[Provisional Translation Only]

Basic Policy for Structuring Internal Control Systems

Resolution in Regard to Development of the Systems for Ensuring Proper Business Activities

The Company's Basic Policy for Establishing its Internal Control System is as follows.

Basic Approach to the Internal Control Framework

The Company aims to remain "a company that makes people's lives better through value co-creation," as set forth in its Basic Philosophy. Placing the highest priority on safety, quality, and compliance, the Company has identified the strengthening of corporate and group governance, rigorous compliance, and enhanced risk management as key priorities in order to achieve both a sustainable society and the expansion of the Daicel Group's business. The Company has established the Internal Control Council as a body responsible for monitoring the development and operation of internal control systems, reviewing various measures, and promoting effective internal controls throughout the Group, and shall implement the following measures.

1. System to Ensure that the Execution of Duties by Directors and Employees of the Group Complies with Laws and Regulations, the Articles of Incorporation, and Other Social Norms and Ethical Standards (Compliance)

a. The Company respects not only compliance with laws and regulations but also the social norms and ethical standards broadly expected of corporations, and aims to conduct management in a fair and appropriate manner. In accordance with its Basic Philosophy and Sustainable Management Policy, the Company has established the "Daicel Group Code of Conduct" as guidelines for all officers and employees of the Company and its corporate group as defined under the Companies Act (hereinafter referred to as the "Daicel Group"), in order to ensure that such principles are consistently observed and put into practice in all actions. Furthermore, as a prerequisite for survival in an increasingly diverse global society, the Company has established the "Daicel Group Code of Ethics" as standards universally applicable to all aspects of corporate activities, and monitors the status of its implementation.

b. With the Compliance Department serving as the driving force, the Company shall implement compliance activities throughout the Daicel Group as follows: Pursuant to the relevant regulations governing corporate ethics management, the Compliance Department shall cooperate with each corporate department to provide compliance education and awareness training to Directors and employees of the Daicel Group. In addition, the Department shall annually supervise the formulation of activity plans for each department and group company, monitor the results thereof, and report to management and the Board of Directors.

c. Through the internal whistleblowing system, which includes internal and external reporting channels as stipulated in the regulations governing corporate ethics management, the Company shall establish a framework for the early detection of violations of laws and regulations and social norms and ethical standards within the Daicel Group, while ensuring that whistleblowers are not subjected to any disadvantageous treatment.

d. To ensure the reliability of financial reporting, the Company shall comply with relevant laws and regulations and shall establish and operate the necessary systems.

e. The Company shall adopt a resolute stance against anti-social forces throughout the Daicel Group and shall stipulate in the "Daicel Group Code of Ethics" that it shall have no relationship whatsoever with such forces. The Company shall ensure that this policy is thoroughly understood by all employees, collect and accumulate relevant information, and establish and operate systems to exclude anti-social forces.

2. System for the Preservation and Management of Information Related to the Execution of Directors' Duties

a. Pursuant to the relevant regulations governing document management, the Company shall appropriately manage and preserve the following important documents (including electronic records) related to the execution of Directors' duties and shall ensure that such documents are available for inspection at any time by Directors, Audit & Supervisory Board Members, and employees designated by them.

   i. Minutes of General Shareholders' Meetings
   ii. Minutes of Board of Directors' Meetings
   iii. Financial statements
   iv. Other important documents related to the execution of duties

b. Pursuant to the relevant regulations governing information management, the Company shall appropriately manage information in accordance with its type and nature.

3. Regulations and Other Systems for the Management of Risk of Loss within the Company Group

a. Pursuant to the relevant regulations governing risk management, the Company shall strive to maintain and improve a system capable of appropriately addressing risks inherent in the group's business activities through the operation of the Risk Management Committee.

b. Pursuant to the relevant regulations governing risk management, the Risk Management Committee shall annually survey and assess the status of risk management within the Daicel Group, report the results to management, and discuss countermeasures as necessary. The Committee shall also report these activities to the Board of Directors.

c. The Company shall establish relevant regulations governing responses to disasters, accidents, scandals, and other risk events, and shall establish, maintain, and improve reporting systems and other mechanisms that enable prompt and appropriate responses when such events occur within the Daicel Group.

d. The Company shall formulate a business continuity plan for the Daicel Group and strive to promptly resume business operations following a disaster.

4. System to Ensure the Efficient Execution of Directors' Duties

a. The Board of Directors shall determine the broad direction of corporate strategy and other matters necessary to promote the Company's sustainable growth, enhance its corporate value over the medium to long term, and improve profitability and capital efficiency. The Board shall also establish an environment that supports appropriate risk-taking by senior management and supervise the effective execution of business operations from an independent and objective standpoint.

b. Through the executive officer system, the Company shall clearly separate management decision-making and supervisory functions from business execution functions. Except for decisions on important management matters made by the Board of Directors, Executive Officers shall be able under this system to execute business operations promptly in response to changes in the business environment, under the supervision and support of Directors.

c. To ensure the soundness of decision-making by the Board of Directors, the Company shall appoint a majority of Outside Directors. Furthermore, with a primary focus on ensuring the independence of Directors, the Company shall formulate and disclose criteria for determining independence and clearly identify Independent Directors who satisfy such criteria.

d. In deciding on the nomination of candidates for Director, the selection of the Representative Director, Chairman, and President, and the appointment of Executive Officers responsible for business execution and the allocation of their duties, the Board of Directors shall establish an Executive Personnel and Compensation Committee chaired by an Outside Director and obtain its recommendations.

e. The Board of Directors shall define the scope of duties of Executive Officers entrusted with business execution, and Directors shall supervise the efficient execution of business in accordance with the Regulations on the Division of Duties, which set forth the allocation of duties for each major department.
f. The Company shall promote the clarification of the authority and decision-making procedures of the group's organizations and other bodies in order to enhance the efficiency of the execution of duties.
g. The Company shall define a long-term vision for the Daicel Group based on the Daicel Group's "Basic Philosophy" and "Sustainable Management Policy" (the "Long-Term Vision"), formulate a "Mid-Term Strategy" setting forth the issues to be addressed and the targets for realizing such vision, and strive to make steady progress toward such targets while enhancing management efficiency through the formulation of annual budgets and the monitoring of their implementation.
h. The Company shall periodically verify the appropriateness of its organizational structure and division of duties and shall form project teams and other cross-functional bodies to address company-wide or group-wide issues, thereby striving to ensure the efficient execution of business operations.

5. System to Ensure the Proper Conduct of Business within the Corporate Group

a. In accordance with this Policy, the Company shall strive to ensure the proper conduct of business within the Daicel Group by strengthening corporate governance, ensuring thorough compliance, implementing risk management, and conducting necessary monitoring throughout the Daicel Group.
b. To strengthen group management, the Company shall appropriately operate the relevant regulations governing the management of group companies, which prescribe procedures for important decision-making, reporting on the business status of group companies, and the departments responsible for supervising them.
c. The Company shall regularly hold group management meetings attended by Representative Directors, Directors responsible for business execution, Executive Officers and Representative Directors of major group companies, for the purpose of sharing management issues and important information.
d. Through the standardization of the group's system infrastructure, the Company shall thoroughly implement information management and cybersecurity measures while ensuring the effectiveness of internal controls.
e. The Internal Audit Department shall strive to ensure the proper conduct of the group's operations through audits conducted throughout the Daicel Group in collaboration with the Safety and Quality Audit Department, the Compliance Department, the Audit & Supervisory Board Members, and the independent auditors.

6. System to Ensure the Effectiveness of Audits by Audit & Supervisory Board Members

a. In order to ensure the effectiveness of audits by the Audit & Supervisory Board Members, including the system for reporting to the Audit & Supervisory Board Members, the following system shall be established and operated:

i. The Representative Director shall, after consultation with the Audit & Supervisory Board Members, establish a system for reporting to the Audit & Supervisory Board Members, including matters to be reported thereto; Directors and employees shall immediately report to the Audit & Supervisory Board Members any fact discovered by them that may cause material damage to the Daicel Group.

ii. Directors and employees shall report the status of business operations to the Audit & Supervisory Board Members as appropriate during important meetings, such as Board of Directors meetings.

iii. The Internal Audit Department, the Safety and Quality Audit Department, the Compliance Department, and the Audit & Supervisory Board Members of group companies shall exchange information and opinions with the Audit & Supervisory Board Members through regular meetings and other means, and report directly to the Audit & Supervisory Board Members regarding the status of the Daicel Group obtained in the course of their duties.

iv. The Company shall establish a system under which Audit & Supervisory Board Members may receive and confirm reports from group companies pursuant to the relevant regulations governing the management of group companies.

v. The Compliance Department shall periodically report to the Audit & Supervisory Board Members on the operation of the internal whistleblowing system, including the status of reports received through internal and external reporting channels.

vi. The Company shall ensure that no person who has made a report to an Audit & Supervisory Board Member is subjected to any disadvantageous treatment by reason of having made such report.

vii. Upon receipt of the annual basic audit plan formulated by the Audit & Supervisory Board, the Representative Director shall endeavor to establish a system to enable Audit & Supervisory Board Members to conduct effective audits of each department and group company in coordination with the Internal Audit Department.

viii. The Company shall establish and operate a system under which, after confirming with the Audit & Supervisory Board Members, a budget is formulated for expenses necessary for Audit & Supervisory Board Members to perform their duties, and such expenses are reimbursed based on claims submitted by the Audit & Supervisory Board Members after the details thereof have been verified.

b. The Company shall establish an office to assist the Audit & Supervisory Board Members in the performance of their duties, and shall ensure that the staff members of such office act under the direction and orders of the Audit & Supervisory Board Members.
c. If an Audit & Supervisory Board Member requests additional staff for the office assisting the Audit & Supervisory Board Members, the Company shall promptly select candidates, and the prior approval of the Audit & Supervisory Board Members shall be obtained with respect to personnel matters concerning such staff, including their appointment, transfer, evaluation, and promotion.

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