



Accelerate 2025-II

Mid-Term Management Strategy

February 17, 2021



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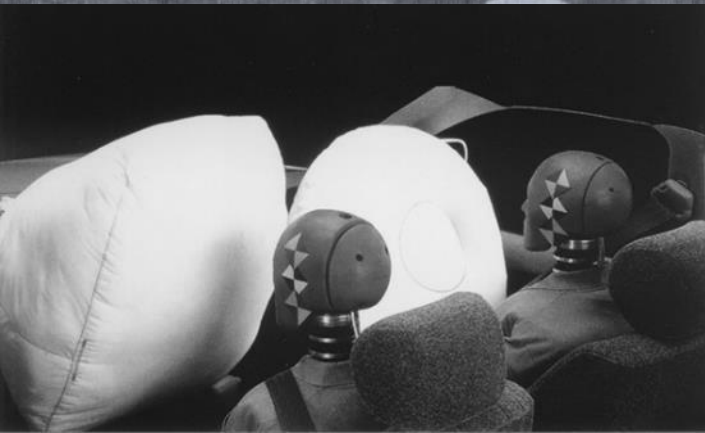
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Introduction





Return to the origin of DAICEL “Ability to meet social needs”



- Development of fireproof celluloid in the initial period of the business and domestic production of photographic films
- Growth of Polyplastics which has established evaluation technology to accurately answer customers' metal replacement needs
- Functional chemicals derived from the Company's business domain and grown through the integrated operation of Manufacturing, Sales and Research
- Inflator business that has been successful because of accumulated technology and co-creative efforts with an industry-leading company



Learn from the past and acquire a new “compass” that can be used for next strategies

- Horizontal integration on the premise of restructuring the difficulties of internal integration
- Withdrawal from new fields not in the Company’s line of business (optical discs, deodorants, etc.)
- Delay in new business development and transformation of business structure
 - ✓ Insufficient attention to markets/customers and excessive adherence to in-house technology
 - ✓ Stereotypes tied to existing organizations and businesses, excessive emphasis on management resources
 - ✓ Lack of speed, flexibility and collaboration to respond to changing needs


Return to the origin of DAICEL
“Ability to meet social needs”



Learn from the past and acquire a
new “compass” that can be used
for next strategies


Ability to meet social needs × new compass = Cross-Value Chain

A new strategy

Construction of Cross-Value Chain in stages from OP-I to OP-III

- Establish an organizational structure and personnel system that enable quick decision-making from the customer’s perspective.
- Maximize management resource efficiency through portfolio management.
- Reform governance to maximize group synergies.
- Form a New Business Group by strengthening IT infrastructure and running a Virtual Company.
- Create new value through a Cross-Value Chains with entities outside the Company.

Cross-Value Chain Strategy × Society That Must Coexist with Covid-19



Thoroughly promote the Cross-Value Chain strategy with themes pertinent to a society that must coexist with Covid-19.

1. Lean management structure

Establishing solid footing against economic downturn	Thorough cost reduction	Cost reduction: Initial plan 10.7 billion yen ⇒ Performance forecast 15.2 billion yen
	Withdrawal from unprofitable businesses	Withdrawal from defense business: Redistribution of management resources of 145 persons
	Reorganization of unprofitable bases	Consolidation of mobility BU bases: Labor saving of 485 persons (cumulative in 2023)
	Workstyle reform	Rate of working from home = 70%, drastic reduction in business trip expenses

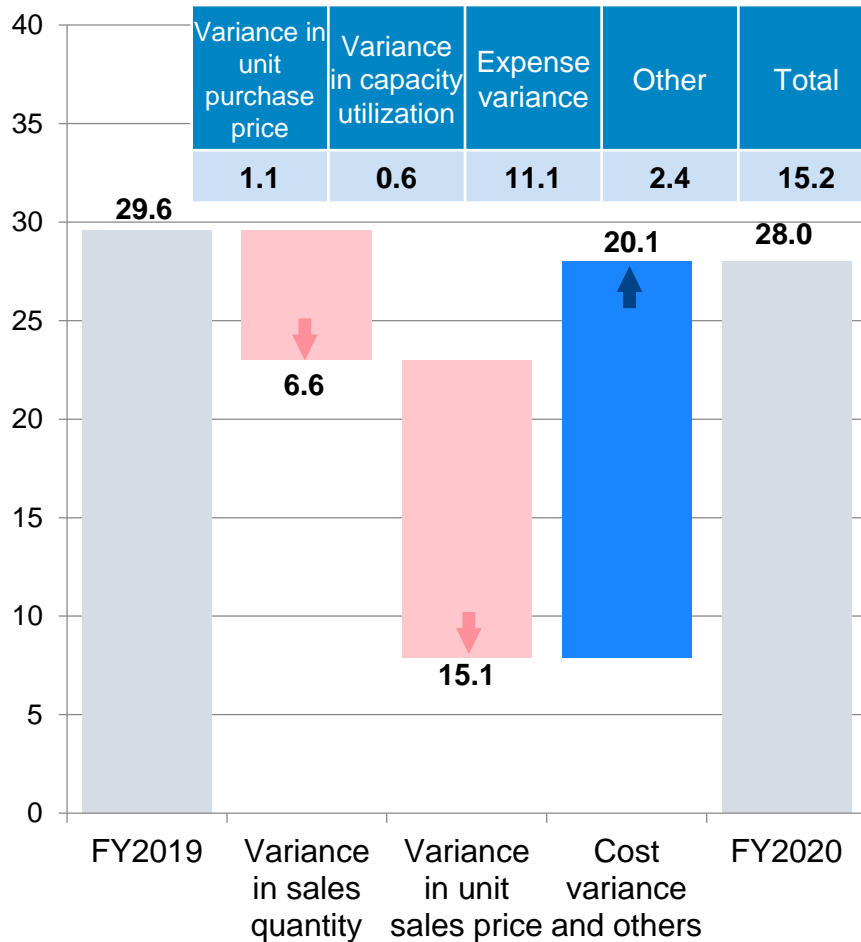
2. Response to top priority needs

Contributing to Covid-19 measures	Contribution with our technologies and products	<p>Provide our administration devices for clinical trial of intradermal vaccination against Covid-19.</p> <ul style="list-style-type: none"> Expected to increase the effectiveness of the vaccine 5 to 10 times. <p>Develop new products that contribute to the prevention of Covid-19 infection.</p>
	Morphing into an issue-discovering company	<p>Develop new air filter with Daikin Industries.</p> <ul style="list-style-type: none"> Company-wide support across departmental boundaries to keep up with changes in customer needs
Coexisting with Covid-19 and Preparing for a new order	Developing an autonomous production system	<p>Evolve the AI-based DAICEL Production Innovation.</p> <ul style="list-style-type: none"> Cost reduction potential: 10 billion yen Foundation for building a virtual company by reducing the burdens associated with introducing Production Innovation
	Making Polyplastics a wholly owned subsidiary	<p>Reflect the change in Mid-Term Management Strategy.</p> <ul style="list-style-type: none"> New development of engineering plastics business Maximization of synergies in the DAICEL Group
	Promoting cooperation between multiple enterprises and academic institutions	<p>Enhance research functions through joint research opportunities.</p> <ul style="list-style-type: none"> Osaka University, University of Hyogo, Kanazawa University, etc.

Thorough Pursuit of Cost Reduction and Production Efficiency

Factors of change in operating income (estimated value)

Cost reduction by factory action including cost variance and others (Unit: Billion Yen)



Cost reduction by factory action

<Action according to operation>

During low operation:

Generate power to use surplus steam for self-feeding or electricity sales.

During high operation:

Implement steam-saving and power-saving actions due to the lack of steam.

⇒ Enables stable cost reduction action regardless of operating conditions.

<Consolidation of production bases>

◇ Call off local production for local consumption of inflators and convert to a system of cooperation among production bases.

⇒ Impairment loss of excess facilities (reduce FY2020 expenses by 2 billion yen)

⇒ Cost reduction (reduce FY2020 expenses by 600 million yen)

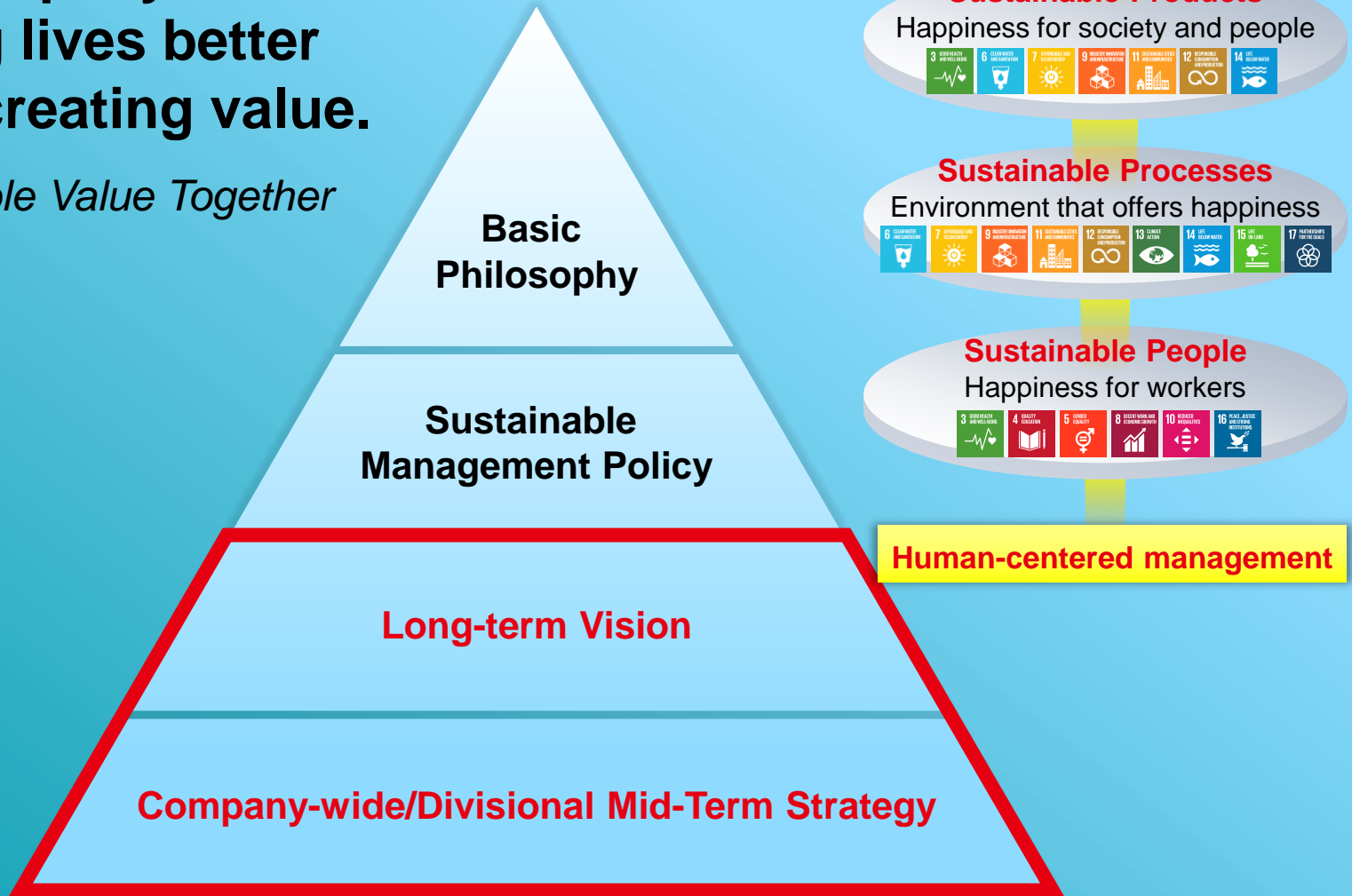
◇ From now on, new investments can be reduced substantially compared to the past by changing gas generant production method.

A low-angle photograph looking up at a dense forest canopy. Sunlight filters through the green leaves, creating a dappled light effect. The image is partially obscured by a blue geometric shape on the left and a red horizontal line at the bottom.

General Picture

The company making lives better by co-creating value.

Sustainable Value Together



Mass consumption society so far

Strategy that prioritizes profits only for our company

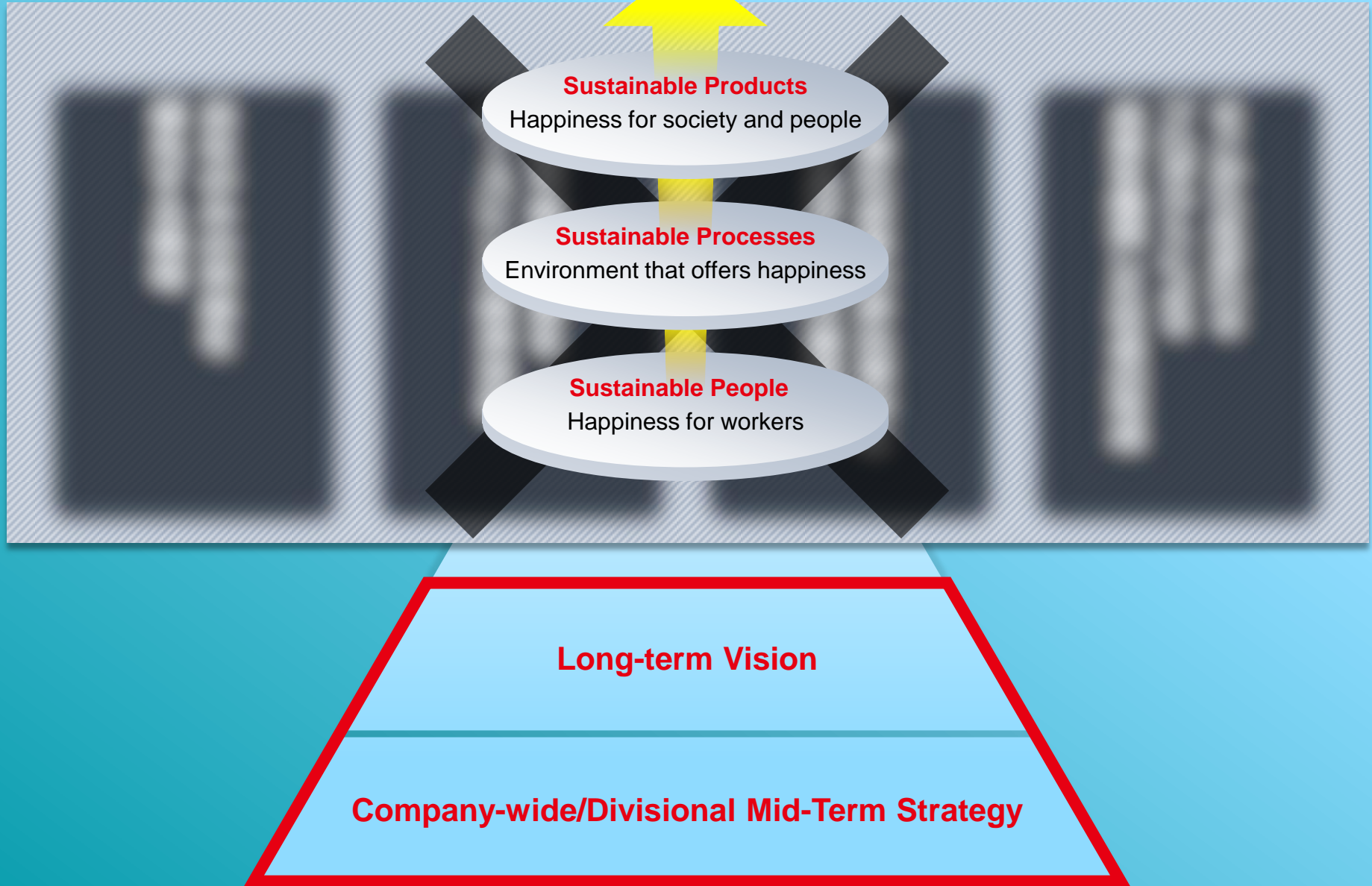
Economic activity based on unproducible resources

Increased CO₂ emissions and large energy consumption

Formation of a society that ignores the future caused by products made from these activities

Long-term Vision

Company-wide/Divisional Mid-Term Strategy



Sustainable Products

Happiness for society and people

Sustainable Processes

Environment that offers happiness

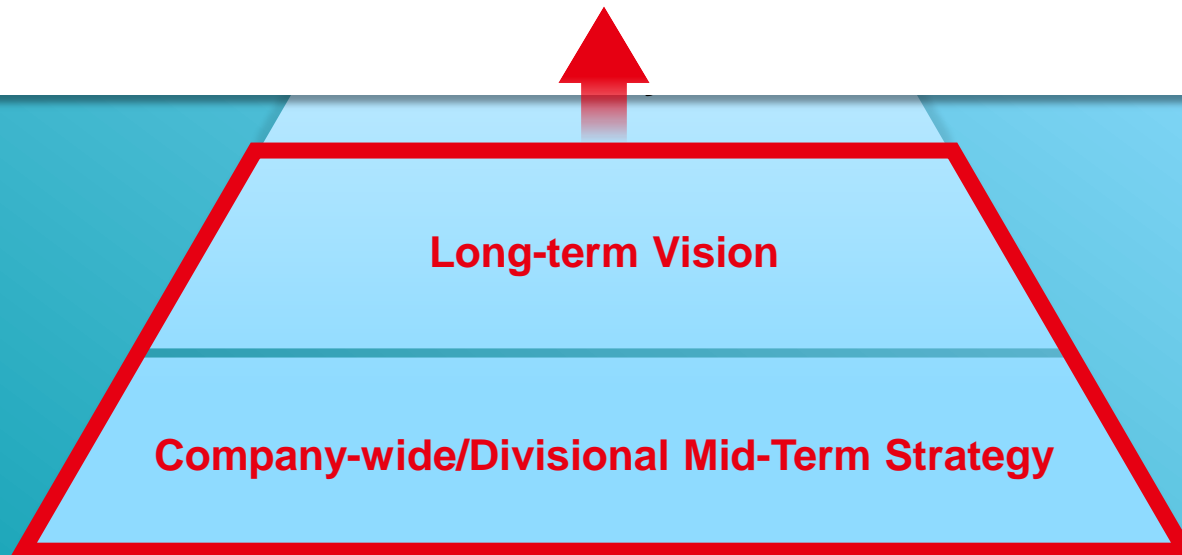
Sustainable People

Happiness for workers

Long-term Vision

Company-wide/Divisional Mid-Term Strategy

**Contributing to the Construction of
a Recycling-oriented Society**




Contributing to the Construction of a Recycling-oriented Society



Strategy that prioritizes profits only for our company

Economic activity based on unproducible resources

Increased CO₂ emissions and large energy consumption



Formation of a society that ignores the future caused by products made from these activities

Contributing to the Construction of a Recycling-oriented Society

Formation of New Business Group

Beyond barriers of departments and companies, aim, think and create together for society and the Earth.

Realization of Biomass Product Trees

Realize environment-friendly processes and product groups that utilize dormant forest resources and naturally derived raw materials in Japan without waste.

Implementation of carbon offsets and energy offsets

Reduce burden on the global environment through the reuse and effective use of emitted carbon and energy.

Providing happiness in four domains

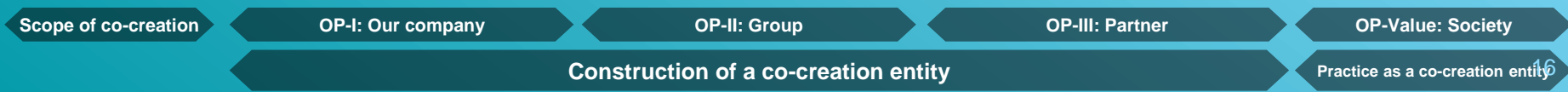
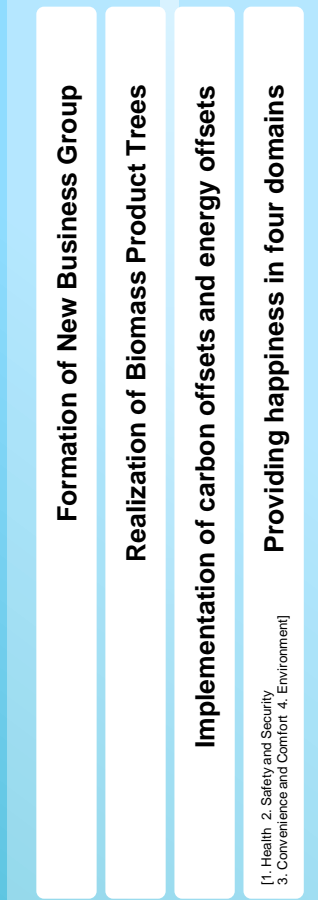
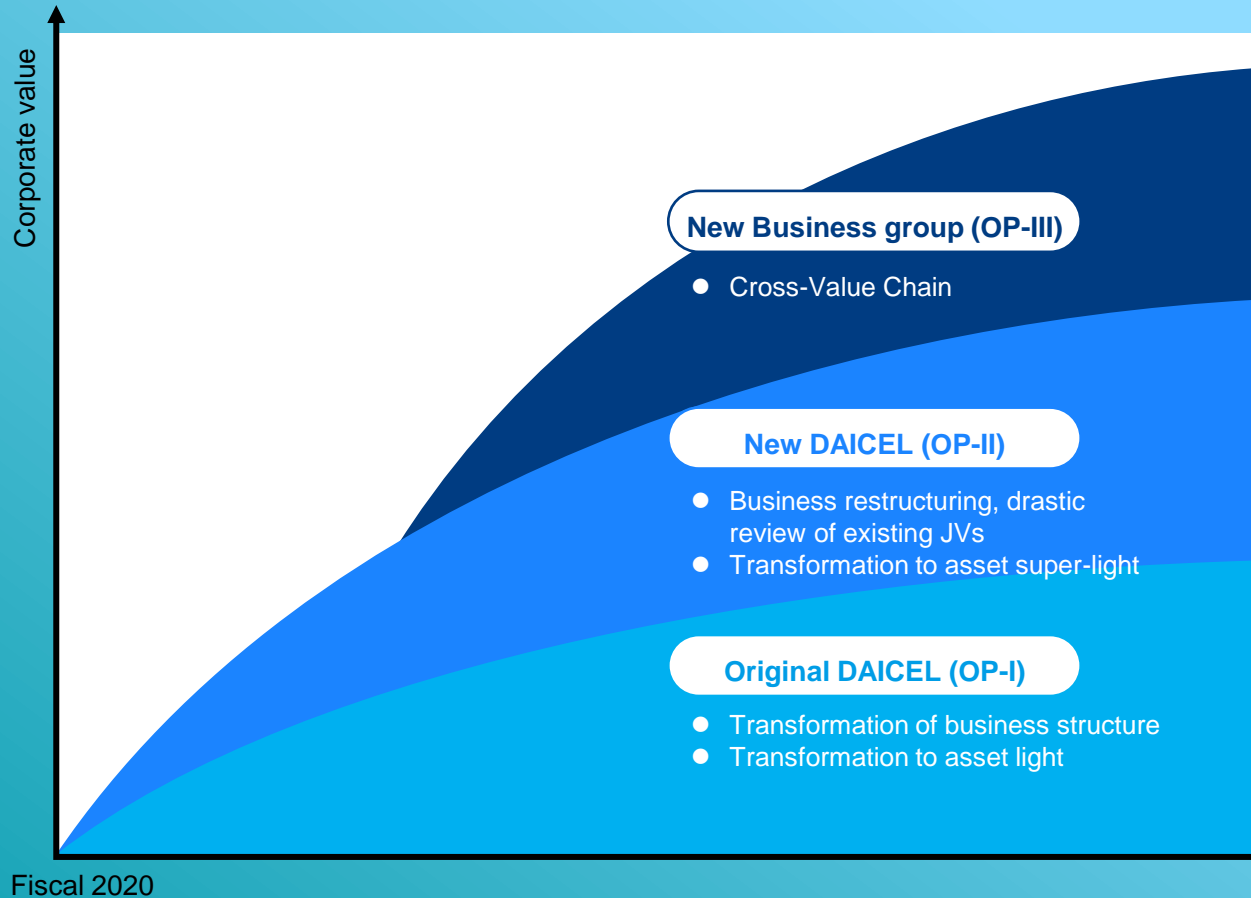
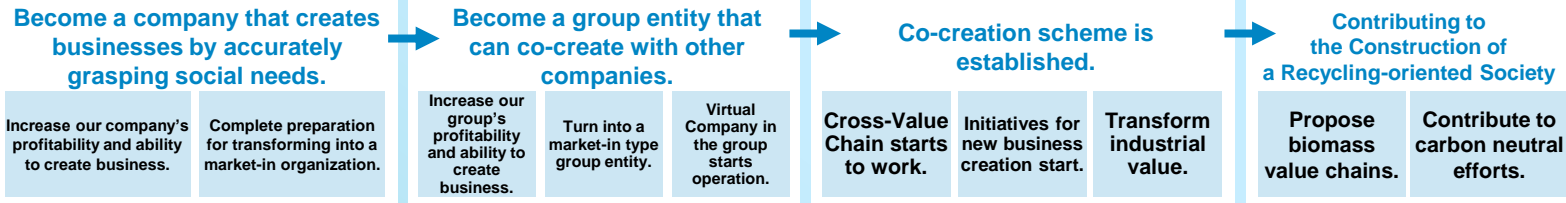
1. Health
2. Safety and Security
3. Convenience and Comfort
4. Environment

Face social issues and multiply the strengths of companies to create new value and needs.

Road to DAICEL VISION 4.0



GOAL



Road to DAICEL VISION 4.0



GOAL

Become a company that creates businesses by accurately grasping social needs.

Increase our company's profitability and ability to create business.

Complete preparation for transforming into a market-in organization.

Become a group entity that can co-create with other companies.

Increase our group's profitability and ability to create business.

Turn into a market-in type group entity.

Virtual Company in the group starts operation.

Co-creation scheme is established.

Cross-Value Chain starts to work.

Initiatives for new business creation start.

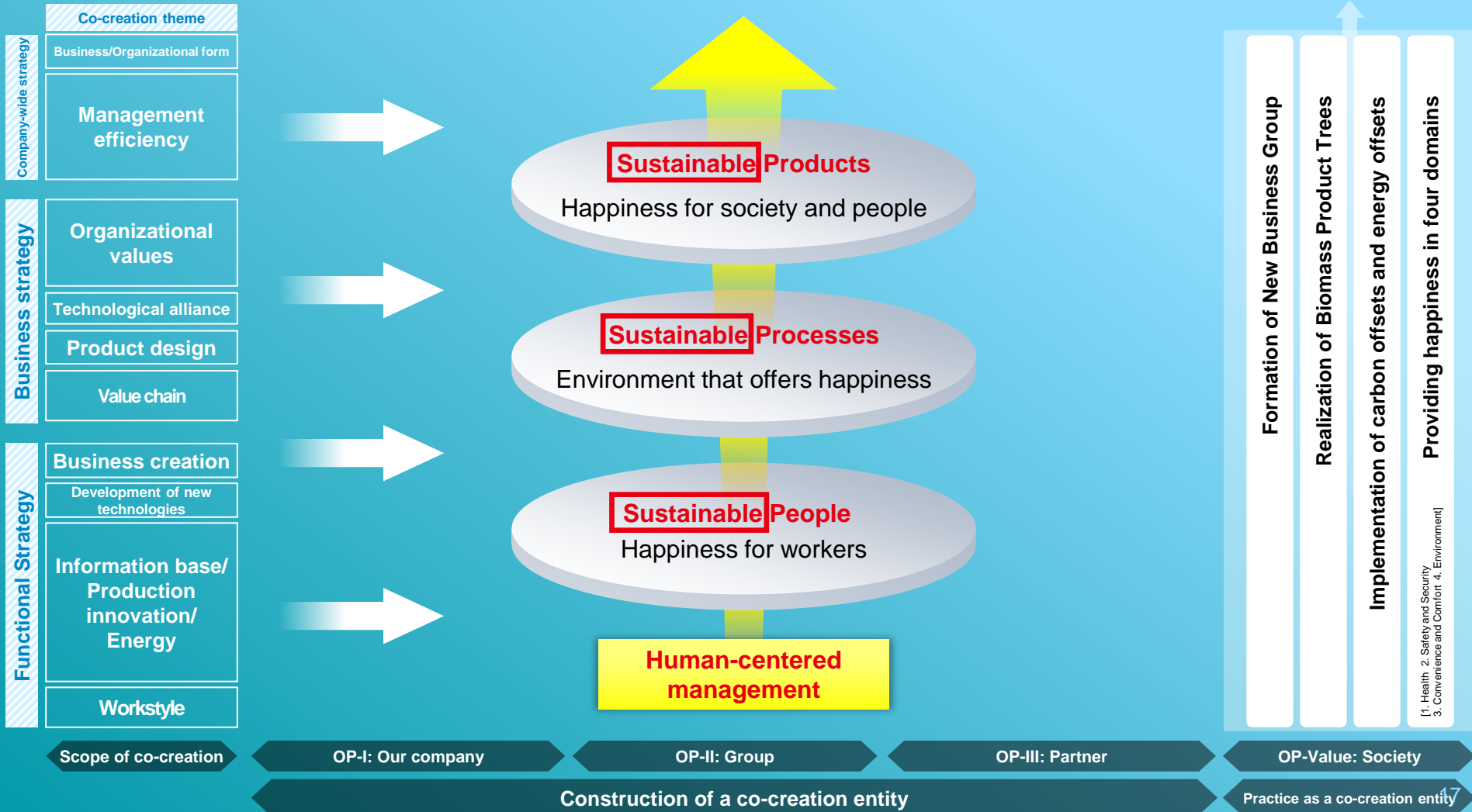
Transform industrial value.

Contributing to the Construction of

a Recycling-oriented Society

Propose biomass value chains.

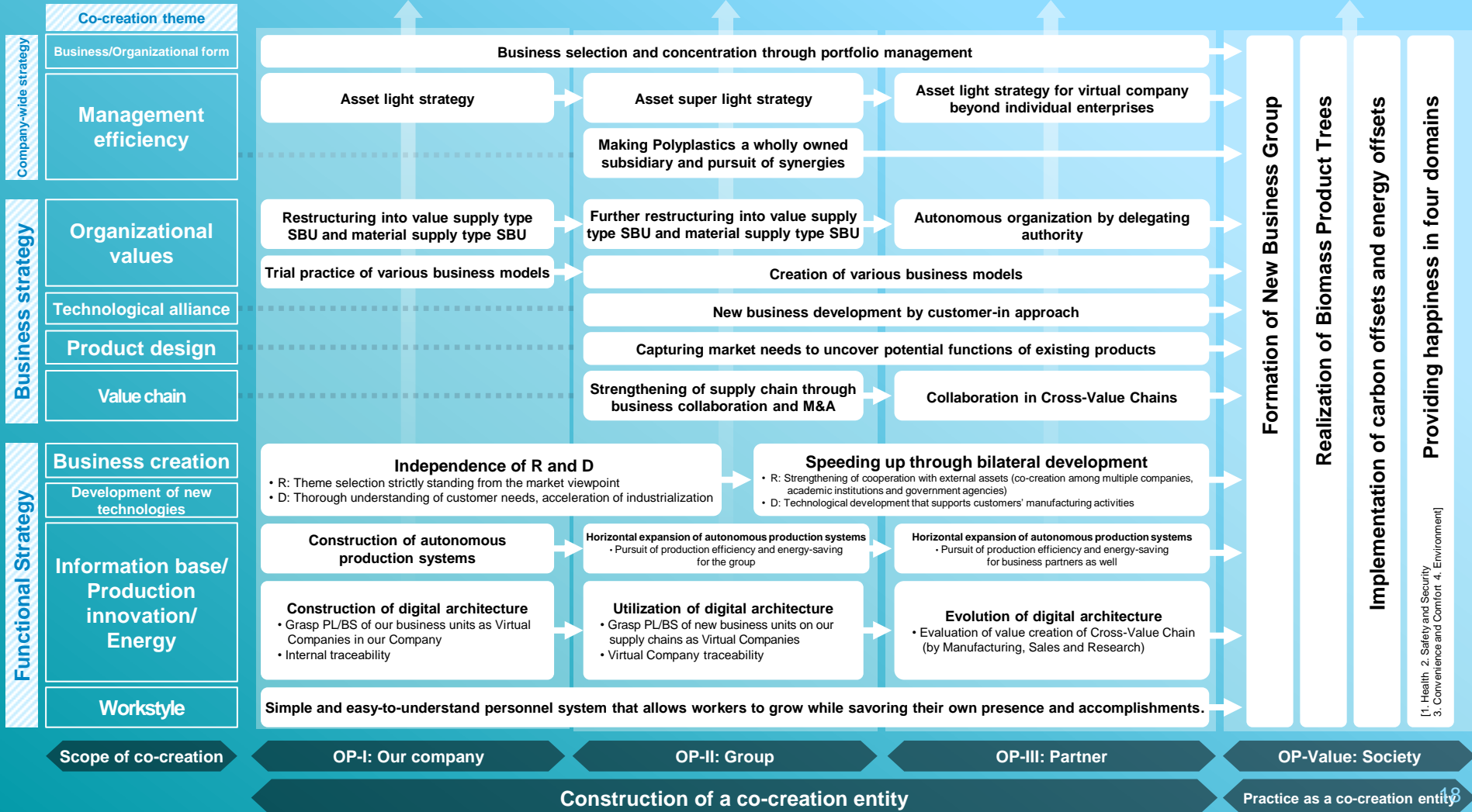
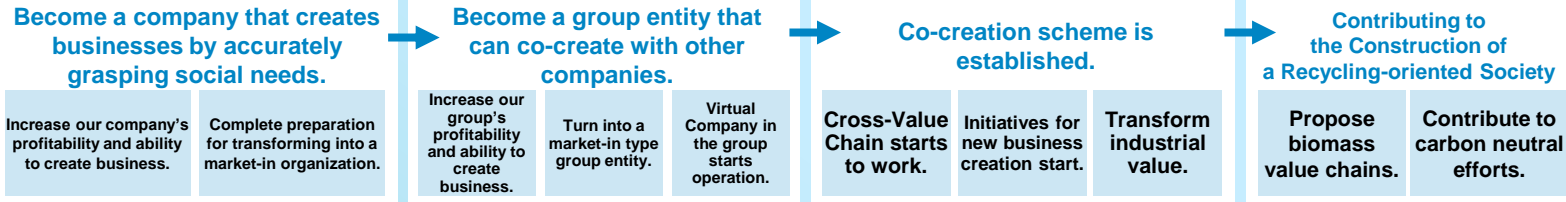
Contribute to carbon neutral efforts.



Road to DAICEL VISION 4.0



GOAL



[1. Health 2. Safety and Security 3. Convenience and Comfort 4. Environment]

Road to DAICEL VISION 4.0



Sustainable Product



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Co-creation scheme is established.

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Initiatives for new business creation start.

Transform industrial value.

Contributing to the Construction of a Recycling-oriented Society

Propose biomass value chains.

Contribute to carbon neutral efforts.

Co-creation theme

Business/Organizational form

Management efficiency

Organizational values

Technological alliance

Product design

Value chain

Business creation

Development of new technologies

Information base/
Production innovation/
Energy

Workstyle

Business selection and concentration through portfolio management

Asset light strategy

Asset super light strategy

Asset light strategy for virtual company beyond individual enterprises

Making Polyplastics a wholly owned subsidiary and pursuit of synergies

Restructuring into value supply type SBU and material supply type SBU

Further restructuring into value supply type SBU and material supply type SBU

Autonomous organization by delegating authority

Trial practice of various business models

Creation of various business models

New business development by customer-in approach

Capturing market needs to uncover potential functions of existing products

Strengthening of supply chain through business collaboration and M&A

Collaboration in Cross-Value Chains

Independence of R and D

- R: Theme selection strictly standing from the market viewpoint
- D: Thorough understanding of customer needs, acceleration of industrialization

Speeding up through bilateral development

- R: Strengthening of cooperation with external assets (co-creation among multiple companies, academic institutions and government agencies)
- D: Technological development that supports customers' manufacturing activities

Construction of autonomous production systems

Horizontal expansion of autonomous production systems
- Pursuit of production efficiency and energy-saving for the group

Horizontal expansion of autonomous production systems
- Pursuit of production efficiency and energy-saving for business partners as well

Construction of digital architecture
- Grasp PL/BS of our business units as Virtual Companies in our Company
- Internal traceability

Utilization of digital architecture
- Grasp PL/BS of new business units on our supply chains as Virtual Companies
- Virtual Company traceability

Evolution of digital architecture

- Evaluation of value creation of Cross-Value Chain (by Manufacturing, Sales and Research)

Simple and easy-to-understand personnel system that allows workers to grow while savoring their own presence and accomplishments.

Formation of New Business Group

Realization of Biomass Product Trees

Implementation of carbon offsets and energy offsets

Providing happiness in four domains

[1. Health 2. Safety and Security
3. Convenience and Comfort 4. Environment]

Scope of co-creation

OP-I: Our company

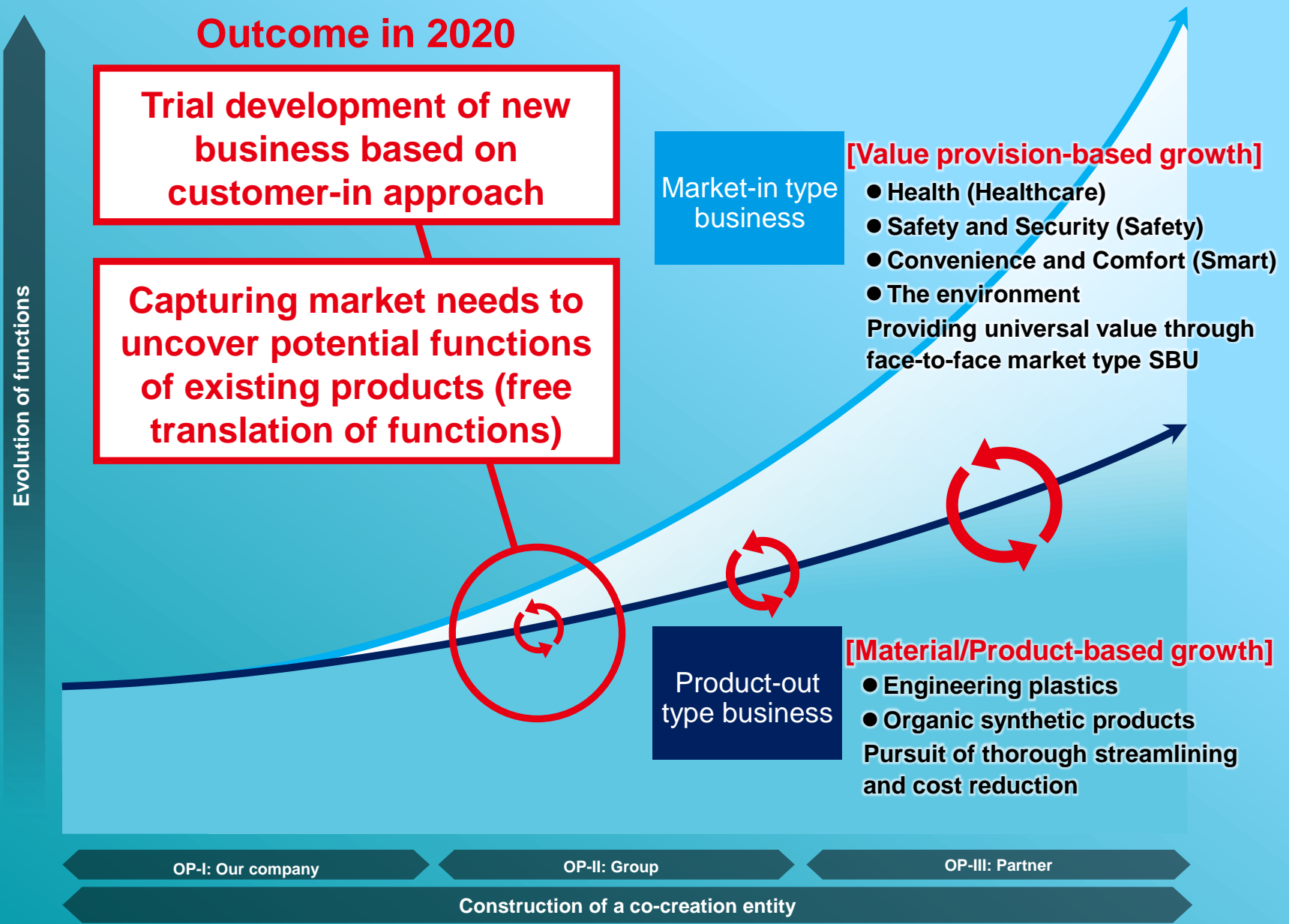
OP-II: Group

OP-III: Partner

OP-Value: Society

Construction of a co-creation entity

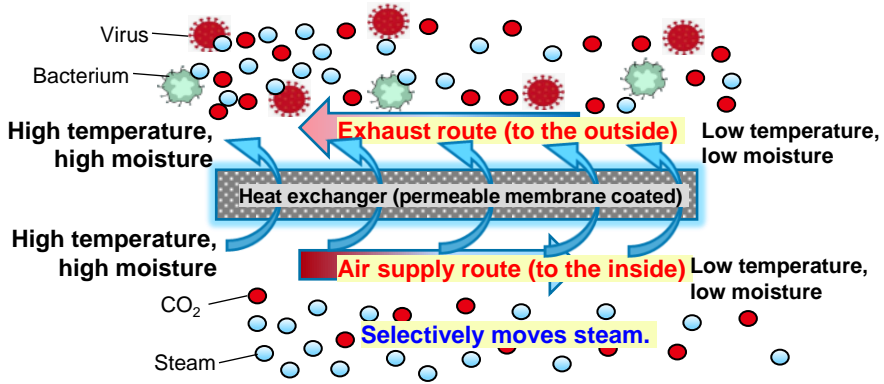
Practice as a co-creation entity 19



Trial development of new business based on customer-in approach: Collaboration with Daikin Industries

Total heat exchange type element

Our coating technology ensures high airtightness and antibacterial properties, contributing to high heat exchange efficiency.



<Cooling in Summer>

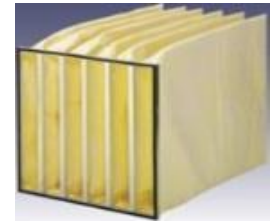
- Launch first onto the Chinese market in FY 2021.
- Develop products that meet the needs of each region across the world and launch the products sequentially.

Low pressure loss filter

Composite materials that utilize our acetate tow technology achieve low pressure loss, maintaining high air purification capacity.



Filter sheet



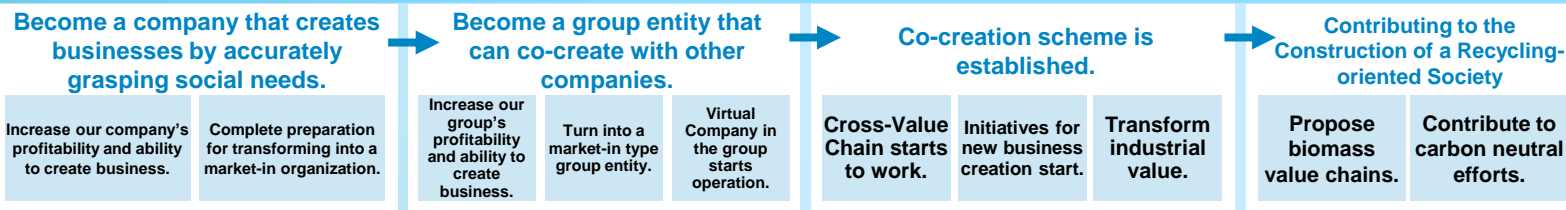
Air filter

- Start field evaluation and sales in small quantity from FY 2022 to 2023.
- Start full-fledged sales on a global basis in FY 2025 (Sales for the first year: Hundreds of millions of yen).
- Aim to achieve sales of billions of yen in FY 2030.

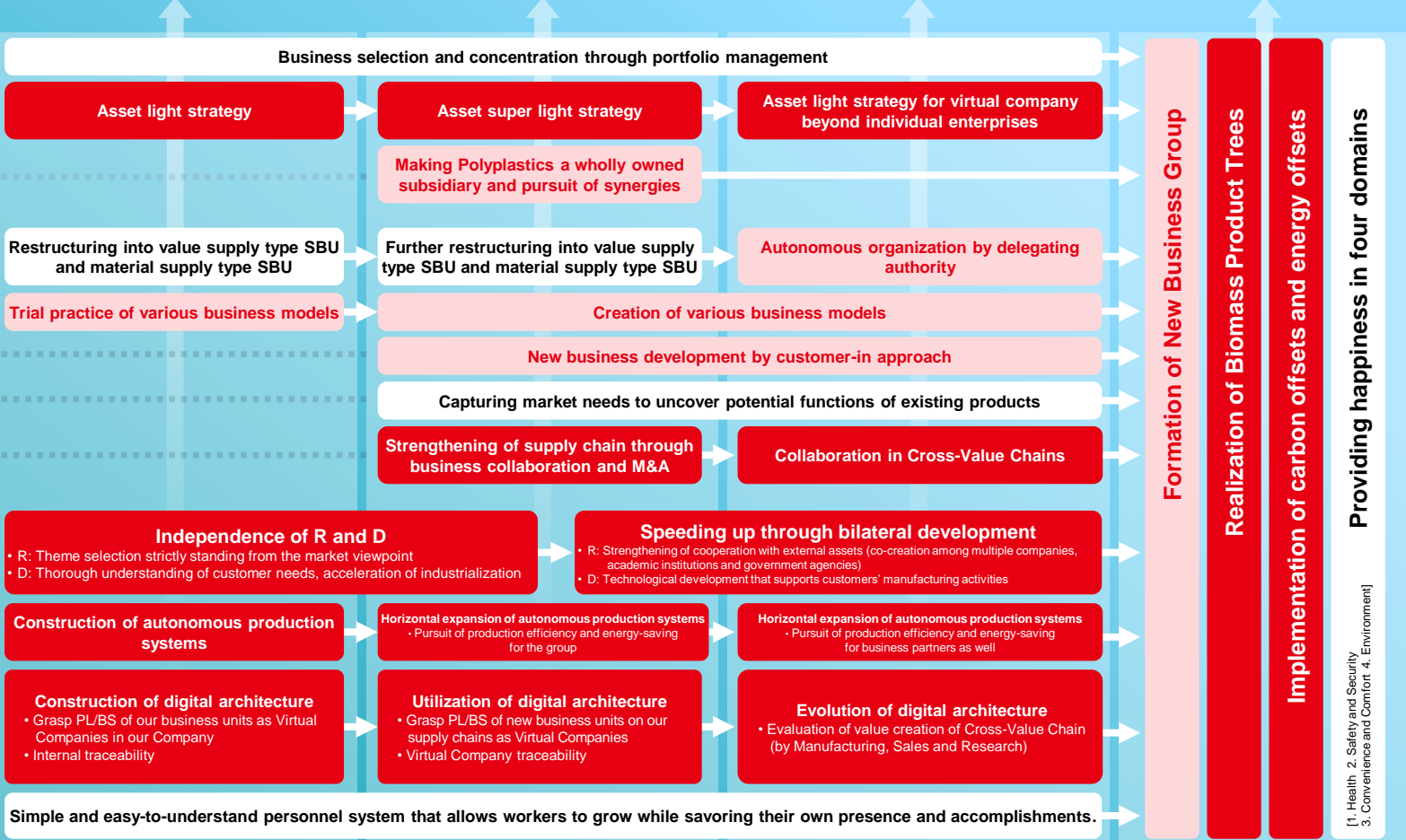
Road to DAICEL VISION 4.0



Sustainable Process



- Co-creation theme
- Business/Organizational form
- Management efficiency
- Organizational values
- Technological alliance
- Product design
- Value chain
- Business creation
- Development of new technologies
- Information base/ Production innovation/ Energy
- Workstyle



Formation of New Business Group

Realization of Biomass Product Trees

Implementation of carbon offsets and energy offsets

Providing happiness in four domains

[1: Health 2: Safety and Security 3: Convenience and Comfort 4: Environment]

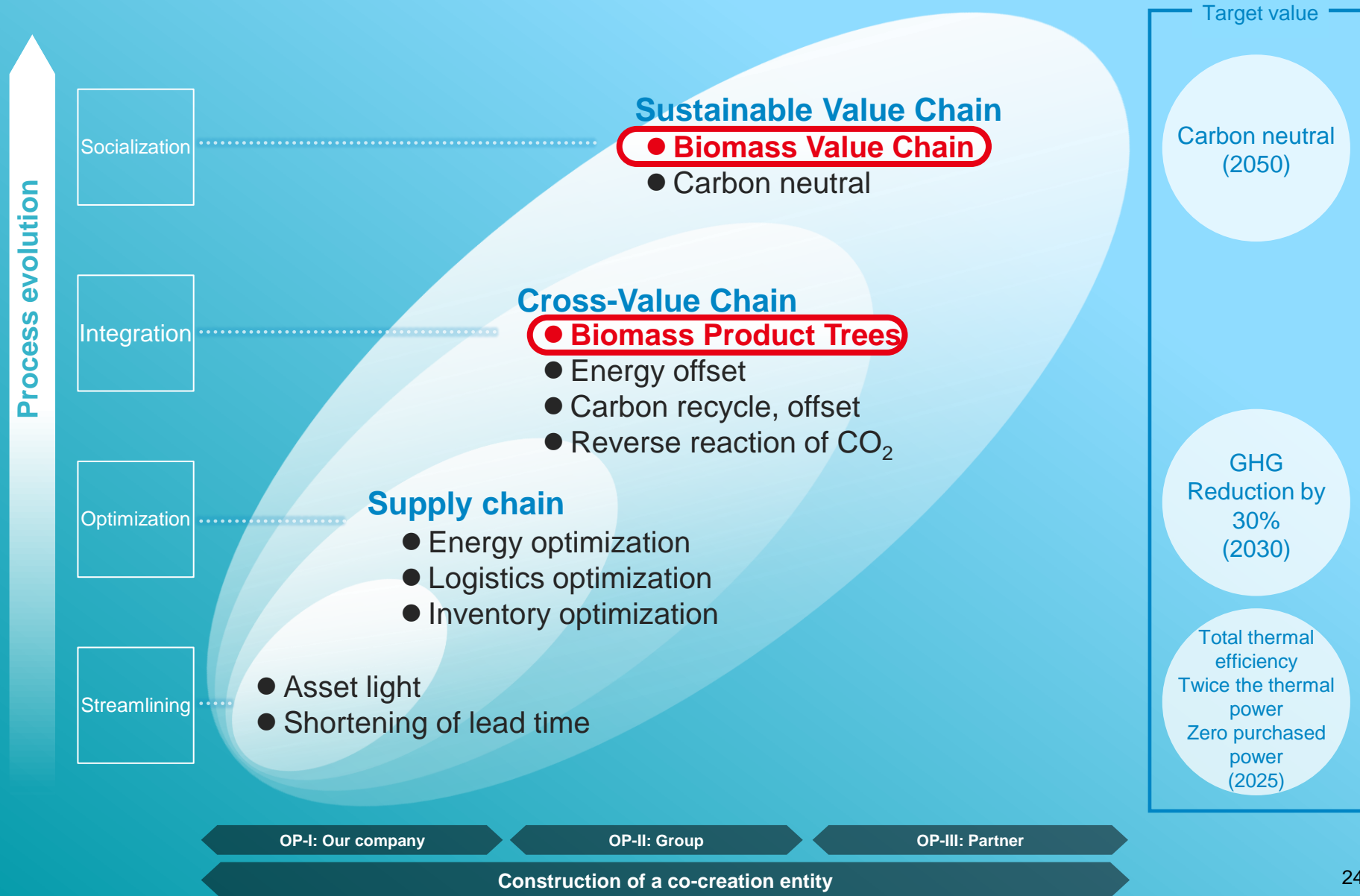
Scope of co-creation OP-I: Our company OP-II: Group OP-III: Partner OP-Value: Society

Construction of a co-creation entity

Practice as a co-creation entity²³

Sustainable Processes

Achieving goals with environmentally and people friendly methods



Sustainable Processes

Achieving goals with environmentally and people friendly methods



New biomass product tree that DAICEL aims for

	Raw material	Manufacturing process	Product
Petrochemical product tree	Limited underground resources that increase the amount of carbon on the ground	Wasteless process sophisticatedly established all at once	Wide-ranging and sophisticated functionality
Existing biomass product tree	Producible raw material with high environmental load	Partially utilizes as raw materials with high energy cost process	Functionality relatively lower than petrochemical products
New Biomass Product Tree	Producible raw material that can realize a recycling-oriented society	New simple process that is both economic and ecological	Sophisticated functionality equivalent to petrochemicals

Biomass raw material (Wood, Agricultural and fishery wastes, etc.) → **Super mild melting** → **Wholly liquified raw material**

Wholly liquified raw material → **Chemical conversion** / **Separation** → **Functionalization** → **Plastics**, **Fibers/Rubbers**, **Paints/Solvents**, **Functional materials**, **Materials of new genre**

Carbon offset cycle: **CO₂** (from Waste and Separation) → **Carbon offset** → **•CO •Syngas** → **Forest resources Agricultural and fishery resources** → **Domestic circulation of raw material resources** → **Biomass raw material**

Waste (Waste plastics, Municipal refuse) → **Biodegradability** → **CO₂**

Sustainable Processes

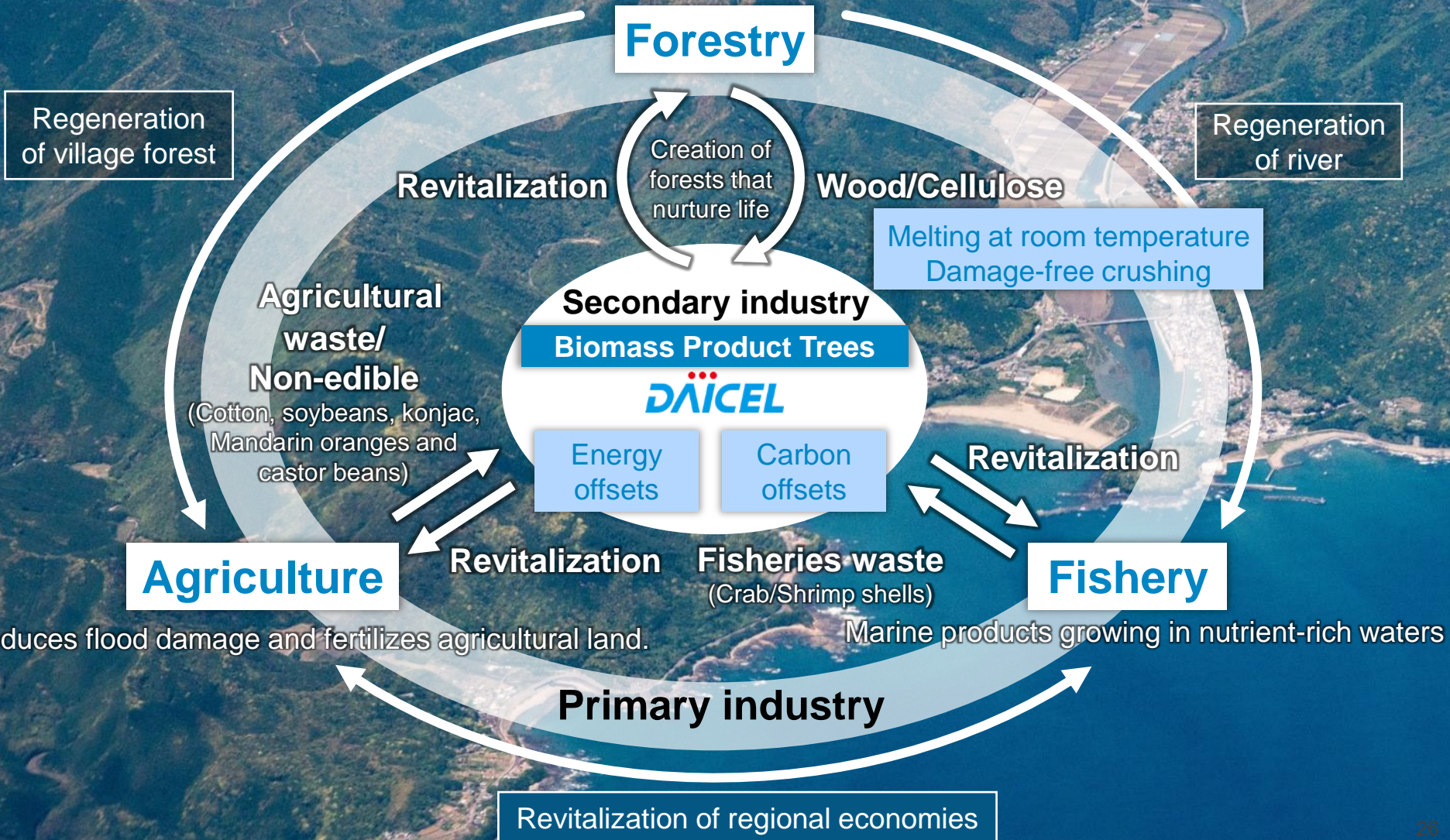
Biomass Value Chain

Achieving goals with environmentally and people friendly methods



Advocating an enduring industrial ecosystem through the co-creation cycle of primary and secondary industries

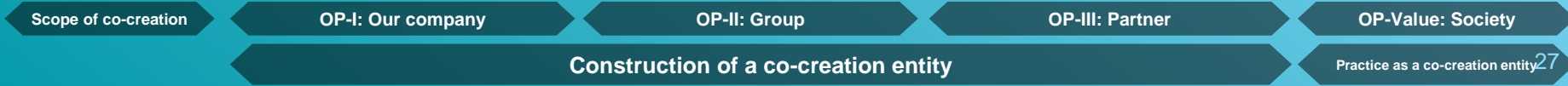
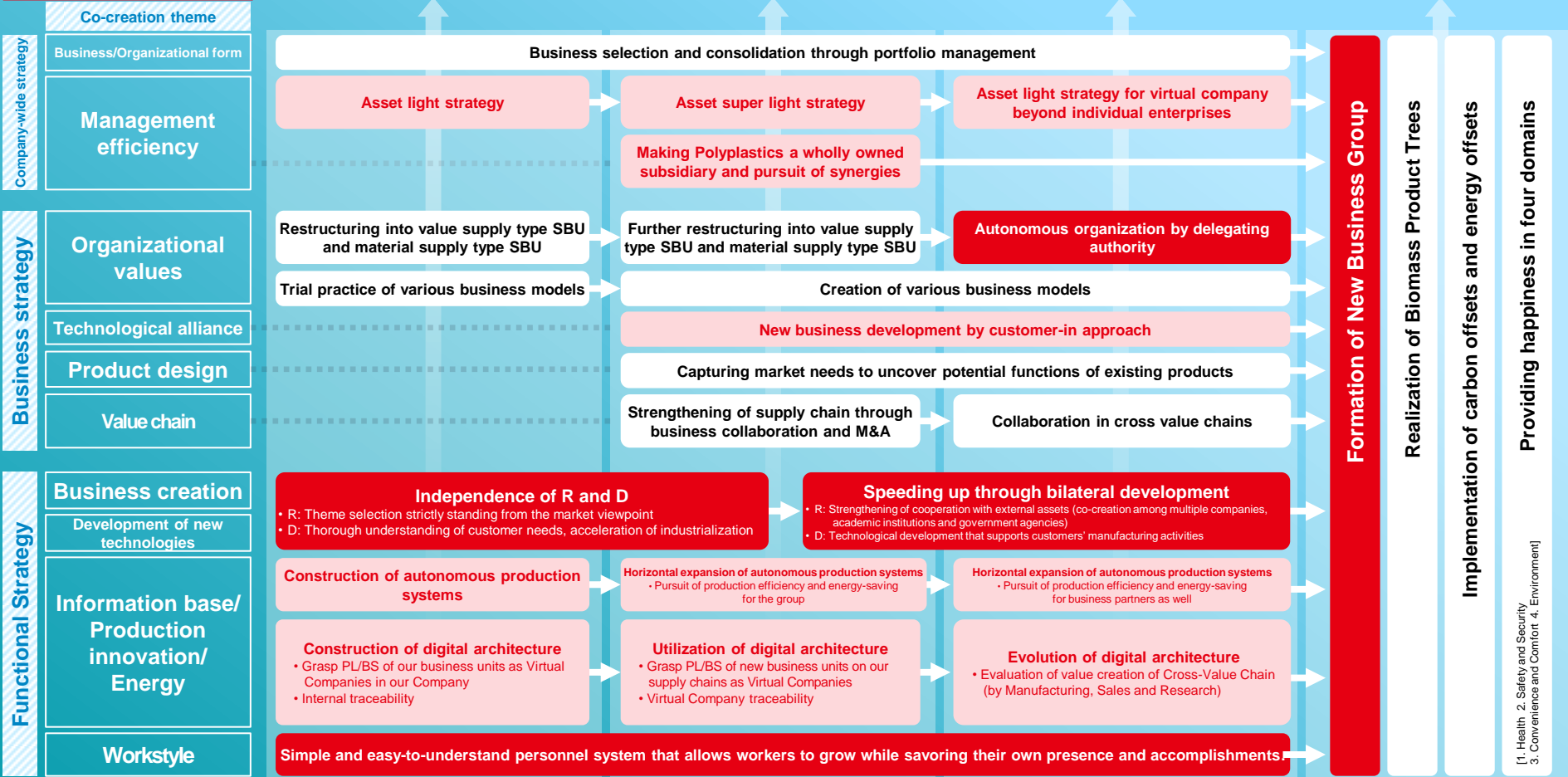
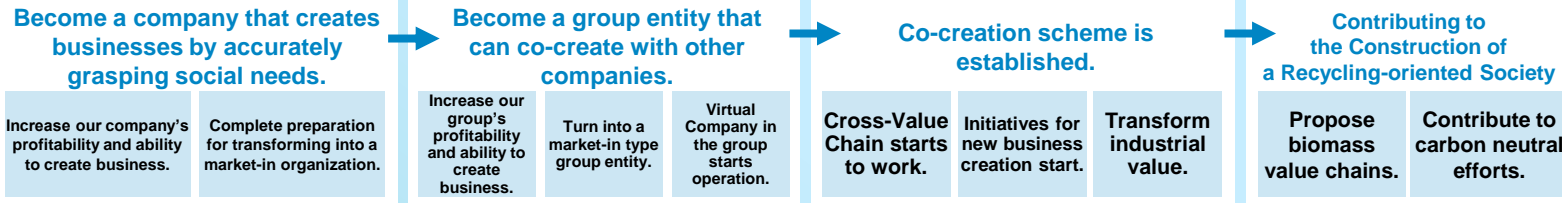
Revive forests and increase water retention in the mountains to control landslides.



Road to DAICEL VISION 4.0



Sustainable People



[1: Health 2: Safety and Security 3: Convenience and Comfort 4: Environment]

Diverse employees grow while savoring their own presence and accomplishments.

Evolution of rewarding work

Environment

[Workstyle reform]

- Diversity & Inclusion** → Work environment where everyone can work with vigor regardless of sex, age, nationality or disability
- Career** → Personnel development so they can develop expertise and shine in their specialty area
- Challenge & Rewards** → Framework to support employees who take on challenges without fear of failure
Fair and highly acceptable evaluation system



Organization

[Creation of a self-propelled organization directly connected to society]

Fusion of social issue discovery (searching) and commercialization (deepening) by clarifying the purpose of R (research) and D (development)

Conversion to an independent autonomous business model by delegating authority to SBU (companies) and Group companies (in Japan and overseas)

OP-I: Our company

OP-II: Group

OP-III: Partner

“Human-centered business management”



Management Indexes

Performance Targets

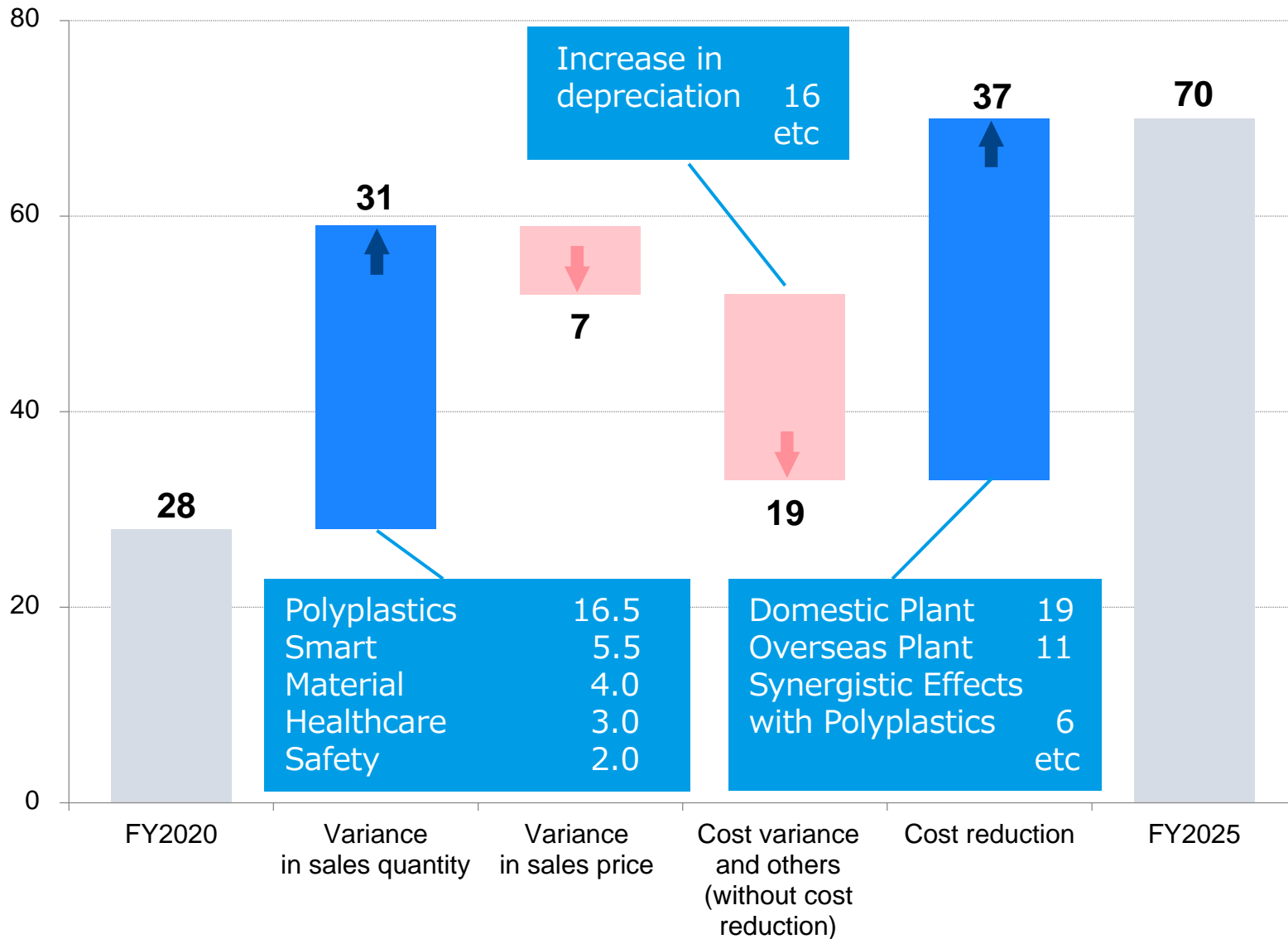


Unit: Billion Yen	2020	2021	2022	2023	2024	2025
Sales	388.0	395.0	408.0	436.0	465.0	500.0
Operating income	28.0	13.0	21.0	33.0	53.0	70.0
Operating income to sales	7.2%	3.3%	5.1%	7.6%	11.4%	14.0%
Net income attributable to owners of the parent	18.0	15.0	18.0	24.0	36.0	48.0
EBITDA	58.0	60.0	68.0	82.0	100.0	116.0

	up to 2022	up to 2025
Major plans	<p>2021: Start of CO (acetic acid raw material) plant operation Start of 1,3BG (cosmetics raw material) plant operation</p> <p>2022: Safety SBU: Completion of production area consolidation Smart SBU: Production increase of semiconductor-related products</p>	<p>2023: Polyplastics: Start of additional COC plant operation Smart SBU: Start of operation at the production base in India</p> <p>2024: Material SBU: Epoxy production increase Polyplastics: LCP production increase</p> <p>2025: Polyplastics: POM production increase</p>

Analysis of factors for increase / decrease in operating income

Unit: Billion Yen



Management Indexes Targets / Shareholder Return

- Increase funds generating capabilities by improving profitability, converting non-business assets into cash and other means.
- Optimize asset and capital efficiency to realize a return exceeding the cost of capital (WACC for the final year assumes to be around 6%).
- As for return to shareholders, maintain the current amount of dividend per share as the lower limit. At the same time, set the target of total return ratio of 40% or higher for each fiscal year while keeping in mind flexible acquisition of treasury stock.

Unit: Billion Yen	2020	2021	2022	2023	2024	2025
EBITDA	58.0	60.0	68.0	82.0	100.0	116.0
ROE	6.2%	7.0%	8.5%	11.0%	15.0%	18.0%
ROIC	3.8%	1.5%	2.5%	4.5%	7.0%	10.0%
ROA	3.0%	2.5%	3.0%	4.0%	6.0%	8.0%
Total return ratio	Maintain the current amount of dividend per share as the lower limit Total return ratio of 40% or higher					

Image of Balance Sheet

- Keep the total asset balance based on the asset light policy even during the business expansion period.
- Achieve equity ratio exceeding 45% and net D/E ratio under 0.5 times to enhance financial stability.

March 2021 Forecast

March 2026 Forecast

Unit: Billion Yen

Assets	Liabilities/Equity
Current assets 290.0 Cash and deposits 80.0 Working assets 190.0	Liabilities 390.0 Interest-bearing debt 280.0
Non-current assets 310.0 Tangible and intangible assets 240.0 Strategically held shares 50.0	
600.0	600.0

Assets	Liabilities/Equity
Current assets 290.0 Cash and deposits 80.0 Working assets 190.0	Liabilities 310.0 Interest-bearing debt 160.0
Non-current assets 300.0 Tangible and intangible assets 230.0 Strategically held shares 30.0	Net assets 280.0
590.0	590.0

Funds Generating Capabilities

- Improve funds generating capabilities by the effect of CCC (*)reduction(Target:around110 days), along with strengthening profitability.
- Further increase funds generating capabilities by the sale of non-business assets for excess cash to be utilized for growth investment and shareholder returns.

Cash in (5-year cumulative)

Operating CF	370.0
Cash	March 31, 2021 Forecast 80.0
	Sale of strategically held shares 20.0
Debt financing	0



Cash out (5-year cumulative)

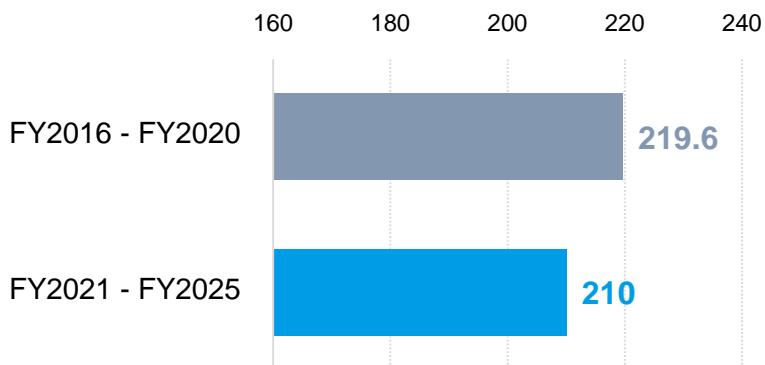
Unit: Billion Yen

Growth investment	CAPEX 210.0
Shareholder return	Total amount of shareholder return 60.0
Debt repayment	120.0
Cash	80.0

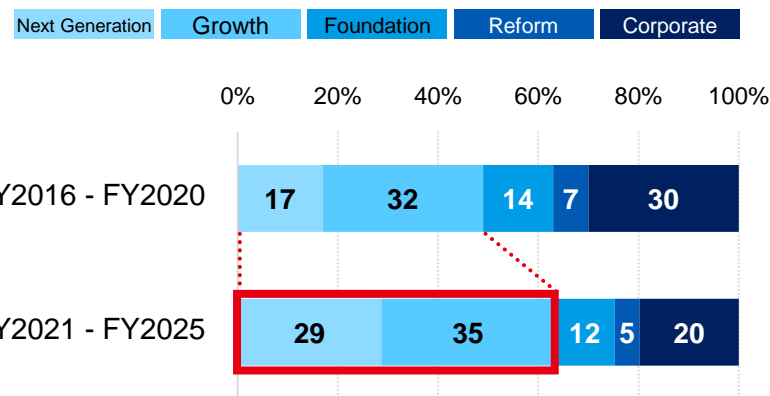
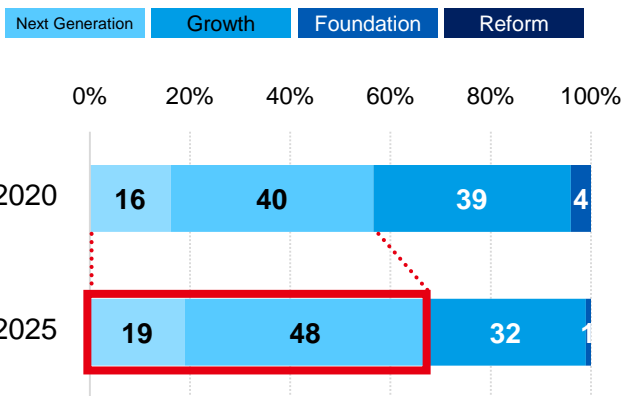
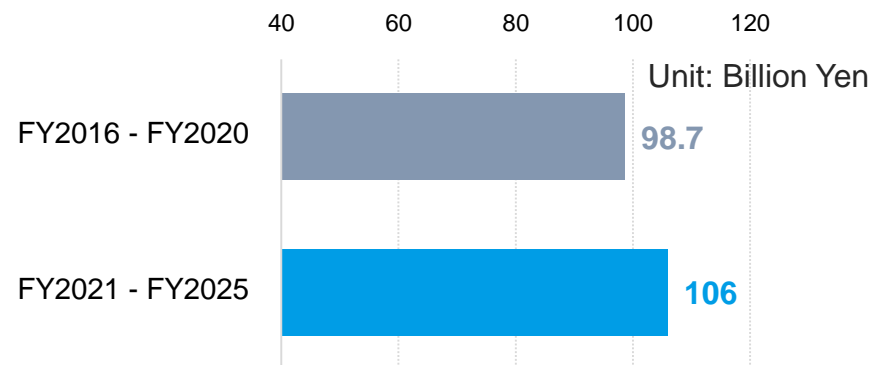
* CCC = Cash Conversion Cycle

Devote much greater resources to “Next-Generation” and “Growth” Business.

Capital investment



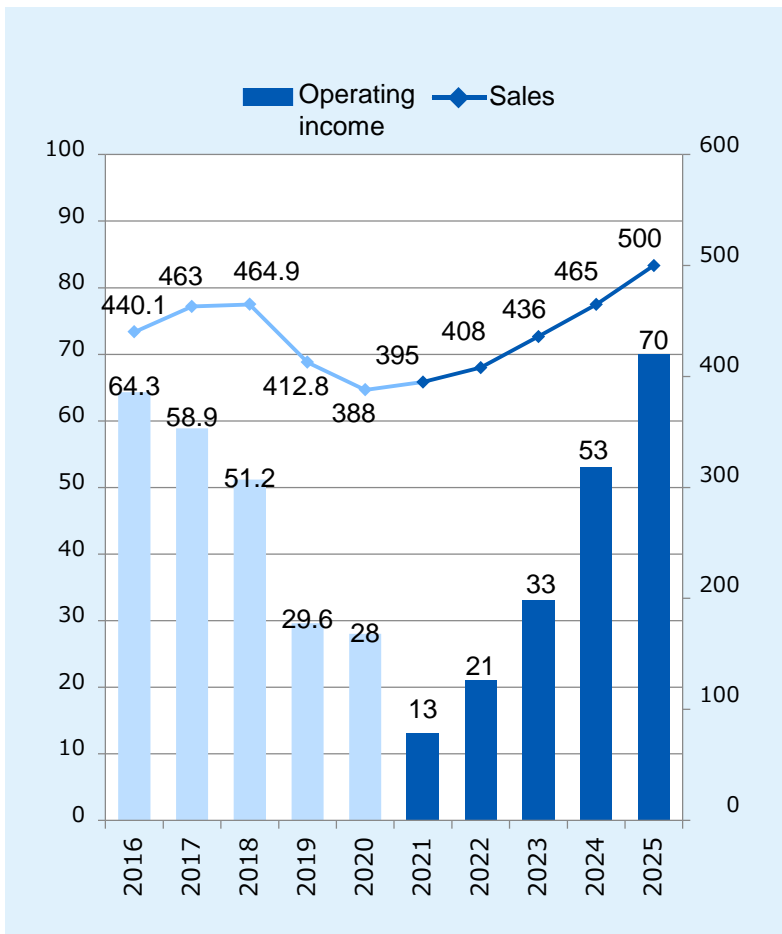
R&D cost



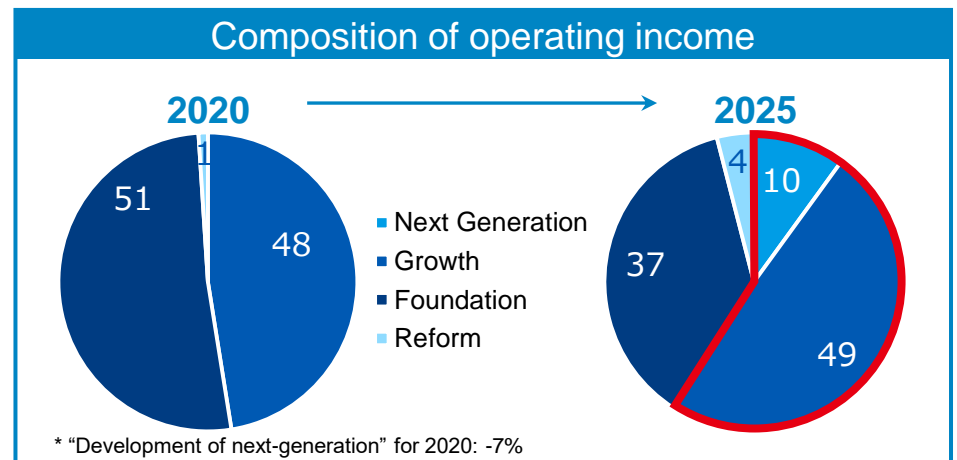
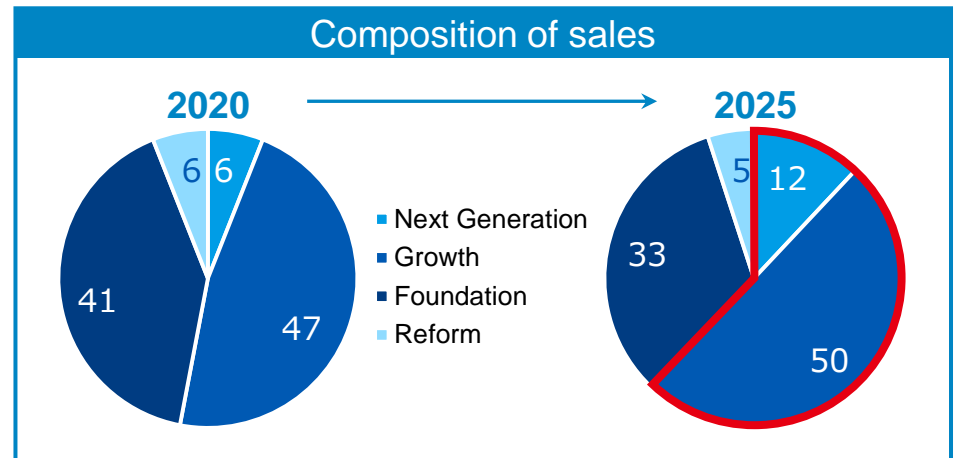
Changes in Portfolio

- Sales: Growing with the increase of “Next-Generation” and “Growth” Business after FY2021.
- Operating income :Falling in FY2021 affected mainly by the depreciation of large-scale investment, growth supported by the increase of “Next-Generation” and “Growth” Business.

Unit: Billion Yen



Unit: %



Synergetic Effects Expected from Making Polyplastics a Wholly Owned Subsidiary

Significance and Strategy of Making Polyplastics a Wholly Owned Subsidiary

Positive dissolution by mutual consent in order to respond to the rapidly changing business environment

Making a wholly owned subsidiary

Expanded options of growth strategy



Acceleration of global operations

Realization of cost reduction synergy

Maximization of group synergy

Synergetic Effects of Making Polyplastics a Wholly Owned Subsidiary



20.0 billion yen has been incorporated in the plan up to 2025

[Investment Plan]

Acceleration of global operations

Effect: **13.0** billion yen

- Invest in production increase to capture future demand
- Expand sales to the US and European market

Realization of cost-cutting synergy

Effect: **6.0** billion yen

- Accelerate DAICEL production innovation
- Efficiently manage indirect departments (personnel rotation/centralization of procurement, engineering and human resources)

Maximization of group synergy

Effect: **1.0** billion yen

- Utilize marketing abilities of Polyplastics
- Mutually utilize R&D resources (e.g., computational science/measuring instruments, etc.)
- Make improvements to catalysts and other matters of existing businesses

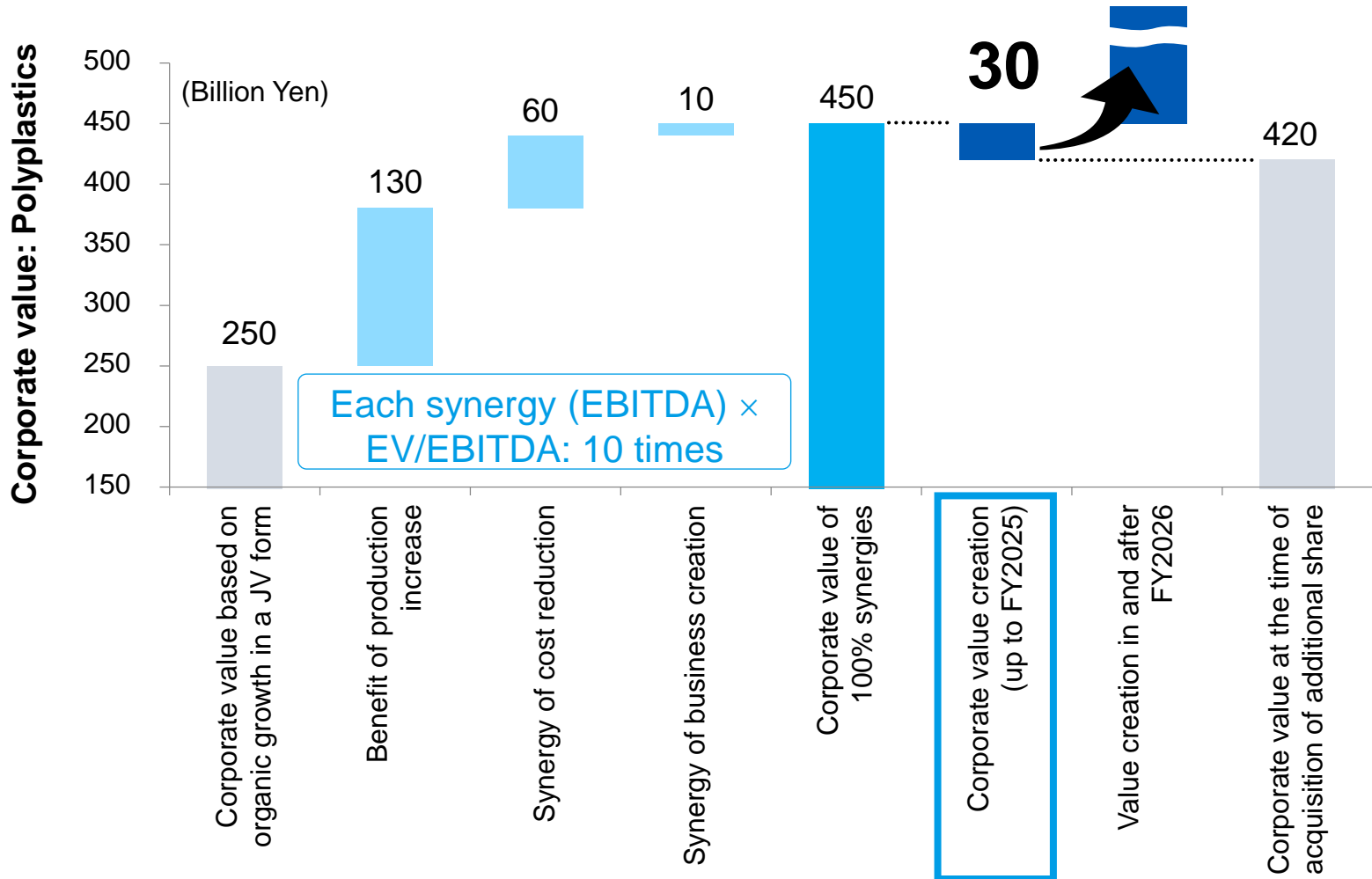
Investment	Start of Operation	Production Increase Capacity (MT/year)
COC Debottlenecking	2021	4,400
COC production increase	2023	20,000
LCP production increase	2024	5,400
POM production increase	2025	90,000

Corporate Value Creation by Making Polyplastics a Wholly Owned Subsidiary



Corporate value by synergistic effect of making a wholly owned subsidiary
 – Corporate value at the time of additional share acquisition

= Value creation worth **30.0 billion yen**





Business Strategy

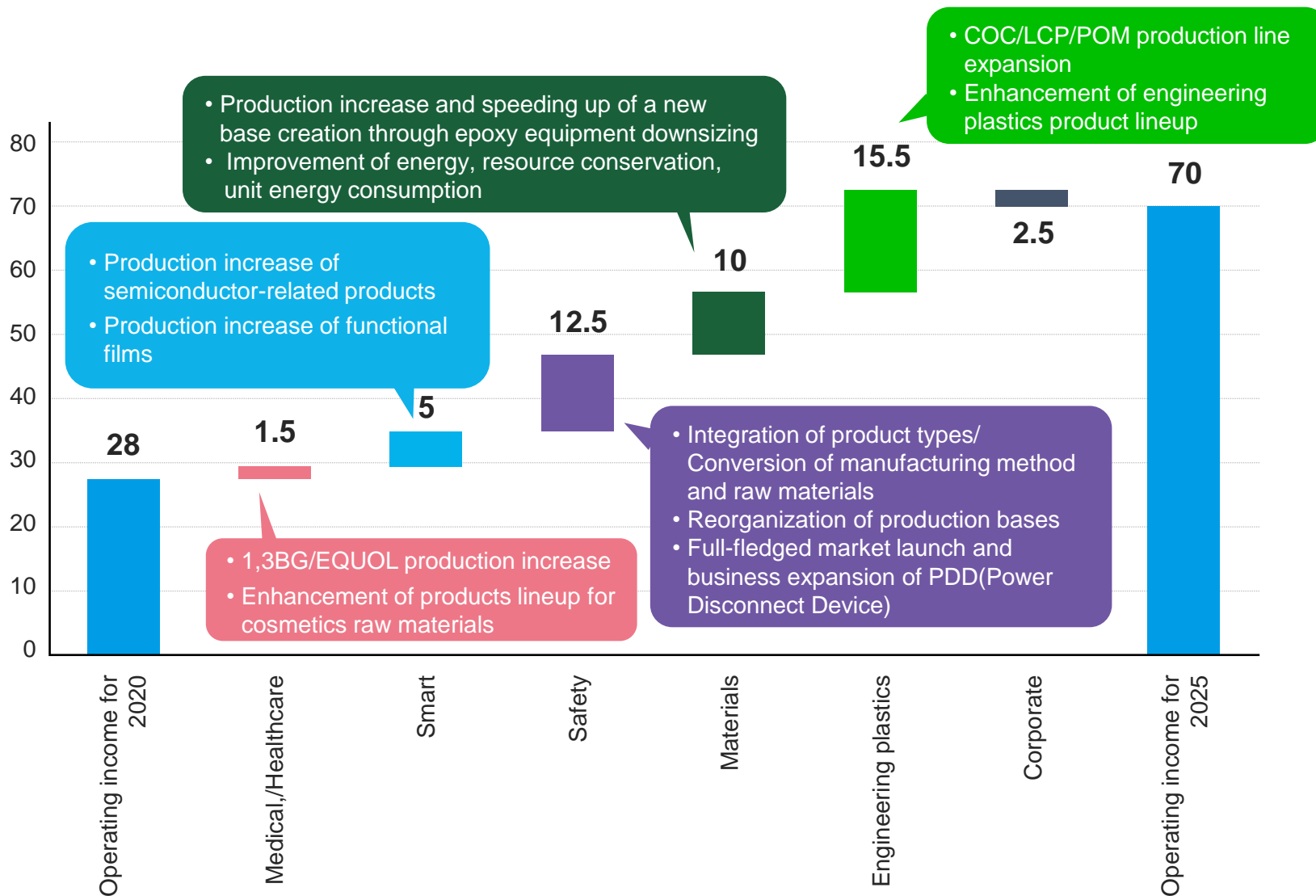
Performance Targets by each Segment (Sales)

Unit: Billion Yen	Sales					
	2020	2021	2022	2023	2024	2025
Medical/ Healthcare	15.5	17.0	18.0	20.0	23.0	25.0
Smart	25.0	26.0	30.0	34.0	37.0	45.0
Safety	67.0	68.0	71.0	80.0	90.0	100.0
Materials	100.5	100.0	102.0	105.0	105.0	105.0
Engineering plastics	167.5	174.0	178.0	190.0	203.0	217.0
Others (Reform etc.)	12.5	10.0	9.0	7.0	7.0	8.0
Total	388.0	395.0	408.0	436.0	465.0	500.0

Performance Targets by each Segment (Operating income)

Unit: Billion Yen	Operating income					
	2020	2021	2022	2023	2024	2025
Medical/ Healthcare	1.5	-2.5	-1.0	0	2.0	3.0
Smart	3.0	1.5	2.0	3.0	5.0	8.0
Safety	2.5	4.5	5.5	11.0	14.0	15.0
Materials	15.0	7.0	9.0	12.0	20.0	25.0
Engineering plastics	19.5	18.0	21.0	23.0	28.0	35.0
Others (Reform etc.)	1.5	1.0	1.0	1.0	1.5	1.5
Corporate	-15.0	-16.5	-16.5	-17.0	-17.5	-17.5
Total	28.0	13.0	21.0	33.0	53.0	70.0

Segment-based Breakdown of Operating Income Growth





Airbag inflators

Growth

Market growth prospect

Automobile production
CAGR* 5%

Strength

- Cost reduction learned from TPS (Toyota Production System)
- Pyro technology that enables integrated production from gas generant

Policy

- **Strengthen cost-competitiveness.**
- **Expand market share.**

Concrete measures

up to 2022

Cataloging and integration of products / New composite gas generant
Consolidate production bases

up to 2025

Set up production base in India.

Continuous cost reduction by labor-savings, etc.
Standardization, In-house production, Diversion rate of EOP (End of Production) line 50% → Sift to “the Half-cost line”
Further collaboration with airbag module manufacturers

Industrial business

Next Generation

Market growth prospect

EV production
CAGR 32%

Strength

- Pyro technology accumulated in the inflator business

Policy

- **Find new applications through free translation of pyro technology [One-Time Energy]**
- **Co-create new businesses with customers.**

Concrete measures

up to 2022

Develop PDD (Power Disconnect Device) / Strengthen marketing
Expand sales of PGG (gas generator for seatbelt pretensioner) with universal model

up to 2025

Engineering Plastics Strategy



Polyplastics

Growth

Market growth prospect

Automobile production

CAGR 5%

Smartphone market

CAGR 6%

Strength

- Technological strength and products accumulated in Asia / Global service supply network
- Technical solution system for quick response to customer needs

Policy

- **Enhance supply capacity and enrich product portfolio**
- **Increase share in the US and European premium markets**
- **Create new businesses**

Concrete measures

up to 2022

COC debottlenecking (reinforcement work)
Increase compound capacity.

up to 2025

Increase production capacity for each resin
POM / LCP / COC

- Construct technical solution center in Europe.
- Expand into the US and European LCP market upon removal of restrictions in sales territories.
- Enhance engineering plastics product lineup through collaboration, business acquisition, etc.
- Create eco-friendly plastics market.
 - Development of new products using sustainable polymers and raw materials
 - COC sales expansion that contributes to circular economy



Alicyclic epoxy

Growth

Market growth prospect

Alicyclic epoxy
CAGR **15%**

Strength

- The largest global market share and the highest manufacturing capacity
- Capability to develop new products

Policy

- **Establish new production bases**
- **Strengthen capability to propose materials / functions**

Concrete measures

up to 2022

Develop new thermoset resin / collaborate with formulation manufacturers

up to 2025

Change in production method + Numbering-up

Strengthen functional analysis technologies and establish global technical service systems

Cellulose acetate

Foundation

Reform

Market growth prospect

Biodegradable resin
CAGR **10%**
Acetate tow
CAGR **-1%**

Strength

- Materials with wide range of molecular design / Control technology
- Cost reduction experienced through DAICEL Production Innovation

Policy

- **Find new applications of cellulose acetate and acetate tow**
- **Create stable cash flows**

Concrete measures

up to 2022

Convert applications of cellulose acetate utilizing natural materials

Ultimate cost reduction

Transition to an efficient production system taking demand into consideration

up to 2025



ICs/Semiconductors

Growth

Next Generation

Market growth prospect

Semiconductors
CAGR **15%**

Strength

- Quality control system in line with market needs
- Resist polymer using original monomer

Policy

- **Strengthen semiconductor-related business that meets the needs for cutting-edge technologies**

Concrete measures

up to 2022

up to 2025

Purify solvents for electronic materials / Enhance product lineup / Increase MMPGAC production

Develop polymer for EUV resist / Increase polymer for semiconductor resist production

Display

Next Generation

Foundation

Market growth prospect

Display
CAGR **5%**

Strength

- Coating technology accumulated so far
- Specific materials

Policy

- **Multi-functionalize and expand business of functional films.**
- **Increase profitability of TAC business.**

Concrete measures

up to 2022

up to 2025

Increase functional films production(Phase I) / Increase functional films production(Phase II)
Reinforce the development system for the functional films

Improve TAC Quality / Reduce TAC cost thoroughly.



Cosmetics materials Next Generation

Market growth prospect

Cosmetics (Asia)
CAGR 5%

Strength

- Two 1,3BG production bases → Stable supply/World's highest quality
- Solid sales network in the Asian region

Policy

- **Enhance sustainable material lineup**
- **Expand market share of existing products**

Concrete measures

up to 2022

up to 2025

New 1,3BG plant (Aboshi Plant) starts operation. → Increase market share by taking advantage of stable supply and quality.

Enhance product lineup through collaboration with organizations inside and outside the Daicel Group as well as M&A.
Put BELLOCEA® (spherical fine particles) onto the market and expand business.

Health foods Next Generation

Market growth prospect

Health food raw materials (Japan)
CAGR 5%

Strength

- Bio (microbial) fermentation technology

Policy

- **EQUOL sales expansion**
- **Expand a lineup of intestinal microbiome products**

Concrete measures

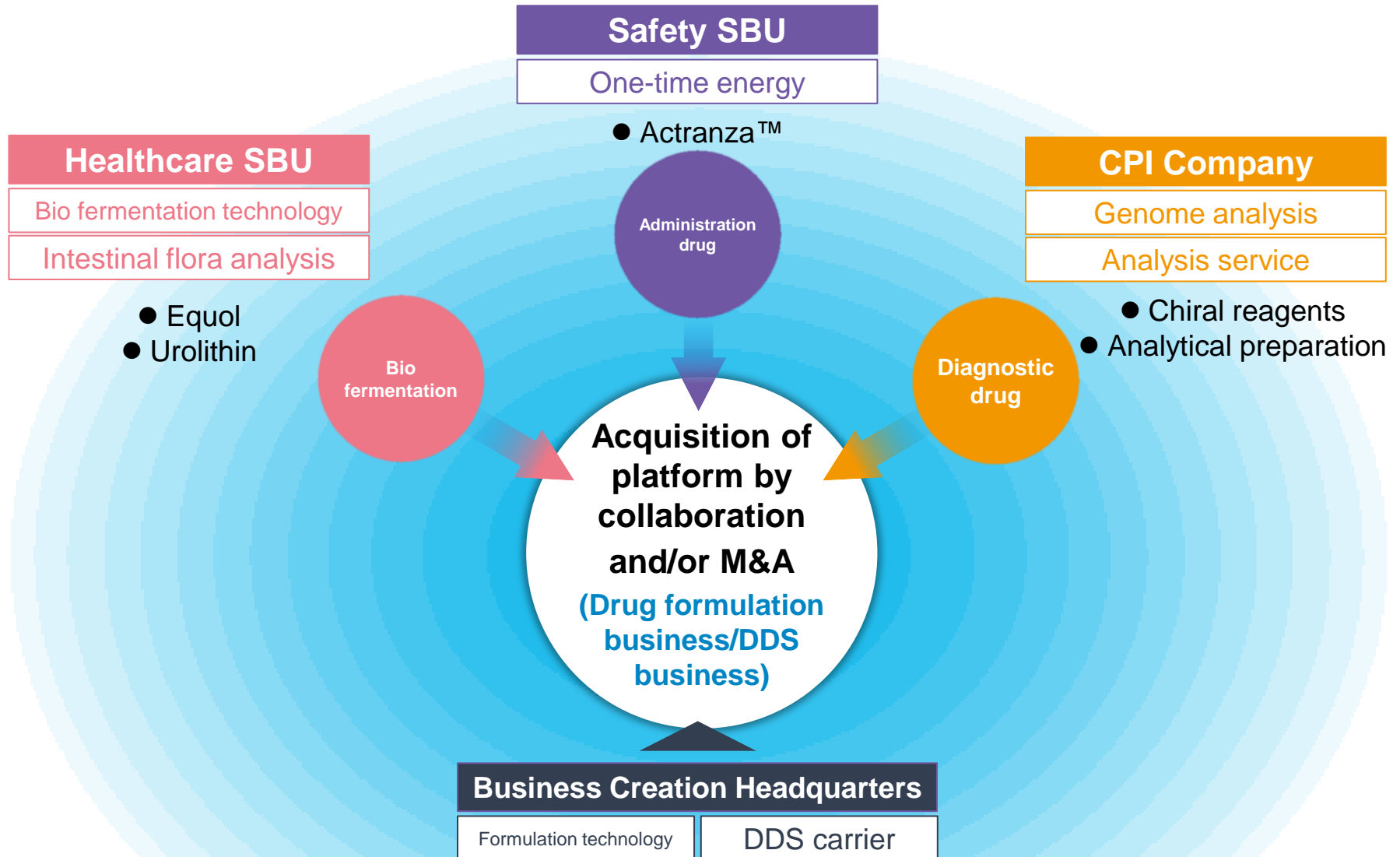
up to 2022

up to 2025

Increase EQUOL production / Provide total solution with intestine as a starting point

Enhance intestinal flora material lineup / Collaborate with strategic partners (e.g. Cykinso, Inc.) and promote M&A

Create administration device and diagnosis system that responds to gene therapy drugs and biopharmaceuticals.

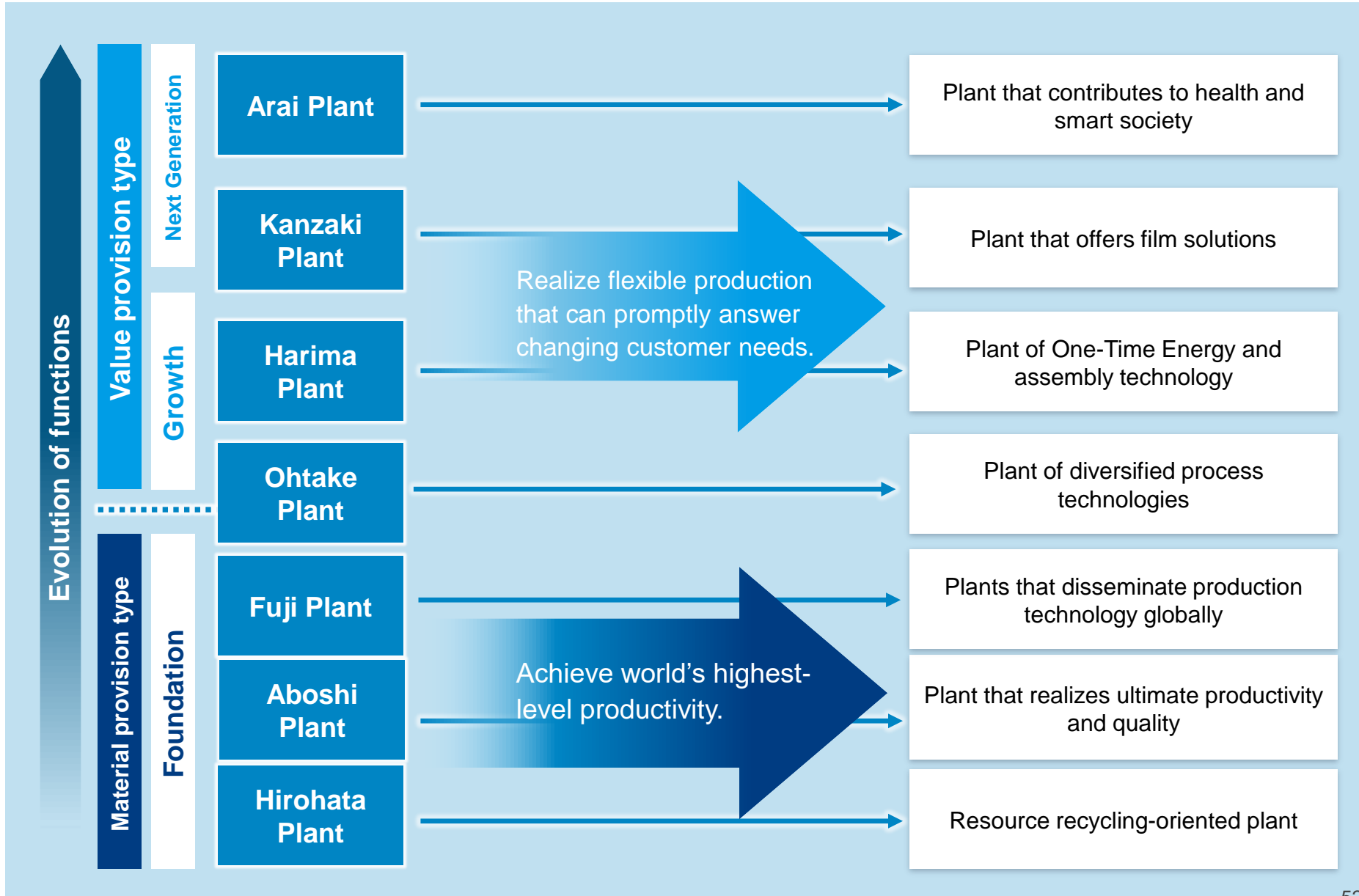


The background of the slide is a dark blue field filled with a complex network of glowing blue lines and nodes, resembling a molecular structure or a data network. A bright, glowing blue stream of light curves across the middle of the image, with a trail of white and blue numbers (0-9) appearing to flow along its path. A solid blue horizontal bar is positioned behind the text, and a thin red horizontal line is located directly below it.

Priority Functional Strategy

Production Strategy

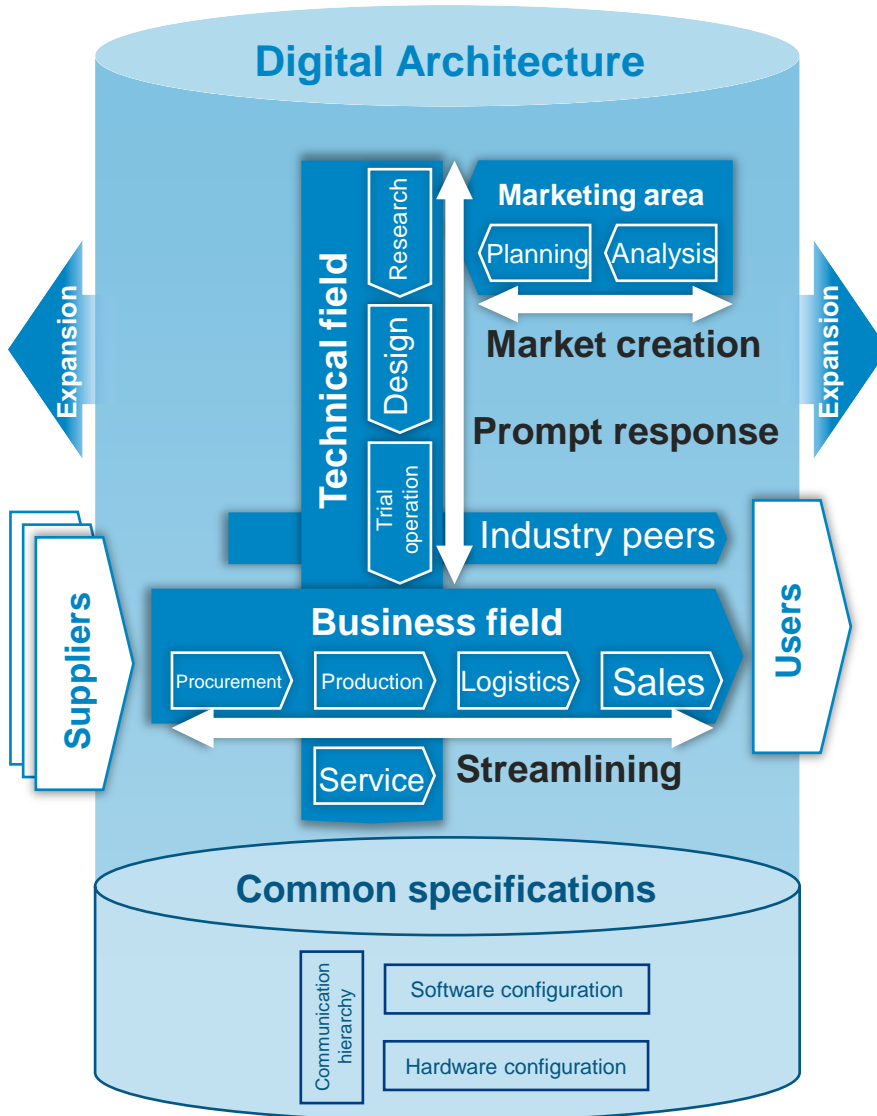
Plant strategy that supports functional evolution



Digital Architecture Construction

By designing a cross-organizational overall system,

“increase efficiency” of all business processes and “create and promptly adapt to markets.”



Digital Items

IP Landscape

Grasp market trends and combine with free translation of functions to identify the next research theme

Material Informatics

Explore and design new materials with information technology

Virtual Lab / Bench Pilot

Minimize time required from research to trial operation

Virtual Company

(Virtual company that combines multiple businesses)

Optimize management decisions by directly allocate assets on a business basis to calculate P/L and B/S

Autonomous Production System

(Evolution of DAICEL Production Innovation)
Provide necessary things at necessary time in necessary amounts.

Appendix

		Mid-Term Management Strategy (FY2021-2025)
Exchange Rate (USD/JPY)		100
Raw material	Methanol Asian spot price (USD/MT)	280
	Dubai crude oil (USD/bbl)	60
	Domestic naphtha (JPY/KL)	40,000

Segment Reference (Capital investment/R&D)



Unit: Billion Yen	Capital investment		Depreciation		R&D	
	2020	2021–2025	2020	2021–2025	2020	2021–2025
Medical, healthcare	11.5	8.5	1.0	20.0	2.0	16.0
Smart	4.0	28.0	1.5	17.0	3.0	15.5
Safety	11.0	44.0	4.0	31.0	4.0	21.5
Materials	15.0	43.5	9.0	73.5	2.0	10.5
Engineering plastics	7.5	67.0	7.0	51.5	4.0	20.5
Others (Reform etc.)	3.0	3.0	0.5	2.0	0.5	1.0
Corporate	3.0	7.0	1.5	12.0	5.0	21.0
Total	55.0	201.0	24.5	207.0	20.5	106.0

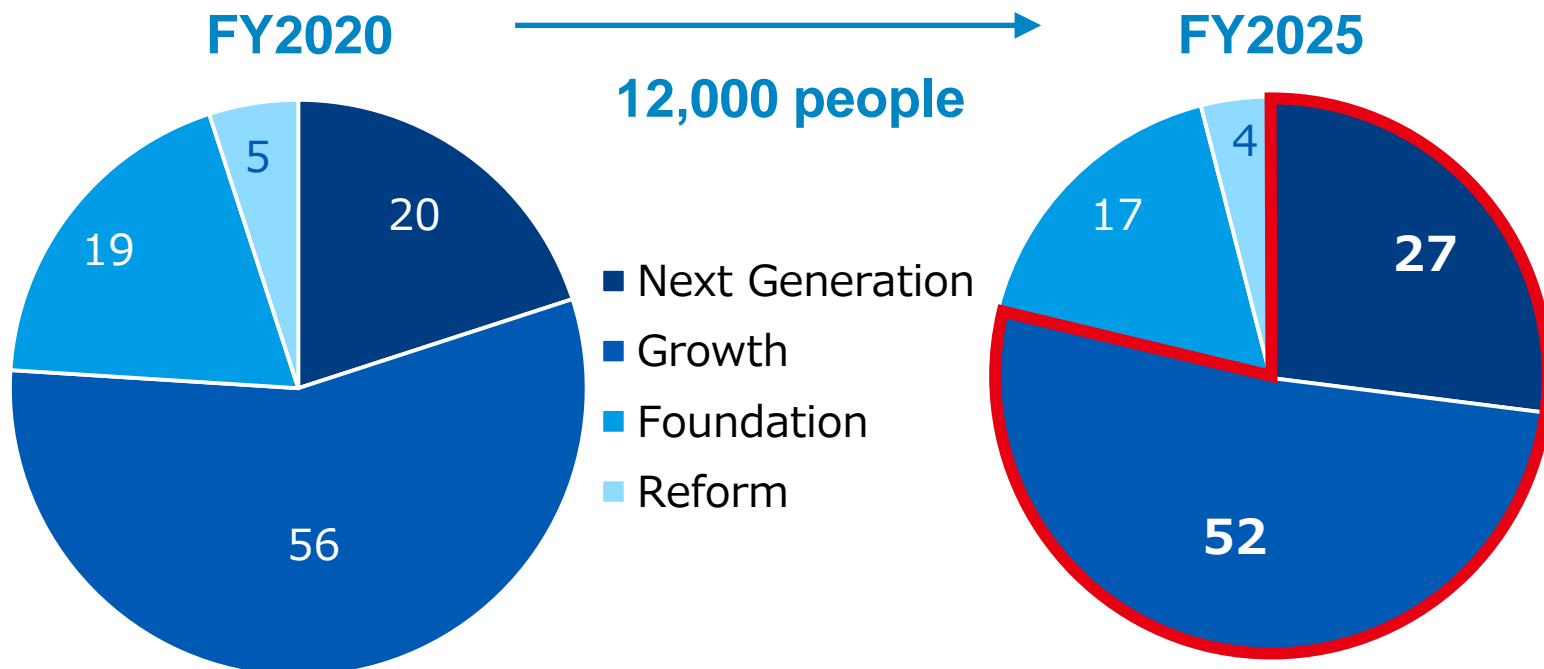
*Tangible fixed assets only

Personnel composition

Aiming for the world's highest level of productivity,
without increasing the number of personnel
Shift human resources to “Next-Generation” / “Growth” business

Personnel composition ratio

Unit : %



Issues and needs from the perspective of social trends

Social Trends

Environment



Realization of sustainable society/strengthening of regulations

Social Economic Situation



Population increase (shortage of resources)



Aging progress



Changes in consumption behavior (subdivision of needs)



Economic growth of developing nations

Technology



Evolution of digital technology (IoT/AI, etc.)



Evolution of energy technology (next-generation batteries, etc.)

Social Issues/Needs

- Enhancement of healthy life expectancy
- Well-aging
- Provision of high-quality medical care
- Provision of nursing-care service
- Correspondence to infections

- Easing of traffic congestion
- The widespread adoption of new mobility-supporting systems
- Eradication of road traffic accidents

- Improvement of educational environment in developing countries
- Enhancement of continuing education

- Provision of safe food
- Industrialization of agriculture
- Efficient food production
- Securing food supply
- Reduction/utilization of waste
- Securing safe water

- Formation of Circular Society
- Improvement of air/soil/water quality
- Development of innovative energy production/conversion technology
- Utilization of unused resources
- Emission reduction of greenhouse effect gases (GHG)

- Provision of safe evacuation
- Prompt rescue of disaster victims
- Strengthening of disaster prevention power
- Optimal distribution of goods
- Construction of strong infrastructure

Four Domains and Market Focus

Domain	Health	Safety/Security	Convenience/Comfort (Smart)	Environment
Market Focus	<p>Cosmetics</p>	<p>Mobility</p>	<p>Display</p>	<p>Water Processing</p>
	<p>Health Food</p>	<p>Industry</p>	<p>IC/ Semiconductor</p>	<p>Biodegradable Resin</p>
	<p>Medical Care</p>		<p>Sensing</p>	

DAICEL Strengths

- Unique bio-related organic synthesis technology
- Wide product line from super engineering plastics to general purpose resin
- Cellulose technology and pyrotechnics developed from celluloid
- A system to utilize know-how with AI and IoT (DAICEL Production Innovation)

Initiatives to realize Cross Value Chain

▶ Collaboration of supply chains in vertical/horizontal directions (Cross Value Chain)

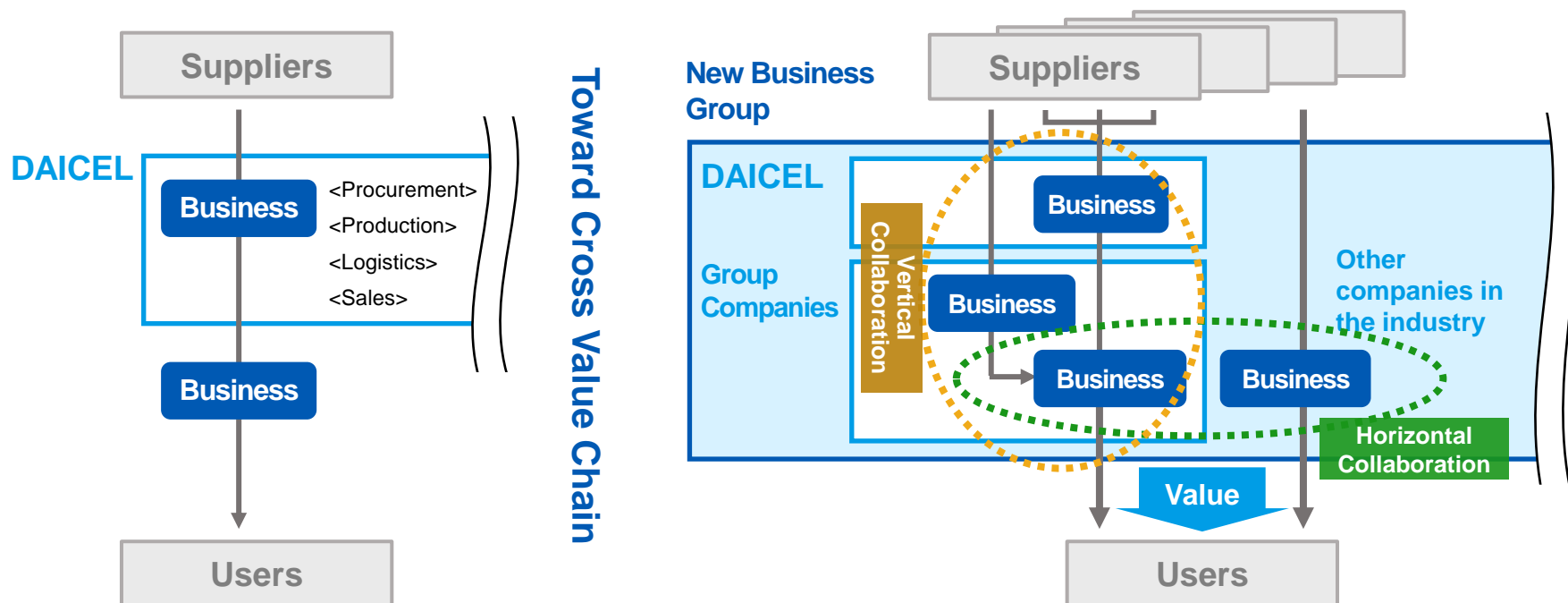
Realizing “a chain as one body,” strengthening competitiveness in the market as a business group instead of as an individual company, we aim to continue providing more valuable goods for society

▶ Focus of Mid-Term Strategy

With an eye towards creating the New Business Group, constructing digital architecture which can be flexibly rearranged responding to organization change

Formation of a virtual company through freely combining multiple business segments (Virtual Company)

Within the Virtual Company, understanding PL and BS in real time, making asset light and strengthening earning power



Business Portfolio

- ▶ Shifting to value providing type business in the fields of “Health,” “Safety and Security,” “Convenience and Comfort” and “Environment”
- ▶ Consolidating conventional 68 business units to 33 business units

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 industrial use

Growth

- ◆ Solvents for electronic materials
- ◆ Inflaters
- ◆ 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.

Notes regarding Forward-Looking Statements

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