

New midterm management plan

# 「DK-One Next」



**DAIICHI KIGENSO KAGAKU KOGYO CO., LTD.**



# Introduction of the new midterm management plan "DK-One Next"

## We introduced a new 10-year midterm management plan called "DK-One Next" in FY2023.

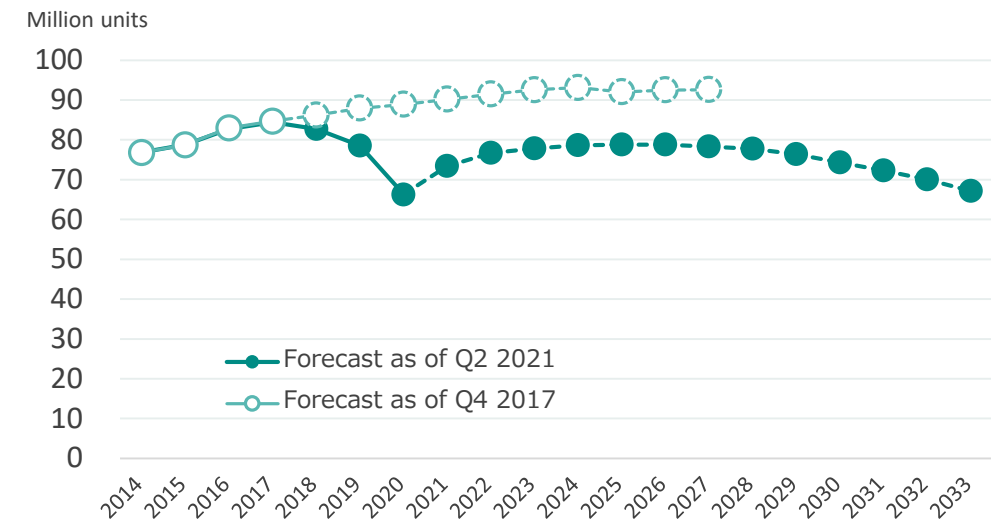
In order to respond quickly to these trends, we have ended the "DK-One Project" one year ahead of schedule.

### Gas reduction targets of major nations

Carbon Neutrality Target			
Japan	<b>2050</b> Prime Minister's Speech (Oct. 2020)	UK	<b>2050</b> Long term strategy (Mar. 2020)
USA	<b>2050</b> Mr. Biden's pledge (Jul. 2020)	China	<b>2060</b> Speech at the UN (Sep. 2020)
EU	<b>2050年</b> Long term strategy (Mar. 2020)	ROK	<b>2050</b> Long term strategy (Dec. 2020)

Source: Our processing based on METI's website

### Sales of vehicles with internal combustion engines will not reach the outlook expected before COVID-19.



Source: Our calculations based on LMCA report

## Management Philosophy

To pursue a continuous supply of **valuable products** for society,  
we need to utilize the hands of individuals who live a **fulfilling life**.

In order to live a **fulfilling life**,

we need to create a **rewarding workplace** – a place where we spend a significant part of  
our lives.

## Vision

Growing with *Rare Elements* - Becoming a *100 Year Company*

## Midterm Management Policy

We remain committed to creating new businesses and tackling the major changes  
that are set to occur in the business environment over the next 10 years.

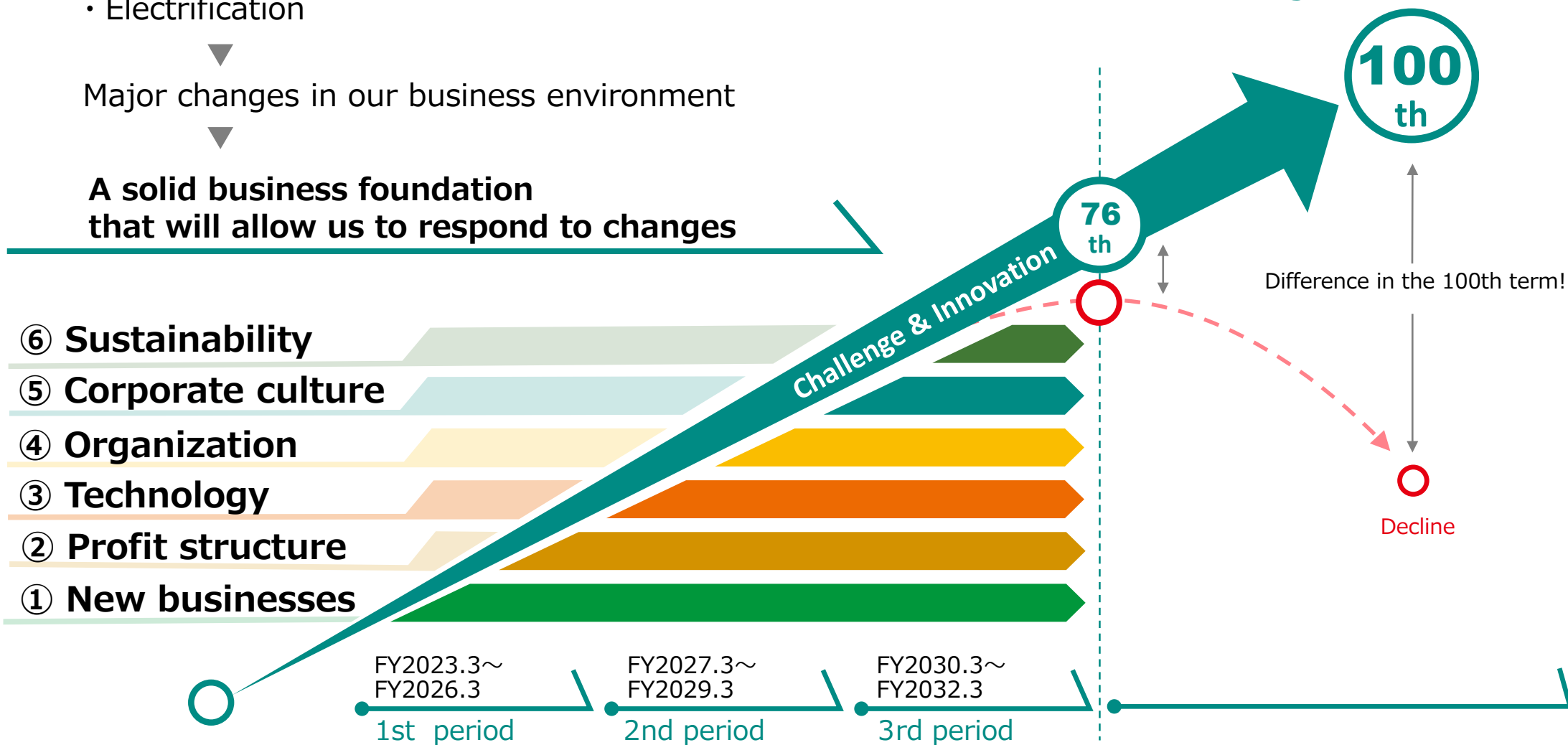
# Concept of the new midterm management plan "DK-One Next"

- Carbon neutrality
- Electrification

Major changes in our business environment

**A solid business foundation  
that will allow us to respond to changes**

**Growing with *Rare Elements*  
– Becoming a 100 Year Company**



# The six pillars to work on

**Developing innovative  
manufacturing  
techniques**

**Continuing  
organizational  
development practices  
that produces results**

**Cultivating a Kigenso-  
like corporate culture**



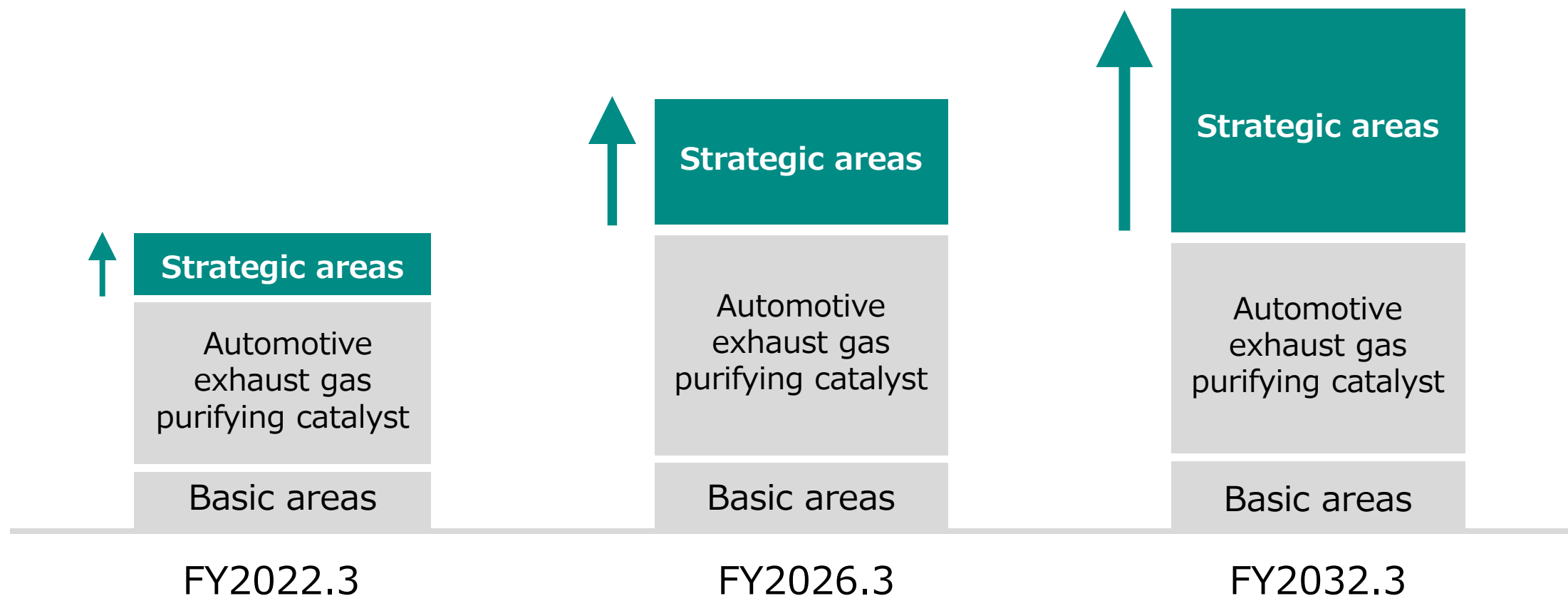
**Creating new businesses**

**Implementing measures  
for sustainability**

**Reforming  
our profit structure**

## We have identified strategic areas for major investment.

Strategic areas : Semiconductors/Electronics, Energy, and Healthcare



# Market Environment and Sales Forecast for Automotive Exhaust Gas Purifying Catalysts

## 1 Increase in demand for precious metal carriers

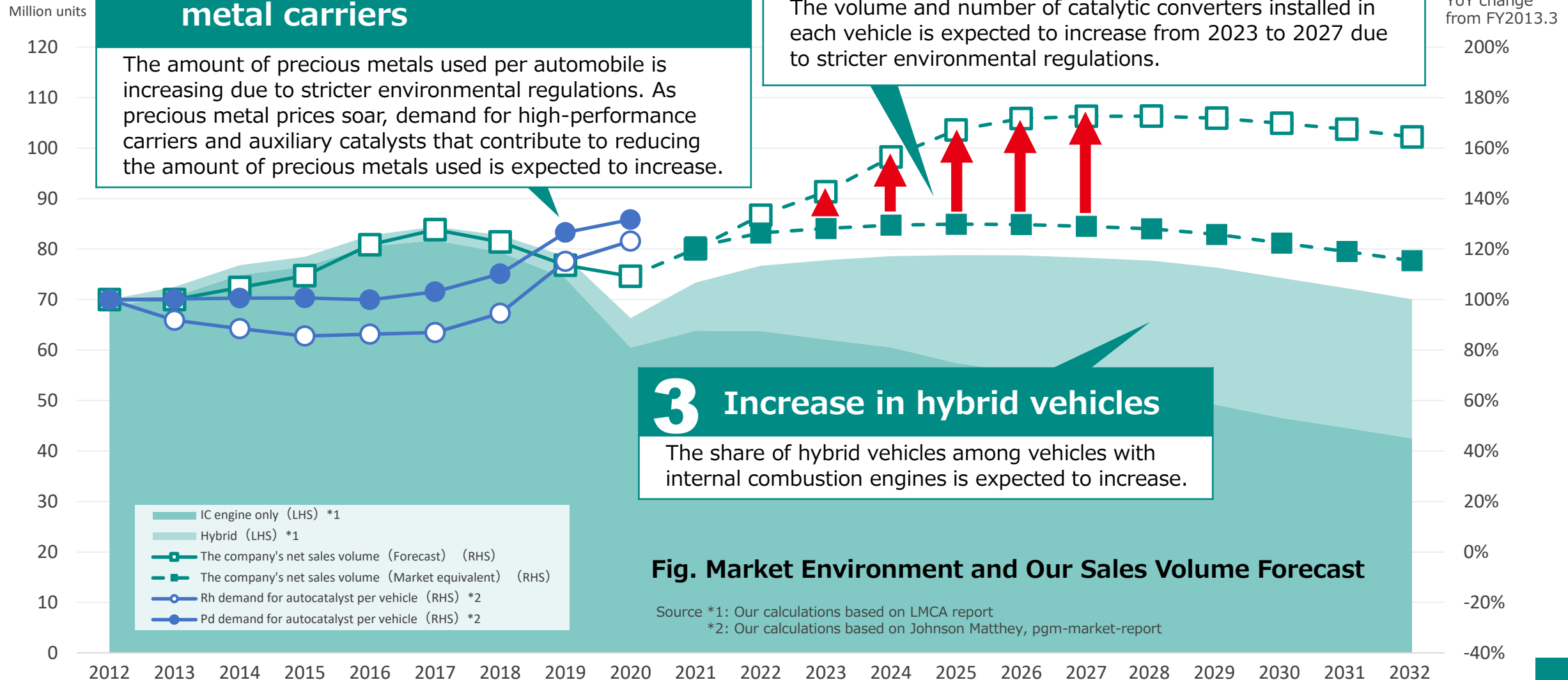
The amount of precious metals used per automobile is increasing due to stricter environmental regulations. As precious metal prices soar, demand for high-performance carriers and auxiliary catalysts that contribute to reducing the amount of precious metals used is expected to increase.

## 2 Increase in catalyst loading

The volume and number of catalytic converters installed in each vehicle is expected to increase from 2023 to 2027 due to stricter environmental regulations.

## 3 Increase in hybrid vehicles

The share of hybrid vehicles among vehicles with internal combustion engines is expected to increase.



# Market Environment and Initiatives in Strategic Areas

## Carbon Neutrality Energy savings

- Fuel cells
- Water electrolysis
- Hydrogen generation

## Population Aging in developed countries and regions

- Dental materials
- Health care

## Diversification of functional materials

- We have identified strategic areas for major investment.
- We have formed a new businesses creation team.
- We will fully utilize the network that it has cultivated in our core areas.

- Semiconductors
- Electronics

## Advances in IoT such as 5G, DX, and smartification

## Electrification including hybrid vehicles





# Key Management Figures and Policies (FY2026.3)

## Management Targets

Based on raw material prices and exchange rates  
as of September 2021

	FY2022.3 Forecasts as of October 2021	FY2026.3 Targets
Net sales	29.2 billion yen	40.0 billion yen
Operating profit	3.0 billion yen	4.0 billion yen
EBITDA	5.6 billion yen	9.0 billion yen
ROIC	4.9%	6.0% or higher

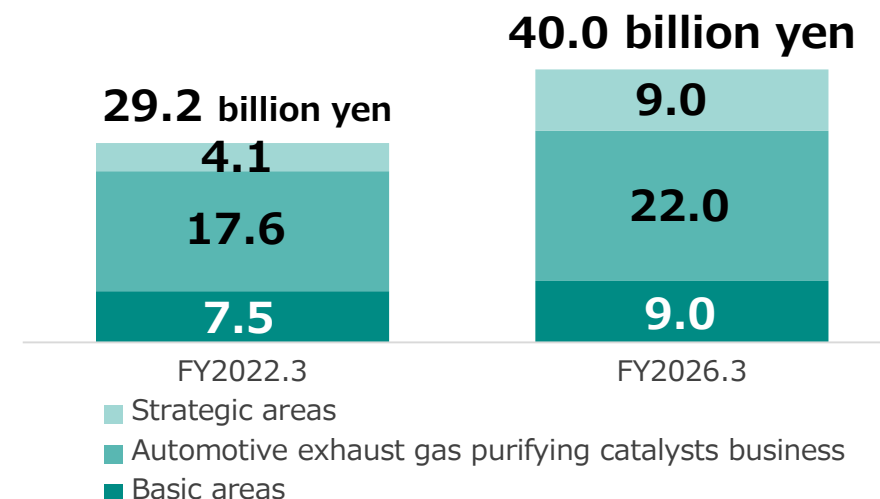
## Cash Flow Plan

To keep the total net investment cash flows and dividends  
within operating cash flows for the four-year period

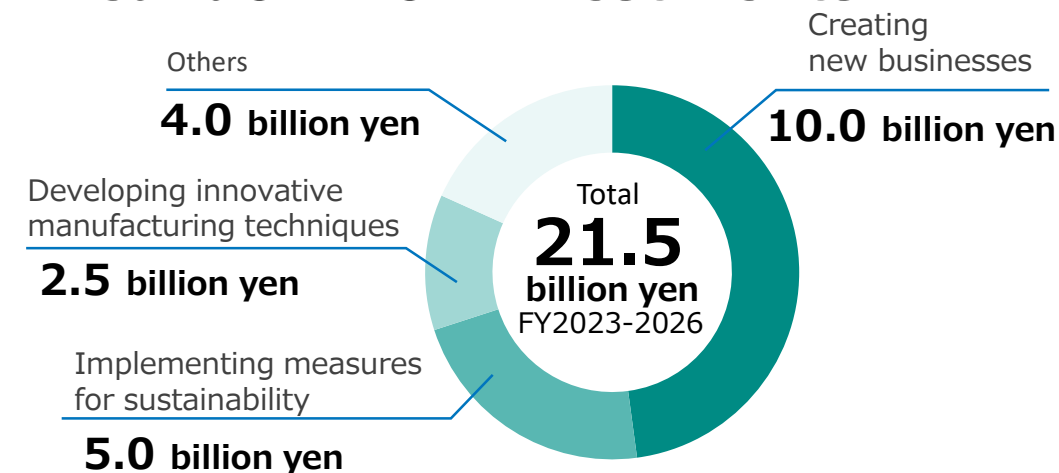
## Approach to profit allocation

To hold a basic policy of actively providing return of profits to  
shareholders while comprehensively consider business results and  
promoting investment in strategic fields, and to aim for a shareholder  
return ratio of 30%

## Breakdown of Sales



## Breakdown of Investments



# Major Investments (FY2023.3-2026.3)

Breakdown	Purposes and Initiatives	Estimated investment
Creating new businesses	<p><b><u>Increase production and promote innovation in strategic areas</u></b></p> <ul style="list-style-type: none"> <li>• Supply to the semiconductors/electronics, energy, and healthcare areas</li> <li>• Opening a new R&amp;D center at Osaka Site and further strengthening R&amp;D system</li> <li>• State-of-the-art evaluation equipment for new applications and products</li> </ul>	<p><b>10.0 billion yen</b></p>
Implementing measures for sustainability	<p><b><u>Sustainable supply chain and carbon neutrality</u></b></p> <ul style="list-style-type: none"> <li>• Manufacturing intermediate materials in Vietnam, an ore-producing country</li> <li>• Environmental friendly process design and facilities</li> <li>• Reduction of CO<sub>2</sub> emissions through reuse of waste heat, etc.</li> </ul>	<p><b>5.0 billion yen</b></p>
Developing innovative manufacturing techniques	<p><b><u>Improvement of productivity and operational efficiency</u></b></p> <ul style="list-style-type: none"> <li>• Fundamental review of production processes to improve production throughput</li> <li>• Digital transformation (DX) to save manpower and increase productivity</li> </ul>	<p><b>2.5 billion yen</b></p>
Others	<ul style="list-style-type: none"> <li>• Strengthen sales, logistics, and production bases</li> <li>• Renovation of production facilities</li> <li>• Development of IT infrastructure</li> </ul>	<p><b>4.0 billion yen</b></p>

\* Includes investments in progress



## Disclaimer for this material

Forecasts and forward-looking statements in this document are based on currently available information and assumptions about economic conditions in Japan and other countries, industry trends related to our business, and other factors that may affect our performance.

These factors are subject to a number of uncertainties, including market conditions, competitive conditions, and the availability of our new products. Therefore, please be aware that actual results may differ significantly from these forecasts.

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