

[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.

Basic Policy for Structuring Internal Control Systems

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

- 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, formulate Daicel Group Code of Conduct based on the Basic Philosophy and Sustainable Management Policy, to reaffirm the basic principle of conduct for all of officers and employees in Daicel Group, who must always be conscious and put into practice at all circumstances. Furthermore, the Company will formulate Ethical Standards of Daicel Group as a norm of being universally applied to all area of business activities to set a requisite for continuously existing in a diversified global society. The Company will confirm their status of implementation.
 - b. We will promote the implementation of compliance within the Daicel Group on the initiative of a Corporate Compliance Program Division.
 - c. The Corporate Compliance Program Division provides compliance education and enlightenment to raise 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 them 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. This report is based on the Corporate Compliance Management Regulations that stipulate the Internal Whistle-blowing System. 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. According to a whistle-blowing system which is determined by the Corporate Compliance Management Regulations and placed both inside and outside the Company, the Company will adjust 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. In addition, the Company will develop and implement the necessary systems for the fulfillment of legislation.
 - h. The Daicel Group will adopt a firm stance against anti-social forces, stipulate in the Ethical Standards of Daicel Group that absolutely no such relationships are formed and ensure that this policy is fully disseminated to all employees. The Company will also implement the establishment and enforcement of 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 documents 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. Through the activities of a Risk Management Committee, the Company will maintain and improve a system capable of appropriate responses to risks to the Daicel Group's corporate activities.
- b. The Company will establish and implement 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 Meetings 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 times 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. System for ensuring efficient execution of duties by the Directors of the Daicel Group

- a. We will clearly separate the management decision-making and supervisory functions from the Company's business execution functions of our management system by adopting an Executive Officer System. We will also reinforce corporate management through promptly executing our businesses in response to changes in the business environment. 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 Outside 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 Outside Director, to name candidates for the Directors, to select Chairperson, 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 Mid-Term Management Strategy 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 meetings in the Daicel Group, 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 activities 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. Based on the Ethical Standards of Daicel Group established as an ethical code of conduct for the entire Group, the Daicel Group will seek to cultivate a sense of ethics and compliance in 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 Safety and Quality Auditing in Assessment Headquarters, the Corporate Compliance Program 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 immediately allocate suitable persons if members of the Audit & Supervisory Board request an increase in the members of the Office of Audit & Supervisory Board, which is established as an organization to support the duties of Audit & Supervisory Board Members.
- 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 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 to the Audit & Supervisory Board Members.
- b. Discussing with the Audit & Supervisory Board Members, the President & CEO will develop 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 Safety and Quality Auditing in Assessment Headquarters, the Corporate Compliance Program Division will exchange opinions and report on the status of the Daicel Group as determined during the course of business.
- e. The Company will develop 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. This is based on the Corporate Compliance Management Regulations that stipulate the Internal Whistle-blowing System.

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