

[Provisional Translation Only]

The Company provides this English translation of the original Japanese document solely for information purposes, and in the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Corporate Governance Report

Last Update: December 20, 2018

DAICEL CORPORATION

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Securities Code: 4202

<https://www.Daicel.com/en/>

The corporate governance of DAICEL CORPORATION (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

For Daicel, the strengthening of corporate governance is recognized as an important management issue to improve corporate value and fulfill the Company’s social mission and responsibility as a listed company. By clarifying the division of roles of each organization, the Company ensures mobility and institutes a management system that can promptly make decisions and implement them. As well, the Company actively incorporates external opinions into company management and improves both the transparency and fairness of management. Thus, the Company strives to maintain the soundness of its management.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Supplementary Principle 4-4-1

Among its five Audit & Supervisory Board Members, the Company has appointed three Outside Audit & Supervisory Board Members, all of whom are identified as Independent Audit & Supervisory Board Members; two Standing Audit & Supervisory Board Members have also been appointed.

Standing Audit & Supervisory Board Members attend important internal meetings such as the Management Meeting, Planning Meeting, Business Strategy Meeting and Risk Management Committee, which enables them to audit the overall management of corporate affairs.

In addition, although the various Audit & Supervisory Board Members and Directors exchange information and opinions as needed, the Company is scheduled to further enhance the system to ensure greater cooperation between Audit & Supervisory Board Members and External Directors in the future.

Principle 4-11

Our Board of Directors consists of persons with professional knowledge and fertile experiences in each of our business operations, research and development, product quality and safety, as well as corporate management and financial affairs. We acknowledge that our Board of Directors satisfies both diversity and adequate size in order to effectively conduct roles and responsibilities as the Board of Directors. We

confirm the importance of ensuring diversity such aspects as gender and internationality and will continue to work on further improving the functions of the Board of Directors.

Additionally, our Audit & Supervisory Board, comprised of professional personnel such as a lawyer, a certified public accounts and an academic expert, possess sufficient experiences, abilities and knowledge of financial, accounting and legal affairs.

Moreover, we strive to analyze the effectiveness of the Board of Directors and to improve its functions, by the monitoring of the Board of Directors' effectiveness by the Audit & Supervisory Board members, mutual evaluation between the Directors.

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1-4

We will adhere to a shareholding policy when this principle is judged to contribute to the improvement of medium- and long-term corporate value from the perspective of strengthening business relationships, maintaining the stability of transactions with financial institutions, and maintaining or strengthening cooperative business relationships. We will periodically verify the status, objective and rationale for our shareholding policy and report our findings to the Board of Directors.

We regularly verify the benefits and risks of all brands that we possess, both quantitatively and qualitatively. When some brands do not meet the purpose of our possession or are not recognized economic rationality, we will reduce the brands in order. We report the result of the verification to the Board of Directors and receive the investigation of the contents.

Regarding rights of voting related to strategic shareholdings, we determine to exercise the rights considering if the exercise of the rights do not cause serious impacts on Daicel and our Group's purposes of possession, will contribute to sustainable growth and enhance mid- and long-term corporate value of the investee company, and contribute to the common benefits of shareholders.

Principle 1-7

In an effort to monitor transactions between related parties, the Company conduct a questionnaire every year to determine whether transactions have taken place between Directors, Audit & Supervisory Board Members, Executive Officers, and their close relatives and the Group; moreover, to determine whether transactions have taken place between a group whose the substantial majority of voting rights were held by Directors, Audit & Supervisory Board Members, Executive Officers or their close relatives and the Group. The Management Committee confirms the importance and the nature of all transactions taking place between related parties, such as whether the amount of the transaction is large or irregular.

In addition, the Company requires the Board of Directors to deliberate and resolve conflicts of interest regarding transactions involving Directors (through resolutions of the Board of Directors and post-exit reports at every six months).

Principle 2-6

We have established the Asset Management Committee, consisting of members from human resources and accounting and finance departments, with adequate capacity of managing deposit of corporate pension. The Company conducts adequate initiatives in terms of personnel and management, such as implementing the monitoring of investment institutions based on the basic policy of deposit management, which we have formulated on our own.

Principle 3-1

- 1) The Company has posted its basic philosophy, long-term vision, and an outline of its medium-term management plan on its website.
- 2) The Company posts its basic views to corporate governance on its website and describes it in the Securities Report and in Corporate Governance Report I, Article 1.
- 3) The policies and procedures for determining compensation for Directors and Audit & Supervisory Board Members are described in the Securities Report; in Corporate Governance Report II, Article 1, "Director Remuneration"; and in the convocation notice of the Annual General Meeting of Shareholders.
- 4) Regarding the appointment of management executives and nomination of the Director and Audit & Supervisory Board Member candidates, the Company requires the personnel "to agree with and inherit the Daicel Group's Basic Philosophy, Conduct Policy and Daicel Code of Conduct" and "to possess necessary credentials and experiences to realize mid- and long-term enhancement of the Company's corporate

value” as standards and nominates the persons with adequate personality, knowledge, motivation, ethical view and management perspective to lead the Company. As the selection and nomination, we make determinations based on the reports from the Nomination and Compensation Committee, which consists of the External Directors, the Executive Chairman and the Directors, and the External Directors are the majority.

Based on their evaluations, performances and so forth, the Company appoints the Executive Officers from certain target persons who possess a mid- and a long-term management view and the ability to display their leadership. As the nomination of the Director candidates, the Company considers the balance and diversity of knowledge, experience and ability as the whole Board of Directors and the scale of the Company, and finally determines at the Board of Directors. For nominating the candidates of the Audit & Supervisory Board Members, we make decisions with the agreement of the Audit & Supervisory Board, considering their knowledge, experience and abilities that enable to audit the Directors’ performance adequately, fairly and effectively, and the scale of the Company.

Furthermore, we determine the removal according to the answers of the Nomination and Compensation Committee, considering the Removal Standards mentioned below.

[Removal Standards]

1. In the case of actions violating laws and the article of association or antisocial actions
2. In the case of significantly damaging the Company’s corporate value by the unsatisfactory professional conduct.
3. In the case of not being recognized their credentials as the Company’s leader, such as not respecting the Daicel Group’s Basic Philosophy, Conduct Policy and Daicel Code of Conduct.

The Daicel Group’s Basic Philosophy, Conduct Policy and Daicel Code of Conducts can be seen the webpages listed below.

Daicel Group’s Basic Philosophy

<https://www.daicel.com/en/profile/philosophy.html>

Daicel Group’s Conduct Policy

<https://www.daicel.com/en/csr/policy.html>

Daicel Code of Conduct

<https://www.daicel.com/en/csr/standard.html>

- 5) The reasons for the nomination and appointment of candidates for the positions of Director and Audit & Supervisory Board Member are presented in the convocation notice for the Annual General Meeting of Shareholders. In addition, the reasons for nomination and appointment of individual candidates for the positions of External Director and Outside Audit & Supervisory Board Member are presented in the Securities Report and in the Corporate Governance Report II, Article 1, “Directors” and “Audit & Supervisory Board.”

Yet the removal has not been disclosed, since it has never occurred.

Supplementary Principle 4-1-1

The Board of Directors deliberates on important issues as stipulated in laws and regulations, the Articles of Incorporation and the Board of Directors’ Regulations. Decision-making and the undertaking of other matters are entrusted to Executive Officers and to the Management Meeting, the decision-making body at the business execution level. The Board of Directors receives reports on the results of decision-making undertaken at the Management Meeting and on the content of important meetings such as the Management Meeting, Planning Meeting, and Business Strategy Meeting, as well as the status of business execution by Executive Officers. Through these reports, the Board of Directors oversees decision-making and business execution by the Management Meeting and Executive Officers.

Principle 4-9

Regarding standards ensuring the independence of External Directors and Outside Audit & Supervisory Board Members from the Company, the Company has established Standards for Independence of External Directors/Outside Audit & Supervisory Board Members, which are presented in the convocation notice for Annual General Meeting of Shareholders; Securities Reports; the Corporate Governance Report II, Article 1, “Independent Directors/ Audit & Supervisory Board Members”; and on the Company website.

Supplementary Principle 4-11-1

Company policy is to ensure the members of the Board of Directors have the ability and insight to serve as Directors and have diverse knowledge, experience, and expertise. The Board of Directors is committed to maintaining the scale to make decisions promptly and efficiently while engaging in sufficient and appropriate discussions in meetings. At the present time, the Company considers 10 or fewer members as an appropriate number.

Regarding candidates nominated for the Board of Directors, the Company makes its decisions according to the report of the Nomination and Compensation Committee composed External Directors, the chairman of the Board of Directors and representative Directors, and chaired by an External Director, and whose majority is External Director.

Supplementary Principle 4-11-2

Every year, we disclose the concurrent positions of External Directors and Outside Audit & Supervisory Board Members at other companies through the convocation notice of Annual General Meeting of Shareholders.

Supplementary Principle 4-11-3

In order to maintain or improve the effectiveness of the Board of Directors, the Company analyzes and evaluates the performance of the Board of Directors once a year through a self-assessment of Directors and Audit & Supervisory Board Members.

Specifically, the Company conducts individual surveys of Directors and Audit & Supervisory Board Members regarding the composition of the Board of Directors; the content of its deliberations, resolutions, and reports and the like; and its operating methods. The Company analyzes and evaluates the results in order to confirm that the Board of Directors is functioning effectively. In addition, the Company uses the opinions of the Directors and Audit & Supervisory Board Members to further enhance discussions on management strategy, provide necessary information for management decisions and supervision, and simplify technical terminology, thus improving the Board of Directors in a timely manner to ensure its increased effectiveness in the future.

Supplementary Principle 4-14-2

Directors and Audit & Supervisory Board Members attend external seminars and training sessions in order to acquire the knowledge necessary for the performance of their duties and work tasks in addition to updating their skills and the like. The Company bears the costs of these activities.

Moreover, newly appointed Directors and Audit & Supervisory Board Members (excluding External Directors and Outside Audit & Supervisory Board Members) are required to attend external seminars. The Company also provides annual compliance training for Directors, Audit & Supervisory Board Members, Executive Officers, and other senior employees (excluding external officers). The Company continues to offer opportunities for them to deepen their understanding of the Daicel Group by providing introductory initiatives for the Board of Directors and conducting factory tours for External Directors and Outside Audit & Supervisory Board Members.

Principle 5-1

The Company-appointed head of the Corporate Support Center is an Executive Officer responsible for IR, and the Investor Relations & Corporate Communications is responsible for IR. Earnings briefing sessions are held each quarter for shareholders and investors. In addition, the President and Executive Officers responsible for IR provide shareholders and investors with explanations of these earnings reports as well as interim results.

In view of the Company's shareholding structure, the Company endeavors to engage in dialogue with foreign investors and participates in conferences for foreign investors sponsored by securities companies.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	21,193,100	6.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,773,800	5.30
Nippon Life Insurance Company	17,402,214	5.19
Toyota Motor Corporation	15,000,000	4.47
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,069,800	2.40
National Mutual Insurance Federation of Agricultural Cooperatives	7,779,300	2.32
Sumitomo Mitsui Banking Corporation	7,096,176	2.11
MUFG Bank, Ltd.	6,503,097	1.94
FUJIFILM Holdings Corporation	5,769,440	1.72
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,718,300	1.70

Controlling Shareholder (except for Parent Company)	---
Parent Company	None

Supplementary Explanation

The Change in Mass Holdings Report provided for public inspection dated September 26, 2016, indicates that the Nippon Life Insurance Company and two other companies held the following shares as of September 15, 2016. However, because the Company cannot confirm the number of shares of real property held as of September 30, 2018, these are not included in the Status of Major Shareholders table above.

Details of Change in Mass Holdings Report

Nippon Life Insurance Company 18,095 thousand shares 5.17%
Nissei Asset Management Corporation 2,361 thousand shares 0.67%
Mitsui Life Insurance Company Limited 2,594 thousand shares 0.74%
Total 23,052 thousand shares 6.59%

The Change in Mass Holdings Report provided for public inspection dated August 29, 2016, indicates that the Mitsubishi UFJ Financial Group's three co-owners held the following shares as of April 9, 2018. However, because the Company cannot confirm the number of shares of real property held as of September 30, 2018, these are not included in the Status of Major Shareholders table above.

Details of Change in Mass Holdings Report

MUFG Bank, Ltd. 6,503 thousand shares 1.86%
Mitsubishi UFJ Trust and Banking Corporation 13,959 thousand shares 3.99%
Mitsubishi UFJ Kokusai Asset Management Co., Ltd. 1,493 thousand shares 0.43%
Total 21,955 thousand shares 6.27%

The Change in Change Report pertaining to Mass Holdings Report provided for public inspection dated December 6, 2017, indicates that BlackRock Japan Co., Ltd. and ten other companies held the following shares as of November 30, 2017. However, because the Company cannot confirm the number of shares of real property held as of September 30, 2018, these are not included in the Status of Major Shareholders table above.

Details of Change in Mass Holdings Report

BlackRock Japan Co., Ltd. 4,880 thousand shares 1.39%
BlackRock Advisors, LLC 2,134 thousand shares 0.61%
BlackRock Fund Advisors 4,179 thousand shares 1.19%
BlackRock Institutional Trust Company, N.A. 6,004 thousand shares 1.72%

BlackRock Asset Management Ireland Limited and six other companies 4,730 thousand shares 1.36%
 Total 21,927 thousand shares 6.27%

The Mass Holdings Report provided for public inspection dated September 21, 2018, indicates that Sumitomo Mitsui Trust Bank, Limited and two other companies held the following shares as of September 14, 2018. However, because the Company cannot confirm the number of shares of real property held as of September 30, 2018, these are not included in the Status of Major Shareholders table above.

Details of Mass Holdings Report

Sumitomo Mitsui Trust Bank, Limited 14,441 thousand shares 4.13%

Sumitomo Mitsui Trust Asset Management Co., Ltd. 408 thousand shares 0.12%

Nikko Asset management Co., Ltd. 2,651 thousand shares 0.76%

Total 17,500 thousand shares 5.00%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	President
Number of Directors	8
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tadao Kondo	From another company									△			
Masafumi Nogimori	From another company									△			
Kunie Okamoto	From another company									○			
Teisuke Kitayama	From another company					△							

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tadao Kondo	○	Mr. Kondo conducted business at Nippon Shokubai Co., Ltd. until June 2012. Nippon Shokubai is a supplier of raw materials and is a sales target for the Company's products.	<p>From the insight and experience he has gained as an executive well-versed in the management of chemical production, Mr. Kondo speaks out proactively regarding management strategy such as M&A policy and cooperation with other companies and others when making important decisions with the Board of Directors from a perspective of fairness and impartiality. He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of External Directors/Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members]</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Director.</p>
Masafumi Nogimori	○	Mr. Nogimori was an Executive Officer of Astellas Pharma Inc. until June 2016. This company is a sales target for the Company's products.	<p>From the insight and experience he has gained as an executive well-versed in the management of pharmaceuticals production, Mr. Nogimori speaks out proactively regarding management strategy such as capital structure policy and new business and others when making important decisions with the Board of Directors from a perspective of fairness and impartiality. He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of External Directors/Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members]</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Director.</p>

Kunie Okamoto	○	Mr. Okamoto conducted business at Nippon Life Insurance Company until March 2018. This company is a lender to Daicel and holds an insurance contract with Daicel.	From the insight and experience he has gained as an executive well-versed in the management of financial institutions, Mr. Okamoto speaks out proactively when making important decisions with the Board of Directors from a perspective of fairness. He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of External Directors/Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members] In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Director.
Teisuke Kitayama	○	Mr. Kitayama conducted business at the Sumitomo Mitsui Banking Corporation, Company's main bank until June 2005 and served as an Executive Officer of Sumitomo Mitsui Financial Group, Inc., the parent company of Sumitomo Mitsui Banking Corporation until March 2011.	From the insight and experience he has gained as an executive well-versed in the management of financial institutions, Mr. Kitayama is speaks out proactively when making important decisions with the Board of Directors from a perspective of fairness. He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of External Directors/Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members] In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	6	6

Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	External Directors	External Directors

Supplementary Explanation

Nomination Committees and Compensation Committees are established as bodies that report on the nomination of Directors and Executive Officers and make recommendations on their compensation, under the consultation of the chairperson of the Board of Directors or the Audit & Supervisory Board.

As of June 22, 2018, the composition of the committee was as follows:

Chairman: Masafumi Nogimori, External Director

Member: Tadao Kondo, External Director

Member: Kunie Okamoto, External Director

Member: Teisuke Kitayama, External Director

Member: Misao Fudaba, President & CEO

Member: Masumi Fukuda, Representative Director

[Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members regularly receive reports from the Company's internal auditing divisions and the External Auditor. In addition, they collaborate on an "as-needed" basis through exchanges of information and opinions when undertaking company audits.

Collaboration with External Auditor

In order to strengthen cooperation with the External Auditor, the members of the Audit & Supervisory Board hold meetings about eleven times a year and exchange audit plans with one another. The members have also established a structure to ensure the External Auditor appropriately performs his or her duties (Article 131 of the Ordinance on Company Accounting), interim reports as well as quarterly reviews are issued on the status of audits, reports are issued on the status of audit implementation after the annual closing of accounts, and reports are issued on the status of internal control audits. Audit & Supervisory Board Members provide the External Auditor with explanations of the status of audits conducted by the Audit & Supervisory Board Members.

Audit & Supervisory Board Members are present at internal control interviews of internal audits conducted by the External Auditor.

Audit & Supervisory Board Members consent to audit compensation decisions of the External Auditor. Moreover, they make the decision on whether to reappoint the External Auditor.

Ryo Ichida, Outside Audit & Supervisory Board Member, is qualified as a Certified Public Accountant and Tax Accountant and has considerable knowledge of finance and accounting.

Collaboration with the Auditing Office

About every two months the Auditing Office notifies Audit & Supervisory Board Members with respect to the status of internal audits, particularly the status of improvement and evaluation of internal controls related to financial reporting.

Collaboration with the Quality Management Division

Audit & Supervisory Board Members interview the Quality Management Division three times a year regarding quality assurance within the Group.

Collaboration status with the Corporate Compliance Program Division

In addition to conducting regular meetings with the Corporate Compliance Program Division three times a year, Audit & Supervisory Board Members participate in top management reviews and corporate compliance officer training.

Collaboration with Responsible Care Division

Audit & Supervisory Board Members conduct interviews on the activities of the Responsible Care Division twice a year, in addition to participating in the Daicel Group Responsible Care Promotion Conference held annually with an eye to improving the level of awareness and initiatives regarding the Group's philosophy and policy with respect to Responsible Care.

Meanwhile, Outside Audit & Supervisory Board Members receive reports on the content of the state of cooperation with each internal audit division (Auditing Office, Quality Management Division, Corporate Compliance Program Division, and Responsible Care Division) mainly through the Audit & Supervisory Board and provide commentary and opinions as necessary.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toshio Takano	Lawyer													
Ryo Ichida	CPA													
Junichi Mizuo	Academic													

* Categories for "Relationship with the Company"

- * "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- * "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof

- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Members	Supplementary Explanation of the Relationship	Reasons of Appointment
Toshio Takano	○	-----	<p>Mr. Takano makes fair and impartial statements about confirmation of questions about the operation condition of internal whistle-blowing system and validity concerning performance from a professional perspective as a lawyer and speaks out proactively regarding the status of the creation of new business and risk management. Using his advanced expertise and insights as a legal professional and the experience cultivated in corporate legal affairs, Mr. Takano plays important role in making important decisions of the Board of Directors and engages in resolutions and consultations with the Audit & Supervisory Board, including the formulation of audit policies. Thus, he fully carries out his audit responsibilities and meets the Standards for Independence of External Directors/ Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members]</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Audit & Supervisory Board Member.</p>
Ryo Ichida	○	-----	<p>Mr. Ichida makes fair and impartial statements about confirmation of questions about the operation condition of internal whistle-blowing system and validity from a professional point of view as a certified public accountant</p>

			<p>and licensed tax accountant and speaks out proactively regarding the status of capital investment and risk management. Mr. Ichida plays important role in making important decisions of the Board of Directors and engages in resolutions and consultations with the Audit & Supervisory Board including the formulation of audit policies while using the insights and experience he has gained as a certified public accountant and tax accountant. Thus, he fully carries out his audit responsibilities and meets the Standards for Independence of External Directors/ Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members]</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Audit & Supervisory Board Member.</p>
Junichi Mizuo	○	-----	<p>From the insight and experience he has gained as an academic study CSR, corporate governance and business ethics, Mr. Mizuo speaks out proactively from a perspective of fairness in making important decisions with the Board of Directors and in resolutions and consultations with the Audit & Supervisory Board including the formulation of audit policies. He is thus fully capable of fulfilling his supervisory duties. Moreover he meets the Standards for Independence of External Directors/ Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members]</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Audit & Supervisory Board Member.</p>

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/ Audit & Supervisory Board Members	7
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Matters relating to Independent Directors/ Audit & Supervisory Board Members

The Company's Standards for Independence of External Directors/ Outside Audit & Supervisory Board Members is as follows.

The independence of External Directors/Outside Audit & Supervisory Board Members of the Company refers to such a person being independent from the Company's management without falling under any of the following:

1. A person executing the business, etc. ("Executing Person") of the Company (*1) and its affiliates (hereinafter, "the Group") and their relatives, etc. (*2);
2. A party for which the Group is a principal business partner (*3) or an Executing Person thereof;
3. A principal business partner of the Group (*4) or an Executing Person thereof;
4. A major shareholder of the Company (*5) or an Executing Person thereof;
5. A director and other Executing Person of an organization (*6) that has received a certain amount or more of donations or subsidies from the Group;
6. A consultant, certified public accountant or other accounting professional, or lawyer or other legal professional who has received a substantial amount of monetary compensation or other consideration other than director/corporate auditor compensation from the Group (*7) (if the party receiving such consideration is a corporation, association or other entity, a person belonging to the said entity or a person who has belonged to the said entity in the past three years).

(*1) An Executing Person refers to those who conduct business operations or conducted business operations within the past three years, including directors (excluding external directors), executive officers and employees.

(*2) Relatives refer to relatives within the second degree of kinship of those who conduct important business operations, including directors (excluding external directors), executive officers and division managers.

(*3) A party for which the Group is a principal business partner refers to a business partner group (which means entities that belong to the consolidated group to which the direct business partner belongs; the same shall apply hereinafter) that supplies products and services to the Group, where the business partner group's trading amount with the Group exceeds 2% of the consolidated sales of the business partner group in the any of the recent past three fiscal year.

(*4) A principal business partner of the Group refers to those who fall under either of the following:

(1) A business partner group to whom the Group supplies products and services, where the Group's trading amount with such group exceeds 2% of the Group's consolidated sales in the any of the recent past three fiscal years.

(2) A financial institution group (which means entities that belong to the consolidated group to which the direct lender belongs) from which the Group has borrowed funds, where the total amount of the Group's borrowings from the financial institution group exceeds 2% of the Group's consolidated total assets at the end of the any of the recent past three fiscal year.

(*5) A major shareholder of the Company refers to those who directly or indirectly hold voting interests of 10% or more.

(*6) An organization that has received a certain amount or more of donations or subsidies from the Group refers to public interest incorporated foundations, public interest incorporated associations, non-profit organizations, etc. which receive donations or subsidies of over 10 million yen per year within any of the past three years from the Group.

(*7) A consultant, certified public accountant or other accounting professional, or lawyer or other legal professional who has received a substantial amount of monetary compensation or other consideration other than director/corporate auditor compensation from the Group refers to those who received such consideration other than Director/ Audit & Supervisory Member compensation of over 10 million yen from the Group in any of the recent past three fiscal year or those who belong to an entity which receives such consideration from the Group in amount exceeding 2% of the said entity's consolidated sales or gross income.

The Company has designated all External Directors /Outside Audit & Supervisory Board Members meeting the qualifications for Independent Directors / Audit & Supervisory Board Members as Independent Directors / Audit & Supervisory Board Members.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Other
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Supplementary Explanation

The Company has decided to introduce performance-based bonuses as a short-term incentive. It will, therefore, pay bonuses in accordance with the accomplishment of performance indicators designated by the Board of Directors as of July 2018.

From July 2018 onward, the Company has also introduced a Restricted Stock Compensation System as a medium- and long-term incentive for Directors (excluding External Directors), Executive Officers (excluding those serving concurrently as Director) and Subordinate Directors, aiming to step up value-sharing with shareholders and motivate them to contribute more to the improvement in corporate value in the medium- and long-term. Details of this Stock Compensation Scheme are disclosed in the Securities Registration Statement.

(Excerpts from the Securities Registration Statement: Details of the Stock Compensation Scheme)

Eligible Directors etc. shall pay all monetary compensation receivables provided by the Company in accordance with this scheme as property contributed in kind, and the Company's common shares shall be issued to the eligible Directors etc. or disposed of by the Company. The total amount of monetary compensation receivables that the Company provides to eligible directors, etc. in accordance with this scheme shall not exceed 100 million yen per year and the total number of common stock of the Company to be issued or disposed of shall not exceed 125 thousand shares per year (however, in the event that a split of the Company's common stock [including allotment of the Company's common stock without contribution] or a reverse stock split is carried out or any event arises that makes it necessary to adjust the total number of the Company's common stock to be issued or disposed of as restricted stocks, such total number shall be adjusted to a reasonable extent). The amount of payment per share shall be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (if no trading is reported on that day, the closing price of the trading day immediately preceding that day), within a scope that it shall not be particularly advantageous to the eligible Directors etc. who take the restricted shares.

In the subscription specified by the Securities Registration Statement, the Company decided to grant a total amount of ¥182,474,528 in monetary compensation receivables for 154,117 common shares and set 30 years of transfer restricted period, after taking into account the objectives of the scheme, duties of eligible Directors etc. and other factors and according to the report by the Nomination and Compensation Committee (chaired by an External Director), the majority of which is represented by External Directors.

Recipients of Stock Options	-----
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

Amounts of compensation, etc., for Directors and Audit & Supervisory Board Members of the Company for fiscal 2017 are as follows:
Total Amount of Compensation, etc., Per Executive Category, Total Amount of Compensation, etc., by Type and Number of Executives

- Director (excluding External Directors) 4 persons, 233 million yen (including monthly compensation of 190 million yen and bonus of 43 million yen)

- Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members) 2 persons, 57 million yen (including monthly compensation of 47 million yen and bonus of 10 million yen)
- External Director: 4 persons, 38 million yen (monthly compensation only)
- Outside Audit & Supervisory Board Members: 3 persons, 30 million yen (monthly compensation only)

Notes:

1. A resolution of the 152th Ordinary General Meeting of Shareholders held on June 22, 2018, held the amount of compensation for Directors to a maximum of 500 million yen annually (including a maximum of 60 million yen per year for External Directors).
2. A resolution of the 152th Ordinary General Meeting of Shareholders held on June 22, 2018, held the amount of compensation for Audit & Supervisory Board Members to a maximum of 120 million yen annually.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Approach regarding Compensation etc.
 - (1) Compensation etc. of Directors and Audit & Supervisory Board Members shall be determined by Board of Directors' resolution for Directors, and Audit & Supervisory Board Members' discussion for Audit & Supervisory Board Members, within the scope of the total amount of compensation etc. approved by the general meeting of shareholders.
 - (2) Compensation etc. of Directors and Audit & Supervisory Board Members shall consist of monthly compensations and bonuses. Their compensation system shall be closely linked with the Company's performance and reflect their duties.
From July 2018 onward, compensation etc. of Directors shall consist of monthly compensations, bonuses and stock-based compensations, and their compensation system shall be closely linked with the Company's performance and reflect their duties. Compensation etc. of Audit & Supervisory Board Members shall consist of monthly compensations and their compensation system shall reflect their duties.
 - (3) To ensure transparency and fairness with regard to compensation etc., the Company will establish opportunities for the exchange of opinions at the Nomination and Compensation Committee, which is an advisory body, and the Board of Directors.
 - (4) Bonuses will not be paid to External Directors or Outside Audit & Supervisory Board Members.
From July 2018 onward, bonuses and stock-based compensations will not be paid to External Directors or Outside Audit & Supervisory Board Members.
2. Method of calculating monthly compensation
In principle, the monthly compensation of Directors and Audit & Supervisory Board Members is a fixed amount paid in accordance with internal rules that are determined by the Directors' duties and job titles in business execution and as to whether or not the Audit & Supervisory Board Members are full-time. Regarding monthly compensation, the Company has revised the compensation to an appropriate and fair level reflective of its business performance, accomplishment of medium- and long-term business plans, and social situation, among other factors.
3. Method of calculating bonuses
Bonuses for Directors and Audit & Supervisory Board Members are determined each time payment is made after considering business performance in a single fiscal year, accomplishment of medium- and long-term business plans, and social situation, among other factors.
From July 2018 onward, aiming to step up value-sharing with shareholders and motivate Directors to contribute more to the improvement in the Company's business performance, the Company shall link bonuses for Directors more closely with business performance and pay them in accordance with the accomplishment of performance indicators designated by the Board of Directors.
4. Regarding stock-based compensations
From July 2018 onward, aiming to step up value-sharing with shareholders and motivate Directors to contribute more to the improvement in corporate value in the medium- and long-term, the Company has introduced a Restricted Stock Compensation System as stock-based compensations for Directors. At the 152nd Annual General Meeting of Shareholders held on June 22, 2018, we adopted a resolution to provide

Directors with monetary compensation receivables not exceeding 100 million yen per year as compensation that serves as property for acquiring restricted stocks.

5. Nomination and Compensation Committee

To ensure transparency, validity and objectivity, the amount of compensation etc. of Directors and Audit & Supervisory Board Members is determined in accordance with the report by the Nomination and Compensation Committee (chaired by an External Director), the majority of which is represented by External Directors.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

The Board of Directors (with the attendance of Audit & Supervisory Board Members) also provides a summary of the agenda of all the conference bodies described in the securities report to External Directors in each instance.

With regard to particularly important decisions, the Director in charge provides details of the project to the External Directors in advance and endeavors to provide sufficient information so that the Board of Directors can make appropriate decisions.

In the event an External Director or Outside Audit & Supervisory Board Member is absent from the Board of Directors, the minutes of the Board of Directors are sent to the absent member and a Director later explains any important issues.

[Retired presidents/CEOs holding advisory positions]

Information on retired presidents/CEOs holding advisory positions

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Daisuke Ogawa	Corporate Mentor	1. External activities such as maintaining business relationships with customers 2. Advice based on knowledge and experience on the Company's business	part time, with compensation	June 20,2014	1

Number of retired presidents/CEOs holding advisory positions

1

Others

The Corporate Mentor does not attend any meeting body including the Board of Directors. In addition, the Corporate Mentor is not involved in any decision on management and business execution.

The appointment of Corporate Mentors and its remuneration are decided by the Board of Directors upon the receipt of recommendation issued at the Nomination and Compensation Committee, which is accounted for a majority by External Directors and whose chairperson is served by an External Director.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

Daicel is the Company with Audit & Supervisory Board. With regard to Directors, by welcoming External Directors and allowing them to apply their expertise by providing opinions and advice, the Company has strengthened the appropriateness of the decisions made by its Board of Directors and the supervision of the execution of Director duties. The Company has also adopted an Executive Officer system. The adoption of this system has enabled the Company to clearly separate its decision-making, supervisory, and business execution functions. Such a clear division of roles has allowed the Company to bolster its business management structure and, consequently, corporate activities. In addition, the Company has adopted an internal company system. Through this system, the Company is promoting various initiatives with the aim of ensuring its corporate departments strengthen collaboration regarding production, sales, and R&D functions, and improving productivity and strategic functions.

The following is an outline of the organization of the Company under the current system.

Board of Directors

Daicel's Board of Directors comprises eight Directors, four of whom have been appointed from outside the Company. The Board of Directors meets, in principle, once a month to make decisions concerning important management issues in line with the regulations for Board of Directors. Furthermore, the Board of Directors supervises the execution of business and business operations. At Daicel, each External Director is tasked with providing advice and supervisory functions according to his or her experience and expertise. The Company's four External Directors have each been designated as Independent Directors. In addition, the Company has concluded a liability limitation agreement with all four External Directors. The term of office for Daicel's Directors is one year. This short term of office enables Daicel shareholders to increase their involvement in the appointment of Directors. At the same time, it allows the Company to better clarify the management responsibilities of its Directors and thereby strengthen its corporate governance.

Audit & Supervisory Board Members

Daicel currently has five Audit & Supervisory Board Members, three of whom have been appointed from outside the Company. All Audit & Supervisory Board Members are required to attend Board of Directors. In addition, Standing Audit & Supervisory Board Members are required to attend meetings of the Management Meeting, the Risk Management Committee and other important bodies, which thereby enables them to audit the overall management of corporate affairs. Meanwhile, all members of the Company's Audit & Supervisory Board Members together from the Audit & Supervisory Board. This board holds meetings to report, deliberate on, and make decisions on important issues relating to the Company's audits.

Audit & Supervisory Board Members regularly receive reports from the Company's internal auditing divisions and External Auditors. They collaborate through the exchange of information and opinions on an as-needed basis. Regarding the specific circumstances of their cooperation, this is described in "Collaboration Status of Corporate Auditors, External Auditor, and the Internal Audit Division."

The Company has entered into a liability limitation agreement with its three Outside Audit & Supervisory Board Members. All three Outside Audit & Supervisory Board Members have been designated as Independent Audit & Supervisory Board Members.

The Company has also established the Office of the Audit & Supervisory Board as an organization to support audits by Audit & Supervisory Board Members. The Office of Audit & Supervisory Board has its own dedicated staffs that are independent from the business divisions.

Nomination and Compensation Committee

The Nomination and Compensation Committee has been established as described in "Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee."

Management Advisory Committee

The Management Advisory Committee is in charge of deliberating on such important corporate matters as the formulation of Group strategies and business restructuring based on such strategies. By doing so, the committee serves as an advisory body for the President & CEO. The Committee comprises the President & CEO, Directors (excluding External Directors), and Executive Officers designated by the President & CEO.

The committee convenes these members on an “as-needed” basis.

Executive Officers

The Company has adopted an Executive Officer System. This system has enabled the Company to isolate its decision-making, supervisory structure, and, consequently, its corporate activities in a clear manner. Currently, this system comprises 25 Executive Officers (four of whom serve concurrently as Directors).

Executive Officers include the officers in charge of companies, heads of internal companies, heads of sites, heads of corporate divisions, and the presidents of Group Companies, who administer corporate affairs.

Management Meeting

Daicel has established the Management Meeting as a body to deliberate on and make decisions prior to its President & CEO implementing the basic corporate management policies formulated by the Board of Directors. The Management Meeting consists of the President & CEO, Directors (excluding External Directors), Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) and the Executive Officers selected by the President & CEO as its members. The Management Meeting convenes, in principle, twice a month.

Planning Meeting

Regarding important planning projects of the Business Division, the Planning Meeting has been established as a body focused on discussions by members of the management team. It convenes twice a month, in principle.

Business Strategy Meeting

The Business Strategy Meeting has been established as a place mainly for members of the management team to discuss issues and problems related to divisions, Group Companies, and development of new businesses. It convenes at least monthly, in principle.

R&D Meeting

Regarding research and development, the R&D Meeting has been established mainly for members of the management team as a body to discuss various plans such as research and development themes, the staffing system, and external R&D plans and to confirm the progress of R&D themes. It is held four times annually, in principle.

Company and Site Manager Meeting

The management team receives reports on the current situation and management issues from heads of internal companies, heads of sites, and the presidents of Group Companies. Company and Site Manager Meeting have been established to determine the circumstances of each business and manufacturing site in order to provide support and solve problems without delay. It convenes twice a year, in principle.

Auditing Office

The Auditing Office (comprising ten staff members) has been established to provide an internal audit function; it conducts regular internal audits on each business division and Group Company.

The Company has entered into a liability limitation agreement with the External Directors and Outside Audit & Supervisory Board Members. The detail of this agreement are as follows:

In assuming liability for the damages stipulated in Article 423 Paragraph 1 of the Companies Act, the individual in question shall be liable for such damages to the extent of ¥15 million or the minimum liability amount set forth in Article 425 Paragraph 1 of the Companies Act, whichever is higher. The above liability limitation applies only in cases where the individual in question has performed the duties resulting in the liability in good faith and in the absence of gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

The Company has established a corporate framework under which the Board of Directors makes management decisions in an efficient manner and fulfills supervisory functions, and Audit & Supervisory Board accomplishes auditing and supervisory functions. Such a framework has enabled the Company to continue

reinforcing its corporate governance.

Within the scope presented in the Report by the Financial System Council's Study Group on the Internationalization of Japanese Financial and Capital Markets (released on June 17, 2009), the Company has recognized that the current status of Daicel falls within the scope of "Cooperation with the Election of External Directors and the Audit & Supervisory Board."

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	We issued the convocation notice for the 152nd Annual General Meeting of Shareholders of Daicel Corporation (“the Company”) on May 31, 2018, which is 22 days before June 22, the scheduled date of the Annual General Meeting of Shareholders.
Scheduling AGMs Avoiding the Peak Day	152nd Annual General Meeting of Shareholders was held on June 22, 2018.
Allowing Electronic Exercise of Voting Rights	As of the Company’s 150th Annual General Meeting of Shareholders held on June 17, 2016, voting rights could be exercised via the Internet.
Participation in Electronic Voting Platform	Beginning with the Company’s 150th Annual General Meeting of Shareholders held on June 17, 2016, voting rights could be exercised with the Voting Rights Exercise Form provided by ICJ, Inc.
Providing Convocation Notice in English	An English-language translation of the convocation notice (a condensed version of a convocation notice and reference document) was posted on the Tokyo Stock Exchange and on the Company’s websites.
Other	Beginning with the 150th Annual General Meeting of Shareholders held on June 17, 2016, the notice of convocation was posted on the websites of the Tokyo Stock Exchange and the Company before the scheduled mailing date for the notice.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company website (https://www.daicel.com/en/) displays the policy on information disclosure stipulated in the Information Disclosure Regulations, specifically, that information be disclosed (1) voluntarily and proactively, (2) with continuity and consistency, (3) quickly and in a timely manner, (4) accurately and in a useful and easy-to-understand manner, and (5) while ensuring fair information disclosure by the Company.
Regular Investor Briefings for Analysts and Institutional Investors	On May 11, 2018, the President & CEO held a briefing session on the financial results for the fiscal year ended March 31, 2018. This event was attended by 79 analysts, institutional investors, and other representatives. On November 5, 2018, the President & CEO held a briefing session on the financial results for the first half of the fiscal year ending March 31, 2019. This event was attended by 85 analysts and institutional investors. For the release of the first-quarter and third-quarter results, a conference call was held by the department in charge of IR.
Posting of IR Materials on Website	The Company posts its Annual Report, shareholder correspondence, medium-term business plan briefing materials, and other documents on its website (https://www.daicel.com/en/).
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor Relations and Public Relations as its dedicated IR department.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of	We stipulate respect for stakeholders’ viewpoints in the Daicel Group Conduct Policy and the Daicel Code of Conduct, which embodies that idea.

Stakeholders	The Daicel Group Conduct Policy and the Daicel Code of Conduct are also posted on the Company website (https://www.daicel.com/en/).
Implementation of Environmental Activities, CSR Activities etc.	<p>The Group focuses on Corporate Ethics Initiatives, such as the securing of compliance with laws and regulations which form the basis of corporate survival, and on the Responsible Care Initiatives that are to voluntarily secure "environment, safety and health" in all processes from the development of chemical substances to disposal, publish the results of activities, communicate with society and communicate. At Daicel Group, putting into practice the Daicel Group Conduct Policy and the Daicel Code of Conduct constitutes CSR Initiatives with the two pillars of Corporate Ethics and Responsible Care Initiatives. Also, all Daicel Group employees are expected to participate in our CSR Initiatives. In other words, our CSR Initiatives are not to be promoted only by some particular individuals or organizations within the Group.</p> <p>The Company publishes the Annual Report ("CSR Report" prior to the 2017 version) in keeping with Company policy to provide an easily readable and easy-to-understand document that actively discloses the state of the Company's initiatives for a wide range of stakeholders. And the Company has expanded the CSR content of the Company website in response to stakeholder requests for detailed information. Annual Reports are also available on the Company website (https://www.daicel.com/en/).</p>
Development of Policies on Information Provision to Stakeholders	According to the Information Disclosure Regulations, information is to be disclosed (1) voluntarily and proactively, (2) with continuity and consistency, (3) quickly and in a timely manner, (4) accurately and in a useful and easy-to-understand manner, and (5) while ensuring fair information disclosure by the Company.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company's Basic Policy for Structuring Internal Control System is outlined below.

- 1. System for ensuring that the Directors and employees of the Company and Group Companies (the "Daicel Group") execute their duties in compliance with laws and regulations and the Company's Articles of Incorporation**
 - a. In addition to complying with laws and regulations, the Company will respect the social norms and broad ethical standards required of companies, seek to practice fair and appropriate management, establish the Daicel Group Conduct Policy, and formulate the Daicel Code of Conduct as a concrete action guideline. We will formulate specific action guidelines for Group Companies and confirm their status of implementation.
 - b. We will establish a Corporate Compliance Program Division as an organization promoting the implementation of compliance within the Daicel Group.
 - c. The Corporate Compliance Program Division provides compliance education and enlightenment for raises awareness of Directors and employees of the Daicel Group in keeping with Management Regulations on Corporate Compliance. Additionally, the Division will establish the activity plans of each division and Group companies, track the results of these plans and report it to the Board of the Directors every year.
 - d. The Corporate Compliance Program Division periodically conducts interviews with Group Companies in an effort to monitor the status of compliance among these companies.
 - e. Should a serious compliance issue be discovered, such as a serious violation of laws and regulations, Directors and employees of the Daicel Group would immediately report to the Corporate Compliance Program Division and, in accordance with the report, the officer in charge of the Corporate Compliance Program Division will investigate and take necessary measures in consultation with the President & CEO.
 - f. The Company will establish a whistle-blowing system both inside and outside the Company as a system to detect violations of laws and regulations in the Daicel Group at an early stage and ensure that whistle-blowers do not suffer any negative consequences.
 - g. In order to ensure the reliability of financial reporting, the Company will comply with relevant laws and regulations and establish the necessary system.
 - h. The Daicel Group will adopt a firm stance against anti-social forces, establish a concrete conduct policy to ensure that absolutely no such relationships are formed and ensure this policy is fully disseminated to all employees. The Company will also establish a mechanism for eliminating any contact with anti-social forces by collecting and compiling relevant information.
- 2. System for preserving and managing information related to the execution of duties by Directors**
 - a. The Company will properly manage and preserve the following important documents (including records on electronic media) related to the duties of Directors and maintain these documents in a readable form:
 - i. Minutes of General Meeting of Shareholders
 - ii. Minutes of Board of Directors
 - iii. Financial documents
 - iv. Other important documents related to the execution of duties
 - b. In keeping with the various regulations applicable to information management, the Company will properly manage information by type.
 - c. In keeping with the various regulations applicable to document management, the Company will properly manage and preserve the document specified in 2a. above and other documents, including minutes of various other conferences, and important documents from each department.
- 3. Regulations and other systems concerning risk management in the Daicel Group**
 - a. The Company will establish a Risk Management Committee in order to implement a system capable of appropriate responses to risks to the Daicel Group's corporate activities.
 - b. The Company will adopt various regulations related to risk management in the Daicel Group.
 - c. The Risk Management Committee will conduct annual surveys and evaluations of the state of risk management by the Daicel Group with respect to the various risk management regulations, report to

the Management Meeting and other conferences, and other aspects and will discuss the required response measures. It will also report the results of its work to the Board of Directors.

- d. We will establish, maintain, and improve a reporting system for use in time of crisis and mechanisms that can respond promptly and appropriately, such as setting the Daicel Group's policies in the event of a disaster or accident.
- e. The Daicel Group will formulate a business continuity plan and endeavor to maintain business continuity promptly in the aftermath of a disaster.

4. 4. System for ensuring efficient execution of duties by the Directors of the Daicel Group

- a. We will introduce an Executive Officer System to reinforce corporate management through strengthening the business execution system by clarifying the separation of management decision-making and supervisory functions from the Company's business execution functions. The Board of Directors will make decisions on important matters concerning management and supervise the execution of duties by Directors and Executive Officers.
- b. The Company will appoint multiple External Directors to ensure the appropriateness of the Board of Directors' decision-making. Of these, Directors with high independence are specified as so-called Independent Directors.
- c. The Board of Directors will receive the report from the Nomination and Compensation Committee that is chaired by an External Director, to name candidates for the Directors, to select Chairman, President and Executive Officers who execute business operations, and to decide the segregation of duties of the Directors.
- d. The Board of Directors determines the scope of division of duties of the Executive Officers who will execute business operations, and the Directors supervise the execution of efficient operations based on the division-of-business rules that determine the segregation of duties for each important division.
- e. The Company will promote clarification of authority and decision-making procedures for organizations of the Daicel Group and improve the efficiency of execution of duties.
- f. In accordance with the basic philosophy of the Daicel Group, the Company will formulate long-term goals and establish a medium-term plan that sets forth the objectives and targets to be achieved and, through budget management in each fiscal year, will aim to streamline its management toward their steady achievement.
- g. The Company will review the adequacy of the organization and the division of duties as appropriate and will endeavor to conduct business efficiently by organizing projects for the entire Company or issues that extend across the Group.
- h. The Company will regularly convene the Subsidiary and Internal Company Presidents' Meetings, where the Directors and the Executive Officers who execute business operations, including the President and representatives of key Group Companies attend and share management issues and important information.

5. System to ensure the appropriateness of operations in the Daicel Group

- a. Daicel will endeavor to ensure the effectiveness of the internal control within the entire Group, through the establishment of the Internal Control Council, as a body to grasp the status of the entire Group accurately and discuss the policies related to internal control.
- b. In order to strengthen Group management, the Company will appropriately implement Group corporate management regulations that set out procedures of important decision-making among Group Companies and reporting of management status, and identify the divisions responsible for Group Companies. In addition, the Company will endeavor to monitor the conditions and risks facing the Daicel Group through the communication or reporting based on these regulations.
- c. The Daicel Group will establish the Daicel Group Conduct Policy as an ethical code of conduct for the entire Group and will aim to raise awareness of ethics and compliance within the Group.
- d. The Daicel Group will ensure thorough information management through standardization of the system infrastructure and ensure the effectiveness of internal control.
- e. The Auditing Office will work with the Responsible Care Division, the Corporate Compliance Program Division, the Quality Management Division, the Audit & Supervisory Board Members, and the External Auditors to ensure the proper operation of the Daicel Group through audits.

6. Matters related to employees in cases where the Audit & Supervisory Board Member requests the employees to assist with duties, matters concerning the independence of employees from the

Directors, and the matters about the effectiveness of instructions to employees of the Audit & Supervisory Board Members.

- a. The Company will establish the Office of the Audit & Supervisory Board as an organization to support the duties of Audit & Supervisory Board Members and will immediately select suitable persons if members of the Audit & Supervisory Board request an increase in the members of the Office of Audit & Supervisory Board.
- b. The Company will obtain prior approval of the Audit & Supervisory Board Members concerning decisions on matters concerning personnel authorities such as appointments, transfers, evaluations and promotion of members of the Office of Audit & Supervisory Board.
- c. A member of the Office of Audit & Supervisory Board is will be under the command of Audit & Supervisory Board Members.

7. Systems for enabling Directors and employees of the Daicel Group to report to the Audit & Supervisory Board Members and for ensuring that audits by the Audit & Supervisory Board Members are conducted effectively

- a. The President & CEO and Directors who execute business shall report on the status of business execution as needed at important meetings such as the Board of Directors. Regarding reports on the status of business execution at important meetings such as Management Meetings, the Standing Audit & Supervisory Board Member attending such important meetings will report to the Audit & Supervisory Board.
- b. Discussing with the Audit & Supervisory Board Members, the President & CEO will establish a system for reporting to the Audit & Supervisory Board Members, including establishing the rule of items to be reported to the Audit & Supervisory Board Members, and Directors and employees will immediately notify the Audit & Supervisory Board Members of any facts they discover that have potential to cause significant damage to the Company.
- c. The President & CEO will receive the presentation for the basic audit plan for the fiscal year specified by the Audit & Supervisory Board, work to improve the system so that audits of each division and Group Company can be implemented effectively in cooperation with the Auditing Office.
- d. Through periodic meetings with the Audit & Supervisory Board Members, the Auditing Office, the Responsible Care Division, the Corporate Compliance Program Division and the Quality Management Office will exchange opinions and report on the status of the Daicel Group as determined during the course of business.
- e. The Company will establish a system in which the Audit & Supervisory Board Members can confirm reports from Group Companies based on various regulations concerning management of Group Companies.
- f. The Company will establish a system through which the Audit & Supervisory Board Members can confirm the expenses required for the performance of their duties, formulate a budget, and review and redeem the content based on requests from the Audit & Supervisory Board Members.
- g. The Corporate Compliance Program Division will periodically report to the Audit & Supervisory Board Members on the status of internal reporting through a whistle-blowing system with internal and external channels.
- h. Regarding reporting to the Audit & Supervisory Board Members, the Company will ensure that informants do not suffer any negative consequences, due to the reporting actions.

The Company conducted surveys and evaluated the effectiveness of specific activities for each item in the Basic Policy for Structuring the Internal Control System described above. From the results, the Internal Control Council has confirmed the operational status of the basic policy and reported it to the Board of Directors. The following is an outline of the operational status of the basic policy, and the Company has confirmed that the operational status of the basic policy for the current business year is appropriate.

Compliance

- Formulation of a corporate compliance fiscal year initiatives plan for each department and Group Company, implementation of the plan, and reporting of the results to the Board of Directors
- Provision of corporate compliance training for executives and other employees and other training related to compliance

- Company's internal whistle-blowing system through helpline works well
- Evaluation of internal controls on financial reporting, and reporting to the Board of Directors

Risk management

- Review of the risk management status of each department and each Group Company through reporting activities and issuance of a report to the Board of Directors on the management status and risk management at all
- Implementation of comprehensive disaster response drills
- Formulation of a Business Continuity Plan

Efficiency of execution of duties

- Implementation of resolutions of the Board of Directors and reporting to the Board of Directors according to board regulations
- Provision of advice to the Nomination and Compensation Committee on nominations and compensation and receipt of the report by this committee
- Implementation of effectiveness evaluation of the Board of Directors
- Implementation of various decisions concerning the execution of duties based on consensus

Appropriateness of operations in the Group

- Surveying specific activities of the Group related to the Basic Policy for Structuring the Internal Control System and monitoring the operational status of the policy
- Involvement in important decision-making activity of Group Companies according to various regulations concerning management of Group Companies, and business management through operation status reports
- Maintenance of core systems in Group Companies
- Implementation of quality management at each business site

Auditing system for the Audit & Supervisory Board Members and effectiveness of audits

- Confirmation of the independence of members of the Office of Audit & Supervisory Board
- Conducting meetings with the CEO
- Implementation of budget controls and burden of expenses by the Company as necessary

2. Basic Views on Eliminating Anti-Social Forces

The Company's basic approach to the elimination of anti-social forces and its state of development are outlined below.

As stipulated in the Basic Policy for Structuring the Internal Control System, the Company has adopted the Daicel Code of Conduct and has worked to disseminate it as its basic approach to eliminating contacts with anti-social forces as follows:

"We, in cooperation with the police, industrial associations, and regional entities, will take a firm stand against anti-social influences and/or organizations that disturb civil order and safety. We will have no connection with them in any way, either directly or indirectly." We are gathering and compiling information and are developing a mechanism to eliminate anti-social forces.

In addition, the Company has established a specialized department to deal with anti-social forces, responding to cases where there are approaches from anti-social forces, and maintaining close contact with police, lawyers, regional companies, and other specialized external organizations. Thus, the Company has compiled

information on useful countermeasures applicable to anti-social forces and has made Directors and employees thoroughly aware of them.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation

The Company's Policy for Responding to a Large-Scale Purchases of Shares ("the Policy") is outlined below.

As a publicly listed business enterprise, the Company believes that, in principle, the purchase and sale of the Company's shares should be entrusted to the free determination of shareholders and investors in the market; it also believes that a decision to sell the Company's shares in response to a large-scale share purchase offer by specific persons should ultimately be entrusted to the judgment of the Company's shareholders. We will not repudiate a large share purchase offer that contributes to the corporate value of the Company and the common interests of shareholders.

On the other hand, properly determining whether shareholders will respond to an offer to purchase a large number of the Company's shares requires that the purchaser of the large number of shares provide appropriate and adequate information.

The Financial Instruments and Exchange Act includes certain provisions regarding the provision of information by a large-scale purchaser; however, there is no requirement for a large-scale purchaser to provide information in advance of a tender offer, or in the case of purchases in a market where tender offer rules do not apply; moreover, even after a tender offer, there remains a possibility that sufficient information for shareholders to determine whether to continue holding the Company's shares would not be provided. In addition, even where such information is provided, if it is after the tender offer, the possibility exists that sufficient time may not be available for shareholders to consider the matter. As a result, under the legal system of Japan, it is difficult to ensure that sufficient information is provided for shareholders to make an appropriate determination of an offer or that sufficient time is allowed for such consideration in the event of a large-scale purchase offer, and the Company believes a risk exists that shareholders may not be able to appropriately determine whether to accept an offer to purchase a large number of the Company's shares.

In view of these factors, the Board of Directors of the Company has concluded that, in the event of a large-scale purchase offer, necessary and sufficient information about the large-scale purchase should be provided by the large-scale purchaser in advance to enable shareholders to make a determination, and that sufficient time for such determination must be ensured for shareholders to assess whether to accept such a large-scale purchase offer for the Company's shares based on that information.

Considering the above views, the Company's Board of Directors believes that a large-scale share purchase conducted in accordance with certain reasonable rules is consistent with the common interests of the Company's shareholders; therefore, it has decided to establish certain rules in the Policy relating to the advance provision of information ("Large-Scale Purchase Rules").

The Board of Directors of the Company will establish an Independent Committee as a body to prevent arbitrary judgments by the Board of Directors and appropriately implement the Large-Scale Purchase Rules. The Independent Committee will assess (1) compliance with the Large-Scale Purchase Rules; (2) the need to implement countermeasures; and (3) other matters necessary to protect the corporate value of the Company and the common interests of shareholders and will issue recommendations to the Board of Directors. The Board of Directors will carefully compile and publicize their opinions after maximally respecting the recommendations of the Independent Committee. If necessary, the Company may negotiate improved conditions with the Large-Scale Purchasers (those seeking a large-scale purchase with the objective of obtaining 20% or more of the voting rights for a specified shareholder group, or a purchase of the Company's share certificates, etc., resulting in a specified shareholder group obtaining 20% or more of the voting rights) and the Board of Directors may present alternative proposals.

In the event the large-scale purchaser does not comply with the Large-Scale Purchase Rules, the Board of Directors of the Company will take countermeasures and oppose the large-scale purchase in principle with the objective of protecting the corporate value of the Company and shareholders' common interests. Furthermore,

when determining whether to implement countermeasures, the Board of Directors of the Company will respect the recommendations of the Independent Committee to the maximum extent possible. In the event the Independent Committee recommends confirming shareholder will, the Company will respect the recommendation to the maximum extent possible and may confirm shareholder will by votes in writing, holding a General Meeting to Confirm Shareholder Will, or other methods, either before or after the implementation of countermeasures.

If the large-scale purchaser complies with the Large-Scale Purchase Rules, the Company will, in principle, confirm shareholder will regard whether to implement countermeasures against the large-scale purchase by the large-scale purchaser by votes in writing, holding a General Meeting to Confirm Shareholder Intentions, or other methods. Following confirmation of shareholder will, the Board of Directors of the Company will decide whether to implement countermeasures against the large-scale purchase in accordance with the judgment of shareholders. However, even if the Board of Directors of the Company is opposed to the large-scale purchase, the Board will simply express its opinion opposing the purchase proposal, present an alternative proposal, and present an explanation to the Company's shareholders, etc., and will not implement countermeasures against the large-scale purchase, in principle, if it determines that it is appropriate to entrust the decision of whether to accept the large-scale purchaser's purchase offer to the judgment of individual shareholders. In addition, even if the Large-Scale Purchase Rules have been complied with, if the large-scale purchase is judged to significantly impair the corporate value of the Company or shareholders' common interests, the Board of Directors of the Company may implement countermeasures against the large-scale purchase without confirming shareholder will, with the objective of protecting the corporate value of the Company and shareholders' common interests, while respecting the recommendation of the Independent Committee to the maximum extent possible.

For details on this initiative, please refer to the press release dated May 10, 2017, "Continuation of Policy for Responding to a Large-scale Purchase of Shares of Daicel Corporation (Takeover Defense Measures)" as posted on the Company website (<https://www.daicel.com>).

2. Other Matters Concerning to Corporate Governance System

The status of the Company's internal system related to the timely disclosure of Company information is outlined below.

1. Basic approach and policy in relation to information disclosure

Under the Daicel Group Conduct Policy, the Company stipulates that it will willingly and justly disclose reliable corporate information. Moreover, under the Daicel Code of Conduct that embodies it, the Company stipulates that it will actively disclose information concerning its corporate finances and the status of its business activities in an appropriate, timely, and clear manner; accurately and properly record and store information on its corporate trading, assets, and expense status using fair accounting procedures based on legal and generally accepted accounting standards; prohibit insider trading; and strive to promote the understanding of its corporate activities by active communication with society.

In addition, under the Company's Information Disclosure Regulations, the Company remains committed to disclosing Company information (1) voluntarily and proactively, (2) with continuity and consistency, (3) quickly and in a timely manner, (4) accurately and in a useful and easy-to-understand manner, and (5) while ensuring fair information disclosure by the Company.

The Company distributes the Daicel Group Conduct Policy and Daicel Code of Conduct in booklet form to all executives and employees, publish its Information Disclosure Regulations on its intranet, and takes steps to disseminate this information extensively through in-house training and the like.

2. Information Disclosure System

(1) Summaries of financial results and securities reports and the like (Information on settlement of accounts)

With respect to account settlement information, the Accounting & Finance Group and the Investor Relations & Corporate Communications jointly compile the financial statements using source materials submitted by the respective department heads and presidents of Group Companies.

In preparing securities reports and the like, in addition to undergoing audits by the External Auditor for the

financial statements created by the above, the Company also reflects the opinions of the Audit & Supervisory Board Members on other matters.

The details of information disclosure regarding summaries of financial results are decided by the Information Disclosure Committee under the chairmanship of the President & CEO. The Officer in charge of the Corporate Support Center reports to the Board of Directors. The Company then immediately discloses such financial reports following deliberation.

Following deliberation by the Information Disclosure Committee, the Management Confirmation Form is submitted to the External Auditor. After the audit report is received from the External Auditor, the Company submits the Securities Report and the like within the deadline for submission following the approval of the President & CEO.

(2) Information on Corporate Decisions

Regarding material information arising from the decisions of the Company's Board of Directors (or Management Meetings) and decisions of the executive bodies of Group Companies, Information can be grasped in advance by registering matters to be discussed at various meeting bodies held in accordance with the Company's Rules for Approval or Management Regulations for Group Corporate Management in advance. Following sufficient deliberation by each meeting body, the Officer of the Business Support Center and the Investor Relations & Corporate Communications will determine whether the information is material and subject to timely disclosure under Securities Listing Regulations ("timely disclosure regulations, etc.").

When determining whether information is material, the Information Disclosure Committee will determine whether to disclose and will deliberate on the content, timing, method, etc., of information disclosure.

With regard to material information being considered for disclosure, the Company will promptly disclose that information after the Board of Directors and executive bodies have come to a decision on the matter.

(3) Information on Occurrences

With regard to facts relevant to occurrences at the Company or Group Companies that may be considered material information, the President & CEO, representative Director, officers in charge of relevant departments, and the officer in charge of the Corporate Support Center will disclose such information immediately after the occurrence or their becoming aware of it according to the terms of the Risk Response Rules, PL Accident Response Regulations, and Regulations on Insider Trading.

The officer in charge of the Corporate Support Center and the Investor Relations & Corporate Communications will confirm whether a particular case can be classified as material information subject to timely disclosure rules.

If, after due consideration, the information is deemed useful to investors and falls under the category of material information, the Information Disclosure Committee will deliberate on the matter, determine the need for disclosure, and promptly disclose it.

3. Management of Material Information

With respect to the handling of material information prior to timely disclosure, the Officer of the Corporate Support Center, as the administrator, will limit the transmission of such material information according to the Regulations on Insider Trading. In addition to establishing this supervisory method, the Company prohibits the sale and purchase of shares and the like prior to the public disclosure of the material information by the executives and employees possessing this information. The Company is taking steps to prevent insider trading by executives and employees through in-house training and other initiatives intended to raise awareness of the details of its Regulations on Insider Trading.

Daicel Corporation Corporate Governance System

