



Accelerate 2025

Full Acquisition of Polyplastics

July 20, 2020

DÄICEL

Polyplastics

Accelerate 2025

1. **Project positioning in terms of the Mid-Term Strategy**
.....
2. **Project overview and features**
.....
3. **Project significance and impact**
.....



Project positioning in terms of the Mid-Term Strategy

Sustainable Product



Contributing to happiness of people and society

▶ Pursuing happiness

- Creating needs together with customers
- Not limited to our own products, providing good products even when produced externally
- All of us are part of sales force!

Sustainable Process



Achieving goals with environmentally and people friendly methods

▶ Remove the existing company/plant framework

- Constructing new optimal business group through pursuing value chain
- Seeking horizontal integration to complete cross-value chain

▶ Formation of biomass product tree

- From materials of natural origin to products returning to nature

▶ Energy offset process

Sustainable People



Giving employees a sense of fulfillment

▶ Boldly delegate authority

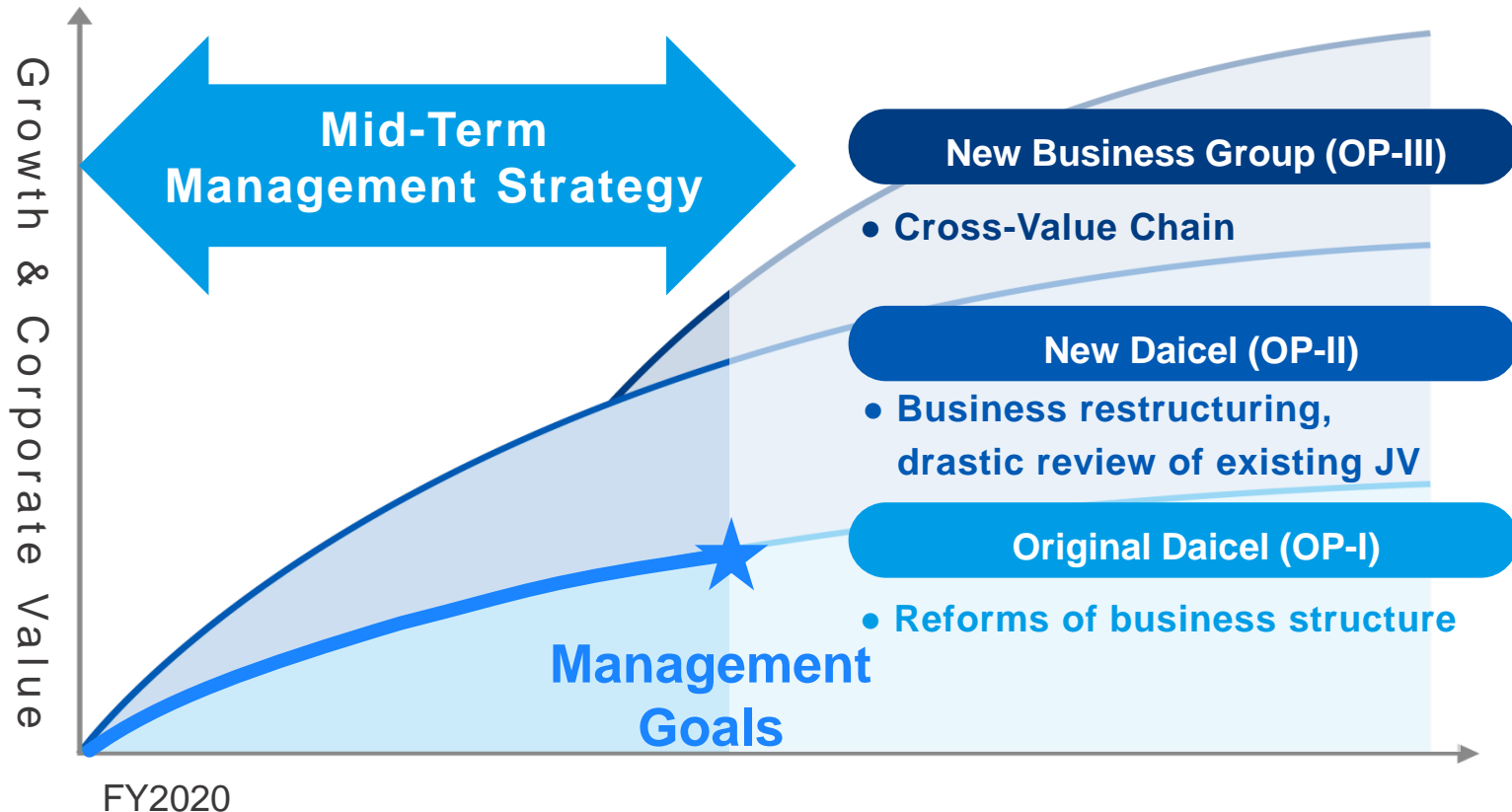
- Discover innovative leaders through bold transfer of authority and selection for promotion
- Outstanding professionals shall be trained through external experience
- A farewell to the past system

▶ Lighter corporate role

- Eventually, internal fund function only

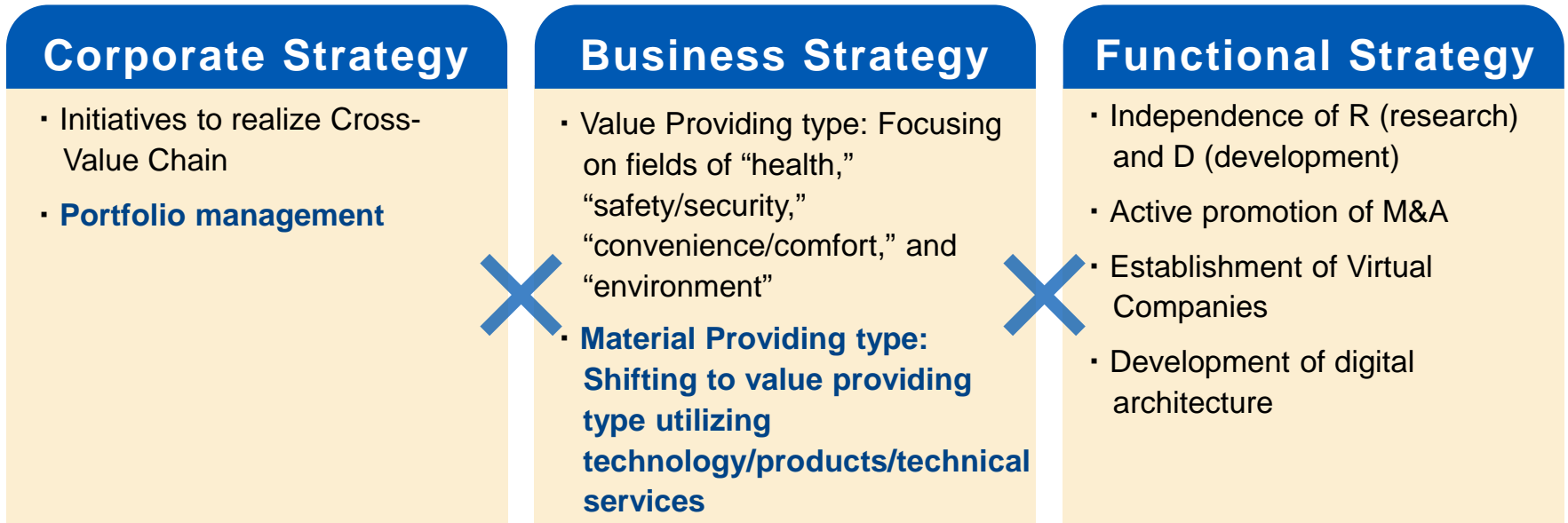
Positioning of the project

The full acquisition of Polyplastics is one of the top priority projects of **Original Daicel (OP-I)** and **New Daicel (OP-II)** in the Mid-Term Strategy



Overall picture of the Mid-Term Strategy

Coexistence and co-prosperity in a total supply chain
beyond the framework of companies and plants



Accelerate 2025 Management Goals

ROIC: 10% or more, EBITDA: 100 billion yen or more, Operating Profit to reach a record high
Key Indexes: $ROE \geq ROIC \geq ROA > WACC$

(Note) ROE; Return on Equity ROIC; Return on Invested Capital ROA; Return on Assets WACC; Weighted-Average Cost of Capital

Positioning of Polyplastics products in the Business Portfolio

- ▶ Core of the growth and foundation businesses
- ▶ Synergy to enhance our market-oriented approach

Next Generation

- ◆ Cosmetic raw materials
- ◆ Health foods
- ◆ Analysis service
- ◆ Chiral reagents
- ◆ Genomics-related products
- ◆ Contract pharmaceutical development and manufacturing
- ◆ High performance film
- ◆ Polymer for resist
- ◆ Lens modules, etc.
- ◆ Pyrotechnic devices for civilian use

Growth

- ◆ Solvents for electronic materials
- ◆ Inflators
- ◆ Caprolactone
- ◆ Cycloaliphatic epoxies
- ◆ POM
- ◆ PPS
- ◆ LCP
- ◆ COC

Reform

- ◆ Cellulose acetate for fiber
- ◆ Resin compounds, cellulose acetate plastics, etc.
- ◆ OPS sheet
- ◆ Container molding

Foundation

- ◆ Chiral columns
- ◆ TAC
- ◆ Acetate tow
- ◆ Acetic acid and derivatives
- ◆ Ketene derivatives/amines
- ◆ Low-density plastic foam products
- ◆ PBT
- ◆ Food packaging film
- ◆ CMC
- ◆ Chemical products, etc.
- ◆ Membrane products

- Positioning based on industrial growth, competitive environment, sales growth and operating profit with additional analysis of elements such as business characteristics
- Evaluating business using ROIC, sales growth ratio, etc.



Project overview and features

Project overview	<ul style="list-style-type: none">• Of the outstanding shares of Polyplastics Co., Ltd. (hereinafter Polyplastics), we will acquire all the shares (45%) that Celanese Corporation, based in the US, owns through a subsidiary, and thereby acquire 100% ownership of Polyplastics.• Signed free cross-licensing agreement on past technologies of major products
Cost of share acquisition	<ul style="list-style-type: none">• 1.575 billion USD (approx. 168.5 billion yen at 107 yen/USD)
Financing method	<ul style="list-style-type: none">• An initial bridge loan will cover all the costs. Upon shifting to a permanent loan, we will consider the optimal financing method with consideration of the financing costs.• Regarding permanent financing for the project, we do not plan to adopt a financing method leading to EPS dilution.
Schedule	<ul style="list-style-type: none">• The completion date of this Project is currently indefinite. The share acquisition is subject to any required authorization from the competition law authorities in the relevant countries.
Impact on performance	<ul style="list-style-type: none">• Impact on performance is still uncertain but will be announced as soon as it is determined.

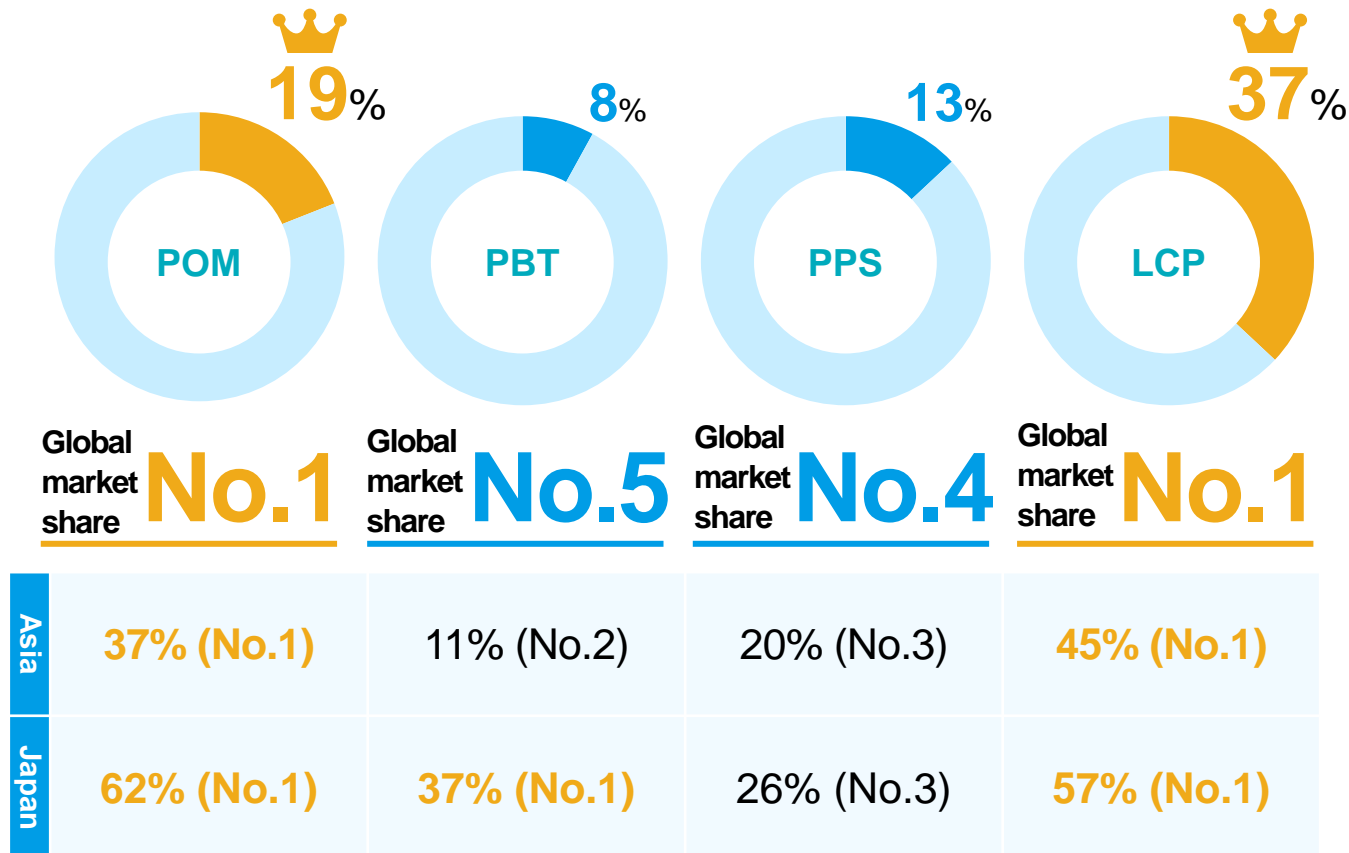
Polyplastics

Company name	<ul style="list-style-type: none">• Polyplastics Co., Ltd.
Establishment	<ul style="list-style-type: none">• May 4, 1964
Head office	<ul style="list-style-type: none">• 18-1 Konan 2-chome, Minato-ku, Tokyo
Representative	<ul style="list-style-type: none">• Toshio Shiwaku, President and CEO
Business	<ul style="list-style-type: none">• Manufacturing and selling of various polymers and plastics
Number of group employees	<ul style="list-style-type: none">• 2,131 (As of March 2020)
Net sales	<ul style="list-style-type: none">• 135.4 billion yen (Consolidated results for FY2019)
Net income	<ul style="list-style-type: none">• 12.4 billion yen (Consolidated results for FY2019)

Overview of Polyplastics: Market share

▶ No.1 solution provider in the engineering plastics space

- As a leading Japanese manufacturer specializing in engineering plastics, Polyplastics has gained a large market share in Japan and abroad.

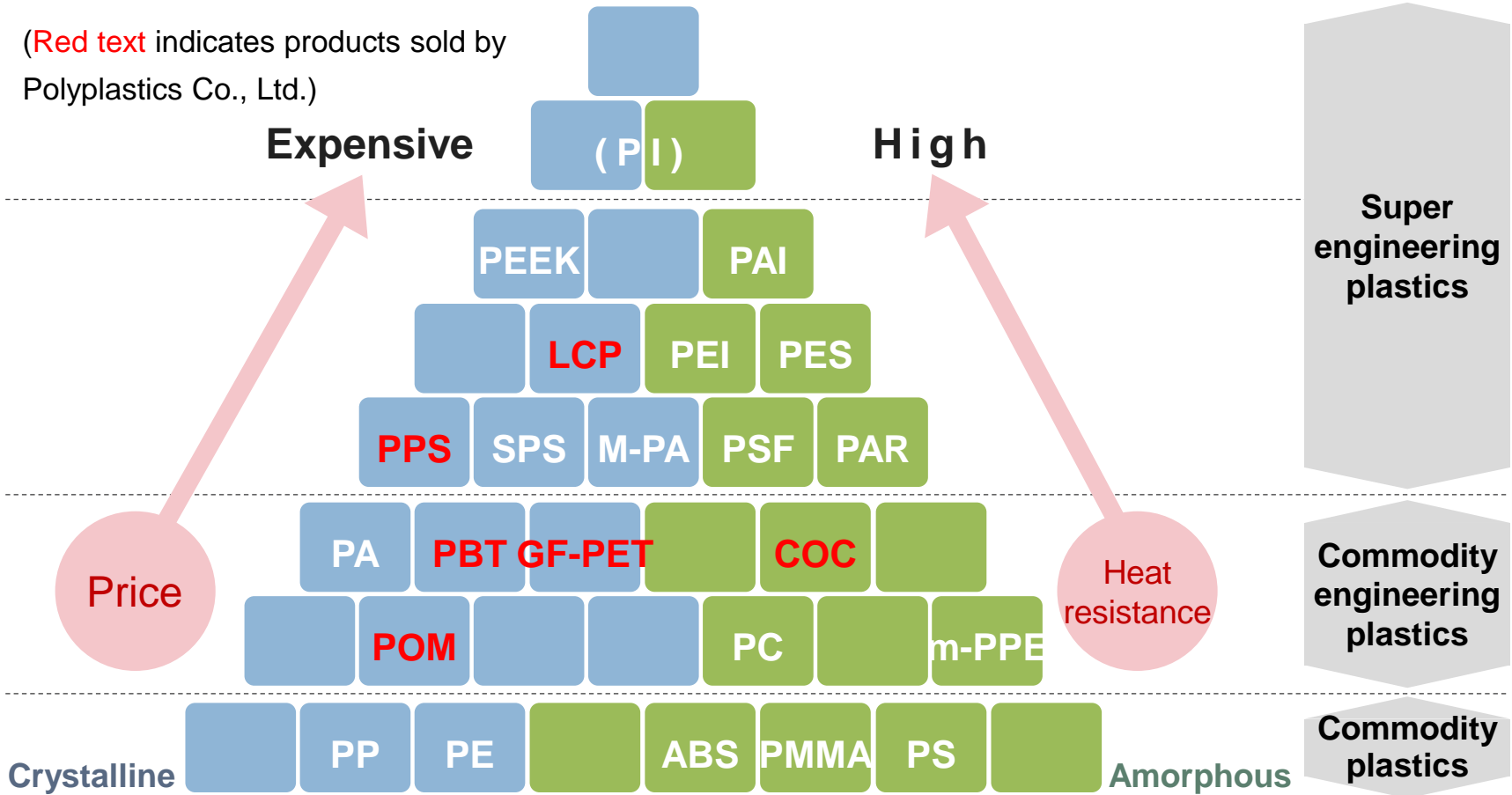


Source: Fuji Keizai (2019)

Overview of Polyplastics: Diverse product range

- ▶ **Potential for further enhancement of business value through expansion investment, business portfolio expansion, etc.**
 - **Engineering plastics offer special qualities that general plastics do not have, thus enabling the manufacture of highly-functioning products.**

(Red text indicates products sold by Polyplastics Co., Ltd.)



► **Creates much business value, including brand value, by leveraging its unique business model.**

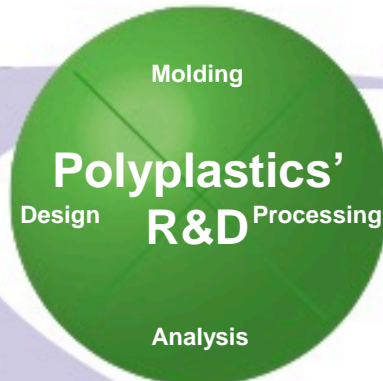
- **Polyplastics communicate with their customers in order to capture their true needs and provide the most suitable solutions.**

Understand the customer's true needs through communication

Requests

Customer's Requests

Creating new value

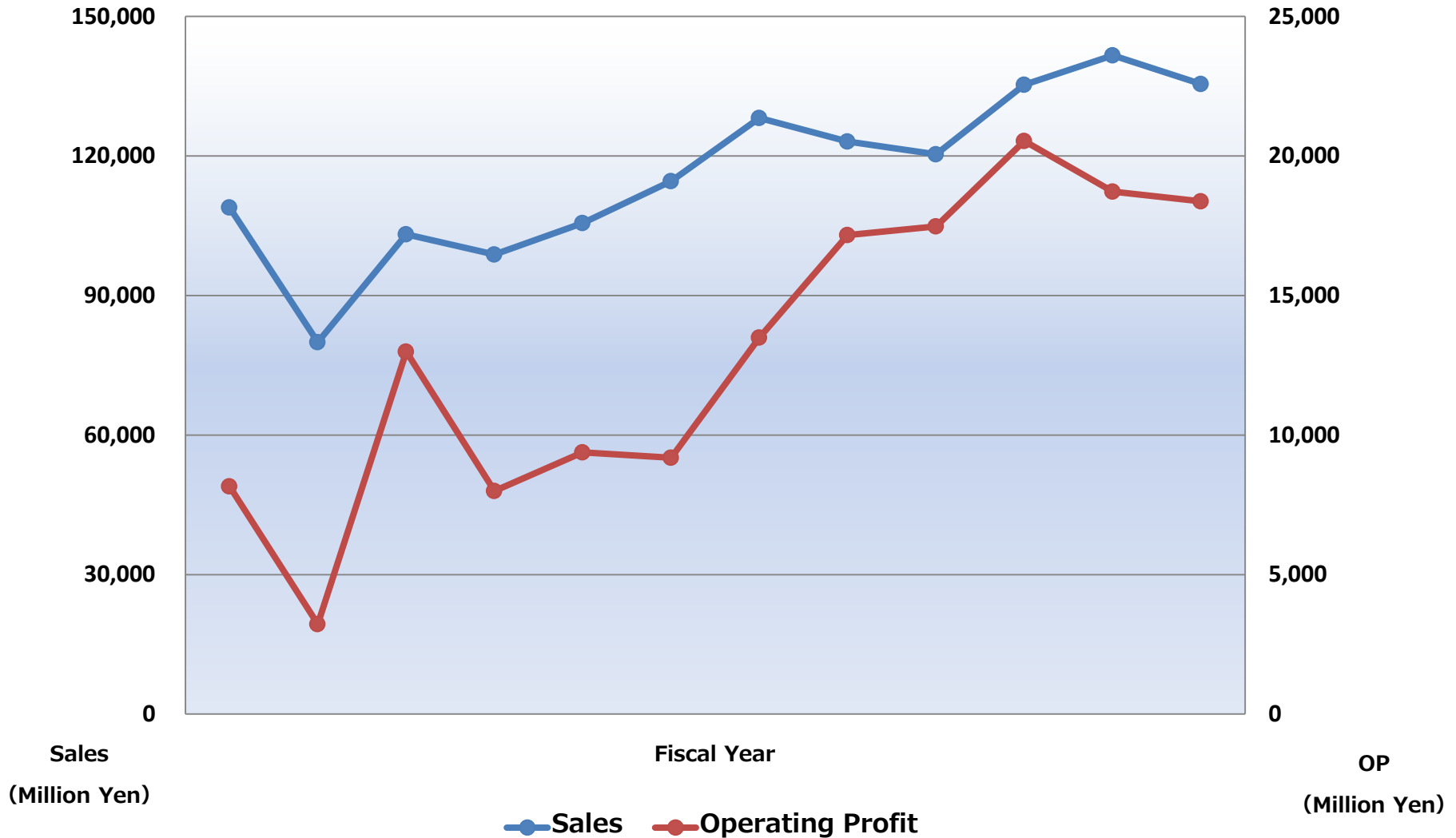


The customer's cutting-edge technology
Market trends

Polyplastics' cutting-edge technology

Providing solutions

Business performance (FY 09/3 – FY 20/3)



- ▶ **Since we know Polyplastics very well, this is a relatively low-risk investment, and we can unlock business value through post-acquisition measures.**
- ▶ **The project is expected to lead to immediate EPS growth, and we can achieve shareholder return by balance sheet utilization (see p.20)**
 - **Interest costs will be incurred due to financing for the acquisition. However, as there will be no more non-controlling interests or any goodwill, future EPS is expected to grow by approx. 25% as compared to the EPS forecast for FY2020 made without taking the project into account. (The schedule is yet to be determined; the assumption is that the project contributes for the half year.)**
 - **Improvement of ROE and equity spread**
- ▶ **The acquisition represents an investment to a business with higher profitability and capital efficiency than our company on a consolidated basis, and will be beneficial in terms of strengthening our business portfolio owing to the relatively small performance volatility and synergy opportunities.**
- ▶ **Since the project will not involve the generation of goodwill, there is no goodwill impairment risk. Nor will any one-time, extraordinary losses be incurred in the future.**
- ▶ **The acquisition of shares will have a negative impact on our consolidated surplus. However, our financial health will not deteriorate too much because we have been developing a robust financial base for the project for several years.**



Project significance and impact

Growth opportunities from consolidation of Polyplastics

Item	Current JV terms
Governance	<ul style="list-style-type: none">• Need for prior agreement regarding facility expansion or investment above a certain amount• Lack of M&A and JV opportunities
License contracts	<ul style="list-style-type: none">• Limitation on regional expansion• Limitation on solutions to customer needs
Other contracts	<ul style="list-style-type: none">• Reduced flexibility due to partner off-take rights• Partner participation rights could have forced other partner to invest in otherwise unplanned projects



▶ **Several tens of billions of Japanese yen in quantifiable opportunities from consolidation of PPC**

➔ **Much more on an enterprise-value basis**

Expanding options for growth strategy by the full acquisition

As the degree of freedom in developing geographical markets expands, Expanding options such as development and introduction of new products and investment for capacity expansion

▶ Accelerate global business expansion

- Expansion of LCP business in Europe and Americas
- Upfront investment in infrastructure to accelerate market expansion in Europe and Americas
- Timely capacity enhancement in response to increasing demand

▶ Promotion of new business development

- New product development utilizing R&D resources of the Daicel Group
- Further expansion into super engineering plastics

▶ Maximize group synergies

- Pursuit of group synergies such as horizontal development of business model and new application development through market sharing
- Improve asset efficiency by strengthening cooperation in purchasing and engineering
- Improving human productivity by integrating the functions of indirect departments and exchanging human resources

▶ **Business reorganization centered on Polyplastics**

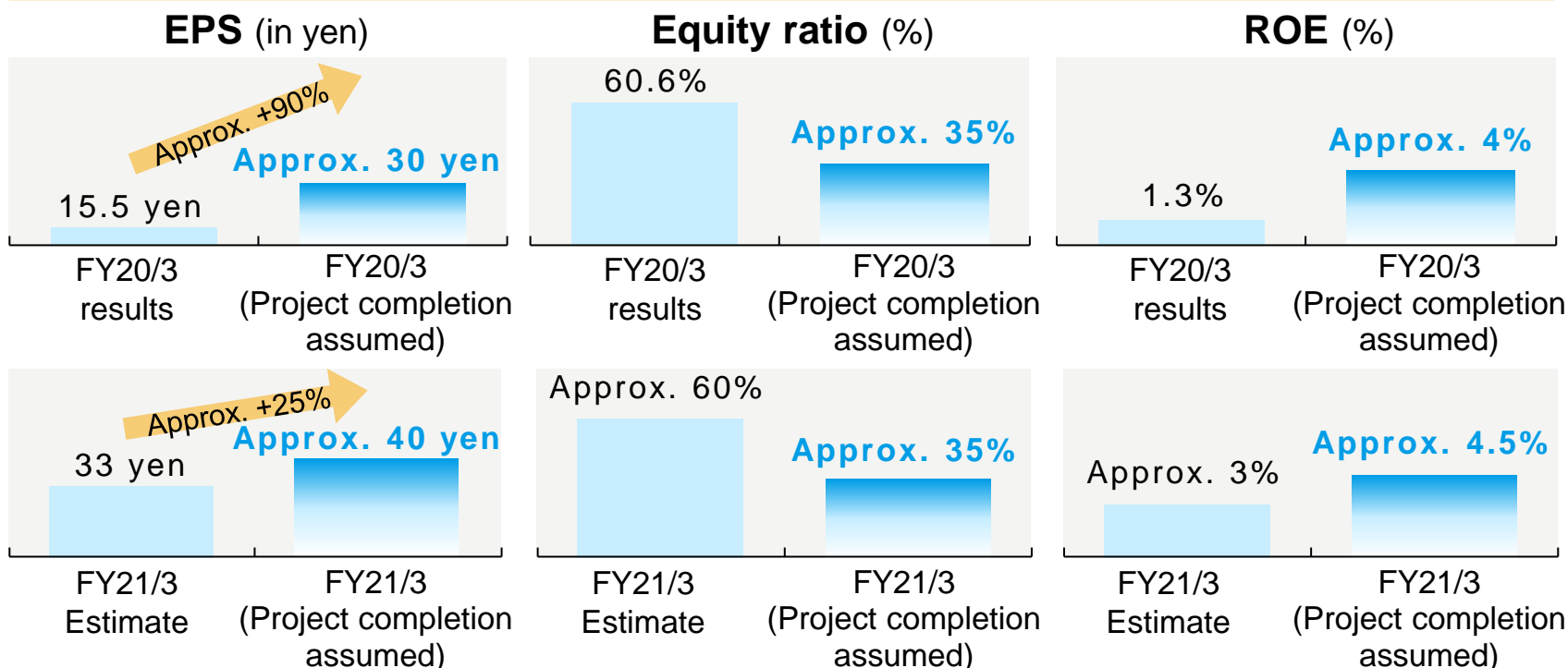
Initiative to build a new virtual/real value chain with common raw materials and shared market areas as Daicel Group

[Major directions of future efforts]

- **Acquiring new business and business resources via M&A**
- **Acquiring new business and accelerating industry restructuring through JVs and/or alliances**

Changes in major financial indicators

- ▶ Increase in net income attributable to owners of the parent, no goodwill amortization
=EPS growth
 - ▶ The equity ratio will decline, but this will not have a negative impact on our financial health to an extent that compromises our financing capabilities.
- A promising project that will lead to improved ROE and equity spread**



Note: The items “FY20/3 (Project completion assumed)” are calculated based on the assumption that the project contributed to the full year of FY20/3. The items “FY21/3 (Project completion assumed)” are calculated based on the assumption that the project contributed to FY21/3 for the half year.

Notes regarding Forward-Looking Statements

- The purpose of this document is to provide information and not to persuade any individual to take any action in response to the information contained in this document. Daicel has made the greatest possible effort to prepare this document with accurate information. The information in this document, however, may be inaccurate and may involve risk, and we do not guarantee the accuracy or reliability of this information.
- The reader is advised that the use of the information in this document is at your own risk. Any investment according to the prospects, target values, etc. appearing in this document might result in a loss. Daicel accepts no responsibility for such an eventuality.

All rights reserved by Daicel Corporation

This document shall not be copied or distributed to a third party without the permission of Daicel Corporation.