly to newly investment for increase in product capacity of POM, LCP and COC in Polyplastics.
- Interest-bearing debt increased because of short-term funding due to an increase in working capital.

Cash Flow Statement

Unit : Billion Yen

		2022/3	2023/3	Change
	Cash Flows from Operating Activities	43.0	26.8	-16.1
	Cash Flows from Investing Activities	-46.5	-44.1	+2.4
Free Cash Flows		-3.5	-17.2	-13.7
Cash Flows from Financing Activities		-5.5	20.0	+25.4
Other		6.1	2.8	-3.3
Net Increase (Decrease) in Cash and Cash Equivalents		-2.9	5.5	+8.4
Cash and Cash Equivalents at End of Period		88.0	93.5	+5.5

In the fiscal year ended March 31, 2023, free cash flows were - ¥17.2 billion, a decrease of ¥13.7 billion from the previous fiscal year, due to aggressive capital expenditure and an increase in inventories, mainly due to increases in raw material and fuels costs and exchange rates.

On the other hand, EBITDA, which indicates the ability to generate cash, increased slightly (¥78.9 billion→¥79.1 billion). Therefore, we were able to maintain the cash-creation capacity. The aggressive investment to the businesses that are expected to grow over the medium to long term will lead to an increase in its ability to generate cash in the future.

Forecasts

Forecasts / Analysis of EBITDA

Unit : Billion Yen

	2023/3 Results	2024/3 Forecasts	Change	%
Net Sales	538.0	572.0	+34.0	+6.3%
Operating Income	47.5	53.0	+5.5	+11.6%
Ordinary Income	52.0	55.0	+3.0	+5.7%
Income Attributable to Owners of Parent	40.7	44.0	+3.3	+8.2%
Exchange Rate USD/JPY	136	125		

	2023/3 Results	2024/3 Forecasts
EBITDA	79.1	89.0
ROE	14.3%	14.5%
ROIC	5.3%	5.6%
ROA	5.6%	5.7%
EPS (yen)	138.87	154.04

Analysis of EBITDA



Forecasts (Y on Y)

- The automotive and electronic device markets, as our major markets, are expected to see a recovery in demand toward the second half of the fiscal year, and we will increase sales revenue due to sales expansion that reliably captured the recovery in demand and the correction of sales prices.
- Sales revenue of acetate tow in the Materials business will increase due to increased production and price revisions through full utilization of existing facilities.
- We will increase our share of sales and profit margins by improving the manufacturing process for cellulose acetate and reducing costs, including TAC of our Smart business. (see page 25 for details)
- Total depreciation and amortization expenses are expected to increase by ¥4.2 billion from the previous fiscal year due to the start of commercial operation of the raw material for acetic acid (carbon monoxide) plant. However, operating income will increase due to the increase in sales volume in each business, the correction of selling prices, and the thorough cost reduction.
- Even as we plan to aggressive investment in growth businesses such as the Engineering Plastics business, we will improve ROIC, ROA over the medium term, through responding to changes in the business environment and striving to maximize invested capital efficiency.

Analysis of EBITDA (Y on Y)

- **<Quantity>** Increases in sales volume due to the demand recovery in our major markets and expansion of acetate tow supply capacity.
- **<Prices>** Although the engineering plastics business is affected by a decline in the product market, the impact is positive due to the correction of sales prices of acetate tow in the Materials business.
- **<Expense Variance and Others>** Despite the increase in periodic maintenance expenses in the engineering plastics business because we skipped large-scale periodic repairs in the previous fiscal year, we will restrain costs through striving to work on consolidate production areas and thorough cost reduction including efforts to improve profitability in North America region in the Safety business.
- **<Exchange Rate Impact>** 2023/3 Results: ¥ 136/US\$, 2024/3 Forecasts: ¥ 125/US\$

Reconsideration of plant operation start time of the raw material of acetic acid (carbon monoxide) plant

- We decided to extend the trial operation period and change the start of commercial operations to December 2023 with the aim of increasing the number of coal types that can be used to realize stability of coal procurement and production. As a background, Russian coal that we originally planned to use became difficult to procure due to economic sanctions against Russia.

(The previous plan: start operations in June 2023)

Change of department handling some businesses and functions

- We changed the handling division from the Healthcare SBU to the Material SBU in order to expand our sales of 1,3BG that have expanded their supply capacity with the start of operations at increased production facilities.

(Medical / Healthcare Segment → Materials Segment)

- Along with the establishment of the Life Science SBU, we transferred the R&D functions of novel drug delivery devices from the Safety SBU to the Life Science SBU in order to further strengthen the integrated management of the intra-group medical-related business.

(Safety Segment → Medical / Healthcare Segment)

Net Sales and Operating Income by Segment

Unit : Billion Yen	Net Sales				Operating Income				EBITDA	
	2023/3 Results	2024/3 Forecasts	Change	%	2023/3 Results	2024/3 Forecasts	Change	%	2023/3 Results	2024/3 Forecasts
Medical / Healthcare	16.6	13.5	-3.1	-18.6%	1.3	0.7	-0.6	-44.4%	2.9	1.8
Smart	29.6	40.0	+10.4	+35.1%	-0.6	0.5	+1.1	-	2.1	4.1
Safety	84.0	90.0	+6.0	+7.2%	0.5	8.0	+7.5	+1,447.4%	7.1	15.1
Materials	160.8	178.0	+17.3	+10.7%	20.7	25.0	+4.3	+20.7%	32.0	40.5
Engineering Plastics	238.1	245.0	+6.9	+2.9%	25.3	18.5	-6.8	-26.9%	34.0	26.7
Others	9.1	5.5	-3.6	-39.2%	0.3	0.3	-0.0	-13.6%	0.9	0.8
Total	538.0	572.0	+34.0	+6.3%	47.5	53.0	+5.5	+11.6%	79.1	89.0

* Operating income by segment for FY2023/3 is the figure after segment changing in the Cosmetics Raw Material 1,3-BG and Novel Drug Delivery Devices R&D functions.

Segment Information – Forecasts

Segment	Main Markets	Market Environment Outlook	Our Actions
Medical / Healthcare	Cosmetics Healthcare	<p>The domestic cosmetics market is expected to continue its recovery trend, partly due to the impact of inbound tourists.</p> <p>The domestic market of health food is expected to remain strong.</p>	<p>Accelerate launches of new product such as new grade of BELLOCEA® (spherical cellulose acetate particles) that meets the requirements of European regulation (OECD 301F certification).</p> <p>Promote sales expansion by expanding the impressive features of existing products including ceramide derived from konjac root.</p>
	Life Science	<p>The demand for chiral columns and stationary phases is expected to remain firm, mainly in overseas markets, following on from FY2023/3.</p>	<p>Establish the Life Science SBU and accelerate growth through synergies from integrated management of the healthcare-related business.</p> <p>Accelerate the commercialization of DDS (Drug Delivery Systems) fields and promote the expansion and strengthening of the medical-related materials business by utilizing market channels from the chiral-related business.</p> <p>Existing chiral-related businesses expand their business in growing markets of India and China.</p> <p>The genetic analysis-related businesses in Europe and the United States will strengthen marketing and new product development.</p>

Segment Information – Forecasts

Segment	Main Markets	Market Environment Outlook	Our Actions
Smart	<p>Electronic Devices</p> <p>Semiconductor</p>	<p>LCD panel inventory expected to be optimized from the second half.</p> <p>The semiconductor market is expected to recover from the second half of the fiscal year.</p>	<p>By improving production processes, TAC* will expand the scope of use of pulp as a raw material, such as low LCA(Life Cycle Assessment) pulp. It allows to improve quality, reduce inventories, and reduce costs without the use of cotton linter. Therefore, TAC improve profitability and expand its market-share in TAC film.</p> <p>Accelerate development and commercialization of organic/inorganic composite materials by utilizing Daicel Beyond's dry coat technology and clean rooms.</p> <p>Expand sales of solvents for electronic materials along with increase production.</p> <p>Expand sales of photoresist materials such as new products for EUV in addition to our main products for ArF.</p> <p>Accelerate development of microfluidic devices toward increase production for photoresist materials.</p>

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

Segment Information – Forecasts

Segment	Main Markets	Market Environment Outlook	Our Actions
Safety	Automotive	<p>Automobile production is expected to increase from the previous fiscal year, despite uncertainty about the future, including the impact of the semiconductor shortage.</p>	<p>Improve the labor equipment ratio, mainly at bases where personnel expenses are rising significantly, such as in North America.</p> <p>Improve profitability by curbing personnel costs and improving a yield rate through promoting the autonomy of manufacturing lines and achieving a 73% automation rate (the automation rate of FY2023/3 was 65%).</p> <p>Along with the start of operations at a new base in India, we aim to increase market share by acquire new programs. We also continuously expand sales in ASEAN market to diversify risk.</p> <p>Strengthening relationships with Chinese companies.</p> <p>Pyro-fuse will accelerate the construction of mass production lines for electric vehicles (EVs).</p>

Segment Information – Forecasts

Segment	Main Markets	Market Environment Outlook	Our Actions
Materials	Raw Materials for Resins and Inks, Solvents for Paints	Demand for PTA, VAM and LCD applications is expected to recover in earnest from the second half	Regarding the raw material of acetic acid (carbon monoxide) plant, we will achieve the stable procurement of coal and stable plant operation by increasing the number of coal types, as well as the advantage of reducing variable costs by transition of raw material to coal.
	Fiber Filter	Global cigarette production is expected to remain flat from the previous fiscal year, but demand for acetate tow is expected to remain firm due to an increase in demand for heat-not-burn cigarettes.	Regarding acetate tow, we will expand supply capacity by utilizing existing facilities, thus aiming at expanding its market share by responding to the customers' requirement of increase in sales volume due to an increase in demand of heat-not-burn cigarette. We will achieve stable procurement of raw material, cost reduction and inventory reduction by expanding the use of a variety of pulp, thus reinforcing our supply chain.
	Raw Materials for Electrical Materials and Coatings	In caprolactone derivatives, demand is expected to continue to expand for special applications of urethane. Demand for epoxy compounds is expected to recover in the first half of the fiscal year for electronic substrates and in the second half of the fiscal year for LCDs.	We will seek to proceed further sales expansion of caprolactone derivatives for the high price and highly functional products applications, such as automotive paint protection film (PPF). Regarding epoxy compounds, we will accelerate marketing activities to the automotive manufactures for increase in product adoption for application of insulator for electric vehicles.
	Cosmetics	The domestic cosmetics market is expected to continue its recovery trend, partly due to the impact of inbound tourists. Chinese market is also expected to continue its trend of recovery from the impact of Covid-19.	We will surely respond to the recovery of cosmetic market and proceed sales expansion to the Asian market mainly in China.

Segment Information – Forecasts

Segment	Main Markets	Market Environment Outlook	Our Actions
Engineering Plastics	Automobile Component	Automobile production volume is expected to increase from the previous fiscal year, and automotive parts demand is also expected to recover.	<p>Develop and launch the new grade of POM with improved sliding properties to meet the demand for resinization of drive parts to reduce the weight of EV vehicles.</p> <p>Accelerate cost reduction of Polyplastics through the development of DAICEL Production Innovation and expand supply volume by improving production efficiency.</p> <p>Maintain sales volume through flexible sales of general-purpose grade in line with demand trends in high-end product market, our main market.</p> <p>Achieve both sales volume and earnings by identifying appropriate inventory levels and establishing a production structure that can respond quickly when demand in the high-end product market recovered.</p> <p>Strengthen our engineering organization structure to ensure POM, LCP, COC production increases planned for FY2025/3.</p> <p>Accelerate marketing to the growing CASE(Connected, Autonomous, Shared, Electric) and Chinese automotive markets.</p>
	Electricity, Electronic Devices and Precision Machines	Production of electronic devices such as smartphones and personal computers, and consumer electronics is expected to recover from the second half of the fiscal year.	

Strengthen Competitiveness of Cellulose Acetate



(Smart business and Materials business)

Cellulose Acetate Issues

- Cellulose acetate requires a lot of energy in the production process. Because of the poor solubility of cellulose, it is difficult to undergo chemical reactions and needs to remove unreacted materials in purification processes.
- Natural-derived raw materials vary in quality, so cellulose acetate requires fine-tuning of operating conditions for each batch to keep product quality consistent.
- The physical properties and cost of cellulose acetate differ depending on the raw material. There are Cotton linter and softwood pulp (special pulp for acetate) as raw materials for cellulose acetate.
- Several different kind raw materials are used for cellulose acetate, and it increases product variety. Therefore, inventories of raw materials and products tend to increase.
- In recent years, cotton linters tend to be in short supply worldwide.
- There are lower cost pulps such as with less chemical treatment pulp (low LCA(Life Cycle Assessment)) and hardwood pulp which grows faster. However, they have problems such as low reactivity and high impurities compared to conventional pulp.

Countermeasures

- **By improving production processes, we expand the scope of use of pulps such as low LCA pulp and lower grade pulp and improve existing product quality, at the same time.**
 - Stable procurement of raw materials (no cotton linter), improved supply stability and increased market share by enhancing cost competitiveness
 - Narrowing down the types of raw material pulp, reducing raw material and product inventories, and increasing cash flow
- **We analyze undissolved substances through improvement of production process. It leads to develop radical new technologies that lead to new fine cellulose production.**

(Smart business and Materials business)

Improving Quality and Productivity with Autonomous Production Systems (under horizontal expansion)

Operating conditions have been finely adjusted for each batch. However, Autonomous Production System can derive operating conditions optimizing for quality and cost, by the support of AI. It leads to improve quality, ensure stable operation, and reduce costs.

Production Process Improvements and Future Developments

We have made various improvements to production process of cellulose acetate, which requires much energy in the process of reaction and purification due to the poor solubility of cellulose.

1. Challenge to develop an innovative reaction method of acetylation technology (already introduced)

Normal acetylation → Acetylation at high temperature (faster reaction cycles and improve productivity)

→Acetylation under reduced pressure (reduce cost by energy saving)

2. Innovation in the crushing process (pretreatment process for reacting pulp)(already introduced)

Mill type → Combination of milling and shredding → Added additional crushing process to conventional process

(Loosening the pulp more finely improve reactivity and reduce impurities (unreacted substances). These lead to improved quality and reduced costs.)

3. Introduce filtration process (already introduced in TAC, under expansion to DAC)

Impurities are removed by filtering in the pre-refining process to improve quality.

By combining 1. and 2., we expand the usable range of pulp of low-LCA pulp and achieve quality improvement that is not affected by raw materials. Furthermore, there are the following effects.

(1)Improving the stability of raw material procurement and product supply, (2)Reduction of raw material cost, (3)Inventory reduction of raw materials and products through variety integration, (4)Increase in cash flow.

Shareholders Return

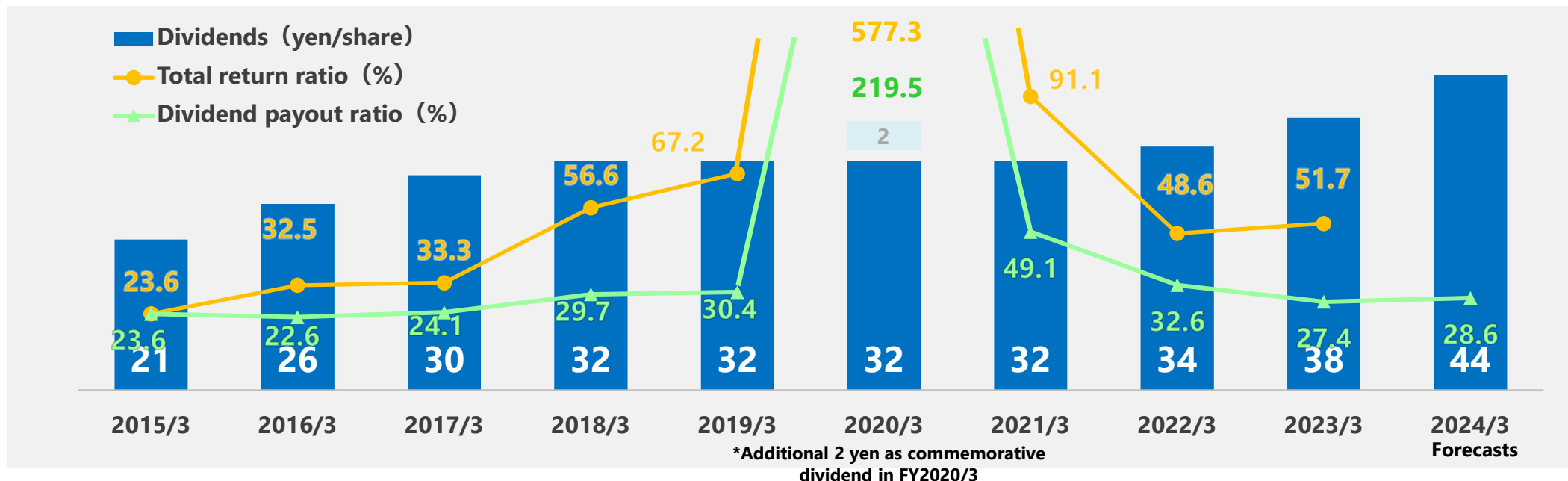
Target of a Total Return Ratio of 40% or More, Based on EBITDA

FY ended March 2023

- Dividends forecasts for 2nd half : 20 yen per share
Annual dividends forecasts : 38 yen per share (increase by 4 yen from previous fiscal year)
- Purchase of own stocks of 10.51 million shares for 10 billion yen. (Purchase period: From Nov. 2022 to Feb. 2023)

FY ending March 2024

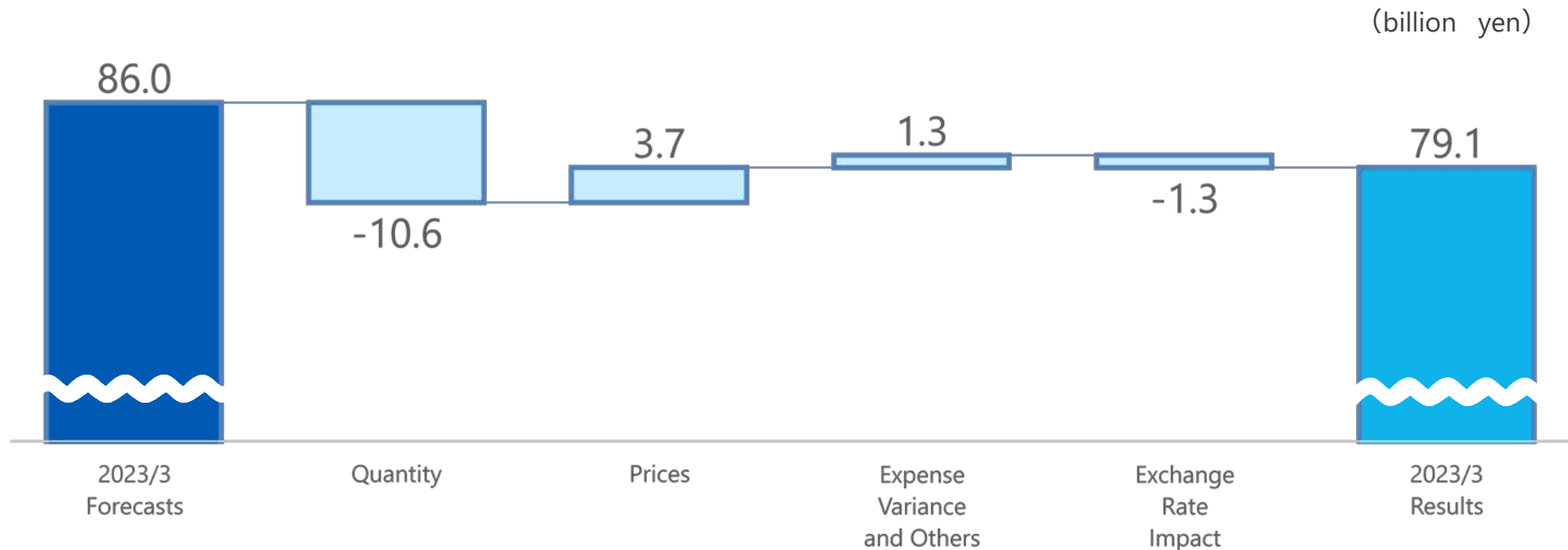
- Annual dividends forecasts : 44 yen per share (increase by 6 yen from previous fiscal year)
- Cancellation of 16 million shares of treasury stock. (ratio to the total number of issued shares before cancellation: 5.28%)
- We will consider further strengthening shareholder returns and maintain returns in line with our policy.



Appendix

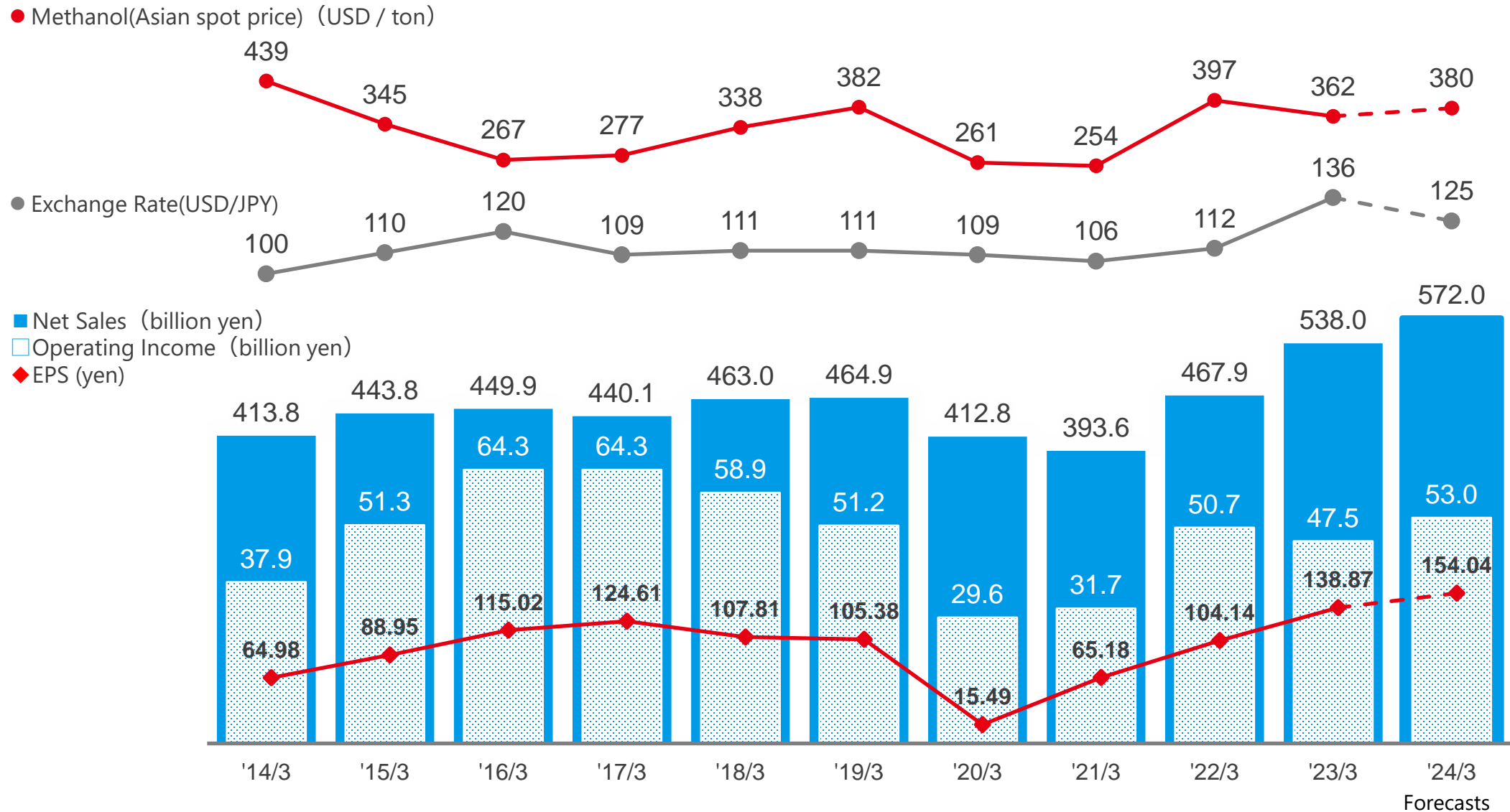
Analysis of EBITDA (FY2023/3 Results vs Forecasts*)

- **<Quantity>** We had expected demand to recover in the second half due to the automobile recovery production from the Chinese lockdown and the optimization of liquid crystal panel inventory. However, sales volume decreased mainly in the Smart Business, Safety Business and Engineering Plastics Business due to the delay in the recovery in demand and the economic slowdown in China, despite efforts to improve profitability by expanding sales in the Materials Business and expanding sales channels in each business.
- **<Prices>** Aggressive efforts to correct selling prices, mainly in the materials business.
- **<Expense Variance and Others>** Efforts to improve profitability through thorough cost reductions, despite the impact of an increase in personnel expenses in the U.S. in the safety business.
- **<Exchange Rate Impact>** Forecasts: ¥ 137/US\$ (2nd Half ¥140/US\$), Results: ¥ 136/US\$ (2nd Half ¥137/US\$)



* The forecasts were announced on November 2, 2022.

Trend in Net Sales, Operating Income, and EPS



Capital Expenditures

Unit : Billion Yen

	2019/3 Results	2020/3 Results
Cellulosic derivatives	2.9	5.9
Organic chemicals	22.1	22.0
Plastics	6.1	8.6
Pyrotechnic devices	10.8	8.5
Others / Corporate	2.8	2.7
Total	44.7	47.6

Unit : Billion Yen

	2021/3 Results	2022/3 Results	2023/3 Results *1	2023/3 Results *1, 2	2024/3 Forecasts *1, 2
Medical / Healthcare	8.7	1.0	2.7	2.2	2.0
Smart	2.0	2.9	4.2	4.2	4.5
Safety	8.8	7.7	9.0	9.0	11.0
Materials	11.6	18.8	8.6	9.1	14.0
Engineering Plastics	7.1	7.4	30.6	30.6	66.0
Others / Corporate	1.4	3.0	1.2	1.2	0.5
Total	39.6	40.8	56.3	56.3	98.0

*1 Reflects the revised method of allocating corporate expenses. Figures for "Other Businesses and Corporate" are only for "Other Businesses."

*2 Reflects segment changes in the Cosmetics Raw Material 1,3-BG and Novel Drug Delivery Devices R&D functions.

Depreciation and Amortization

Unit : Billion Yen

	2019/3 Results	2020/3 Results
Cellulosic derivatives	8.3	7.5
Organic chemicals	6.0	6.1
Plastics	5.0	6.0
Pyrotechnic devices	8.8	7.3
Others / Corporate	1.9	2.1
Total	30.0	29.0

Unit : Billion Yen

	2021/3 Results	2022/3 Results	2023/3 Results *1	2023/3 Results *1, 2	2024/3 Forecasts *1, 2
Medical / Healthcare	1.4	1.4	2.8	1.5	1.0
Smart	1.6	2.0	2.7	2.7	3.5
Safety	4.7	5.0	6.5	6.5	7.0
Materials	9.0	9.0	9.7	11.0	15.0
Engineering Plastics	6.9	7.0	8.6	8.6	8.0
Others / Corporate	2.2	2.5	0.6	0.6	0.5
Total	25.8	26.9	30.8	30.8	35.0

*1 Reflects the revised method of allocating corporate expenses. Figures for "Other Businesses and Corporate" are only for "Other Businesses."

*2 Reflects segment changes in the Cosmetics Raw Material 1,3-BG and Novel Drug Delivery Devices R&D functions.

Unit : Billion Yen

	2019/3 Results	2020/3 Results
Cellulosic derivatives	1.3	1.3
Organic chemicals	3.9	4.0
Plastics	3.8	3.8
Pyrotechnic devices	5.2	5.1
Others / Corporate	6.6	7.0
Total	20.7	21.3

Unit : Billion Yen

	2021/3 Results	2022/3 Results	2023/3 Results *1	2023/3 Results *1, 2	2024/3 Forecasts *1, 2
Medical / Healthcare	2.1	1.9	2.2	2.8	2.6
Smart	2.7	3.6	4.2	4.2	3.7
Safety	5.1	5.6	6.3	5.7	5.5
Materials	1.6	1.5	2.8	2.8	4.0
Engineering Plastics	3.5	3.7	6.1	6.1	7.0
Others / Corporate	4.6	4.5	0.3	0.3	0.2
Total	19.5	20.7	21.9	21.9	23.0

*1 Reflects the revised method of allocating corporate expenses. Figures for "Other Businesses and Corporate" are only for "Other Businesses."

*2 Reflects segment changes in the Cosmetics Raw Material 1,3-BG and Novel Drug Delivery Devices R&D functions.

Quarterly Results for Sales and Operating income

Unit : Billion Yen	Net Sales							
	2022/3				2023/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Medical / Healthcare	4.8	4.8	5.0	4.9	5.4	5.5	5.6	6.0
Smart	8.0	7.5	8.6	8.5	9.6	6.6	7.1	6.4
Safety	16.3	15.6	18.5	19.1	17.8	22.0	22.4	21.9
Materials	28.3	29.8	31.2	33.6	34.7	37.7	41.1	41.3
Engineering Plastics	51.5	52.9	52.4	55.5	58.7	64.8	59.5	55.0
Others	2.6	2.8	2.6	3.4	1.8	1.7	2.6	2.9
Total	111.4	113.5	118.2	125.0	128.0	138.3	138.3	133.5

Unit : Billion Yen	Operating Income							
	2022/3				2023/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Medical / Healthcare	0.6	0.8	0.5	0.6	0.7	0.4	-0.0	-0.4
Smart	1.5	1.1	1.1	0.4	1.1	-0.8	-0.6	-0.4
Safety	-0.0	1.1	1.3	0.2	-0.4	0.0	1.2	-1.0
Materials	4.4	4.2	5.3	4.4	4.9	5.5	3.3	8.3
Engineering Plastics	7.1	6.0	3.6	5.4	6.6	7.9	6.4	4.4
Others	0.4	0.1	0.3	0.5	0.1	0.0	0.2	0.0
Total	13.9	13.3	12.0	11.4	13.0	13.0	10.5	10.9

Financial Forecasts (FY ending March 2024)

Unit : Billion Yen		2023/3 Results			2024/3 Forecasts			Change (B)-(A)
		1 st Half	2 nd Half	Total(A)*	1 st Half	2 nd Half	Total(B)	
	Medical / Healthcare	8.0	8.6	16.6	6.5	7.0	13.5	-3.1
	Smart	16.2	13.4	29.6	17.5	22.5	40.0	+10.4
	Safety	39.7	44.2	84.0	42.5	47.5	90.0	+6.0
	Materials	75.2	85.5	160.8	88.5	89.5	178.0	+17.3
	Engineering Plastics	123.6	114.5	238.1	113.5	131.5	245.0	+6.9
	Others	3.5	5.5	9.1	2.5	3.0	5.5	-3.6
Net Sales		266.2	271.8	538.0	271.0	301.0	572.0	+34.0
	Medical / Healthcare	0.7	0.6	1.3	0.2	0.5	0.7	-0.6
	Smart	0.4	-1.0	-0.6	0.0	0.5	0.5	+1.1
	Safety	-0.0	0.5	0.5	1.0	7.0	8.0	+7.5
	Materials	10.4	10.3	20.7	14.5	10.5	25.0	+4.3
	Engineering Plastics	14.5	10.9	25.3	5.3	13.2	18.5	-6.8
	Others	0.1	0.2	0.3	0.0	0.3	0.3	-0.0
Operating Income		26.0	21.5	47.5	21.0	32.0	53.0	+5.5
Ordinary Income		30.2	21.8	52.0	21.5	33.5	55.0	+3.0
Income Attributable to Owners of Parent		22.2	18.5	40.7	15.0	29.0	44.0	+3.3
(ref.) Exchange rate USD/JPY		134	137	136	125	125	125	

*Reflects segment changes in the Cosmetics Raw Material 1,3-BG and Novel Drug Delivery Devices R&D functions.

Assumptions

		2022/3		2023/3				2024/3	
		1st Half (Results)	2nd Half (Results)	1st Half (Results)	2nd Half (Forecasts)	3rd Quarter (Results)	4th Quarter (Results)	1st Half (Forecasts)	2nd Half (Forecasts)
Exchange rate (USD/JPY)		110	115	134	140	142	132	125	125
Raw Materials	Methanol Asian spot price (USD/ton)	368	427	374	400	345	352	380	380
	Crude Oil Dubai (USD/bbl.)	70	87	102	100	85	80	90	90
	Domestic Naphtha (JPY/kl)	50,500	62,650	83,750	76,000	72,500	66,500	68,000	68,000

Notes Regarding Forward-Looking Statements

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