

Notice regarding the Formulation of the Mid-term Management Strategy Accelerate 2025-II

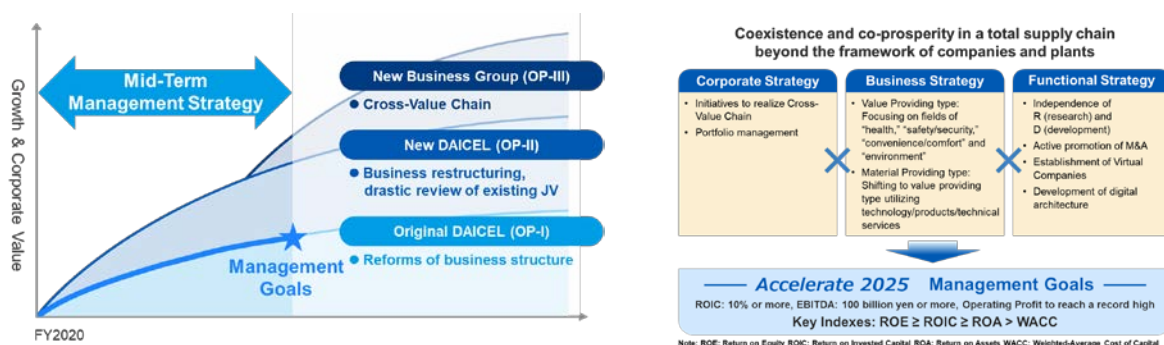
As our Mid-term Management Strategy - Accelerate 2025, announced on June 5, 2020, was formulated in the midst of the spread of the COVID-19, we decided to prioritize our response to the pandemic and set specific management goals later while closely monitoring the changing situation. In the meantime, while responding to the pandemic and steadily working on the measures set forth in Accelerate 2025, we further deepened discussions and mapped out specific management goals as Accelerate 2025-II.

The following is an outline of these activities.

1. What we wish to communicate in Accelerate 2025-II

In Accelerate 2025 announced in June 2020, we declared our commitment to contributing to the growth of our Group and the construction of a sustainable society as shown in the chart below. Some of these measures have attained some progress and positive results in fiscal 2020, such as structural reform of Safety SBU and making Polyplastics Co., Ltd. a wholly owned subsidiary, which will provide us with an impetus to further accelerate various measures going forward. The recently formulated Accelerate 2025-II shows the path to the construction of a sustainable society (recycling-oriented society) that our Group envisions, as well as specific management measures linked to it and our near-term performance goals that will be achieved by implementing these measures.

In the first half of the Mid-term Management Strategy, operating income will decline temporarily due to depreciation and other factors. However, along with company-wide efforts in thorough cost reduction, we will improve efficiency of the Safety SBU, or growth-driven business, increase production capacity of Polyplastics, and strengthen our financial position through the sale of non-business assets and other means. With these efforts, we will strive to achieve business recovery and improve capital efficiency. In the latter half of the period, we will accelerate measures for building a Cross-Value Chain while strategically allocating our management resources to businesses that drive growth, and develop next-generation products.



* "Positioning in Growth and Acceleration Curve" and "Overall Picture of Mid-term Management Strategy" of Mid-term Management Strategy - Accelerate 2025 announced in June 2020.

For details of the Mid-term Management Strategy - Accelerate 2025-II, please see the attached document.

2. Targets of Performance/Management Indexes

(billion yen)

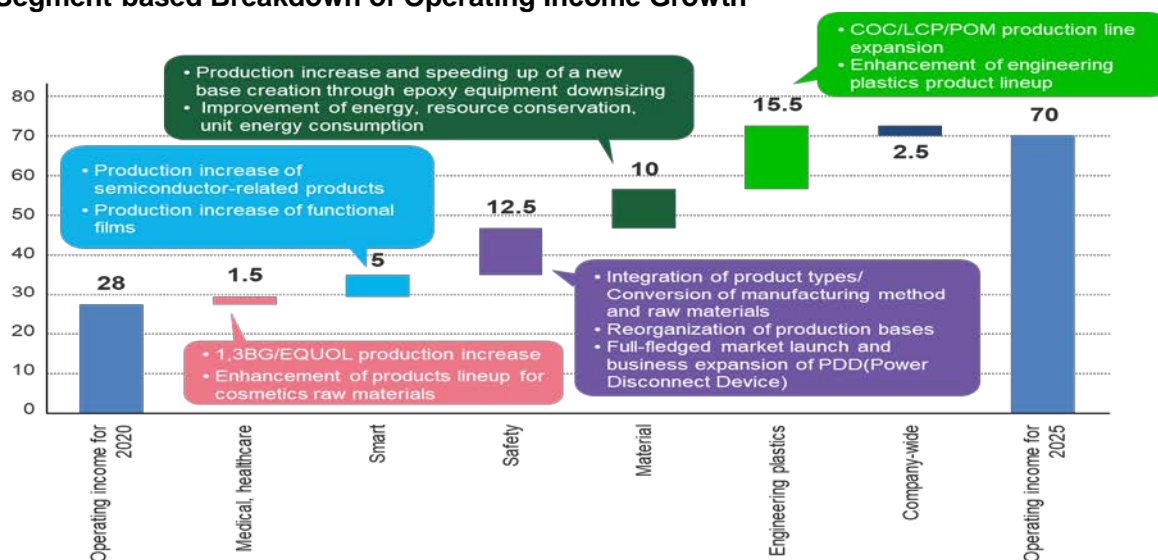
Fiscal year	2020 *1	2021*2	2022	2023	2024	2025
Sales	388.0	395.0	408.0	436.0	465.0	500.0
Operating income	28.0	13.0	21.0	33.0	53.0	70.0
Operating margin	7.2%	3.3%	5.1%	7.6%	11.4%	14.0%
Net income attributable to owners of the parent	18.0	15.0	18.0	24.0	36.0	48.0
EBITDA	58.0	60.0	68.0	82.0	100.0	116.0
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 dividend per share as the lower limit Total return ratio of 40% or higher					
Major plans	2021: Start of CO (acetic acid raw material) plant operation Start of 1,3BG (cosmetics material) plant operation 2022: Safety SBU: Completion of production area consolidation Production increase of semiconductor-related products			2023: Start of operation at added COC plant Start of operation at the inflator production base in India 2024: Epoxy (peracetic acid derivatives) production increase Start of operation at added LCP plant 2025: Start of operation at added POM plant		

WACC for the final year assumes to be around 6%.

*1: Figures for FY2020 (ending March 2021) are based on the forecast announced on February 3, 2021.

*2: Figures for FY2021 (ending March 2022) will be announced again after formulating annual plan.

3. Segment-based Breakdown of Operating Income Growth

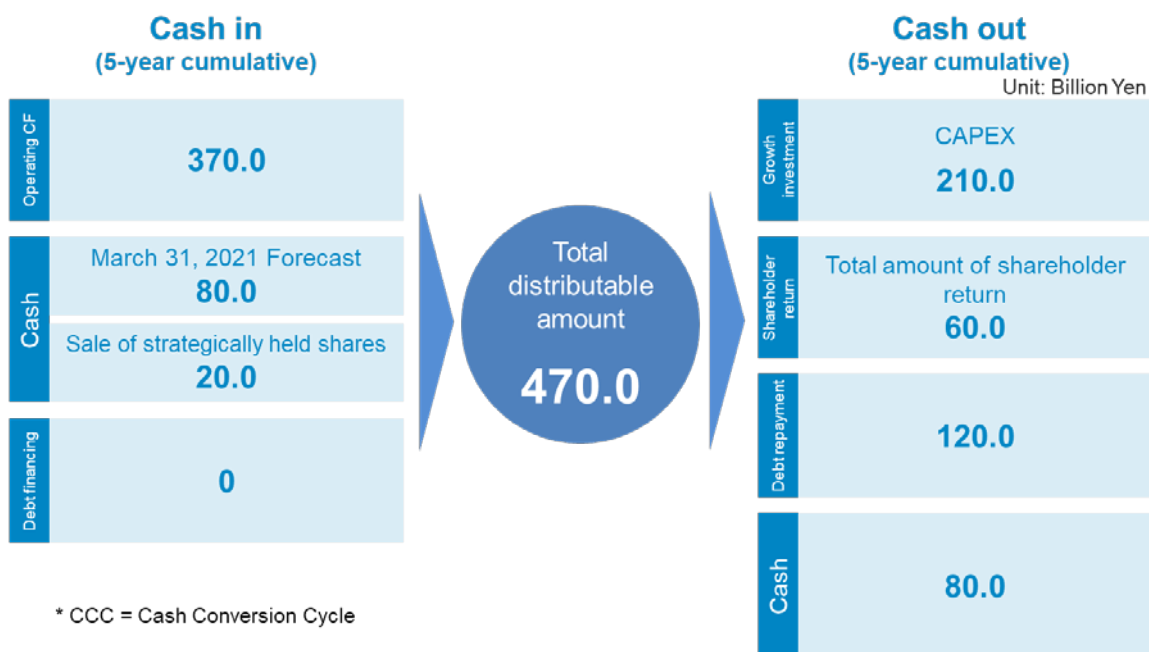


4. Funds Generating Capabilities

Funds generating capabilities will be improved by the effect of CCC^(*) reduction, such as inventory optimization, along with strengthening of profitability.

Funds generating capabilities will be further increased by the sale of non-business assets for excess cash to be utilized for growth investment and shareholder returns.

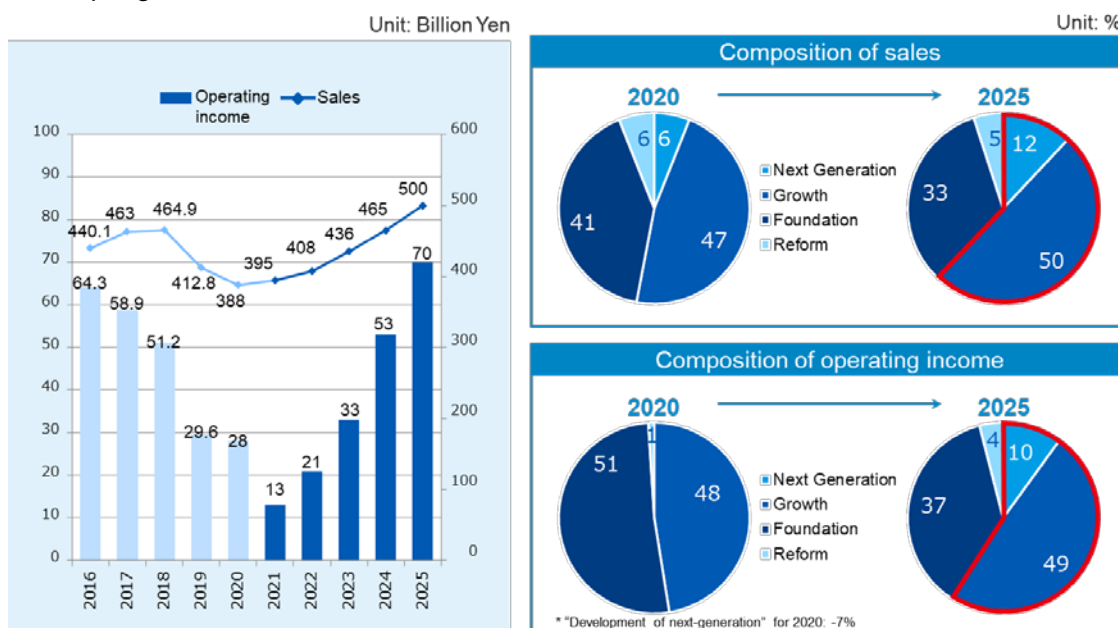
As for return to shareholders, with total return ratio set at 40% or above, we will respond flexibly while keeping in mind acquisition of treasury stock.



5. Changes in Portfolio

Sales: After bottoming out in fiscal 2020, sales will grow supported by “Next-Generation” and “Growth” businesses.

Operating income: In fiscal 2021, depreciation on large-scale investments will push down operating income, but cost improvement and “Next-Generation” and “Growth” businesses will help it grow.



6. 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

Note) Amount of synergy: Calculated based on EBITDA

7. Prerequisites for the Mid-term Management Strategy - Accelerate 2025 II

Mid-term Management Strategy (FY 2021-2025)		
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

8. Other

For details on each SBU (Strategic Business Unit) and functional strategies, please refer to the attached "Mid-term Management Strategy - Accelerate 2025-II" explanatory material.

* Please note that figures in the above earnings forecast are based on the currently available information, and the actual earnings may differ from these earnings forecasts due to various factors.