

Social Report

Enhancing Product Quality

Basic Approach

Daicel Group Conduct Policy states our determination to “offer safe, high-quality products and services that satisfy and earn the trust of customers.” Through our steadfast commitment to this policy as well as the following quality policy, we will remain committed to raising the level of customer satisfaction.

Quality Management System

Taking advantage of the characteristics of our products that have been developed through our long history and rich heritage of technologies, our plants and Group companies have been certified under international quality standards for each business field. We have the quality management system necessary for our businesses in place that complies with standards such as ISO 9001, which specifies the basic concepts, IATF 16949 for the automotive sector, ISO 22000 for food safety management, and JIS Q9100 for Aerospace & Defense Systems.

All complaints, inquiries, and requests from our customers are first reviewed by the marketing department,

which is responsible for customer contact. Then they are immediately sent to the dedicated database and shared with the relevant departments, such as quality assurance, manufacturing, and development. Our plants and internal departments regularly hold quality assurance meetings and continue to discuss how to improve or stabilize product quality based on feedback from customers. As such, our plants and marketing departments work together to continually maintain and improve our quality management system. Meanwhile, the Quality Management Division, operating directly under the president and CEO, collects and analyzes quality data and conducts quality audits, which lead to continuous improvement of the entire Group.

Quality Policy for Daicel Group

<https://www.daicel.com/en/sustainability/social/safe/>

Quality management system certification acquired by Daicel Group companies

<https://www.daicel.com/en/sustainability/other/declaration.html#anc-2>

Chemical and Product Safety

We remain in compliance with domestic and international laws and regulations with regards to chemical product management through the regulatory database search. Managers in relevant business units and at Group companies convene to exchange the latest information on legal and regulatory trends. As for the REACH*¹, we completed the registration of all our chemical products in May 2018 and have met all the interim registration deadlines based on the volume of chemical products manufactured and exported. In addition, we maintain a central proprietary data bank

for all our chemical substance information to facilitate an assessment of the risks associated with its chemical products, efficient preparation of SDS*² and labels, and the prompt provision of information to customers. Furthermore, to ensure the appropriate management of chemical substances, we regularly train all relevant employees on the risks and hazardous properties of chemical substances, appropriate handling methods, and prevailing laws and regulations.

*1 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The regulation mandates that producers must register their chemical products with the European Union and conduct safety assessments, restrict their use, and control permits for their use.

*2 SDS (Safety data sheet): A document providing information on the properties of chemical substances and instructions for handling them.

Process Safety and Disaster Prevention

Through its risk assessment process, the Daicel Group identifies risks associated with process safety and disaster prevention. We continuously strive to maintain safe and stable operations and achieve zero accidents by taking the necessary measures to reduce these identified risks.

In FY2020/3, the entire domestic Group encountered six cases of small fires (e.g., ignition of powder and foamed resin products) and eight leakage accidents. None of the incidents had much impact on our operations; however, we are investigating the root causes and taking preventive measures to address both physical and human errors.

Since most of the small fires were caused by static electricity, we thoroughly inspected how powder is handled within the Group and strengthened measures to prevent electrostatic accidents. We also established a working team consisting of young and expert engineers from each plant to verify the conformity of on-site work with our safety standards and remind everyone of the lessons of past electrostatic accidents.

Earthquake, Tsunami and Liquefaction Countermeasures

Daicel has been systematically advancing assessments of risk associated with earthquakes, tsunamis, and liquefaction as well as the analyses of seismic conditions and structural reinforcement of its facilities. We have also installed satellite communication antennas as part of an effort to upgrade our information network infrastructure to secure communications between key business sites in times of wide-area disaster. Furthermore, we periodically conduct disaster drills at each of our business sites to familiarize employees with emergency procedures, such as life-saving procedures, measures for preventing further damage, and liaising with the relevant government bodies.

Distribution Safety

As a distributor, Daicel Corporation works with Daicel Logistics Service Co., Ltd. to ensure safe distribution and quality management. Daicel Logistics Service Co., Ltd. has set its safety target as maintaining its status of zero logistics accidents and zero occupational accidents and achieving zero at-fault traffic accidents. Its quality management target is stated as: “take responsibility as a logistics contracting company by quickly and sincerely responding to complaints and accidents relating to logistics to earn the CS (customer satisfaction) of the distributors.”

In FY2020/3, Daicel Logistics Service maintained zero-accident status, but one incident occurred at our partner company in the course of logistics operations. The number of logistics issues including shipping and delivery errors and customer complaints as defined by Daicel Logistics Service’s standards decreased by five from the previous fiscal year. Since most of the observed incidents were reoccurrences of past issues, we intend to improve our preventive measures and raise employee awareness. In addition, with the help of partner companies, we will identify the root causes for the observed issues to improve our prevention measures.

Promotion of the White Logistics Movement

Agreeing to the White Logistics Movement, launched by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Economy, Trade and Industry (METI) and Ministry of Agriculture, Forestry and Fisheries (MAFF), the Daicel Group submitted a declaration of its voluntary activities to the secretariat of the movement on September 27, 2019.

The key objective of the movement is to improve productivity of truck transportation and logistics efficiency while also striving to realize a “white” labor environment that makes work easier for female drivers and those over the age of 60. Promotion of the White Logistics Movement is expected to improve productivity, reduce CO₂ emissions, ensure stable logistics, and fulfill social responsibilities.

*The White Logistics Movement is the key initiative of the “Action plans for the work-style reform in the automobile transportation industry,” led by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Economy, Trade and Industry (METI), and Ministry of Agriculture, Forestry and Fisheries (MAFF). This movement responds to the worsening shortage of truck drivers and is intended to ensure the stable logistics necessary for people’s lives as well as industrial activities and economic growth. Additionally, it encourages collaboration among transportation companies and consigners to achieve this common goal.

Social Report

Creating Attractive Workplaces

Basic Approach

In accordance with the Daicel Group's Basic Philosophy, Daicel Group Conduct Policy, and each Group company's code of conduct, we maintain safe and vibrant workplaces, where different values and individualities are embraced and respected through systems and opportunities for empowering diverse employees.

Occupational Health and Safety

To build a safe work environment as set forth in the Daicel Code of Conduct, the Group conducts self-assessments of all its activities, such as R&D, manufacturing, and logistics, in accordance with relevant laws and regulations and promotes various measures to ensure the safety of its own workplaces.

All our business sites promote 3S, namely seiri (tidying), seiton (putting everything in order), and seisou (cleaning), as an effort to improve the foundation of our production sites that place the highest priority on safety. Our Operation Training Center (TRC) branch offices also provide labor safety and health training as companywide training.

Initiatives toward Zero Occupational Accidents

As part of Responsible Care activities, the Group appropriately manages its labor safety and health under the Responsible Care Promotion System, which operates directly under the supervision of the president and CEO.

In FY2020/3, the number of occupational accidents that occurred in Japan was 36, consisting of 16 with lost workdays and 20 without lost workdays. The number of

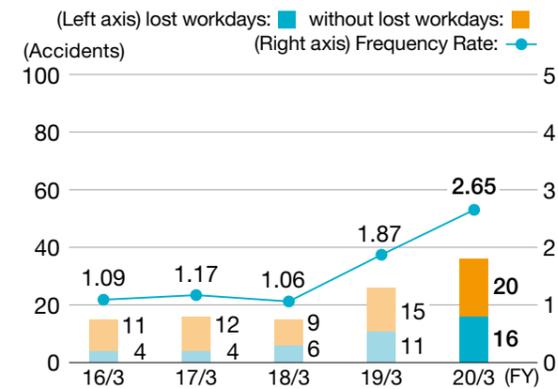
accidents categorized as falls, cuts, or scratches increased by nine from the previous fiscal year. In addition, accidents categorized as chemical injuries or falling from heights also remained at the same level as in the previous fiscal year.

In particular, we have strengthened safety measures for employees working in high places, taking into account the fall of an employee from a contract company during the equipment removal work at the Arai Plant.

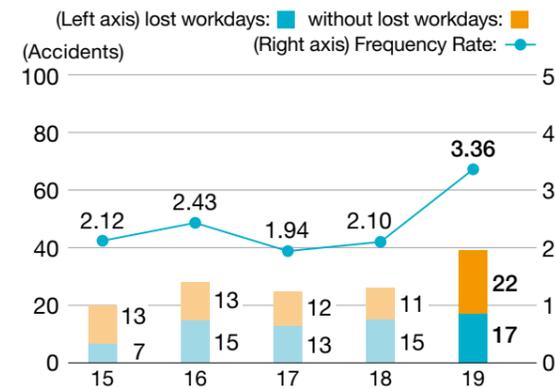
As in the previous fiscal year, the occupational health and safety manager, health nurses, and the facility manager at each site continued to conduct patrols for preventing heatstroke and injury and took countermeasures against the increase in wet-bulb globe temperature, or WBGT. These efforts resulted in four fewer incidents of heatstroke, including near-misses, compared to the previous fiscal year. On the other hand, the number in our overseas Group companies increased by 13 from the previous year for a total of 39.

Going forward, we will continue to focus on preventing serious occupational accidents such as heat stroke and injury from hazardous substances as well as falls, as our top priority.

Occupational Accident Frequency Rate* (Domestic)



Occupational Accident Frequency Rate (Overseas)



*Occupational Accident Frequency Rate = (number of people involved in an occupational accident / total actual working hours) x 1 million hours

Initiatives to Help Employees Maintain Mental and Physical Health

Daicel recognizes the importance of its employees' health and their ability to perform their work happily. It will help employees lead positive, fulfilling lives, and at the same time it will contribute to sustainable corporate development. Accordingly, the Company has positioned helping employees maintain mental and physical health as an important management task. Following the Daicel Declaration on Health

Management, the Company fosters a corporate culture that places the utmost priority on health and thereby pursuing sound corporate management to contribute to people's well-being and the creation of an affluent society.

In 2003, the Company established Central and Local Healthcare Committees consisting of representatives from labor unions, management and Daicel's health insurance society. These committees are working to improve healthcare support for the Daicel Group.

Daicel Declaration on Health Management

<https://www.daicel.com/en/sustainability/social/health.html>

TOPICS Recognized as a "WHITE 500" organization under the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program

Daicel Corporation was recognized as a "WHITE 500" organization under the 2020 Certified Health & Productivity Management Outstanding Organization Recognition Program. Under the Certified Health & Productivity Management Outstanding Organizations Recognition Program, co-sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, companies are selected for their excellent health management initiatives such as those tailored to the needs of local communities and initiatives in line with Nippon Kenko Kaigi's goals.

In Daicel, under the themes "mental health care" and "physical health care," members of the Central Health Care Committee organized by labor management and the health insurance society, including industrial health staff (industrial doctors, public health nurses, etc.) and psychiatrists, take action together to maintain and improve the mental

and physical health of employees. Their activities also involve supporting the reinstatement of employees with mental health disorders, preventive education to provide early detection, and a timely response to mental issues and framework development. These are the efforts that have led to our receiving this honorable recognition.



Human Resource Management

In following our aim to globalize our businesses and rapidly expand overseas, we established the Human Resources Policy of the Daicel Group in 2013 to guide our employees with diverse values on working together. This policy underpins various personnel practices such as recruitment, training and development, placement, and determining appropriate treatment. The policy is characterized with the phrase "People are the foundation for our success."

Moreover, we have been building a solid foundation for our human resource management systems based on the group-wide Human Resource Guidelines, which were

revised in 2019 to place more emphasis on human rights and labor while also making the guidelines more understandable globally. The guidelines specify objectives, basic concepts, compliance rules and recommendations, associated with human resource practices covering human rights and labor, recruitment, compensation, human resources development system and the appraisal system. In the guidelines, basic concepts, for instance, stipulate the need to "respect human rights and reject complicity in human rights violations" and "develop a culture where the employer, superiors and subordinates think of each individual's career and put ideas into practice."

Daicel Group's Human Resources Policy

People are the Foundation for Our Success

The Three Core Principles of Our Human Resources Policy

- Will** We encourage the strong will and courageous decisions of each individual.
- Diversity & Inclusion** We continue to evolve through the interaction of our diverse personalities.
- Integrity** We do the right thing and proudly follow the right path.

Human Resource Guidelines

<https://www.daicel.com/en/sustainability/social/hrm.html>

Social Report

Human Resource Development

People are the foundation of our corporate activities. The Daicel Group has defined its basic approach to human resource development to secure employees who respect others and appreciate new situations and perspectives while also sustaining the passion and focus to see tasks through to completion.

- Nurturing human resources will help the Company grow.
- Any attempt to achieve better results will nurture employees.
- With a corporate culture that trusts and values people, all Daicel employees shall undergo human resource development in line with their respective posts and responsibilities.

Human Resource Development and Training Programs

We offer a full range of human resource development programs to employees to develop their skills, using a variety of methods such as on-the-job training, self-directed development, group seminars, and rotations.

• Training Programs for New Employees

To quickly equip new employees with the skills needed to start making contributions to the Company, Daicel provides a training program that covers a wide range of areas, from workplace conduct to basic knowledge, which prepares them for on-site training.

During the "Monozukuri Training" (manufacturing training), employees receive the training on the frontline of production. They are assigned eight-hour shifts and taught the fundamentals of manufacturing and plant operations. This experience deepens their appreciation of safety, quality, costs, and the environment, all watchwords of plant operations. Moreover, they are instructed in subjects relevant to their particular work areas.

• Career Development

Daicel provides training programs that are tailored toward different positions as defined in the Company's job grade system, ranging from new employee to new director for Group Companies.

We also provide Nadeshiko Seminars for developing female leaders, overseas language training, and management training in Japan and overseas. All of these support mid- to long-term career development.

• Development of Specialized Skills

We maintain an extensive training curriculum, which ranges from the Monozukuri Training, offered to new employees, to sessions on specialized knowledge and skills needed at various points of their careers.

The Engineer Development Program, considered a prerequisite for promotion to a managerial position, is designed to enhance financial literacy as well as technical skills and knowledge. Daicel also has a separate career track focused on developing human resources

who specialize in very specific fields with the skills and knowledge to tackle the associated challenges. 11 Daicel employees are on this career track as of March 31, 2020, each playing a key role in their areas of specialty.

• Developing Global Talent

The Safety Strategic Business Unit (Safety SBU) manufactures airbag inflators for automobiles at six manufacturing sites, one in Japan and the other five overseas (U.S., China, South Korea, Thailand, and Poland). While each site develops its own training and development programs, the Human Development Center at the Harima Plant trains and certifies trainers specialized in critical processes and special skills to ensure that the same level of quality and safety are incorporated into manufacturing practices worldwide. As of March 31, 2020, there are 18 certified trainers across the globe, and each trains and certifies new trainers locally at the various business sites.



During the training program

Work-Life Balance Promotion

Daicel is striving to develop an environment in which all employees can work vibrantly with confidence, and the Company therefore supports a work-life balance. It is also promoting flexible work styles while improving working conditions in order to establish an environment that helps diverse human resources pursue success.

Furthermore, we are taking on work style reforms, and thus, proactively making changes in the ways we process our tasks, with the aim of securing greater productivity.

Initiatives to Shorten Working Hours

In order to improve the work-life balance of all our employees and create working environments that meet their individual needs, Daicel is proactively pursuing three targets: 1) shortening regular working hours, 2) increasing the number of holidays, and 3) reducing overtime hours.

In 2018, we reduced regular working hours for full-time employees from 8 to 7.5 hours per business day, resulting in a decrease of approximately 120 hours or about 6.2% in regular annual working hours. In addition, in April 2020, we increased the annual holidays for shift workers by 10 days.

Improvement in the Annual Paid Leave Acquisition Ratio

In 2016, Daicel set out a goal of achieving 70% or more in its annual paid leave acquisition ratio. To accomplish this, each worksite designates a few special days in their annual operational calendar, on which employees are encouraged to take annual paid leave. The number of these designated special days was increased from 3 to 4 in FY2019/3 and then further increased to 5 in FY2020/3. This has contributed to our current 73.6% annual paid leave acquisition ratio.

Promoting Telework

(Working from Home and at Satellite Offices)

The Company promotes telework as a flexible, efficient work style that eliminates the limitations associated with specific working times or workplaces. In April 2017, we implemented a program that allows eligible employees, including those engaged in child and nursing care, to work from home. In 2018, the program's eligibility was extended to include all employees, and its limitation on the number of days that employees are allowed to work from home per month was

eliminated.

From the beginning of 2020, telework quickly became widespread to prevent the spread of COVID-19. As a general rule, 70% of employees working for the Tokyo and Osaka head offices and Nagoya Sales Office are requested to telework, and the target number of employees coming into these offices has been reduced to 30%. In addition, employees at our other work sites also began partially working from home. We do not intend for this to be a temporary trend, but regard it as an opportunity to change our work style with a view to continuing to encourage our employees to make full use of telework.



Employee working at our satellite office

Daicel's Programs to Help Employees Adopt Flexible Work Styles

We ensure that our programs and policies related to childcare, nursing care, and other services exceed statutory requirements. We focused on implementing measures that improve the work-life balance of our employees, including flextime, working from home and satellite offices.

Daicel's Programs to Help Employees Adopt Flexible Work Styles

<https://www.daicel.com/en/sustainability/social/wlb.html>

TOPICS Selected as a "Company with Best Practices"

In November 2019, Daicel was selected as a "Company with Best Practices" by the Osaka Labor Bureau. In conjunction with the Ministry of Health, Labor and Welfare's "No Overwork Campaign," held every year in November, the Bureau identifies companies taking active measures to reduce overwork and gives them the title of "Company with Best Practices." Our achievements in 1) shortening regular working hours, 2) introducing "free-address" seating in our head offices, and 3) introducing work-from-home, satellite offices, and other telework capabilities were highly evaluated and resulted in our receiving the honor.

Social Report

Diversity Promotion

In line with the Daicel Group Conduct Policy, we are implementing initiatives to develop working environments that respect the diversity, personality and individuality of every member connected to the Daicel Group and shall contribute to realize a healthy and sound society that is free from discrimination and harassment.

We will continue to focus on diversity promotion and strive to be a company where employees from a diverse background respect and inspire each other and work together to create new value.

Helping Women Earn Career Success

In April 2016, we established an action plan for the Daicel Corporation to ensure that women who wish to develop high-profile careers are not encumbered in any way and are free to pursue their ambitions. Since the goals outlined in the plan were achieved in FY2019/3, ahead of schedule, a revised five-year action plan from 2016 to 2021 was created. This action plan is intended to achieve the following three targets.

- **Target 1:** Increase the number of women who take managerial positions by 2.5 times to a ratio of 4%^{*1}
- **Target 2:** Increase the number of women in senior roles (candidates for managerial positions) by 1.3 times to a ratio of 8%^{*2}
- **Target 3:** Raise the annual paid leave acquisition ratio from 62% to 70% or greater

^{*1} The original target, doubling the number of women who take managerial positions, was achieved in July 2018, and therefore a new target was established. The target is to increase the number from 12 in April 2016 to 30 by March 2021. It also includes the ratio of women in managerial positions.
^{*2} To clarify the target, it includes the ratio of women in senior roles (1st and 2nd level). The target is to increase the number from 84 in April 2016 to 109.

As of March 31, 2020, the number of women in managerial positions was 30 (3.7%), the number of women in senior roles was 107 (9.5%), and the annual paid leave acquisition ratio was 73.4%.

Promoting Employment of Persons with Disabilities

Daicel promotes hiring persons with disabilities to fulfill its social responsibilities of maintaining the ratio of these

individuals in the total workforce above the statutory employment rate. It also offers them opportunities to contribute as members of society and leverage their capabilities to the greatest extent possible. As of March 31, 2020, the ratio of persons with disabilities in the total workforce of Daicel amounted to 2.12% (non-consolidated). To ensure that each individual can contribute in the best possible way, we pay the utmost attention to assigning suitable jobs according to the degree of disability.

Encouraging Senior Employees to Remain Active in the Workforce

Daicel has a system in place that allows employees who have reached the retirement age of 60 to continue working for the Company and use their extensive knowledge and experience in the workforce. In FY2020/3, 52 out of 57 employees who reached that age were reemployed under the system, with 167 senior employees (as of March 31, 2020) currently working at the Company after passing their retirement age. In accordance with the revised Law Concerning Stabilization of Employment of Older Persons, applying the system to employees seeking to continue to work through age 65, Daicel will maintain working environments where senior employees can continue to contribute using their careers, knowledge, and experience.

“Diversity and Work Style Reform as Management Strategy” Seminar for Top Management

With the aim of sparking the change needed in employee awareness and conduct, in order to achieve diversity promotion and work style reform, the Company held “Diversity and Work Style Reform as Management Strategy” seminars at each of its business sites.

We invited Hisano Ueda as the guest speaker, and she discussed the topic: “the promotion of women’s advancement = work style reform = corporate culture reform.” A total of 1,200 employees attended the seminars.



TOPICS Certified as a “Leading Company with Active Women Participation”

On November 1, 2019, Daicel was certified by Osaka City as a “Leading Company with Active Women Participation.” The city identifies companies that actively promote the development of a workplace that allows women with career ambition to remain in the workforce, work-life balance, and men’s participation in childcare, housework, and activities in the local communities. It also gives this certification to organizations that meet a set criteria. We will continue to focus on promoting diversity and creating workplaces where every employee can express their individuality and perform at the best of their abilities regardless of gender, nationality, or disabilities.



Respect for Human Rights

Basic Approach

Respect for human rights is an integral part of all business activities undertaken by the Daicel Group. The Daicel Group’s Basic Philosophy, the Daicel Group Conduct Policy, and each Group company’s Code of Conduct declare our determination to comply with all laws and regulations; act with high ethical standards and sound judgment; respect the diversity, personality and individuality of every member connected to the Daicel Group and contribute to realizing a healthy and sound society that is free from discrimination and harassment. In addition, the Daicel Group does not condone any form of forced or child labor, regardless of the country or region in which it operates. We foster a corporate culture that respects human rights, and therefore our Code of Conduct states our basic commitment to respect human rights and never engage in any human rights violations through such acts as discrimination on the grounds of race, ethnicity, nationality, creed, thought, religion, gender, sexual orientation, gender identification, illness, disability, etc., or through harassment. All Daicel Group employees are well-versed in these precepts. Moreover, they are encouraged to proactively make their own judgments in line with these precepts and put them into practice throughout the course of day-to-day business activities.

Since 2019, the Human Resources Division and the Corporate Compliance Program Division have been visiting Group companies to ensure that they meet international standards for human rights. Moreover, the Daicel Group operates the Compliance Help Line System (Whistleblowing System) to receive reports and provide consultation on various issues that include human rights. Issues can be raised anonymously to protect the identity and privacy of

the reporter, and rules are in place that prohibit any adverse treatment of the individual. In addition, the Daicel Group Human Rights Policy has been newly established to fulfill our responsibility for respecting human rights under international standards.

Daicel Group Human Rights Policy
<https://www.daicel.com/en/sustainability/social/human-rights.html>

Supply Chain Management

In its purchasing activities, the Daicel Group carefully evaluates quality, pricing, and delivery dates while also considering social impact, in such areas as the environment, human rights, and the labor force. We established Basic Purchasing Policy and the Daicel Group CSR Purchasing

Guidelines to encourage suppliers to gain an understanding of our policies and to fulfill our corporate social responsibilities in tandem with all of its supply chain constituents toward realizing a sustainable society.

Basic Purchasing Policy

- 1. Fairness and Rationality of Transactions**
 - We shall be fair in providing prospective suppliers with opportunities for participating in business transactions. Also we shall conduct our purchasing activities in an open manner with no regard for previous dealings and with no preference for companies domiciled in Japan.
 - Our overall considerations shall be limited to matters of quality, price, stability of supply, state of technological development, environmental considerations, and the assurance of safety. We shall consider these aspects in a comprehensive manner.
- 2. Legal Compliance and Confidentiality**
 - We shall comply with laws and corporate ethics in our business operations.
 - We shall strictly protect confidential information obtained through businesses and shall never infringe the intellectual property rights of third parties.
- 3. Establishing Relationships of Trust**
 - We shall strive to establish better partnerships with our suppliers in consideration of mutual benefit and trust as well as good faith.
- 4. Adherence to CSR Initiatives**
 - We shall promote sustainable development with our suppliers through our activities for corporate social responsibility and value improvement.

Daicel Group CSR Purchasing Guidelines
<https://www.daicel.com/en/profile/purchase/guidelines.html>