Engineering Plastics Business Briefing

16 June 2023

This document is an English translation of a statement written originally in Japanese for reference. The Japanese original should be considered as the primary version.



DAICEL CORPORATION

Daicel's Business Segment



	FY2023 Net Sales TotalJapan's market share No.1World's market share No.1
	538.0 bn-yen Major Products
Medical / Healthcare	Cosmetics ingredients such as polyglycerin Naturally derived ingredients such as equol and Konjac ceramide Chiral columns, High-purity chiral reagents, Co-processed excipients such as orally disintegrating tablets
Smart	Tri-acetate cellulose(TAC) for optical films, High-performance optical films Photoresist materials, Solvents for electronic materials , Optical lens, Printed electronics materials, Organic semiconductor device
Safety	Airbag inflators for Automobiles, micro gas generators, pyro-fuses
Materials	Acetic acid, Acetic acid derivatives(acetic anhydride ,common solvents) Cellulose acetate, Acetate tow, Organic chemicals such as Alicyclic-epoxy-resin, Caprolactone derivatives
Engineering Plastics	 Engineering plastics such as POM, PBT, PPS, LCP, COC Plastics processing products such as Coating films and packaging container, Water-soluble polymer
Others	2% Membrane separation systems





Engineering Plastics Segment



"Combining" the technologies of four companies to "Support customers' futures"





Product Portfolio in Daicel Group

- An extensive product portfolio for providing technical solutions, which is essential for Engineering Plastics businesses
 - > Sharing Group companies' product portfolio and infrastructure
 - > We will expand our portfolio by forming alliance or joint venture





Response to the change in needs by social trends



Appearance of various biofuels







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Change in the Amount of Consumption of Engineering Plastics by the Shift to xEV



- > The type of Engineering Plastics was changed by the shift to electronic vehicle.
- The amount of consumption of resin for engine and fuel-related components decreased. On the other hand, that for battery, censor actuator and 5G related increased.

		POM	PBT	PPS
Gasoline Car		5.0	5.5	1.0
Positive effect		+0.0	+0.8	+0.7
Negative effect		-1.0	-0.3	-0.2
	mpared to	4.0	6.0	1.5
	soline Car	80%	109%	150%

The weight of consumption of each resin for automotive (kg/ a car)



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History in Products in Engineering Plastics



•<u>The engineering plastics businesses have been developed by responding to the new applications</u> and needs in the situation of changing final products



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History of Engineering Plastics = Providing Solution



Our business model is that breaking down from the needs from markets and customers to the requirement to the Engineering Plastics, providing them with materials and instructions corresponded to the applications fulfilling customers' concept.



Lineup of resin products of Polyplastics Co., Ltd.



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Sustainable Value Together



Polyplastics-Evonik Corporation



Major Applications







Major Products

Long-chain polyamide granules and powders DAIAMID[®], VESTAMID[®], TROGAMID, VESTOSINT[®], **VESTAMELT®**

PEEK VESTAKEEP®, VESTAKEEP®-J

VESTENAMER®

Rubber

C12&C8 Monomers CDON, COD

Separation membrane **SEPURAN®**

Structural foams **ROHACELL[®]**

qoods

Composite sheets R-COMPO®

Markets and Applications



Automotive Aerospace





Optics



Medical





Rubber,

recycling

manufacturing rubber





Gas Hot gas filtration separation

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Lineup of resin products of Daicel Miraizu Ltd.





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Consumer Businesses of Daicel Miraizu Ltd.



[Product Lineup by Usage]

Films for reducing food waste



Providing barrier films to the food with short best before date, which is not so popular, contributing to the reducing food waste.

New Silage Modifier

Suggesting sodium formate and lactic acid bacteria contribute to the reductions in workers' chemical injury and prevention of rust of dump.

CMC for Lithium Ion **Battery**

Thickening agent for anode of battery applying to the EV and LIB.

Environmentally **Friendly Products**



The product based on acetate cellulose and other environmentally friendly material, contributing to the environmental protection in logistics and retailors.

Safety

Environment

Comfort





Suggesting SSB methods contributes to the improve in carpenters' productivity and reducing construction debris.

Product Development of Consumables for Kitchen



Not developing products only itself but taking consideration

of consumer needs and retailors with making series of products, thus improving the DAICEL brand.

Marine Biodegradability Resin CELBLEN EC



Cellulose acetate resins CELBLEN EC

Transparent resin with marine biodegradability made from natural resource



- Biomass resin made from Cellulose which is tree-derived raw materials
- Resin that is transparent and colorable
- Resin that is recyclable
- Material that is also biodegradable in the ocean
- Antibacterial against Staphylococcus aureus and E. coli











Engineering Plastics Business Strategy



	2023/3		2026/3		
	Net sales	Operating income	Net sales	Operating income	Business strategy
Medical / Healthcare	16.6	1.3	17.0	1.5	 Development of a new intestinal metabolite-based food ingredient with function (Urolithin etc.) Expansion of CPI business in China/India Fostering businesses in the medical field, including DDS* and medical-related materials
Smart	29.6	-0.6	50.0	5.5	 Provision of materials for the semiconductor market industries and expansion of related businesses Expand the share of high-performance films by utilizing the asset of Daicel Beyond Creation of new businesses by utilizing dry coating technology
Safety	84.0	-0.5	111.0	15.0	 Improvement in profitability by consolidating production areas Collaborating in India and ASEAN markets to manage risk hedging and active sales expansion Strengthen relationship with Chinese companies Implement mass production of Pyro-fuse for EV vehicles and its sales to Europe and the United States
Materials	160.8	20.7	182.0	30.5	 Increase in sales of acetate tow for heat-not-burn cigarettes by increase in production without expanding facilities Expand the application of Lactone and Epoxy to high-value-added product market Market development of cellulose acetate for environmental material
Engineering Plastics	238.1	25.3	294.0	29.0	 Sales expansion in Europe and North America (the target of market share of POM and LCP in Europe and North America : 10%) Strengthen business in Chinese market (sales to Chinese companies) Creation of new environmental business (development of products using bio-raw materials and recycling)
Others	9.1	0.3	6.0	0.5	—
Total	538.0	47.5	660.0	82.0	_
* DDS - Drug Dolivony System					

* DDS = Drug Delivery System

Benefits from investments in expansion Sustainable Value Togethe

- Aimed at further business expansion by investing actively for establishing steady sales field in Asian market and expanding share of product in Europe and United States.
- Aimed at maximizing the synergy by concentrating the engineering expertise in Daicel Group

Benefits from investments in expansion targets for the fiscal year ending March 2031

	Initial plan			Forecast	Effect*	
Investment	Start of operation (FY)	Production Capacity (MT/ years)	Start of operation (FY)	Sales expansion strategy	2026/3 (Billion Yen)	2031/3 (Billion Yen)
		90,000	2024	 Responding to domestic demand by expanding production capacity in China 		
POM	2025			\checkmark Making the more of next-generation methanol as a raw material	16.0	78.0
	60,000 2025 ✓ New applications/market development other as medical applications	 ✓ New applications/market development other than automotive, such as medical applications 				
LCP	2024	5,000	2024	✓ Maintain top market share by expanding sales further aimed at expanding demand by responding to 5G millimeter-wave demand in the future	5.0	36.0
LCF	2024	5,000	By Under Planning	 Expansion in new markets through 5G composite material (hybrids with inorganic compounds) 	5.0	50.0
сос	2023	20,000	2024	 Responding to the growing demand in the packaging and medical fields Sales expansion in EU countries by leveraging unique recyclability 	9.0	64.0
			-	Total	30.0 (Initial plan: 20.0)	178.0
* Cumulati	ive henefit	te (ERITDA) from	m on oration			

*Cumulative benefits (EBITDA) from operation

Plan for cumulative EBITDA of 30 billion yen in FY2024/2025 byBenefits from investments in expansion.

Polyplastics' vision and path to realization



Need to respond to future society, such as environmental measures and nextgeneration automobiles (CASE)

Promoting advanced development that captures social needs and implementing the "Polyplastics-Way*" in products and technologies

- **1.** Providing "CASE" solutions for mobility / Driving future growth as the largest market for engineering plastics
- 2. Contribution in the medical field/Establishing a position as a responsible supplier with grades for medical use
- **3.** Provide solutions for carbon neutrality / Solutions for achieving circularity
- 4. Expansion of the product lineup to expand the range of solutions / Supply strategy to support the expansion of demand

LFT, fine powder, PEK + PEEK cooperation with Polyplastic Evonik

Polyplastics' vision and path to realization



- "Polyplastics-Way"* around the world seeking advanced engineering plastic solutions
- 1. Americas and Europe: Expand market share by providing technical support and developing high-value-added products with customers.
- 2. China: Strengthen development activities targeting Chinese customers' Spec-in business. Build relationships with Chinese OEMs and Tiers.
- 3. India: Strengthen sales expansion system in India and collaborate with advanced raw material suppliers

*Polyplastics-Wav:

- We always stand closest to our customers. We understand customers' needs by knowing our customers from the inside out. We continue to provide higher-than-expected value based on the best technology and services.
- Following the above, we build strong relationships of trust with our customers and grow and develop together with them. ٠
- We call these activities the "Polyplastics Way," which is our most important basic value.

POM's Business



> World market: 1.33 million tons in 2022 \rightarrow 1.50 million tons in 2025 (4.0%/year)

- POM is used in a wide range of applications such as automobiles, electric/electronics, and industrial equipment.
- In 2022, the POM market shrank from the previous year due to the stagnation of production activities due to the lockdown in China and the rebound from the increase in inventories by users for automobile parts and electrical and electronic parts in the previous year.
- As POM is used in a wide range of fields, sales volume is expected to increase over the long term as the world economy grows.

Quote from "Future outlook for and global strategies in engineering plastic markets" published by FUJI KEIZAI CO., LTD.

POM's Business



Polyplastics POM's Business Strategy

- No. 1 in global market share 18.8% (According to a survey by FUJI KEIZAI CO., LTD in 2022)
- Annual supply capacity of 290,000 tons at four locations around the world: Fuji Plant, Kaohsiung Plant, Kuantan Plant, and Nantong Plant.
- The Nantong Plant (60,000 tons/year) owned by PTM Engineering Plastics (Nantong) Co., Ltd. (70.1% owned by Polyplastics) will be shut down in 2024 in response to a request from the Nantong Economic Development Zone Authorities to suspend operations of chemical companies in the North District.
- In the same South District, we will newly establish "DP Engineering Plastics (Nantong) Co.,Ltd" (70% invested by our company). Operation is scheduled to start at 90,000 tons/year in November 2024 (Phase 1), with a supply capacity of 150,000 tons/year (Phase 2) by the beginning of 2026.
- By establishing a new manufacturing base in China, which has the largest demand and growth potential in Asia, we will be able to supply the domestic demand from the new plant. The Kuantan plant in Malaysia will respond to increased demand due to market development in Europe, Americas, and India, and will work to optimize the supply chain. Through these measures, we aim to grow the POM business faster than the market growth.

LCP's Business



> World market: 57,000 tons in 2022 \rightarrow : 63,000 tons tons in 2025 (3.0%/year)

- LCP is mainly used for electrical and electronic devices such as SMT connectors.
- In Q1-Q2 of 2022, the number of smartphones produced decreased year-on-year and fell from the previous year even for the whole year, and the amount of LCP used per smartphone increased, so the sales volume of LCP increased from the previous year.
- Smartphone production is expected to remain stagnant after 2023, but the development of next-generation communications will lead to higher densities of electronic components and multilayered internal substrates, as well as multi-lens and higher performance camera modules. The sales volume of LCP for smartphones is expected to increase in the form of a contribution from expanding demand.
- Demand for connectors, relays, and sensor cases is also expected to grow for automobiles as EVs and electrification progress.

Quote from "Future outlook for and global strategies in engineering plastic markets" published by FUJI KEIZAI CO., LTD.

LCP's Business



Polyplastics POM's Business Strategy

- No. 1 in global market share 31.5% (According to a survey by FUJI KEIZAI CO., LTD in 2022)
- Fuji Plant (Fuji City, Shizuoka Prefecture) has an LCP polymerization plant with an annual production capacity of 15,000 tons.
- Polyplastics Taiwan Co., Ltd. (head office: Taipei, hereinafter referred to as PTW) will newly establish a polymerization plant with an annual production capacity of 5,000 tons (scheduled for 2024). Plan for LCP polymerization capacity of 25,000 tons per year for the entire Plastics Group
- PTW has established an integrated production system for LCP products, from polymerization to compounds, to respond to the global LCP market, which is expected to expand rapidly in the future.

COC's Business



Opportunity to contribute to the Circular Economy

In 2020, the EU Council adopted a draft Directive on the Reduction of the Environmental Impact of Certain Plastic Products.

Distributing single-use plastic products was banned until 2021, and **extended producer responsibility will be obliged for all packaging materials by 2024,** <u>accelerating the</u> <u>market's movement toward plastic recycling toward a circular economy.</u>

"TOPAS®COC" has received third-party certification (*) as a recyclable material when mixed with polyolefins.

*Certified as a "recyclable material" by the German Institut cyclos-HTP, the first cyclic olefin resin (COC) recognized as being recyclable along with polyethylene (PE) and polypropylene (PP) for film and injection molding applications.

In addition, we have obtained Critical Guidance Recognition certification from the Association of Plastics Recyclers for our high-gloss, high-density polyethylene containers that use 20% TOPAS®COC as the outer layer. It was found that TOPAS can be recycled without adversely affecting the recycling process of high-density polyethylene.

Packaging materials such as shrink labels for PET bottles and stand pouches distributed in European countries often have PE or PP olefin-based resins and TOPAS added to enhance functionality.

The third-party certification acquired this time indicates that these packaging materials can be <u>recycled together with the olefin-based resin in the collection process, and contributes to</u> <u>the promotion of recycling of packaging materials through the conversion of polyolefins into</u> <u>monomaterials.</u>



> New second plant in 2024 to meet supply needs

As the demand for TOPAS is increasing, TOPAS Advanced Polymers GmbH, a local subsidiary in Germany, will build a new plant in Leuna, which is scheduled to start operation in 2024, in addition to the existing production plant in Oberhausen.

The new plant will have an annual capacity of 20,000 tons, more than doubling current production.

We plan to contribute to the social implementation of a circular economy in the European region as a manufacturing base that will play a central role in the stable supply of TOPAS in the future.

Environmental Initiatives



> New GHG Reduction Targets

Daicel Group			Polyplastics Group		
Total GHG emissions (Scope1&2)	50%	reduction (vs. FY2018)	PCF *1-focused GHG emissions intensity (including CO2 derived from raw materials)	46%	reduction (vs. FY2013)

*1 Product Carbon Footprint

- Efforts towards Carbon Neutrality
- Aiming to achieve carbon neutrality by "building a circular society"
- Three pillars: (1) Biomass usage, (2) Recycling, and (3) CCU (CO2 capture and utilization)



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POM : GHG reduction including Scope3 🛃

- Sustainable Value Together
- FY2030 Cradle-to-gate PCF (Scope 1, 2, 3 upstream): 46% reduction compared to FY2013
- In-house, GHG reduction (Scope 1, 2) + Recycled raw material input



Achieved quality maintenance even with 80% recycled LCP material



In response to customer needs for in-house recycling in the manufacturing process, LAPEROS[®] LCP grade S475 has additionally acquired UL certification*, which certifies that it has the same quality as virgin materials even if it contains 80% recycled materials.

* Certification by UL, a third-party product safety/environmental evaluation organization, that indicates that the product conforms to the safety requirements for North America.



Achieved regrind ratio up to 80% for LCP material £



- LAPEROS[®]LCP has high fluidity, excellent heat resistance, mechanical strength, and high dimensional accuracy.
- The number of sprues and runners that are discarded after device molding increases as devices become smaller, and the disposal rate increases. We responded to customer's request of regrind ratio up to 80%.
- Social demands regarding the effective use of resources will continue to grow. <u>We are planning to acquire UL certification for other grades with a high recycled material ratio so that they can be used with peace of mind even with a high recycled material ratio.</u>



DURACIRCLE™ Recompounding



We will start a "recompounding" business that uses waste engineering plastics as raw material under controlling compounding process equivalent to that for virgin products.



Timeline for provision of environmental solutions







Notes Regarding Forward-Looking Statements

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