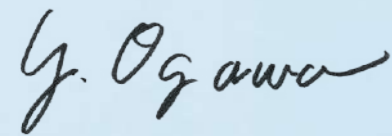


Message from the President and CEO

We continue to innovate “**Monozukuri**”^{*} to achieve both a sustainable society and corporate growth.



Yoshiomi Ogawa
President and CEO, Daicel Corporation



^{*}Although the literal meaning of the Japanese word “Monozukuri” is “making things,” we have defined “Monozukuri” as creating new value through all corporate activities.

Encountering a Historic Turning Point

In the Group’s FY2020/3 results, operating profit was down for the fourth consecutive year. In addition to the slowing of the Chinese economy in the wake of intensifying U.S.-China trade friction, other factors adversely impacted the global economy and society. Blaming external factors for our declining performance, however, will not ensure the survival of Daicel’s business.

The current social environment is undergoing rapid change, and we thus face the challenge of staying afloat. The Sustainable Development Goals (SDGs) present opportunities for us to reassess the core of our business strategies, and new technologies such as AI and IoT are not only advancing automation and robotization but also overturning traditional societal structures and business models. In addition, the spread of COVID-19 has significantly impacted the lives and social functions of people around the world and is expected to trigger structural transformations in society and the economy.

We stand at a decisive turning point in our history, and the Daicel Group must transform itself in order to quickly and flexibly respond to these external factors. While the social environment remains unpredictable, we are nevertheless ready to face these challenges with the 12,000 employees working for the Daicel Group around the world and our various stakeholders.

Long-term Direction and Future Vision

Last year, amid these historical changes, we celebrated our 100th anniversary. During that milestone year, we started formulating the Group’s 4th long-term vision encompassing the new era along with our medium-term strategies for realizing this new vision. The global COVID-19 pandemic struck during these discussions and presented challenges we had never experienced. We have been witnessing how this pandemic has been changing people’s lives as well as corporate economic activities and our supply chain, and we have been reassured that our decision to focus on speed and flexibility turned out to be correct and timely.

In our new long-term vision “DAICEL VISION 4.0,” we focus on three areas: changing how work is done and how the company operates, combining technologies and skills to continually innovate manufacturing, and providing reliable and value-added manufacturing.

“Changing how the company operates” means going beyond the traditional concept of company boundaries and working with the entire supply chain to generate new value. The Daicel Group cannot operate in isolation. We need our customers and our suppliers, and when working on construction projects we work with partner companies. If we think beyond the boundaries of our company, our plant is just one process in a long supply chain made up of many manufacturing processes. To ensure that our supply chain is chosen, we believe that we must do more than just offer excellent cost performance and quick responses to our customers. We should put ourselves in their shoes, understand what they really need, and come up with the best solution for them. We will come across scenarios in which we actually do not have any products that suit their needs and therefore present them with competitors’ products. These scenarios offer opportunities for identifying our shortcomings and enable us to strengthen our manufacturing capabilities by developing new products that surpass the competition. Our goal is to go beyond organizational boundaries in this way and flexibly leverage the capabilities of our cross-value chain to establish supply and value chains that deliver greater value to society and in which everyone shares a sense of achievement and accomplishment.

Our second focus is to continually innovate manufacturing. To strengthen our manufacturing capabilities, we must work on both our “know-why,” that is, the technologies based on theories and analysis, and “know-how,” the skills based on insight and experience. During our implementation of “DAICEL Production Innovation,” I was involved in analyzing plant operations as an engineer. I soon realized that a theory-based analysis was not sufficient for capturing the massive on-site expertise that has been accumulated over the years. These categories of on-site know-how often come about from taking action to address a lack of technical capabilities. Analyzing these kinds of know-how offers opportunities for improving our technology and leads to innovation. And when new or improved technology is introduced, new elements of expertise are introduced and accumulated as well. The strength of Japan’s manufacturing is at the center of this synergy between technologies and skills and how they interact to create an upward spiral of progress. This same principle can be applied to global businesses and expanded to encompass our overseas plants too. I truly believe that engineers and frontline operators who can think beyond the boundaries of their responsibilities and work together to holistically strengthen our manufacturing

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capabilities are crucial to the company's survival.

Our third focus is to continually provide and enhance reliable, value-added manufacturing. For society to accept the nature and value of our manufacturing, every product must clearly reflect a sense of safety and quality. While this may seem obvious, it is extremely important to remain diligent and focused, even on obvious things. In addition, in order to contribute to creating a sustainable society, we need to both develop products that advance society toward this goal and ensure our manufacturing process itself is friendly to people and the environment. To this end, we are working on forming a biomass product tree during product development and implementing an energy-offset process for reducing energy and resource consumption. Since our establishment, we have been working very closely with Cellulose, a naturally derived material, and have extensively explored its capabilities. We can leverage our expertise in Cellulose and turn it into a functional material that offers non petroleum-based solutions to society. We believe that this approach to new product development will naturally define and shape Daicel brand manufacturing. In the energy-offset process, our ultimate goal is to operate manufacturing processes that result in no loss of energy, in which the overall energy input does not exceed overall output. I recognize that this is a very ambitious goal; nevertheless, we are committed to this goal and to creating processes that can harmoniously coexist with the global environment.

Human-Centered Management

Our goal is to contribute to the creation of sustainable society and at the same time expand the Daicel Group's business. The achievement of these objectives must be based on

a foundation of vital principles, that is, safety, quality and compliance, and through integrity, hard work and our own transformation. To this end, we established the Sustainability Management Policies. These were drawn from Human-Centered Management and are intended to enhance our corporate value by ensuring happiness for workers, an environment that fosters happiness, and happiness for society and all people.

We believe that the happiness of each employee and their families is essential for bringing happiness to society as a whole. This belief forms the basis of our Sustainability Management Policies. A company is made up of people, those who happen to live in the same era and have been brought together to work for the same company. It is said that people spend more than one-third of their lives at work. Therefore, it makes perfect sense to ensure that their workplaces are happy places. A workplace in which employees can pursue their ambitions and apply their capabilities brings a sense of happiness, and this, in turn, makes their families happy. We need our workplaces to be environments in which employees feel enthusiastic about what they do and enjoy the changes they bring to the company. This leads to the company's growth, and our growth, in turn, brings even more happiness to their lives.

For many years, we have been advocating the need for a workplace environment in which everyone can excel, regardless of age, gender, nationality or disability. Every opportunity I get, I tell employees not to assume that working in plants is too dangerous for people with disabilities. Why not consider fully accident-proofing our plants to make them completely safe for anyone to work in? Times may change, but our basic management principle remains the same. Our human-centered management values each and every employee, and we hope to achieve success together.

In April 2020, we became a signatory of the United Nation's Global Compact. The Daicel Group is committed to maintaining a global perspective as we focus on our "Human-Centered Management" and aligning ourselves with the UN Global Compact's ten principles. We truly believe that this leads to our own growth and contribution toward a sustainable society.

We aspire to become a company that brings happiness to people's lives by sharing, resonating and co-creating new value with a diverse set of partners. In this context, we thank all our stakeholders for their continued guidance and support and look forward to continuing to share our progress in the coming years.

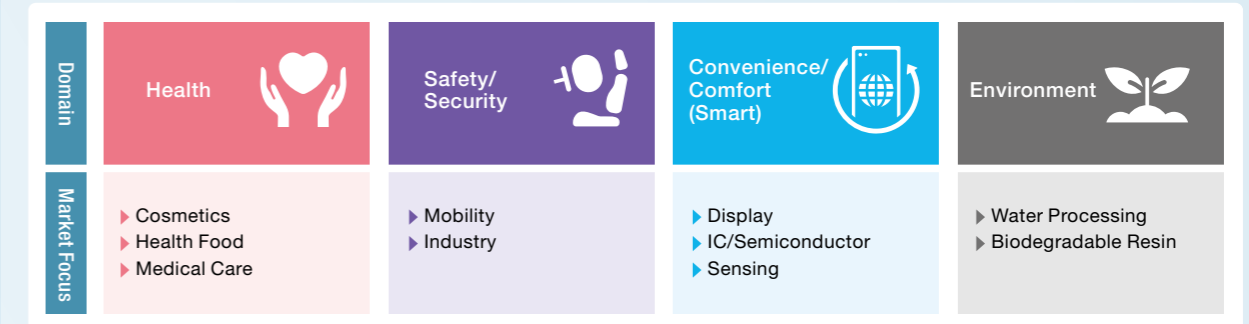
Long-Term Vision "DAICEL VISION 4.0"

The Long-Term Vision "DAICEL VISION 4.0" is a set of guidelines to ensure that society always views the Daicel Group as a reputable and reliable corporation. These guidelines clearly indicate our future vision and confirm our commitment and determination to change, even if that requires us to transform our business model and company framework.

Our Goals

| | | |
|---------------------|---|---|
| Sustainable Product | Contributing to happiness of people and society | ▶ Pursue happiness |
| Sustainable Process | Achieving goals with environmentally- and people-friendly methods | ▶ Remove the existing company/plant framework ▶ Form biomass product tree ▶ Energy offset process |
| Sustainable People | Giving employees a sense of fulfillment | ▶ Boldly delegate authority ▶ Lighter corporate role |

Four Domains of Happiness and Market Focus



Growth & Acceleration Strategy

Operations for goal achievement

Operation-I (OP-I) Original DAICEL

The area including domains on which we focus in addition to current businessness

- Transformation of the business structure (Selection and concentration of the business → Shifting to value providing type of organization)
- Transformation to asset light
- Structural reforms to accelerate the growth of OP-II/III

Operation-II (OP-II) New DAICEL

Peripheral areas of existing business to be expanded through M&A or collaboration

- Business restructuring, drastic review of existing JV
- Transformation to asset super-light
- A company creating high added value that can aim at OP-III

Operation-III (OP-III) New Business Group

Cross-Value Chain that brings a vertical integration type of supply chain along with horizontal integration

- Not limited to M&A, constructing the number one supply chain with various connections

