



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 first decided to prioritize our response to the pandemic and later set specific management goals while closely monitoring the development of the 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.

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Introduction

Before talking about our concrete plans and strategies, I think there are many things we can make use of in the future by looking back at the path we have taken.

In September 2019, we celebrated our 100th anniversary and formulated our 4th Long-Term vision in June 2020.

Based on this idea, I'm going to clarify the path that our company should take in the next 5 years in our Mid-Term Management Strategy "Accelerate 2025" and "Accelerate 2025-II".



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

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When looking back at our history over the last 100 years.

I once again recognized that, not surprisingly, society and our business partners were in great need in every episode in which Daicel made a strong showing. I think that responding to social needs is the starting point and basic stance for a company.

At the same time, I feel it necessary to review this stance equally in our manufacturing, sales and research activities. I want us to value this self-awareness.



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

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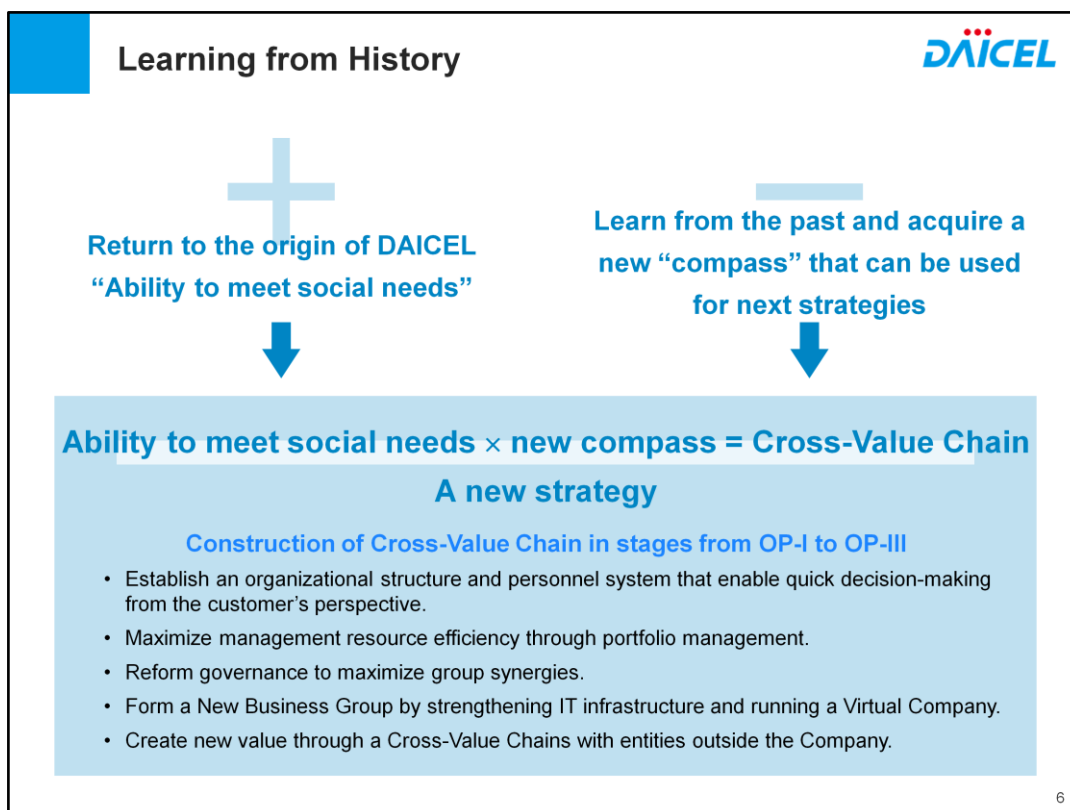
Next, I’ll talk about what I’ve learned from the past.

What we have been constantly working on since our first long-term plan, formulated in 1989, is the creation of new business. To that end, we have worked out various measures and organizational structures, and taken on challenges. Among these activities, however, we have also found what we must use as a lesson for the future.

The point is that spending money on what is not in our product line will not work. Only things that are connected to our product lines and technologies have succeeded as new business.

On the other hand, most of the companies that have adopted a self-supported accounting system independently from Daicel are doing well. It’s not difficult to imagine that those companies succeeded in commercialization with a great deal of thought and determination.

I realized again that, after all, in order to succeed, it is important to build a business model for the entire company, such as by narrowing down the target market, planning and evaluating technology suitable for a new business, and conducting businesses concurrently, not just by research and development. Learning from this history will serve as a compass for future strategies.



Tracing back our history, now we can see the following:

- “Ability to meet social needs”, which is the origin of a company
- A compass based on what we have learned from the past

As a Mid-Term management strategy based on these premises, we have formulated a growth strategy by building Cross-Value Chains.

And, when we announced our Mid-Term management strategy last year, we postponed the start by one year in order to prioritize immediately necessary efforts to respond to the Covid-19 pandemic situation.

In the meantime, we also made Polyplastics a wholly owned subsidiary.

By incorporating these two factors, we have worked to improve the accuracy of our Mid-Term management strategy.

I would like to briefly go over the efforts we made in the past year.

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	Provide our administration devices for clinical trial of intradermal vaccination against Covid-19. • Expected to increase the effectiveness of the vaccine 5 to 10 times. Develop new products that contribute to the prevention of Covid-19 infection.
	Morphing into an issue-discovering company	Develop new air filter with Daikin Industries. • 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	Evolve the AI-based DAICEL Production Innovation. • 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	Reflect the change in Mid-Term Management Strategy. • New development of engineering plastics business • Maximization of synergies in the DAICEL Group
	Promoting cooperation between multiple enterprises and academic institutions	Enhance research functions through joint research opportunities. • Osaka University, University of Hyogo, Kanazawa University, etc.

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Throughout FY2020, first, we strove for lean management to forge solid footing.

- Thorough cost reduction
- Withdrawal from unprofitable businesses
- Reorganization of unprofitable bases
- Workstyle reform

Next, with an eye on society having to coexist with the Covid-19, we responded to the needs that should be given top priority.

We planned to provide a vaccine administration device for clinical trial as a contribution to the fight against the Covid-19,

and, even before the spread of the Covid-19, we had planned the following organizational changes based on the dramatic changes in supply chains accompanying the progress of AI and IoT.

- Strengthening of corporate functions
- Transition from company system to SBU system that focuses on market-in and customer-in

We have judged that these measures are necessary even in the new order after the Covid-19 pandemic dies down, and we are working to establish them.

Moreover,

- Efforts to function as an issue-discovering company
- Developing an autonomous production system
- Making Polyplastics a wholly owned subsidiary to maximize effects
- Promoting cooperation between multiple enterprises and academic institutions

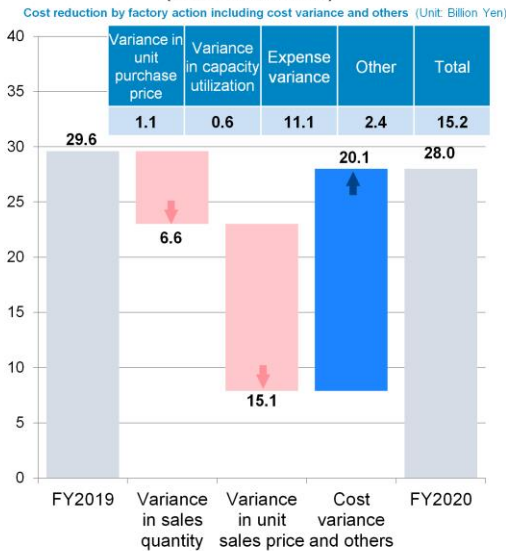
We have made such efforts in preparation for a life in coexistence with Covid-19.

Among these, let me explain especially our cost reduction efforts.

Thorough Pursuit of Cost Reduction and Production Efficiency



Factors of change in operating income (estimated value)



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.

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In the past, even though we reduced costs, this has been offset by negative factors such as rising raw material prices and falling sales unit prices. This time, we have ensured cost reduction by responding to both high and low operations more effectively than ever before and producing results from technological innovation such as changes in manufacturing methods. In addition to these efforts, we will strive to realize cost reduction effects by optimizing the supply-demand balance and developing and putting high-value-added products on the market to address falling sales unit prices.

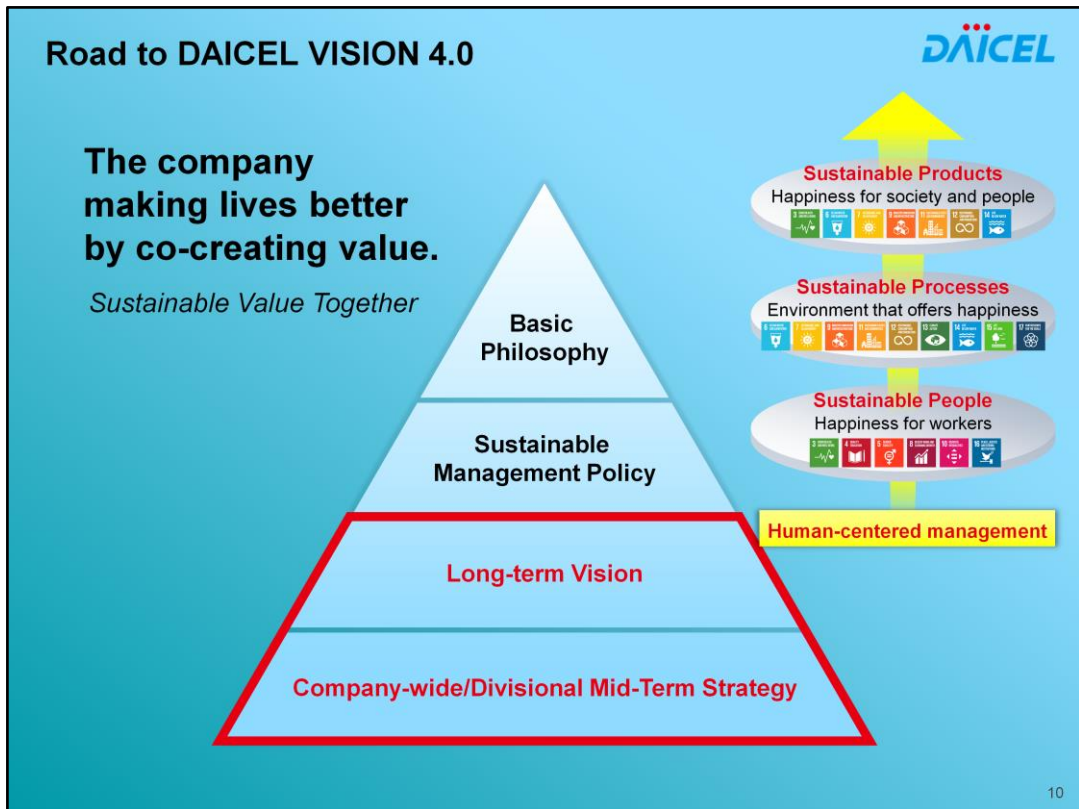
As an initiative to raise production efficiency, first of all, we drastically reviewed unprofitable businesses, which resulted in our withdrawal from the defense industry and reorganization of production bases in inflator business. Furthermore, we will have an outlook on the change of gas generant production method in order to realize its production at half the cost. We are also making a plan for an initiator production line of half the current cost, which includes a significant reduction in the number of parts by integrating the types of inflators and initiators, and an improvement of the line recycling rate during EOP(End of Production) by thorough implementation of modular design.



General Picture

So far, I have told you about the current situation in which we are advancing efforts based on the lessons learned from history, with a solid understanding of what we should do while responding to changes in the business environment.

Now, I would like to talk about the general picture of our company's Management Policy, including Sustainable Management Policy and Long-Term Vision, in order to clarify the position of the Mid-Term plan that will be explained.



This is the management policy of our company, DAICEL.

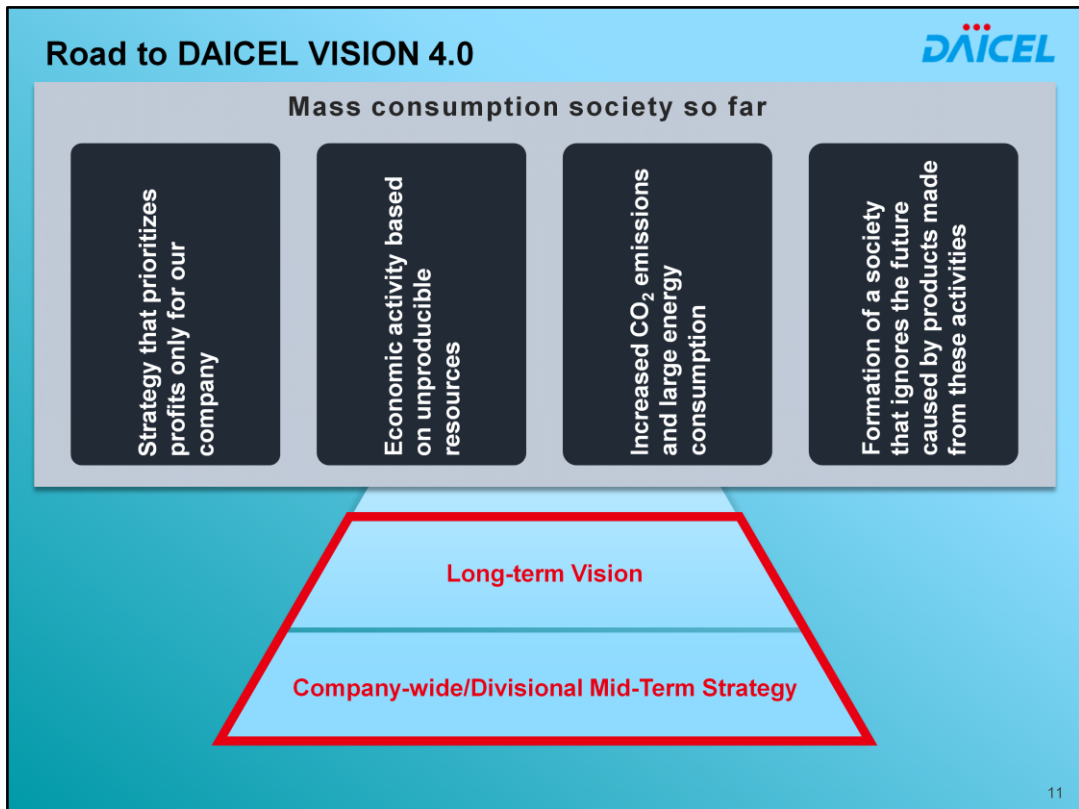
On the top is the Basic Philosophy.

“The company making lives better by co-creating value”
This is the Basic Philosophy our company continues to uphold.

And, in order to achieve the SDGs, we have positioned the “Sustainable Management Policy” directly under the Basic Philosophy.

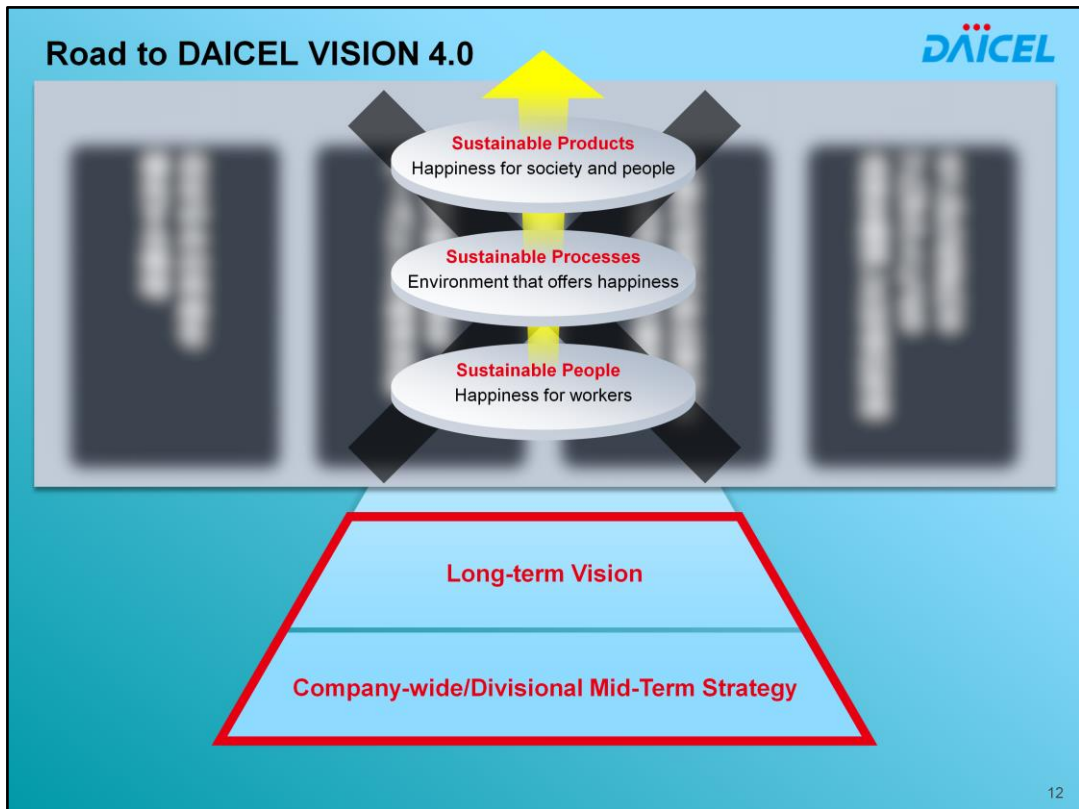
We will implement this Sustainable Management Policy in three ways -- Products, Processes and People.

And, the strategies for achieving that policy are the Long-term Vision and Mid-Term Management Strategy that we presented in June 2020.



Now, let me show you how the newly developed Sustainable Management Policy is related to the Long-term Vision and Mid-Term Management Strategy. It may be a bit extreme, but I think that conventional industry can be expressed like this.

- for its own benefit
- through economic activities based on unproducible resources
- companies consume a large amount of energy while increasing CO₂ emissions
- and with products made from these activities, a society that ignores the future is formed.



In this way, “realization of a sustainable society” and “expansion of sustainable business” cannot be achieved at the same time.

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

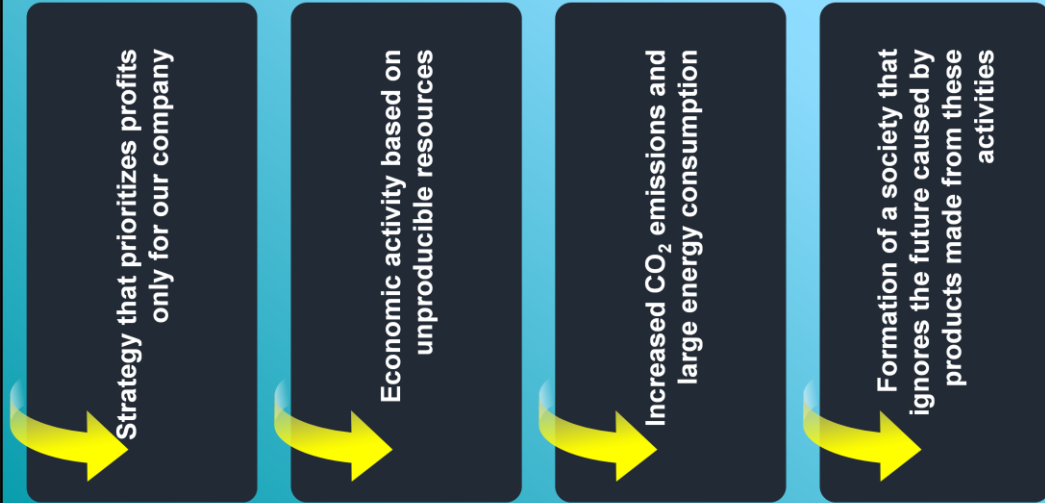


Long-term Vision

Company-wide/Divisional Mid-Term Strategy

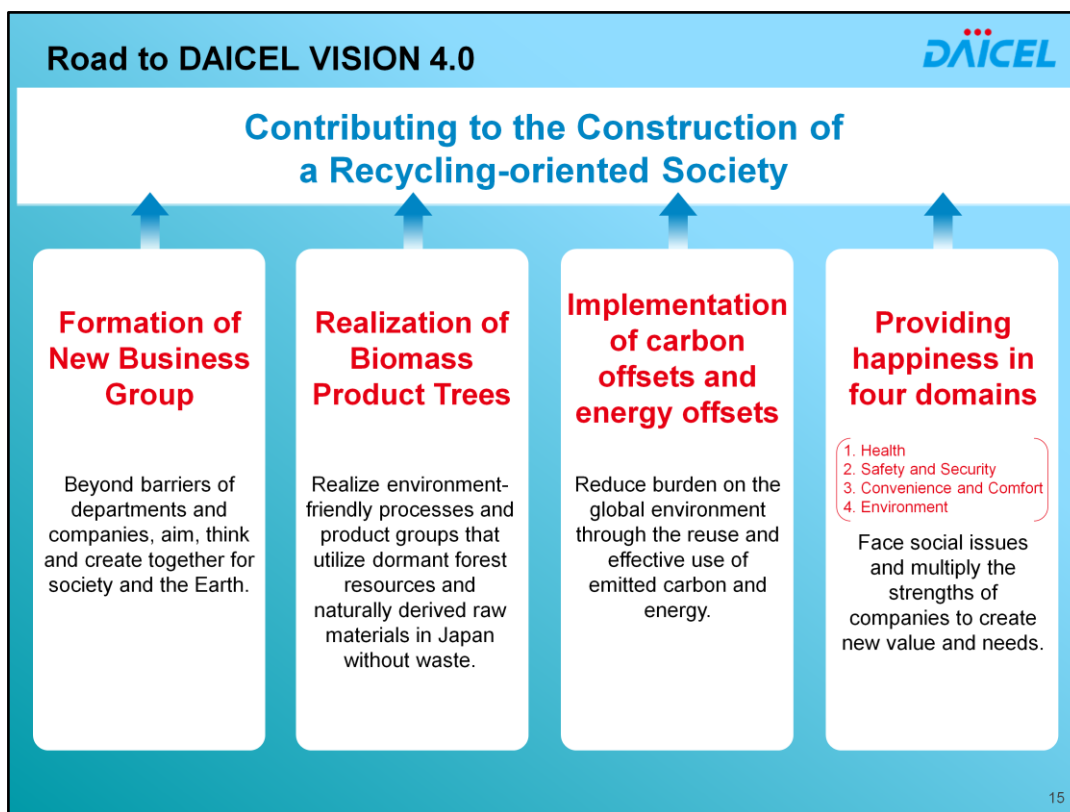
So, we have decided to set “Contributing to the Construction of a Recycling-oriented Society” as the ultimate goal of our Long-term Vision and Mid-Term Management Strategy.

Contributing to the Construction of a Recycling-oriented Society



To construct a recycling-oriented society, we need to drastically change the way to form a society.

For that purpose, we will “shift four things.”



The first shift is the formation of the New Business Group. Creating a new society cannot be done by our company alone. And, it will never be achieved if we seek only our own profits. Beyond the barriers of companies and industries, as well as departments, we should all aspire, think and create for society and our planet. We will realize a new community in this way.

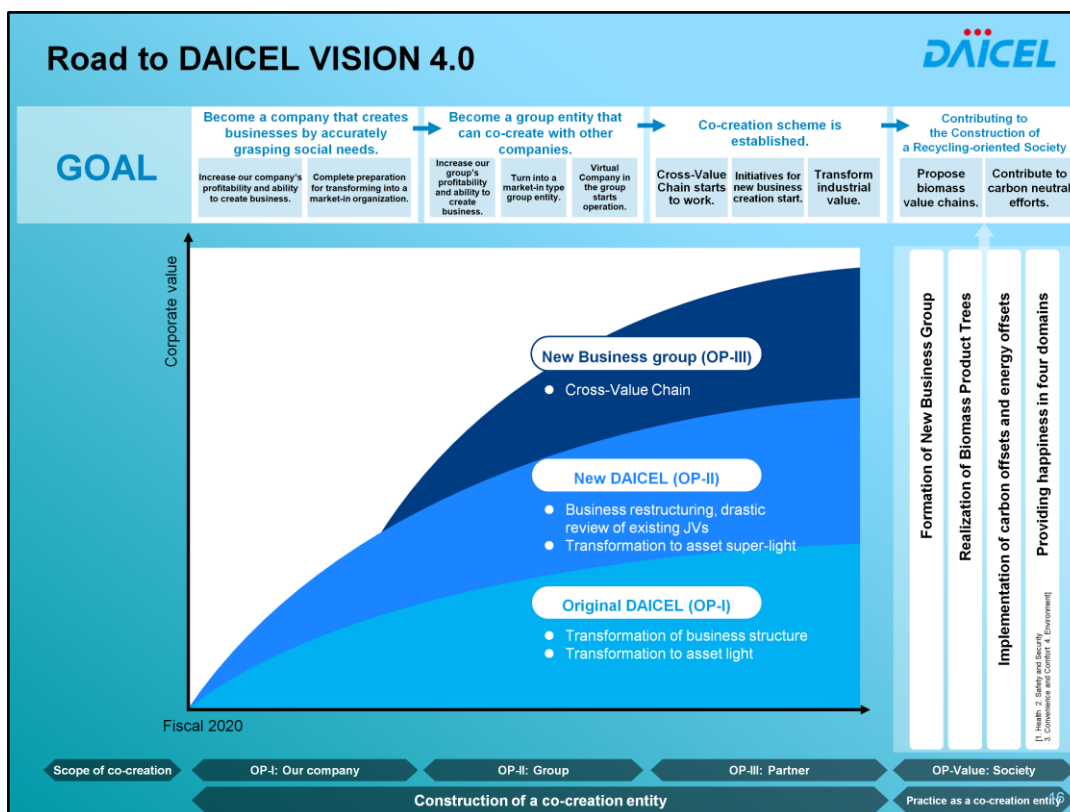
The second shift is the realization of Biomass Product Trees. Rather than relying on finite resources, we need to use dormant forest resources and turn previously unrenovable forest resources into renewable ones in Japan. I think technology that enables recycling in that field needs to be utilized for the reuse of food waste and waste generated in the primary industries (agriculture, forestry and fisheries). I believe that is what we can and must aim for because we have been in the cellulose business for many years.

The third shift is the implementation of “carbon offsets and energy offsets”. Being involved in the material industry, not only our products but also our development processes must be sustainable. In particular, the cellulose business process had a problem of consuming a large amount of energy. We want to take the initiative to move toward carbon neutral, starting from carbon offsets and energy offsets, and play a major role in realizing a sustainable society.

Lastly, we will provide happiness in four domains: Health, Security and Safety, Convenience and Comfort, and Environment.

We will solve social issues and provide products and services that will continue to bring happiness to people.

We at DAICEL will contribute to the construction of a recycle-oriented society through these activities.



This figure shows the path to our ultimate goal, which is what I have talked about so far.

Firstly, DAICEL itself needs to accurately grasp social needs and enhance its ability to create business. To that end, we have changed our organizational structure from an Internal Company System to an SBU system which focuses on market-in and customer-in approaches.

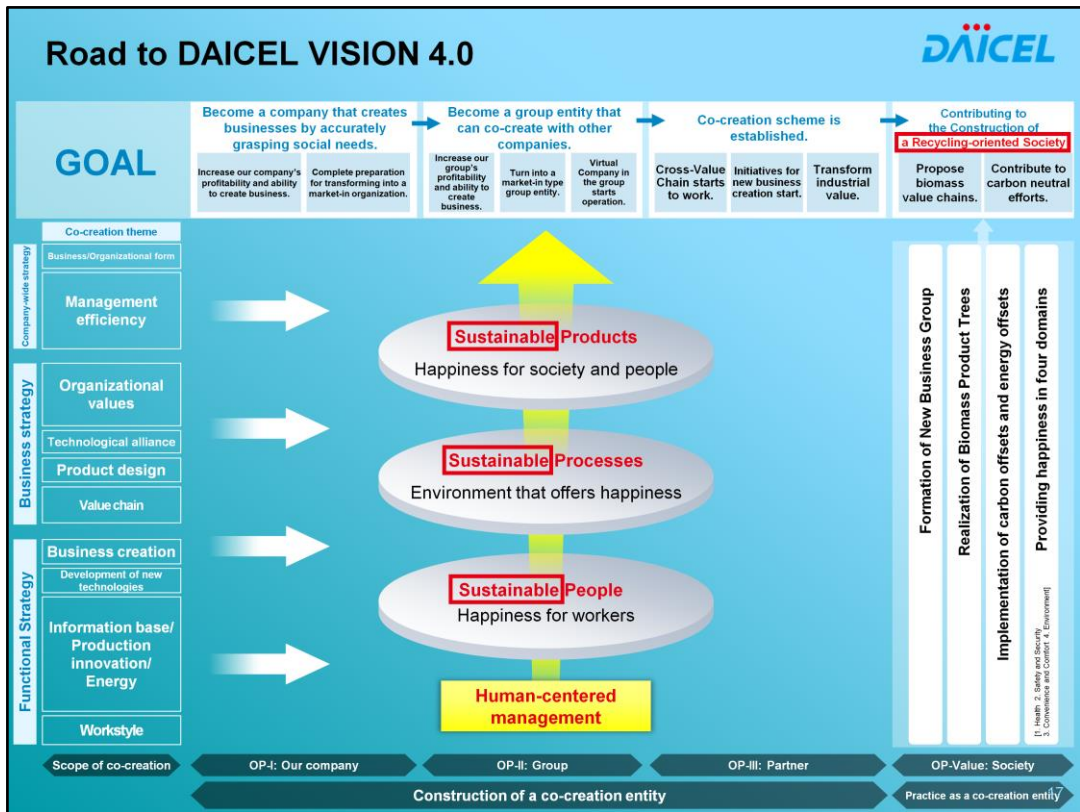
Next, we must instill that idea within the DAICEL Group. The important thing is whether we can have the same goal not only with DAICEL's wholly owned subsidiaries but also with joint ventures of our partner companies that are tied up in a long-standing relationship of trust. Regarding the joint venture companies of the DAICEL Group, we confirmed this direction with all our partner companies. Based on that result, we made a major review of the future relationship and decided to make Polyplastics a wholly owned subsidiary.

In the final stage, we will transform industrial value. Specifically, with regards to Cross-Value Chains, firstly we will realize vertically integrated value chains, work together to create value for our common customers and reap the benefits of the value chain, and finally establish co-creation schemes with other companies.

I just talked about the three steps (our company→we spread it to our group→further spread to our external partners) . In order to form a co-creation

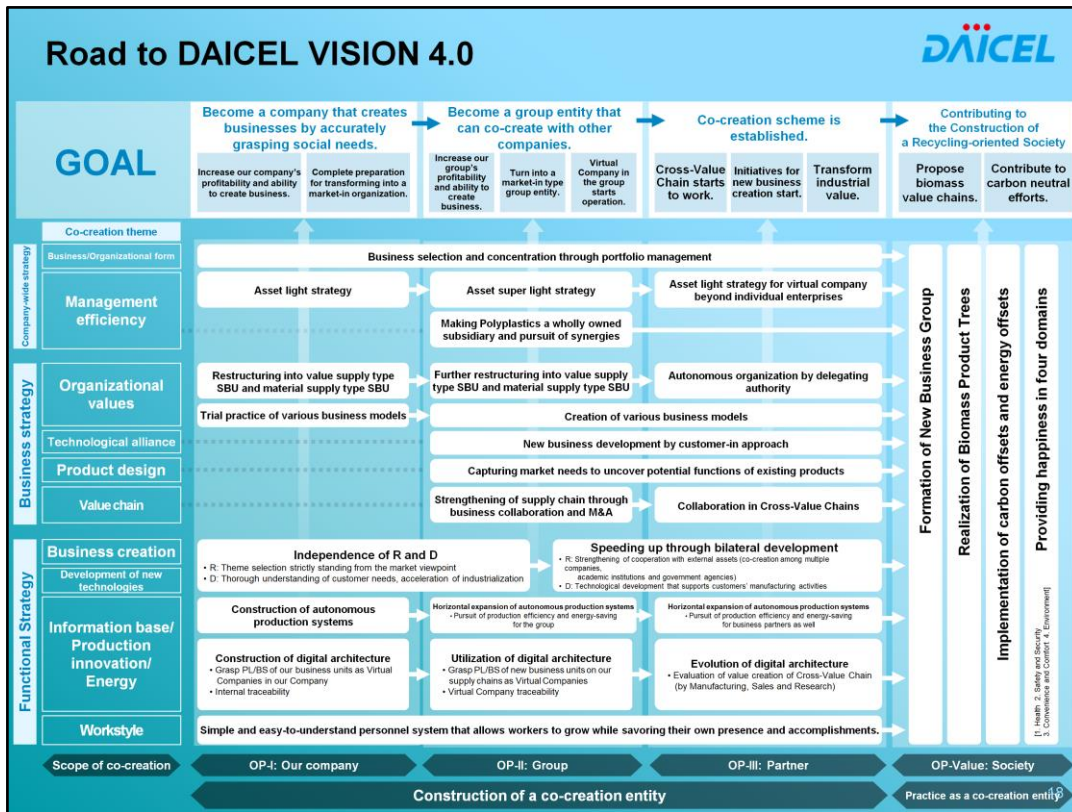
entity in this way and build a recycle-oriented society with co-creation as its core, it's necessary to present a vision that can gain the understanding of a wider range of parties.

One proposal for such a recycling-oriented society is the Biomass Value Chain. And, these are the three operations that we presented as the Mid-Term Management Strategy in June 2020.



Furthermore, to contribute to a recycle-oriented society, we need to incorporate Products, Processes and People into our Sustainable Management Policy.

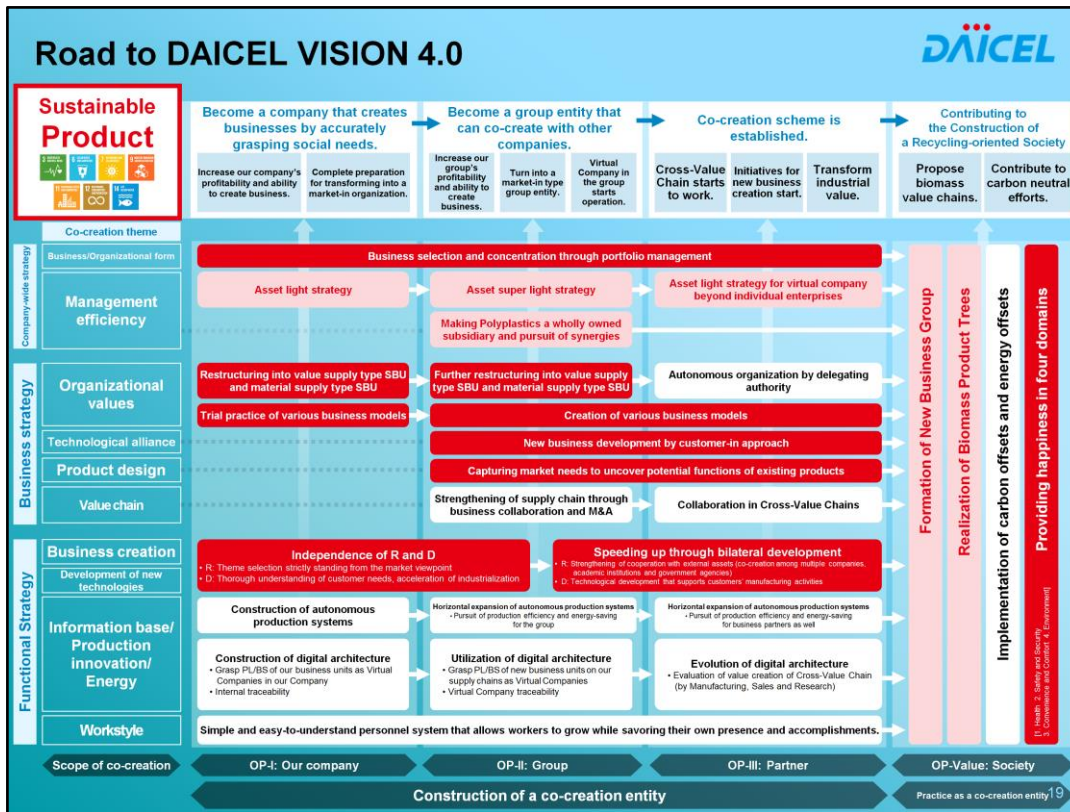
And, we have described actions necessary for enabling these three sustainable elements in OP-I, II and III, by classifying them into a Company-wide strategy, Business strategy and Functional strategy.



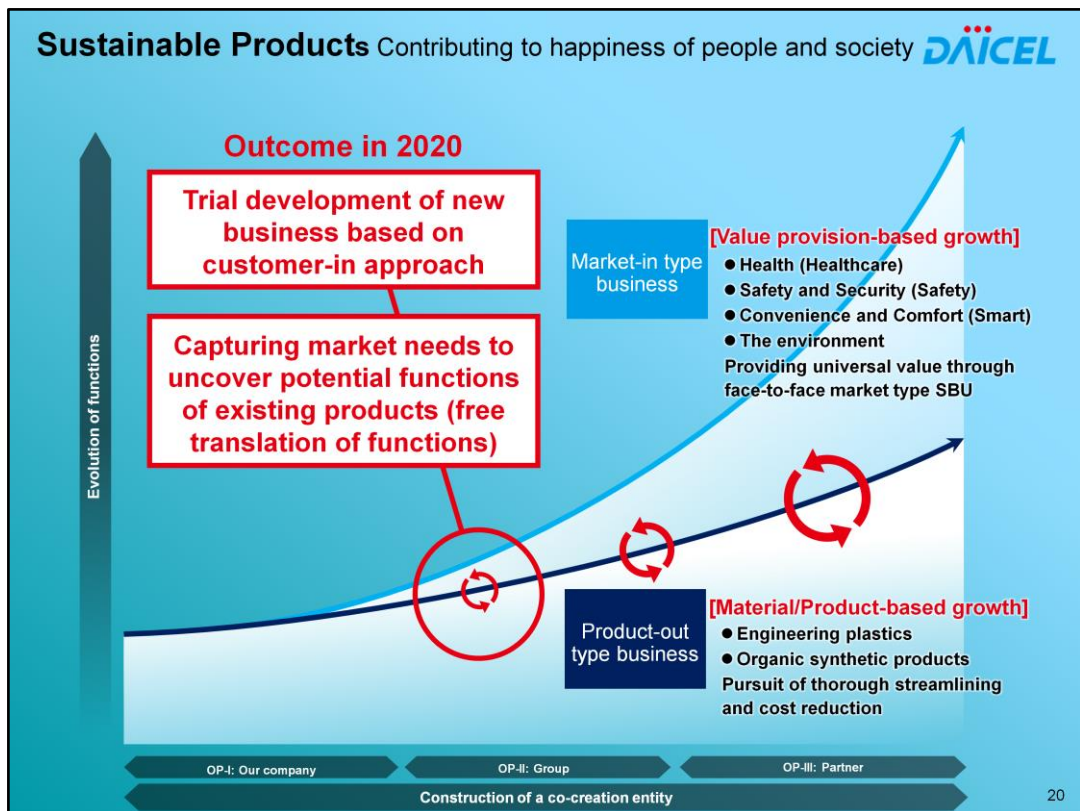
This map summarizes those actions.

There are many elements, and we organized them in the order of OP-I, OP-II and OP-III from the perspective of Products, Processes and People as our DAICEL VISION 4.0.

Our “Accelerate 2025” Mid-Term plan breaks down these elements into a Company-wide strategy, Business strategy, and Functional strategy.



Amongst all effective measures, these are the initiatives mainly for enabling Sustainable Products.



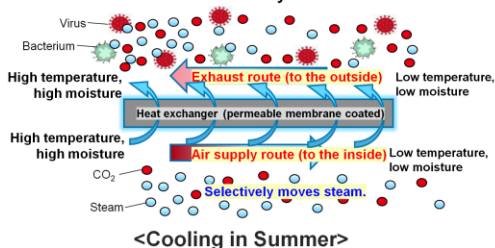
This chart puts together our strategies related with Sustainable Product. Under the SBU system adopted in April 2020, we classified our businesses into three market-in type and two product-out type ones. All businesses probably should be market-in by design, but we thought that we should not ignore the potential of our product lines to function as seeds while recognizing the importance of the needs-driven nature of the materials industry.

- Let me show you two outcomes of our ongoing initiatives from this perspective.
- an example of trial development of new businesses based on the customer-in approach, and
 - another example of breaking a new ground by identifying market needs and discovering potential functions of existing products, in other words, free translation of functions.

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

Total heat exchange type element

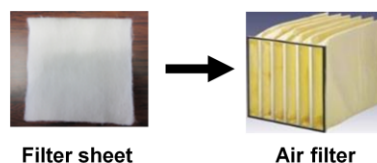
Our coating technology ensures high airtightness and antibacterial properties, contributing to high heat exchange efficiency.



- 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.



- 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.

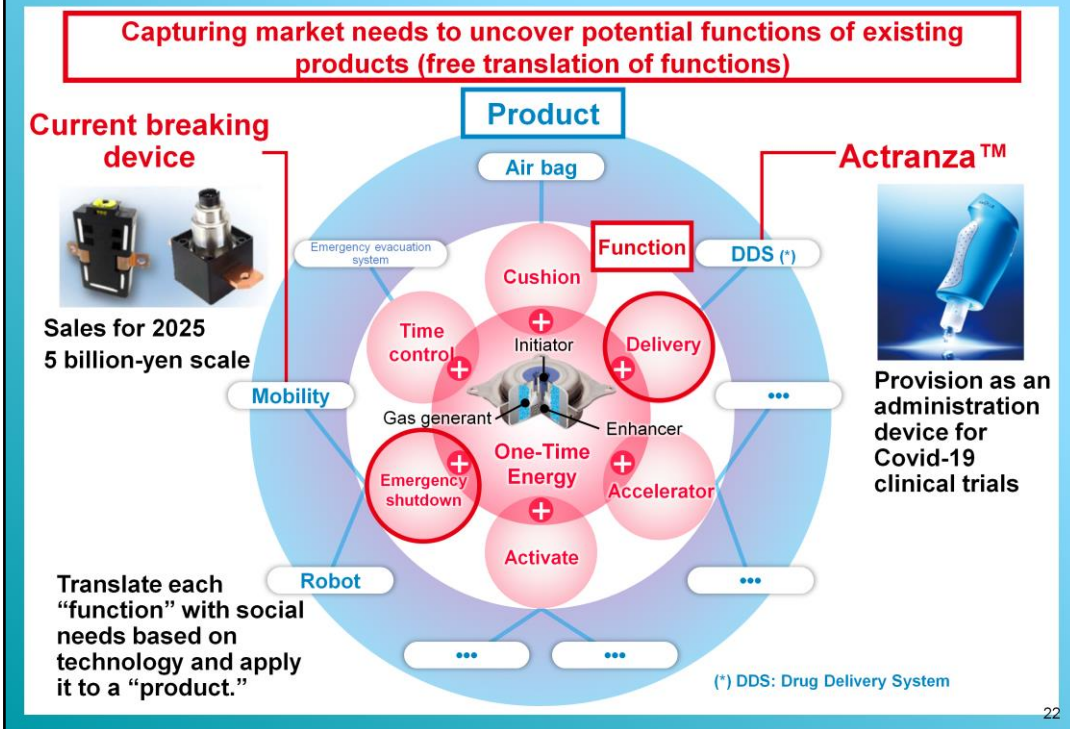
First, this is an example of collaboration with Daikin Industries, trial development of new businesses based on the customer-in approach.

Under the conventional internal company system, we used to solve our customer's problem by focusing on resources of the company that was providing face-to-face services to the customer.

In collaboration with Daikin, the contact was the cellulose department, but in solving that problem, all departments of DAICEL such as organic, films, and evaluation analysis that were indispensable to solve the problem worked together. As a result, we successfully developed new products that meet the needs of Daikin in a short period.

These are examples of our two new products jointly developed with Daikin. Compared to solving an issue by one company alone, collaboration of two companies, namely Daikin as our customer and DAICEL as supplier gave us more options for solving the problem and minimized the resources that we invested.

This is, I think, an example of responding to social needs together with companies connected in supply chain will provide further value than working alone.



Let's move on to the example of how we discovered potential functions of existing products by identifying market needs.

This is an example of utilizing technology related to inflators we manufacture for automobile airbags.

We redefined the technology that has brought out these inflators as a "system that can generate optimal energy safely, reliably and instantly just once" and tentatively call it "One-Time Energy."

Our inflator is a product that has commercialized this "One-Time Energy" with a focus on the "cushion" function.

Likewise, we can say that our emergency evacuation system is a product commercialized with a focus on the "time control" function.

Assuming applicable markets based on the definition of the One-Time Energy, inflator's functions are expected to expand to "Emergency," "Shut down" and "Delivery."

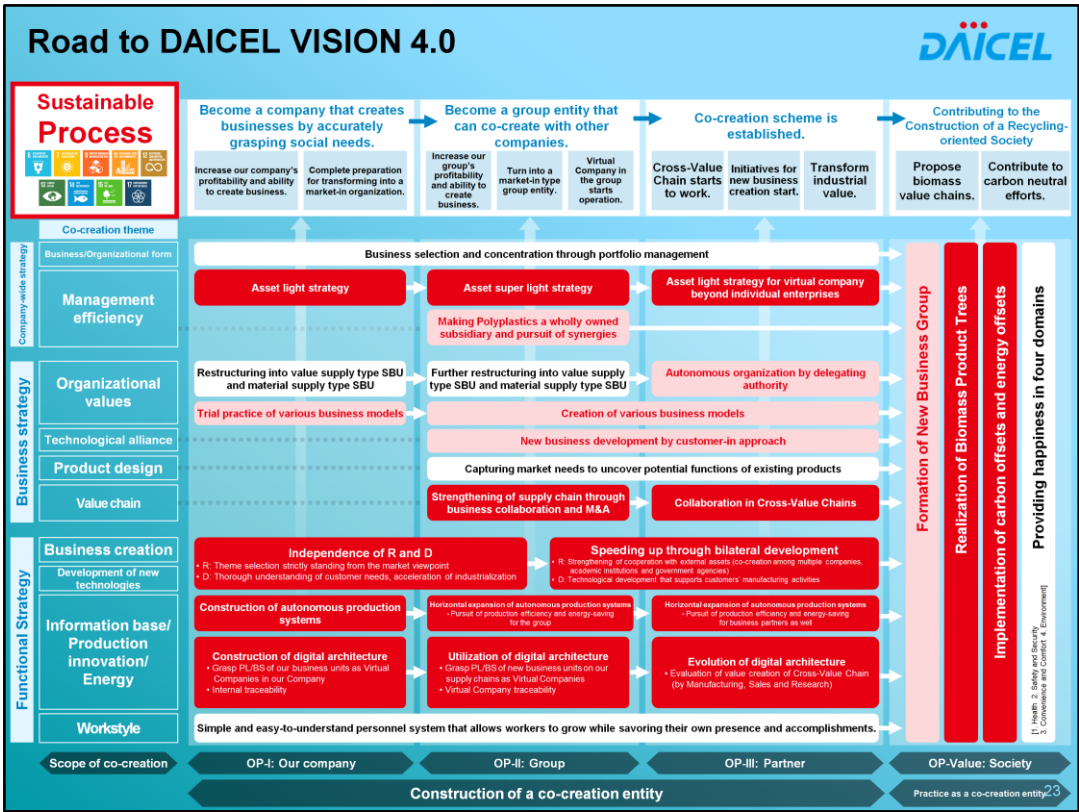
To take an example, "Emergency" and "Shut down" functions were used to make the circuit breaker device mounted on electric vehicles.

And, by adding "Delivery" function, the administration device for the Covid 19 vaccination, Actranza™, is being developed.

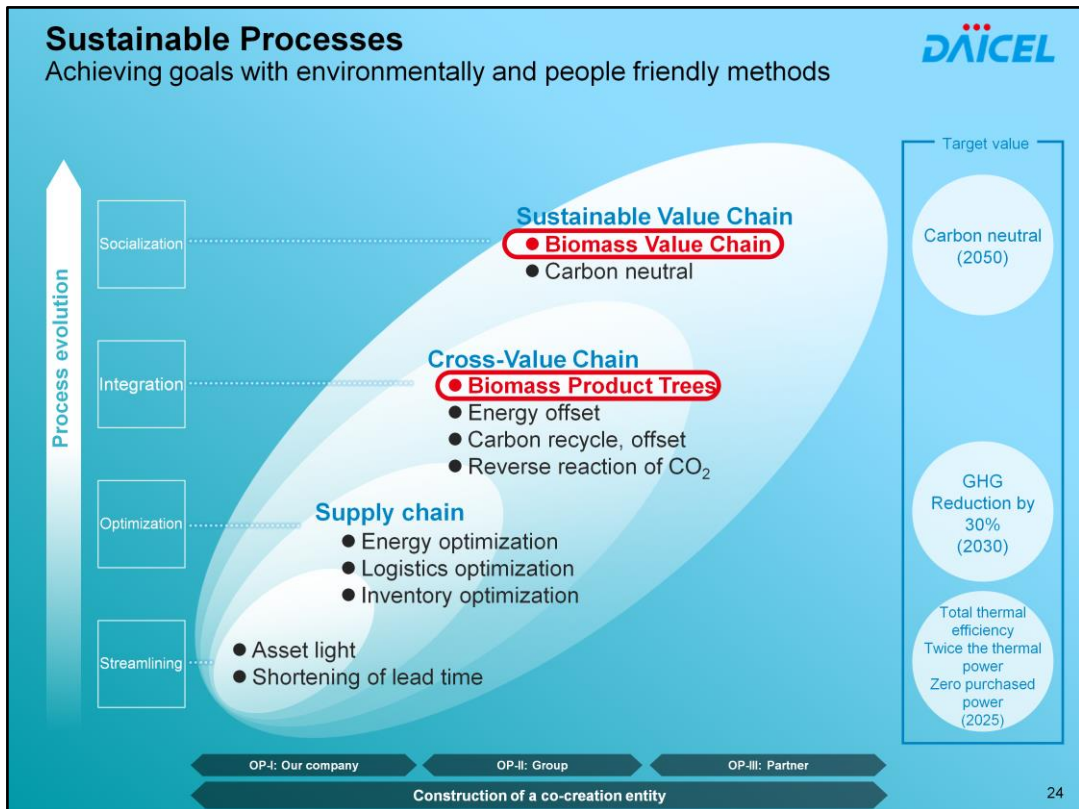
Through free translation of conventional functions available on the market, we can create new functions or values.

We have positioned this as the New Business Creation that is based on our company's product line.

In Daikin's case, which I introduced earlier, we also focused on the functions of existing products and expanded, or found new application for them. This has led to the early success of the project.



Next, amongst all of the effective measures, these are the initiatives mainly for enabling Sustainable Processes.



Through OP-I, II, III, we will evolve our processes so that they are planet- and people-friendly.

We'll start with making efforts to reduce assets and shorten lead time within our company. Then, we will work to reduce energy, logistics and inventories within our group.

However, even within the same group, it's difficult to optimize things if they are not connected in the supply chain.

Because, even within the same group, if we are not connected in the flow of products, our efforts in logistics and inventory reduction are not likely to succeed. It will be even more difficult to optimize energy.

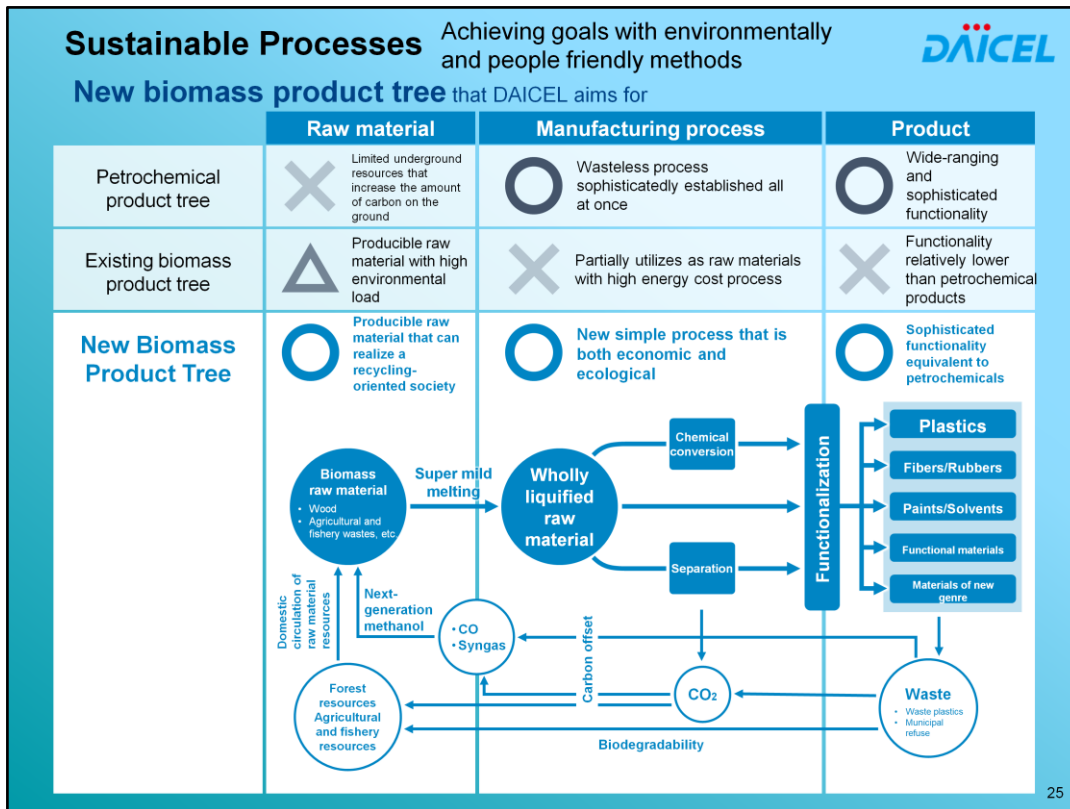
Suffice it to say, it may be easier to optimize logistics, inventory reduction and energy together with departments of other companies connected in the flow of goods than adjacent departments within our group that are not connected in the flow of goods.

When we say "offset", as in energy offset and carbon offset, the source should match the consumption area.

Considering the possibility of give-and-take combinations, it is best to find the optimum solution in the widest possible range.

We propose constructing a Biomass Value Chain as a way to make sustainable social contributions in the Cross-Value Chains (New Business Group) realized in OP-I, II and III.

The Biomass Value Chain is based on the “Biomass Product Trees” that we, or the chemical industry, can create at the previous stage. It’s a mechanism to achieve an enduring industrial ecosystem by combining these efforts and further linking, co-creating, and circulating the primary and secondary industries.



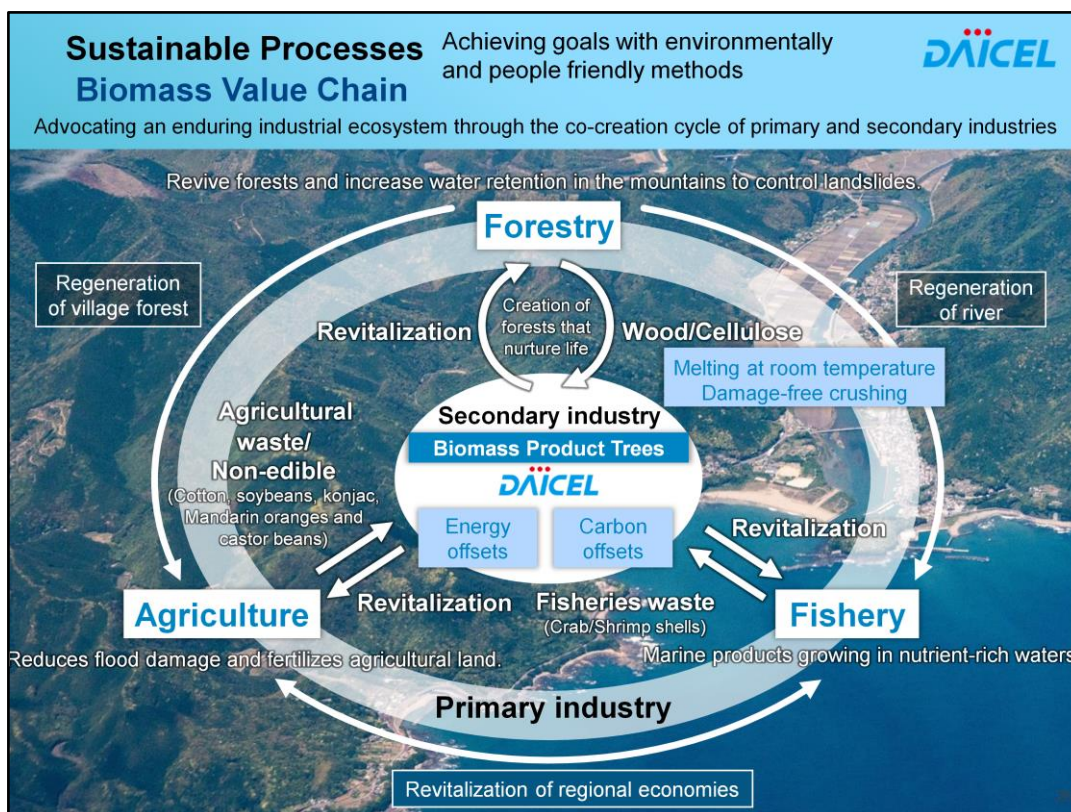
I'm going to start with the conceptual diagram of the Biomass Product Trees that we envision.

The conventional petrochemical product trees were very efficient and have produced a wide variety of products. However, they have some issues such as waste of limited resources, high energy consumption, and large amounts of CO2 emissions.

On the other hand, in the biomass product trees on which we have been working so far, we have achieved biodegradability based on naturally derived raw materials. However, in terms of energy consumption, cost and function, it's no match for petrochemical products.

So, we aim to achieve new Biomass Product Trees that fully use constituents of wood, which is a natural resource, with an established mild dissolution process, and provides functions comparable to petrochemical and metal products.

Furthermore, we are going to make a forecast for the technological development, such as waste utilization and reuse taking advantage of the reverse reaction of converting carbon dioxide (CO2) to carbon monoxide (CO), as we aim to realize a recycling-type product cycle by carbon offsetting.



Next, as a sublimation of this idea, we'd like to propose the concept of "Biomass Value Chain."

This value chain starts from the material industry, which is a secondary industry, realizing Biomass Product Trees with their own technologies. In that case, we use the whole tree aiming to achieve an energy-less process that enables direct reaction and chemical combination.

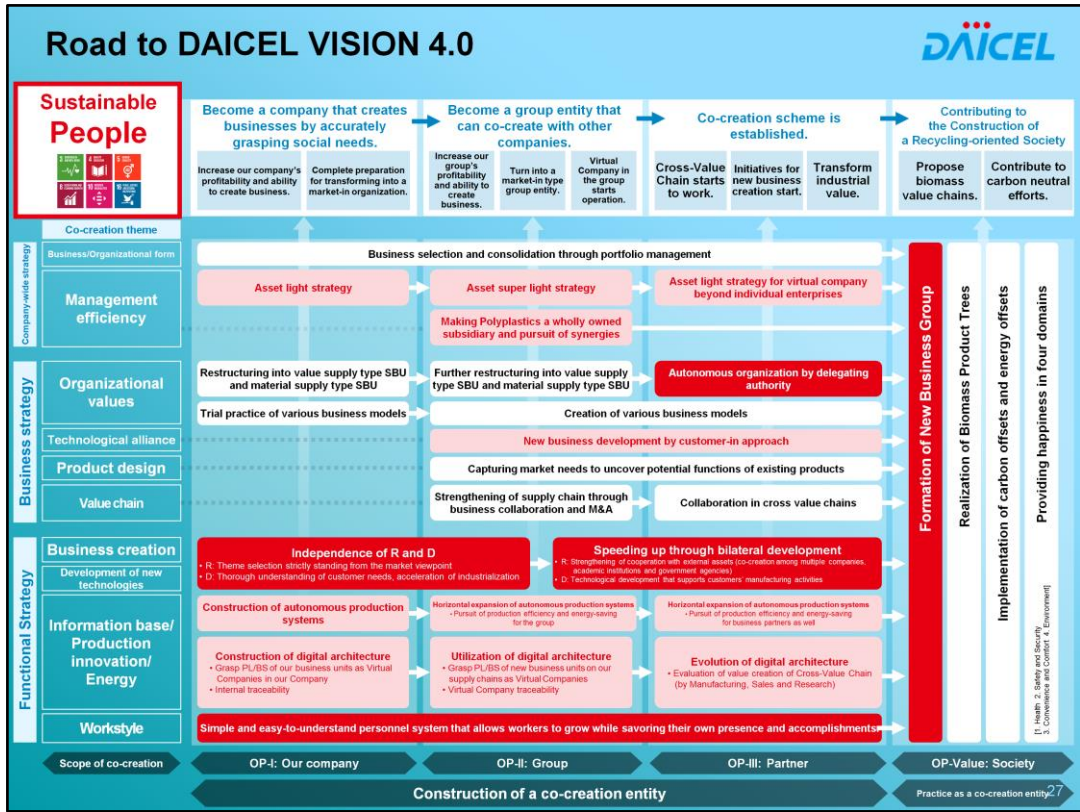
This process not only makes full use of forest resources, but also recycles and utilizes used paper and waste.

If this technology cannot only increase the yield rate of the forestry industry, but also utilize waste from agriculture and fisheries, it should be possible to establish a co-creation cycle between the primary and secondary industries.

If it increases the added value of the newly created agriculture, forestry and fishery industries, it should help reduce the cost of regenerating mountains and forests, strengthen the competitiveness of agriculture and fisheries, and eventually restore the natural environment of Japan.

The restoration of devastated forests recovers the water retention of mountains. It keeps rivers at a certain water level even during droughts, and maintains a regular flow of nutritious river water into the sea. This will not only improve flood control, but will also lead to the regeneration of marine resources, won't it?

We wish to create a society in which such industrial systems and ecosystems can coexist under the banner of a recycling society.



Lastly, these are the initiatives mainly for enabling Sustainable People.



We will accept diversity and develop an environment in which each one of us can achieve worthwhile goals.

Firstly, we need to have a common vision that we can sympathize with. It must be the Long-term Vision and Mid-Term Management Strategy.

On this basis, there are many different ways to do it. It can be changed according to the nature of business or region.

By changing to a market-in organization, our company has transformed into an autonomous self-propelled organization in which each SBU thinks and acts independently.


Also, we must stop calling Japan “Mother” and the bases in other countries “Local.”

Diversity & Inclusion – which means anyone of any background can work with enthusiasm. Career – which is achieved by developing expertise to shine in a specialty area, and Challenge & Rewards – taking on challenges without fear of failure.

Based on these keywords, we will realize an autonomous self-propelled organization that can be directly connected to society, carry out workstyle reform, and newly establish a fair and simple evaluation system that would convince everyone.



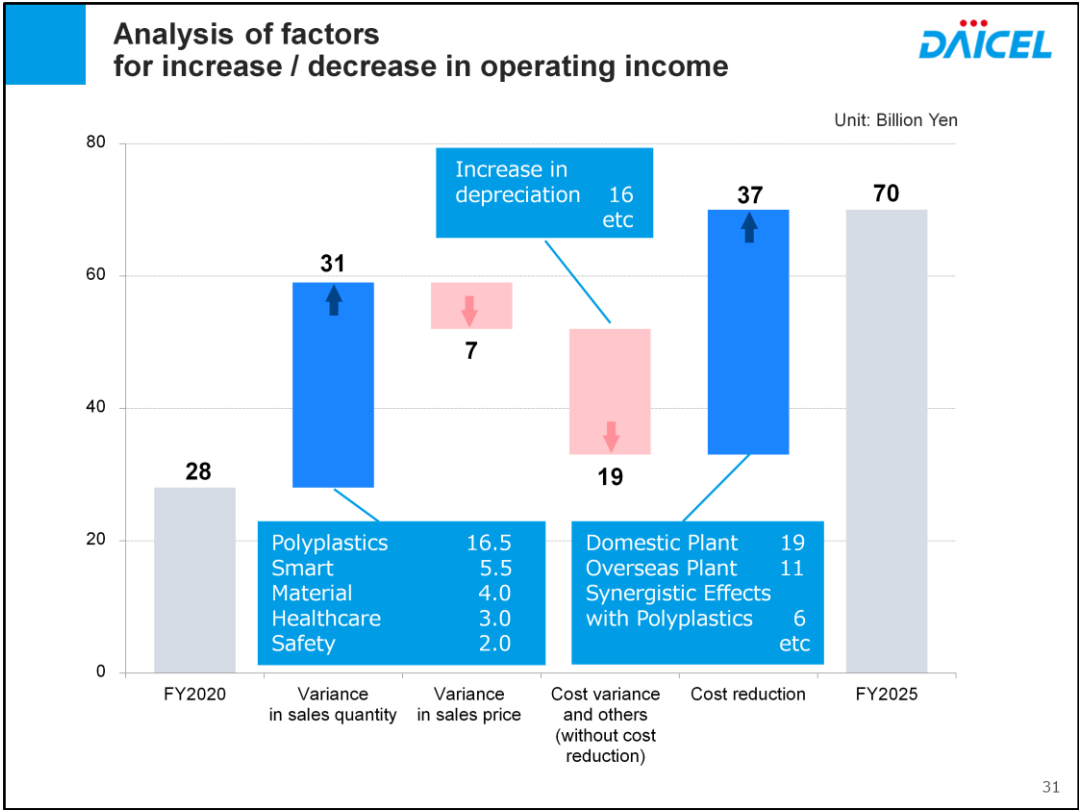
In the following slides, I'll be showing you our updated management indexes for this Mid-Term Management Strategy.

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

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Here, we have performance targets for fiscal 2025 and the outlook for each fiscal year.

As the operation of CO (acetic acid raw material) plant and 1,3BG (cosmetic raw material) plant that were under construction in our Aboshi Plant in Himeji City, Hyogo Prefecture starts, depreciation costs will increase from FY 2021 to FY 2022, putting pressure on operating income. However, with the changes in EBITDA, funds generating capability will gradually increase.



Here you can see the main factors for the change in operating income. While sales volumes will increase in each business division, depreciation and other expenses will increase due to investments to increase production. However, under the policy of asset-light, we will minimize investments and secure profits by thoroughly implementing cost reduction measures such as improving productivity.

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					

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Here you can see our management indexes and shareholder returns.

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		Assets		Liabilities/Equity	
Current assets 290.0 Cash and deposits 80.0 Working assets 190.0		Liabilities 390.0 Interest-bearing debt 280.0		Current assets 290.0 Cash and deposits 80.0 Working assets 190.0		Liabilities 310.0 Interest-bearing debt 160.0	
Non-current assets 310.0 Tangible and intangible assets 240.0 Strategically held shares 50.0		Net assets 210.0		Non-current assets 300.0 Tangible and intangible assets 230.0 Strategically held shares 30.0		Net assets 280.0	
600.0		600.0		590.0		590.0	

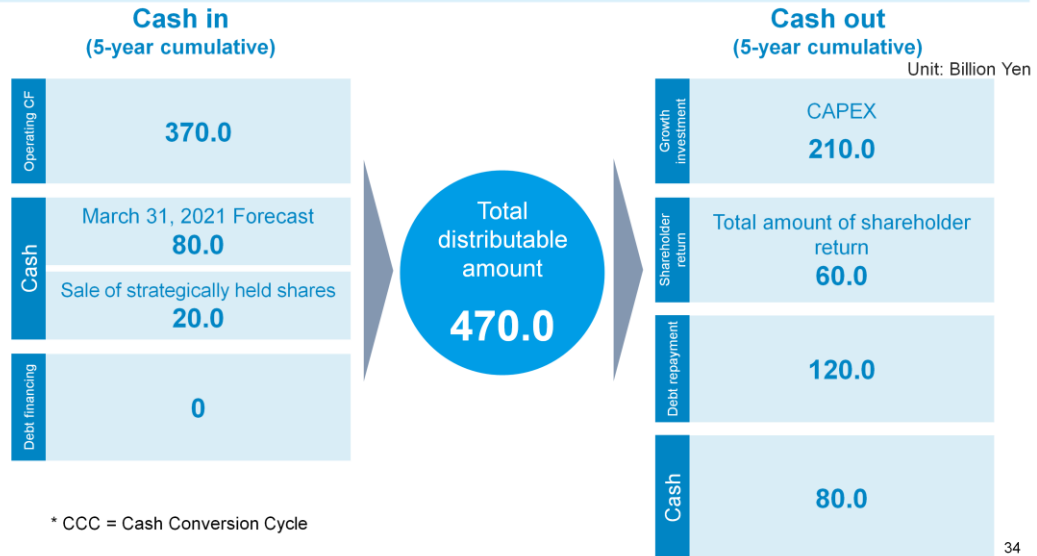
33

Next, let's look at an image of the balance sheet.

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.



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Now, here is our cash flow plan.

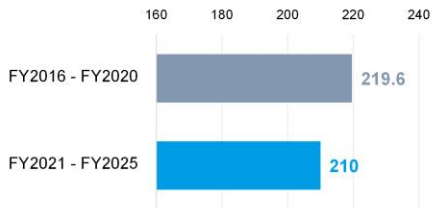
We will return profits to our shareholders with a total return ratio of 40% or more, and will flexibly respond while considering the acquisition of treasury stock.

Resource Allocation

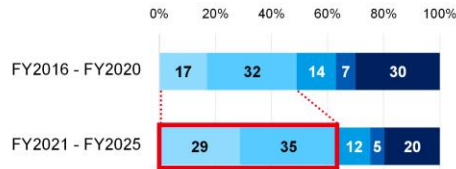
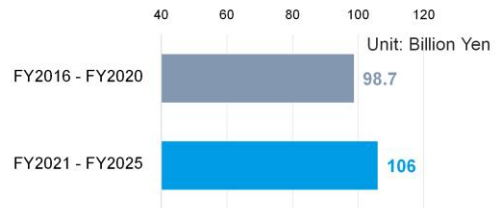


Devote much greater resources to “Next-Generation” and “Growth” Business.

Capital investment



R&D cost



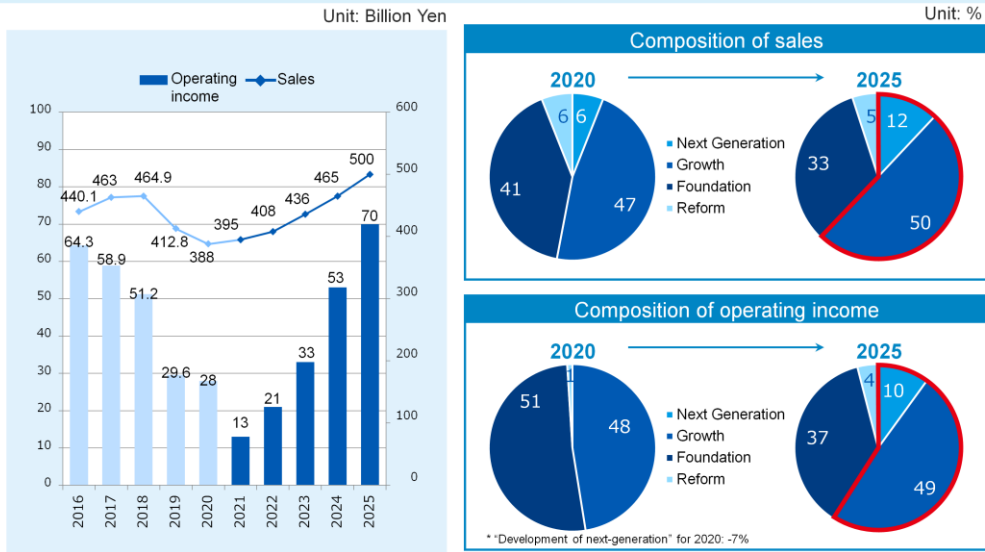
This is resource allocation.

As shown in these graphs, going forward, we plan to allocate more resources to the “Next generation” business and “Growth” business in the portfolio classification.

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.



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This slide depicts a change in our portfolio under this performance plan. As shown in the charts on the right, we will increase the share of the “Next generation” business and “Growth” business.

**Synergetic Effects Expected from
Making Polyplastics a Wholly Owned
Subsidiary**

In the next few slides, I'll be showing you a summary of synergistic effects with Polyplastics, which became our wholly owned subsidiary in October last year.

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



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This slide explains our purpose of having made Polyplastics a wholly owned subsidiary.

Synergetic Effects of Making Polyplastics a Wholly Owned Subsidiary



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

[Investment Plan]

		Investment	Start of Operation	Production Increase Capacity (MT/year)
Acceleration of global operations Effect: 13.0 billion yen <ul style="list-style-type: none"> Invest in production increase to capture future demand Expand sales to the US and European market 		COC Debottlenecking	2021	4,400
		COC production increase	2023	20,000
Realization of cost-cutting synergy Effect: 6.0 billion yen <ul style="list-style-type: none"> Accelerate DAICEL production innovation Efficiently manage indirect departments (personnel rotation/centralization of procurement, engineering and human resources) 		LCP production increase	2024	5,400
		POM production increase	2025	90,000
Maximization of group synergy Effect: 1.0 billion yen <ul style="list-style-type: none"> 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 				

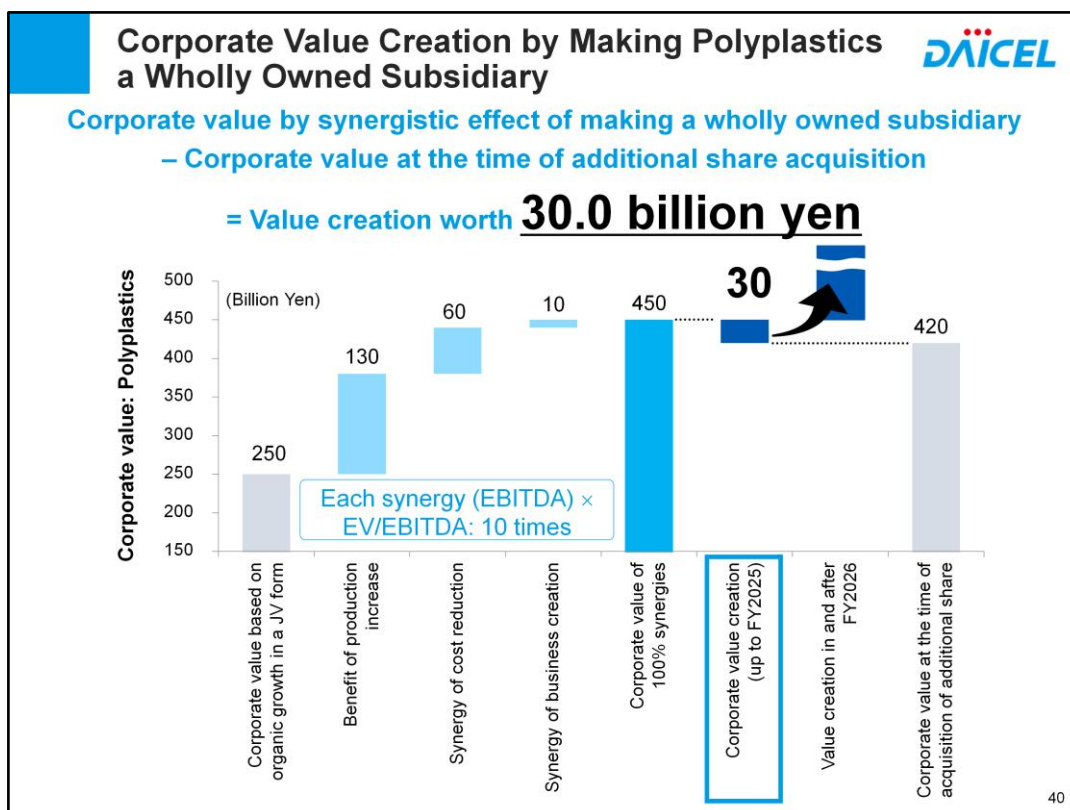
Note) Amount of synergy: Calculated based on EBITDA 39

These are synergistic effects.

Synergies calculated using EBITDA will add up to 20 billion yen by 2025. Various synergistic effects (in amounts) are as shown on the above.

To speed up global operation, we will invest in debottlenecking and increase production as shown in the investment plan, and also promote sales expansion to the US and European market.

Additionally, cost reduction synergies will accelerate the deployment of DAICEL production innovation, and the indirect departments of the head office will improve the efficiency through centralization and rotation of personnel. We will also pursue group synergies that include R&D.



We have calculated the synergies on the previous page as corporate value.

Corporate value based on organic growth in a JV form
 = Target EBITDA for 2025 × EV/EBITDA 10 times
 ≒ 250 billion yen.

Corporate value of 100% synergies
 = Corporate value based on organic growth in a JV form
 + 100% synergies × EV/EBITDA 10 times
 ≒ 450 billion yen.

Corporate value at the time of acquisition of additional shares
 (based on the announcement on July 20, 2020)
 = Share value of 168.5 billion yen / 45%
 + interest-bearing debt and non-business assets etc.
 ≒ 420 billion yen.

In addition, we will strive to increase our corporate value by restructuring our business centered on Polyplastics and creating synergies from fiscal 2026 and beyond.



Business Strategy

From here on, I'd like to explain the business strategy for each segment.

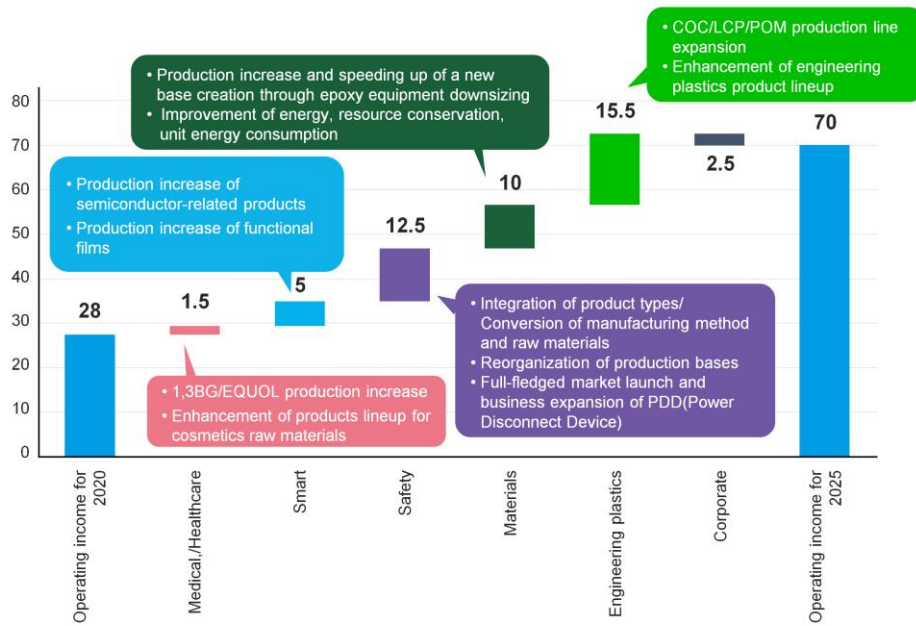
Performance Targets by each Segment (Sales)

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

*CAGR: Compound Annual Growth Rate



Polyplastics Growth

Market growth prospect	Automobile production CAGR 5%	Strength	<ul style="list-style-type: none"> • Technological strength and products accumulated in Asia / Global service supply network • Technical solution system for quick response to customer needs
	Smartphone market CAGR 6%		Policy

Concrete measures	
up to 2022	up to 2025
COC debottlenecking (reinforcement work) Increase compound capacity.	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	<ul style="list-style-type: none"> The largest global market share and the highest manufacturing capacity Capability to develop new products
		Policy	<ul style="list-style-type: none"> Establish new production bases Strengthen capability to propose materials / functions
Concrete measures			
up to 2022		up to 2025	
Develop new thermoset resin / collaborate with formulation manufacturers		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%	Strength	<ul style="list-style-type: none"> Materials with wide range of molecular design / Control technology Cost reduction experienced through DAICEL Production Innovation
	Acetate tow CAGR -1%		Policy
Concrete measures			
up to 2022		up to 2025	
Convert applications of cellulose acetate utilizing natural materials Ultimate cost reduction Transition to an efficient production system taking demand into consideration			



ICs/Semiconductors Growth Next Generation

Market growth prospect	Semiconductors CAGR 15%	Strength	<ul style="list-style-type: none"> Quality control system in line with market needs Resist polymer using original monomer
		Policy	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Coating technology accumulated so far Specific materials
		Policy	<ul style="list-style-type: none"> 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

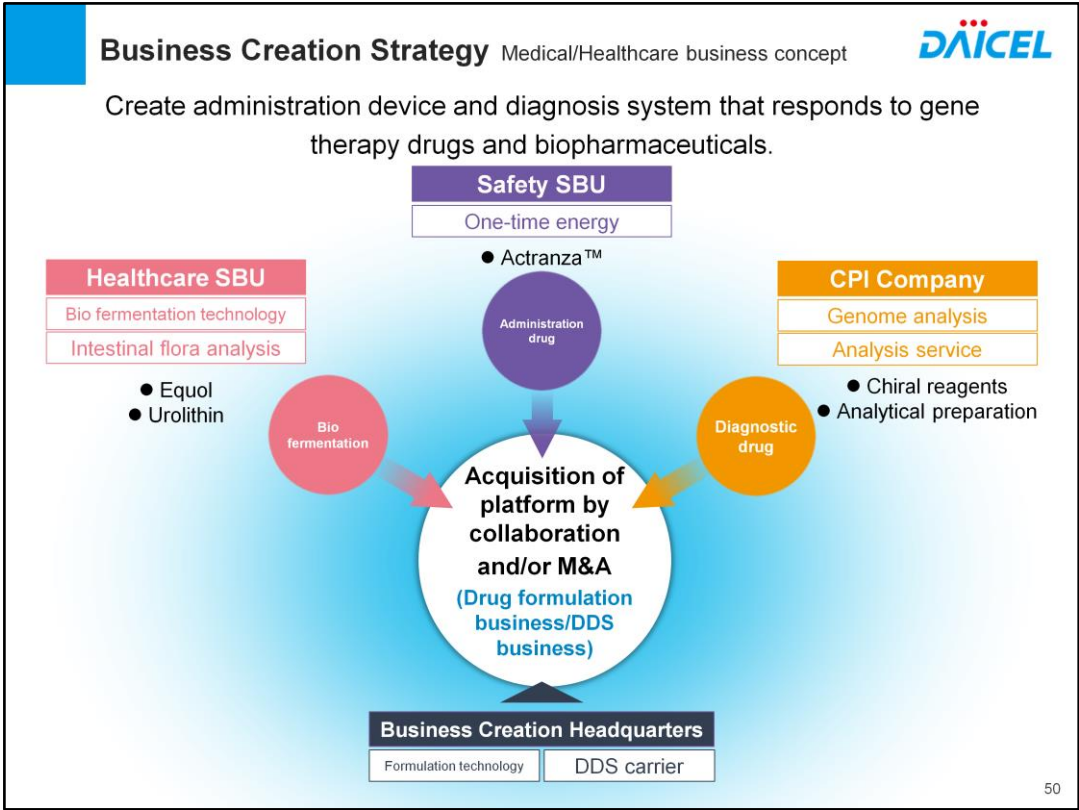
Concrete measures

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

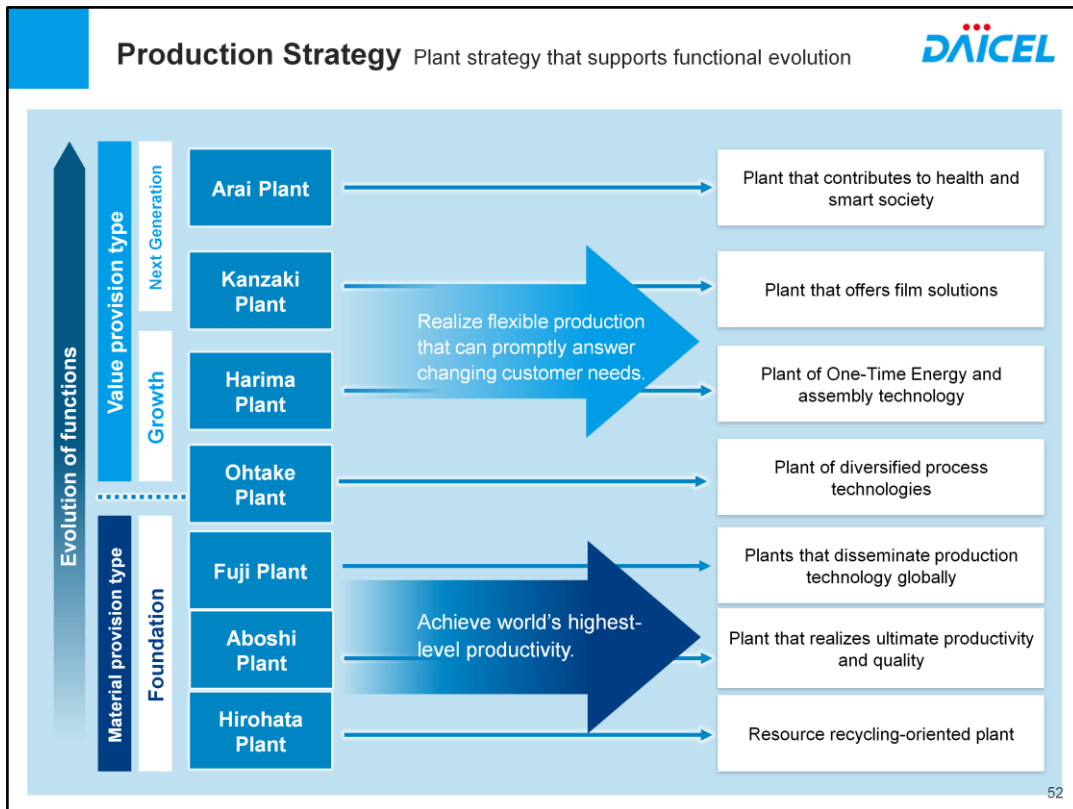


I will explain the new SBU concept in the future.
 The medical healthcare area has not been consolidated as a business at this time.
 By acquiring a new platform business, we would like to consolidate existing technologies and products and greatly expand it as a medical healthcare business.

A presentation slide with a blue and white background. The title "Priority Functional Strategy" is written in white on a blue horizontal bar. The background features a network of glowing blue lines and nodes, with a stream of numbers (0-9) appearing to flow through the network. A red horizontal line is positioned below the title bar.

Priority Functional Strategy

In the next few slides, I'll be introducing strategies that we will focus on among functional strategies.



Let me start with production strategy.

In Japan, currently there are seven plants. While taking advantage of the characteristics of these plants, we will strengthen cooperation with each SBU and proceed with production strategies along with two major goals.

As the first goal, the plants strongly connected with the material provision type business will aim for the world's highest level of productivity through further production innovation and utilization of digital technology.

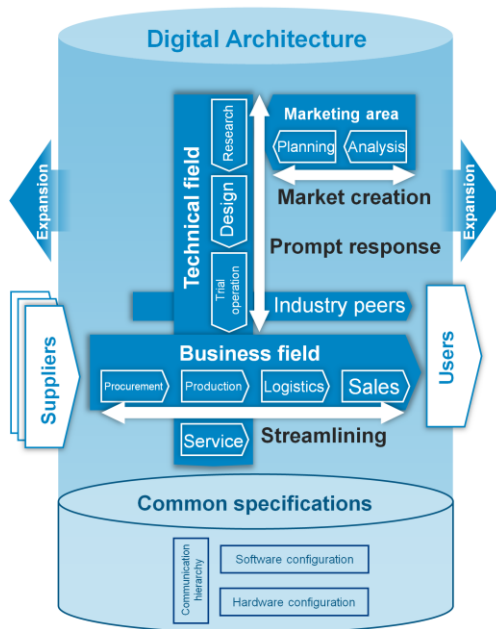
The second goal is that the plants strongly connected with value provision type business will realize flexible production that enables us to quickly respond to changes in customer needs. To this end, we are considering new initiatives such as building a downsized plant and production system that are quite different from the conventional ones.

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
<p>IP Landscape Grasp market trends and combine with free translation of functions to identify the next research theme</p>
<p>Material Informatics Explore and design new materials with information technology</p>
<p>Virtual Lab / Bench Pilot Minimize time required from research to trial operation</p>
<p>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</p>
<p>Autonomous Production System (Evolution of DAICEL Production Innovation) Provide necessary things at necessary time in necessary amounts.</p>

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Finally, I'm going to give a brief summary of the construction of digital architecture.

We will unify the architecture within our company and form a virtual company that can expand the architecture to within our group and further to our partner companies.

Along with realizing this, we will utilize AI to increase the speed of advancing various efforts and realize a next-generation digital architecture that can achieve both “efficiency” and “quick response and market creation” beyond organizational barriers.

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

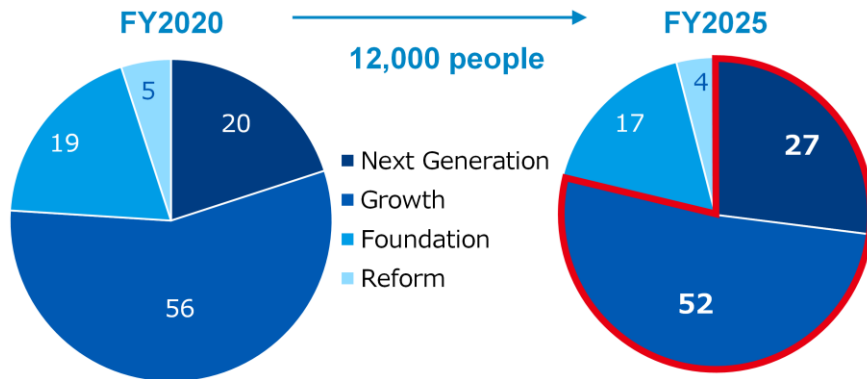
56

Personnel composition

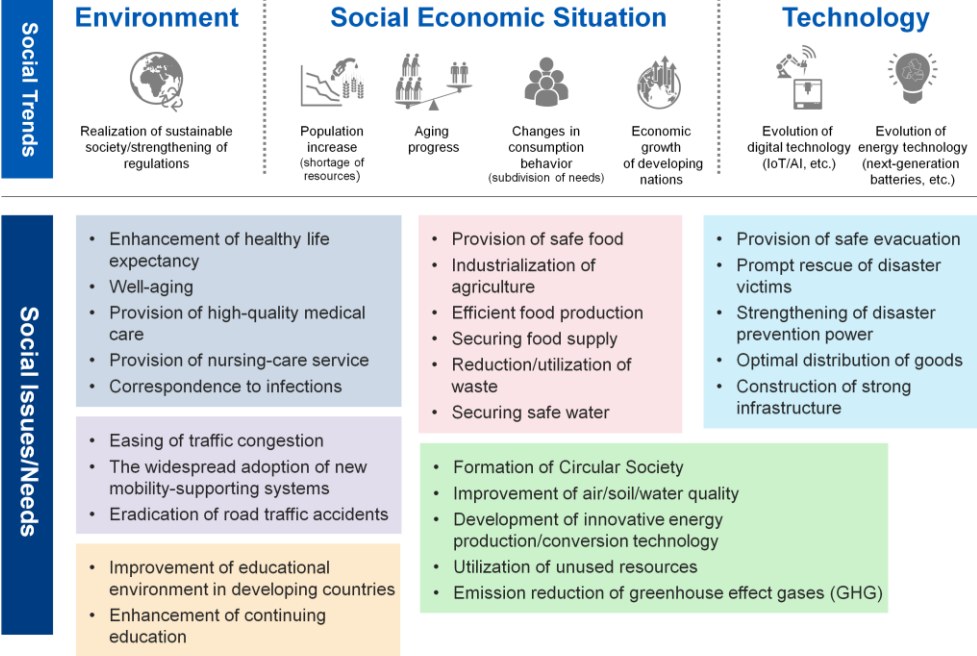
Aiming for the world's highest level of productivity,
without increasing the number of personnel
Shift human resources to "Next-Generation" / "Growth" business

Personnel composition ratio

Unit : %



Issues and needs from the perspective of social trends



Four Domains and Market Focus

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

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)**

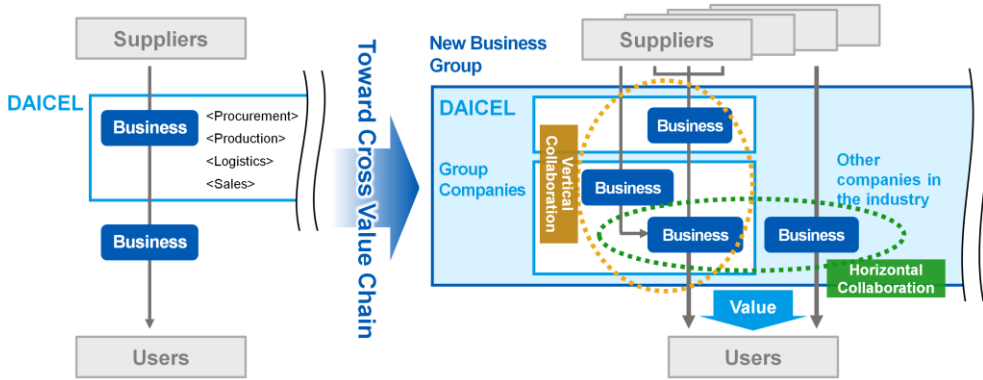
Realizing "a chain as one body," strengthening competitiveness in the market as a business group instead of as an individual company, we aim to continue providing more valuable goods for society

▶ **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
- ◆ Inflatars
- ◆ 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.

◆ Medical/Healthcare ◆ Smart ◆ Safety ◆ Materials ◆ Engineering plastics ◆ Other

Notes regarding Forward-Looking Statements

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