



Accelerate 2025

Mid-Term Management Strategy

June 8, 2020



▶ Response to New Coronavirus

We consider the COVID-19 infection which has spread on a global scale is not a transient phenomenon and will bring about big changes in the lifestyles of people and business activities in the future. Against such dramatic changes in the environment, we will take measures from the following perspective as well as flexibly revise management strategy depending on the progress of the situation.

- (1) Contributing to countermeasures against COVID-19
- (2) Securing a stable footing in preparation for economic slowdown
- (3) Dealing with the business impact of COVID-19

▶ Formulation of Mid-Term Strategy

We consider the direction of this Mid-Term Strategy matches the changes which will come after the end of COVID-19.

Accordingly, at the present moment, we announce the outline of the Mid-term Strategy, and in the future, we will review our management goals as occasion demands while carefully observing the situation including the impact from COVID-19.

Accelerate 2025

1. **Long-Term Vision “DAICEL VISION 4.0” (Summary)**
.....
2. **Corporate Strategy**
.....
3. **Business Strategy**
.....
4. **Functional Strategy**
.....
5. **Management Goals**
.....



Long-Term Vision (Summary)

DAICEL VISION 4.0

What we aim for

Sustainable Product



Contributing to happiness of people and society

▶ Pursuing happiness

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

Sustainable Process



Achieving goals with environmentally and people friendly methods

▶ Remove the existing company/plant framework

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

▶ Formation of biomass product tree

- From materials of natural origin to products returning to nature

▶ Energy offset process

Sustainable People



Giving employees a sense of fulfillment

▶ Boldly delegate authority

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

▶ Lighter corporate role

- Eventually, internal fund function only

Operation-I (OP-I)

Original DAICEL

(The area including domains on which we focus in addition to current business)

- 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 which can aim at OP-III

Operation-III (OP-III)

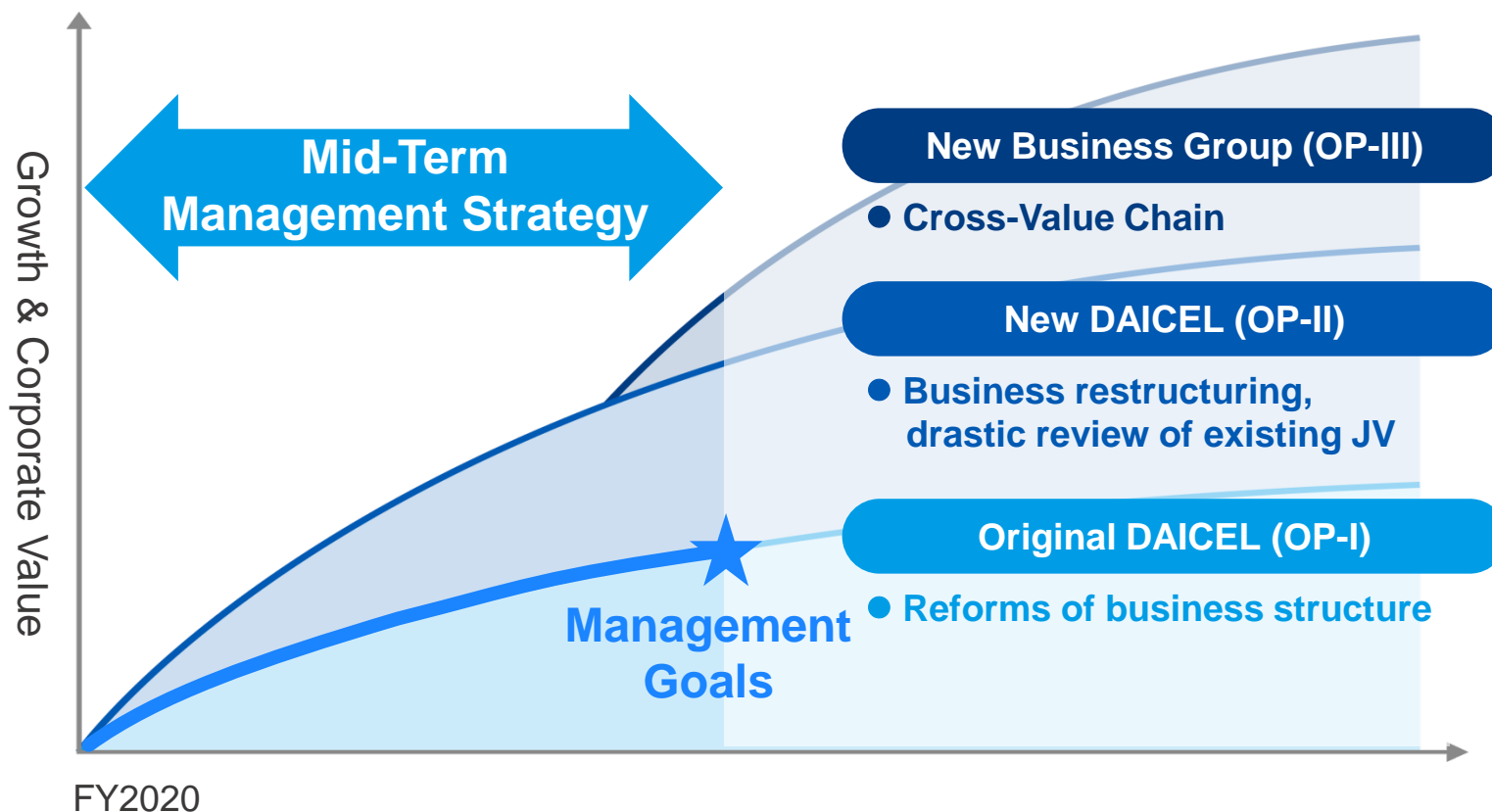
New Business Group

(Cross-Value Chain which brings vertical integration type of supply chain along with horizontal integration)

- Not limited to M&A, constructing No.1 supply chain with various connections

Positioning of the Mid-Term Strategy

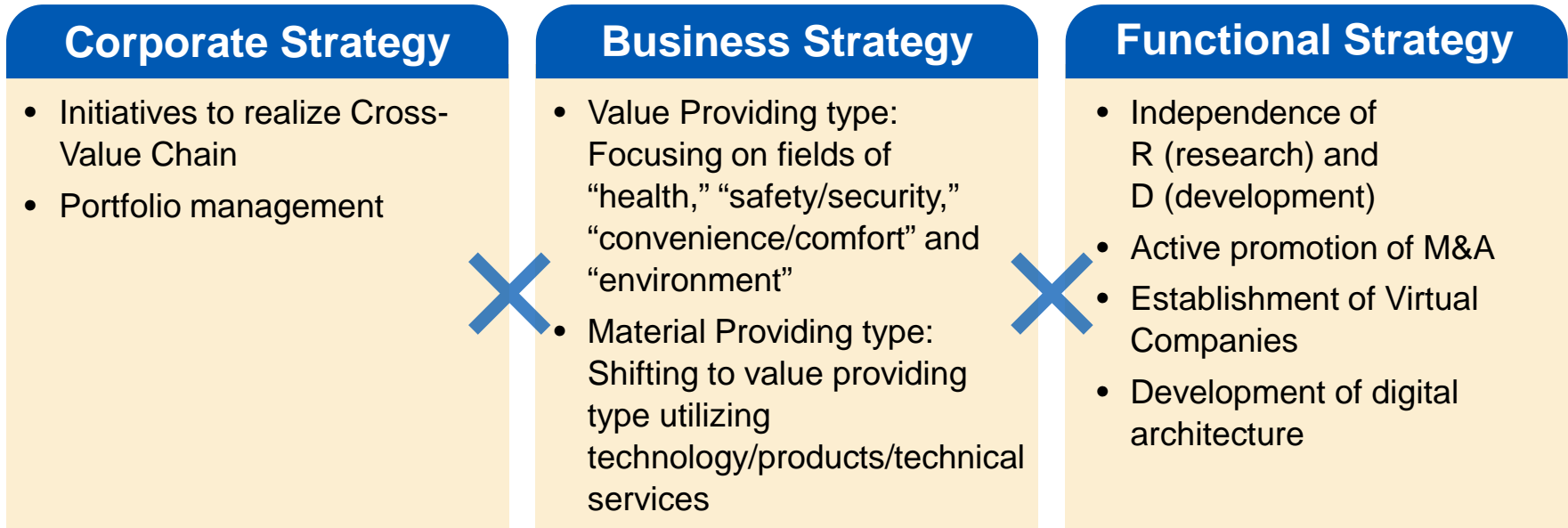
In the Mid-Term Strategy we will progress simultaneously with implementation of **Original DAICEL (OP-I)** and **New DAICEL (OP-II)** and prepare to implement a **New Business Group (OP-III)** indicating **OP-I** as management goals.



A graphic for the "Corporate Strategy" slide. It features a blue rectangular area on the left containing the text "Corporate Strategy" in white. A red horizontal line runs across the bottom of this blue area. The background of the slide is a blurred image of a road curving through a dense forest of green trees, suggesting forward motion and a strategic path.

Corporate Strategy

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



— Accelerate 2025 Management Goals —

ROIC: 10% or more, EBITDA: 100 billion yen or more, Operating Profit to reach a record high

Key Indexes: ROE ≥ ROIC ≥ ROA > WACC

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

Initiatives to realize Cross-Value Chain

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

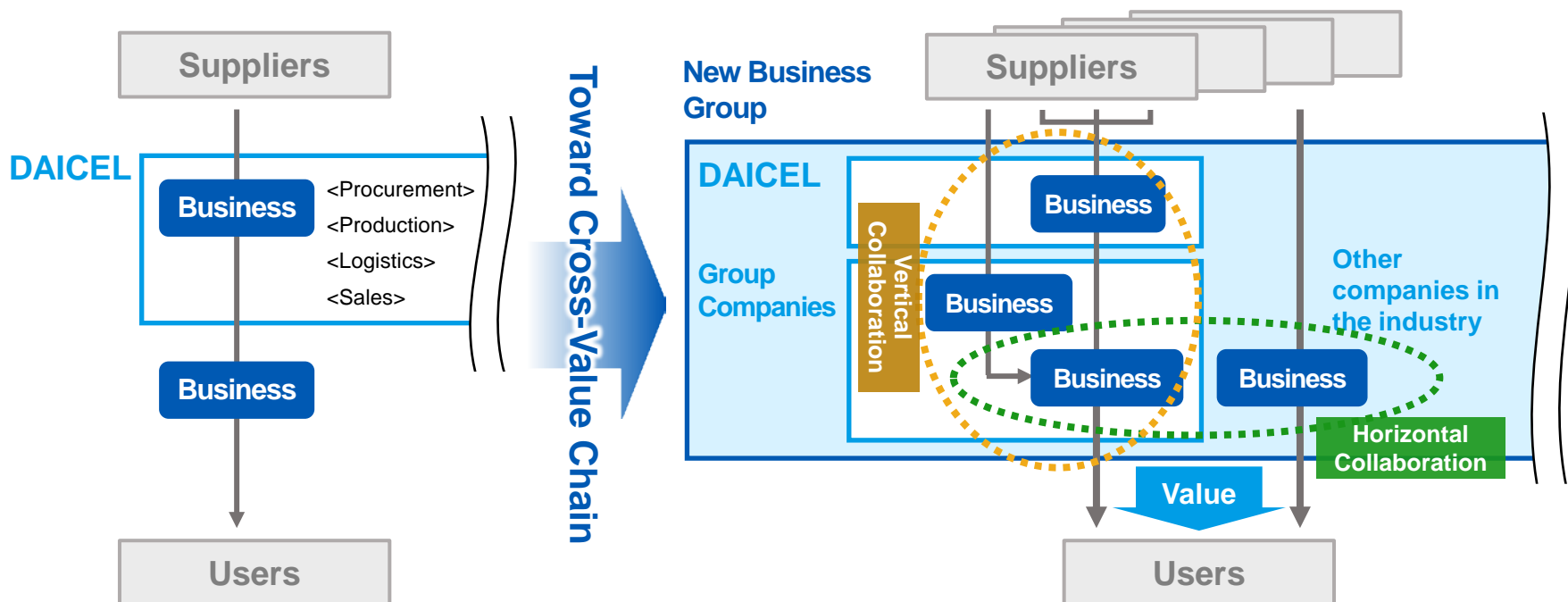
Realizing “a chain as one body,” strengthening competitiveness in the market as a business group instead of as an individual company, we aim to continue providing more valuable goods for society

▶ 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/Security,” “Convenience/Comfort” and “Environment”
- ▶ Consolidating conventional 68 business segments to 33 business segments

Next Generation

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

Growth

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

Reform

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

Foundation

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

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

◆ Medical, health care ◆ Smart ◆ Safety ◆ Material ◆ Engineering plastics ◆ Other



Business Strategy

Next generation



Main products

[Cosme BU]

1,3-Butylene glycol (1, 3 BG)
Polyglycerin derivative
Thickener

[Health foods BU]

S-equal
Ceramide
Mail-order supplement

SDGs



Future vision

With unique ingredients and technologies, we will continue to contribute to people's beauty and health

Main measures

Cosmetics BU:

Become a player with a greater presence in the cosmetics market

- Promote 1,3 BG with stable supply through multiple production bases, and the world's No. 1 quality
- Expand lineup of skincare ingredients
- Incorporate downstream business functions
- Develop market of environmentally-friendly Cellulosic Acetate Beads

Health food BU:

Become a player with strengths in original ingredients and evidence-based data

- Increase production of S-equal and expand lineup of intestinal metabolites
- Incorporate ingredients and services focusing on intestinal flora
- Develop products with environmentally-friendly "up-cycle" ingredients
- Strengthen the mail-order business

Next generation

Foundation



Main products

[Analytical Tools (AT) BU]

Chiral & Achiral columns / stationary phases
New analytical tools

[Pharma Services (PS) BU]

Analytical/Purification/Synthesis/Formulation services

[Specialty Chemicals (SC) BU]

Chiral reagents, Bio reagents
Analytical standards

[Biotech (BT) BU]

DNA and RNA-based probes

SDGs



Future vision

In growing Biopharma market focusing on biomolecules (medium/large molecules) , we offer solutions as in “chiral” field (small molecules)

Main measures

AT BU: Offering new value in separation/analytical markets, continuing to grow Chiral business

- Maintain the market leader position in the chiral column market
- Develop new applications for medium molecules such as peptides and launch new products
- Acquire new analytical tools for pharma/medical markets

PS BU: Offering services that accelerate the developments in Pharma/Biopharma markets

- Develop integrated and innovative services through synergies with other BUs
- Expand Analytical and Purification services to Biopharma market
- Expand businesses in growing markets (China and India)

SC BU: Offering advanced specialty chemicals for drug development with a focus on reagents and standards

- Expand the product lineup of the existing reagents and standards, utilizing low-cost manufacturing in China and India
- Develop and market products for Oligos and Biotech markets
- Develop a global logistics platform

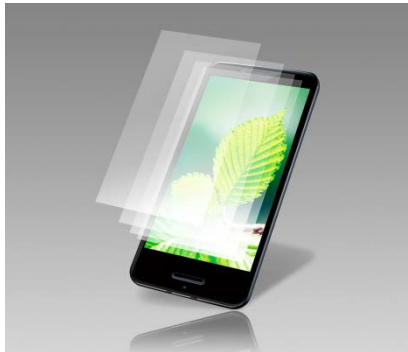
BT BU: Offering products/services with a focus on human diagnostics market

- Expand the product lineup in Agri-bio market
- Acquire products and services for diagnostics and cell/gene therapy

Next generation

Growth

Foundation



Main products

[Display BU]

Triacetylcellulose(TAC)
Surface release film for automotive and electrical materials

[IC/Semiconductor BU]

Solvent for electronic materials
Polymer for resist
Semiconductor process cleaning agent

[Sensing BU]

Lens Modules
Silver nanoink
Organic semiconductor devices

SDGs



Future vision

Providing solutions by essential technology and products for a smart society

Main measures

Display BU:

Be a player in the diversified display market

- Provide high performance display materials that are highly visible, have better appearance and high damage resistance.
- Expand materials which are based on renewable sources to support high-functionality large-screen displays

IC/Semiconductor BU:

Be a supplier of Advanced Semiconductor Processes

- Expand product lineup of resist polymers and ultra-high-purity solvents
- Launch materials for semiconductor processes

Sensing BU:

Be a Pioneer in Visualization Technology

- Differentiation by integrated proposal of sensing and light source lenses
- Social demonstration and implementation of film sensors equipped with organic semiconductors that provide energy-saving value
- Expand business areas through co-creation with external partners

Next generation

Growth



Main products

[Mobility BU]

Inflator
Synthetic resin for mobility products

[Industry BU]

Initiator/PGG
Pyrofuse
Safety device for non-mobility products

SDGs



Future vision

Continuing to provide innovative safety and security to society on the foundation of know-how cultivated in pyrotechnics and vehicle safety industry

Main measures

Mobility BU:

Providing new value to support safety and security of next generation mobility

- Thorough productivity enhancement to strengthen competitiveness
- Profitability improvement by cataloging products and improving efficiency of overseas bases
- Sales expansion of OEM business in Europe, USA and India through strengthening collaboration with module makers
- Adopting next-generation technology

Industry BU:

Expand the safety and security created by pyrotechnics into wider areas

- Redesign and implementation of global initiator strategy
- Sales expansion of PGG through design strategy and collaboration
- Sales expansion of pyrodevices through strengthening marketing activities in Europe
- Development of new use of pyrodevices

Growth

Foundation

Reform



Main products

[Acetyl BU]

Acetic acid and derivatives
Acetate tow
Cellulose acetate

[Chemical BU]

Cycloaliphatic epoxies
Caprolactone
Alkylamines
Ketene derivative

SDGs



Future vision

Continuing to provide various solutions responding to global scale needs, with technology cultivated through material business, the starting point of Daicel

Main measures

Acetyl BU:

Realizing a more affluent life for people around the world through the power of materials

- Enhancement of profitability and competitiveness of existing business
- Strengthen/upgrade of global technical support
- Strengthen of supply chain to flexibly adapt to changes of market
- Achieve new cellulose business with environment plastics at its core

Chemical BU:

By manufacturing in line with social changes

Bring solutions to the world

- Multiple production bases for cycloaliphatic epoxy
- Development of high value-added applications through quality differentiation
- Strengthen global structure through alliances
- Expanding our lineup of high-performance products

Growth

Foundation

Reform



Main products

[Polyplastics]

Polyacetal resin
 Polybutylene terephthalate resin
 Polyphenylene sulphide resin
 Liquid crystal polymer
 Cycloolefin copolymer

[DAICEL Miraizu]

CMC	Organic products
Resin products	Household goods

SDGs



Future vision

Continuing to provide solutions toward sustainable society with the power of material including engineering plastics

Main measures

Polyplastics:

The No.1 Solution Provider for Engineering Plastics

- Creation of new business
- Strengthening of global technical solution structure
- Development of high quality and high value-added materials to increase the share in the premium market
- Supply stabilization and technological innovation to be prepared for market scale expansion
- Strengthening of global supply structure

DAICEL Miraizu:

Aiming to solve social/customer needs in fields of resin/chemical products/life

- Further expansion of CMC business with LIB market at its core
- Establishment of compound technology and product development for the launch of environmentally compatible resins
- Global business development of various kinds of products through utilizing overseas networks

Functional Strategy



Technology and Intellectual Property

Strengthening business with Proactive IP

Extend information network for creating business
Technology and business strategy based on
market information
IP Landscape

Research

Identifying seeds of new business from user's viewpoint

Solutions for future issues of society
Organic-inorganic hybrid materials
Biomass products tree

Development

Upgrading of business creation ability

Co-solution with partners
Incubation and development of key technologies
All of us are part of sales force!
New assessment/analysis technology
Virtual laboratories
Collaboration with other companies/M&A

New Business Initiatives



Health

Microbiome-based Products and Services
Biopharmaceutical/Diagnostic Products and Services
Fluorescent Nanomaterials
for Bioimaging

Reliable milliseconds pyro-fuse
Self-activating pyrodevices

Safety and security

**[Novel drug delivery device
for animal trials]**
Actranza™ lab.

Efficiently delivering large molecules
such as plasmid DNA encoding genes
into cells



Convenient and comfortable

Wafer-level lenses
Organic semiconductor sensors
Printed Electronic Materials

Biomass products tree
Biodegradable resin
New water treatment membranes
Low friction control technology

Environment

[Nanodiamonds]
DINNOVARE™

By controlling the friction interface
metal-free and enable energy
saving drive



Concentrating power at the workplace and aiming to provide value to partners in the virtual company

Relentless pursuit of safety/quality

No mistake/low impact mistake

- Completing preventive measures
- Strengthening post-incident countermeasures

Comprehensive assessment of environment, safety and health

Crisis assessment

- Reform of workplace management

Restructuring workplace from perspective of disabled

Ultimate asset light

Reducing lead time

- Pursuit of inventory reduction
- Ultimate headcount

Performance improvement of set-up change

Minimizing workload
Multiskilled workers

- Offset of energy

Balance between generation and consumption: \pm zero

Virtual factory by BU

- Information infrastructure

Inventory control

Management accounting

Traceability

Foundation of high performance at workplace

Production architecture

Strengthening technology/skill

- Foundation of human resources

Visualizing know-how
Utilizing elemental technology

Reform of field work

Experience-type training

Workstyle Innovation

Realizing Cross-Value Chains

Virtual Company supports decision making to be win-win
Realizing Next-generation production innovation utilizing AI

Accelerating the Development of New Business

Integration of enhanced antenna functions
(market, customer, IP information) and
technology

Implementing CRM, IP Landscape and Virtual Lab

Realizing Virtual Company

Developing common specifications that allow
flexible rearrangement such as vertical or
horizontal integration

Digital Architecture Deployment
(The Daicel Production Innovation initiative, Business
Process Innovation)

Change! Challenge! Human Resources

Growth of diverse employees with a sense of accomplishment through recognizing their achievements

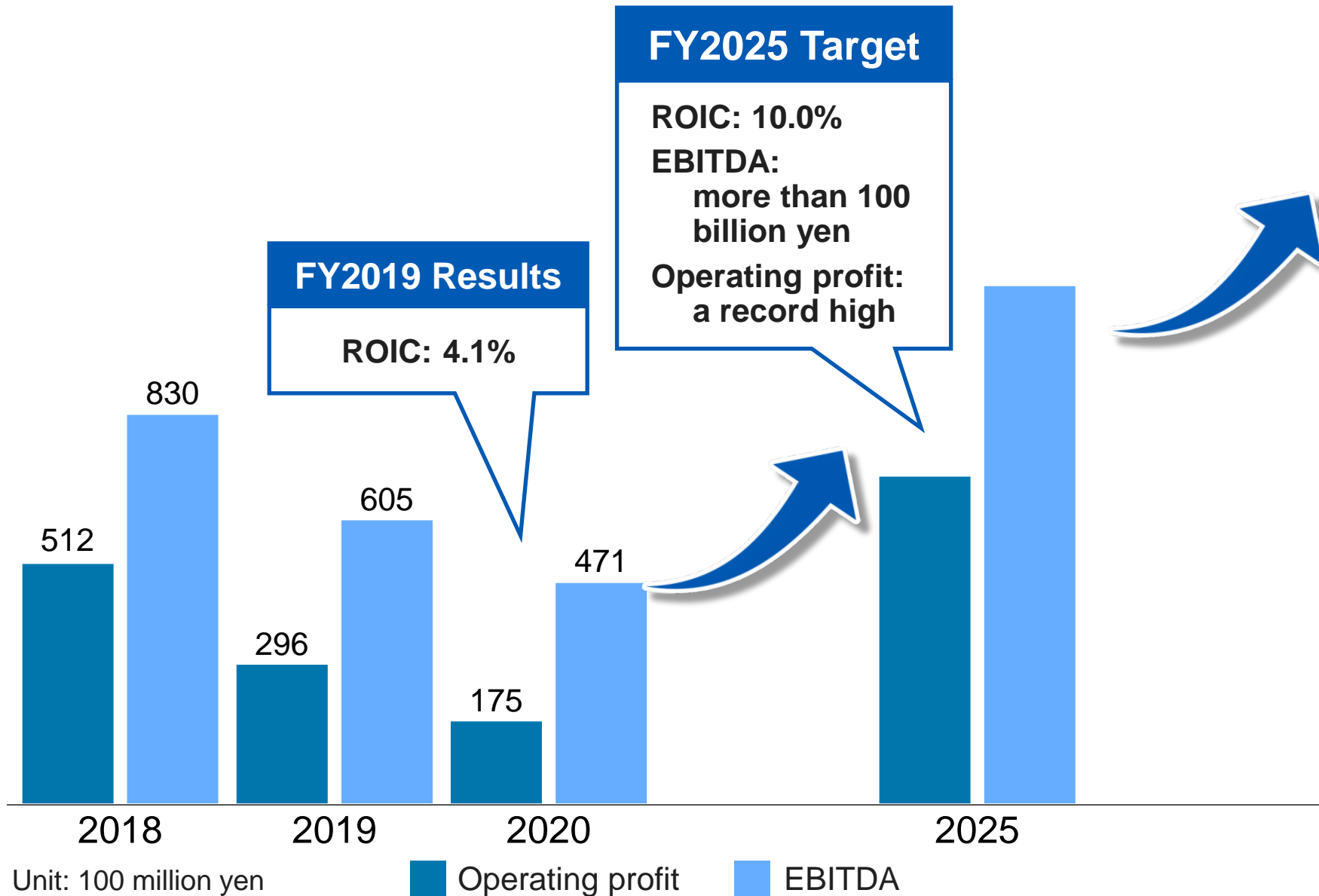


Protect "human-centered management"

Management Goals



Management Goals



Basic policy

- ▶ **Maximizing asset efficiency and realizing optimal capital structure ($ROE \geq ROIC \geq ROA > WACC$)**
- ▶ **Securing soundness to maintain fund raising capacity**
- ▶ **Stable dividends reflecting the consolidated business results**

Profit distribution shall be decided according to this policy,.

We will flexibly carry out treasury stock acquisition as a shareholder return measure in order to supplement dividends.

Notes regarding Forward-Looking Statements

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