

Sustainability Management

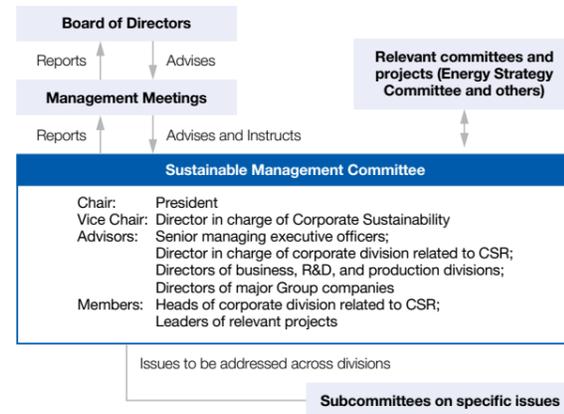
The Daicel Group's business activities are guided on a day-to-day basis by its basic philosophy of making people's lives better by co-creating value. Today, as public values are changing significantly in terms of realizing a sustainable society, the Group has sought to articulate its basic management approach by laying out the Sustainable Management Policy. Under this policy, we will prioritize safety, quality, and compliance as the most important foundation and seek to achieve a sustainable society and the Group's business expansion with integrity, tireless efforts, and self-transformation.

[P.07 Sustainable Management Policy](#)

Sustainable Management System

In FY2021/3 the Daicel Group established the Sustainable Management Committee, chaired by the president and mainly comprising the heads of CSR-related divisions. The committee met three times in FY2022/3, mainly to discuss the selection of materiality items and consider KPIs, as well as to address human rights matters and climate change issues. We will continue to take steps to resolve sustainability-related issues and take our initiatives to the next level.

Diagram of the Sustainable Management System



Initiatives to Achieve Sustainable Procurement

The Procurement Subcommittee comprises individuals charged with supervising procurement from the Raw Materials Purchasing Division, Corporate Sustainability, SBUs, and major Group companies and meets periodically to engage in discussions encompassing the entire Group. The subcommittee met nine times in FY2021/3-FY2022/3 and is working to achieve sustainable procurement.

In FY2022/3, we used the results of the FY2021/3 SAQ* to conduct listening sessions with 73 of the 189 companies that we deemed to be in need of improvement. We identified 161 issues and instituted efforts to bring about improvements. In particular, we prioritized support for the formulation of basic purchasing policies for suppliers that did not have them, and we will continue to do so in stages.

[Sustainable Procurement](https://www.daicel.com/en/sustainability/social/supply-chain.html)

Companies targeted for SAQ	796 companies (accounts for over 85% of total procurement)
Number of responses	671 companies (response rate: 84%)
Number of suppliers deemed in need of improvement support	189 companies
Number of listening sessions (companies) conducted in FY2022/3	73 companies

*SAQ is an acronym for self-assessment questionnaire. To assess the sustainability initiatives of suppliers, the Daicel Group periodically conducts an SAQ that we created based on Global Compact Network Japan's SAQ. In providing assessment and offering feedback for their response, we seek to raise awareness among suppliers and reduce environmental and social risks.

Response to Climate Change

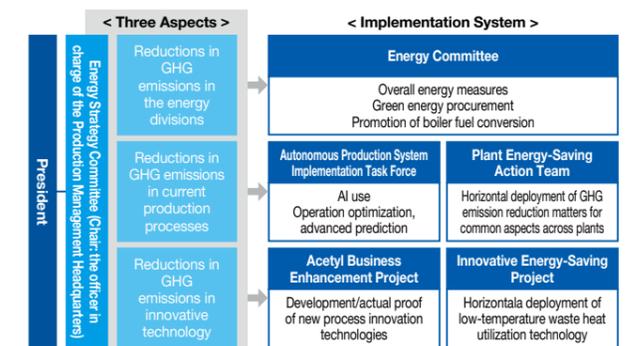
To achieve carbon neutrality*1 by FY2051/3, the Daicel Group has set medium- to long-term goals of reducing GHG emissions by 50%*2 by FY2031/3 and by 37%*2 by FY2026/3. We will strive to significantly reduce GHG emissions by optimizing production processes with our Autonomous Production System based on "DAICEL Production Innovation," the introduction of clean energy, and the development of innovative technology. We also aim to decarbonize the entire value chain by building a Biomass Value Chain that realizes a lasting industrial ecosystem through collaboration between primary and secondary industries.

*1 For Daicel Group Scope 1, 2 and 3 emissions
 *2 Reduction targets use FY2019/3 as the base year for Daicel Group Scope 1 and 2 emissions

Promotion System for GHG Emission Reductions

To promote the Group-wide initiatives for saving energy and reducing GHG emissions, we established the Energy Strategy Committee, which reports directly to the president and CEO. The Energy Strategy Committee is chaired by the officer in charge of the Production Management Headquarters, with membership comprising the heads of our production, energy, and corporate departments in Japan. The committee is striving to construct a circular process that is in harmony with the global environment from the three aspects of reductions in GHG emissions in the energy divisions, reductions in GHG emissions in current production processes, and reductions in GHG emissions through innovative technology. We are also considering the institution of internal carbon pricing in order to propose and carry out appropriate investment plans to achieve our medium-term goals.

Structure of the Energy Strategy Committee



FY2022/3 Results

The Daicel Group's GHG emissions for FY2022/3 increased by 11% year-on-year to 2,348 kt-CO₂ due to increased production volumes from a recovery in demand, even with energy-saving initiatives such as improving the tire-derived fuel ratio at the Ohtake Plant and improving steam and electricity usage rates.

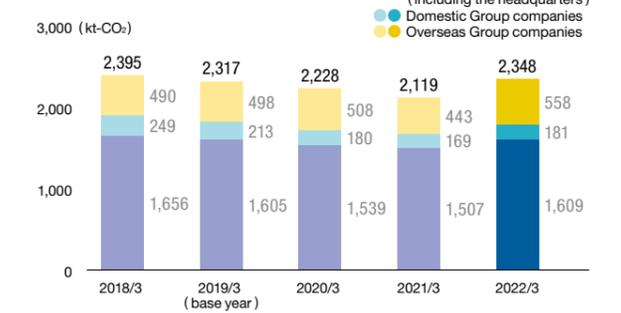
GHG Emissions by Scope (FY2022/3)

Categories	Emissions (kt-CO ₂)	
Scope 1*1	Direct GHG emissions	1,654
Scope 2*1	Electricity indirect GHG emissions	693
Scope 3*2	Other indirect GHG emissions (categories 1 to 7)	1,335

*1 Daicel Group
 *2 The scope of aggregation for each Scope 3 category is described in "Response to Climate Change" on the corporate website

[Response to Climate Change](https://www.daicel.com/en/sustainability/environment/climate-change.html)

GHG emissions (Scope 1, 2)



Note: The reporting period for fiscal year environmental data is from April to March. However, for overseas subsidiaries excepting the Polyplastics Group, the reporting period for environmental data is from January to December

Response to TCFD Recommendations

The Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in November 2021. In accordance with the TCFD recommendations, we will disclose information on the risks and opportunities related to climate change and their financial impact, as well as disclose our efforts to reduce GHG emissions and build a circular society.



Identifying Key Sustainability Issues (Materiality)

The Daicel Group identified its materiality in FY2021/3 as key sustainability issues toward achieving the Accelerate 2025 Mid-Term Management Strategy. We will carry out the CAPD cycle according to this materiality and contribute to realizing a sustainable society in a uniquely Daicel way.

Background and Approach to Identifying Our Materiality

The Daicel Group's materiality consists of two main categories.

For "materiality aimed at achieving growth of the Daicel Group and value co-creation," our aim is to leverage the strengths of the Group to address the SDGs and other social issues and actively create value in line with the "Product, Process, and People" concept in our Sustainable Management Policy.

For "materiality related to the foundation for the Daicel Group's continuity and governance," we established respective considerations of prime importance for value creation, including safety, quality, and compliance, for E (environment), S (society), and G (governance).

Process of Identifying Materiality



STEP 1 Extract social issues
We referenced international guidelines, SDGs, the principles of the United Nations Global Compact and guidelines published by industry organizations to extract social issues that the Daicel Group should address.

STEP 2 Prioritize
We assessed items extracted in Step 1 by giving consideration to the following aspects to identify key themes with high priority by plotting them on the materiality map according to "Importance to stakeholders" and "Importance to the Daicel Group." We then sorted them into the two categories of "Growth of the Daicel Group and value co-creation" and "Foundation for the Daicel Group's continuity and governance."

STEP 3 Confirm validity
The Corporate Sustainability and other relevant divisions discussed the validity of important themes identified through Steps 1 and 2. The results were reported and approved at the Management Meetings and subsequently endorsed by the Board of Directors.

STEP 4 Formulate materiality and KPIs
By going through Steps 1 to 3, we identified 15 material issues. We designate a KPI for each, and also periodically evaluate progress to maintain a CAPD cycle. We will review our materiality in response to future changes in society and our business.

- Consistency between the Long-Term Vision and Mid-Term Management Strategy
- Consistency with related policies such as the Sustainable Management Policy, the Daicel Group Conduct Policy, and the Daicel Code of Conduct
- Consolidation of opinions from relevant departments

Angles	Classifications	Materiality	Main Initiatives in FY2022/3	Relevant SDGs	Related Pages
Materiality aimed at achieving growth of the Daicel Group and value co-creation	Sustainable Product	Contribute to beauty and health	<ul style="list-style-type: none"> Through industry-academia collaboration, accelerated the development of naturally derived products, aiming to Succeed in the world's first industrial production of Urolithin A Established the Life Sciences Business Division to strengthen our medical products business using Provided a new drug delivery device for COVID-19 vaccine development 	enhance peoples' well-being proprietary technologies	 P.34 Medical / Healthcare
		Contribute to the smart society	<ul style="list-style-type: none"> Accelerated the development of high-performance materials for semiconductors and other electronics applications, Information and Telecommunication Systems Infrastructure Enhancement Research and Development Project Established the Advanced Materials & Packaging Institute and moved from the basic research phase to the 	and was chosen for leading research under the "Post 5G of NEDO development phase"	 P.36 Smart
		Provide safety and security for society	<ul style="list-style-type: none"> Launched brands of new energy systems One Time Energy™ and DAISI™ and stepped up the development of electrification Improved gas generant combustibility and developed a new gas generant manufacturing process 	products to accommodate the shift towards automation and	 P.38 Safety
		Provide environmentally-friendly materials and technology	<ul style="list-style-type: none"> Carried out a project for a new cellulose acetate business and advanced the environmentally-friendly Obtained "OK biodegradable MARINE" certification for CAFBLO™, a highly biodegradable cellulose acetate Obtained certification for COC as a recyclable high density polyethylene (Polyplastics USA) 	materials business	 P.28 Sustainable Product P.40 Materials P.42 Engineering Plastics
	Sustainable Process	Contribute to the development of a circular society	<ul style="list-style-type: none"> Established the Biomass Innovation Center and strengthened our high-performance materials research and Carried out joint research with Kyoto University and Kanazawa University In October 2022, will open a facility at Kanazawa University to research biomass utilization and technologies 	development capabilities using biomass toward carbon neutral	 P.24 Sustainable Process
		Respond to climate change	<ul style="list-style-type: none"> Scope 1 and 2 GHG emission reduction rates (compared to FY2019/3) FY2022/3 results: 1% Targets: FY2026/3 37% FY2031/3 50% The increase in GHG emissions caused by higher production volume prompted by a recovery of demand was usage of steam and electricity, putting emissions on par with FY2019/3 	FY2051/3 Achieve carbon neutrality (Scope 1, 2, 3) offset by energy-saving efforts that included increasing our	 P.45 Response to Climate Change Response to Climate Change https://www.daicel.com/en/sustainability/environment/climate-change.html
Sustainable People	Promote diversity and inclusion	<ul style="list-style-type: none"> Ratio of women in management position*1 FY2022/3 results: 4.3% Target: FY2026/3 10% or above Ratio of persons with disabilities that have been with the company at least three years*1 (1 - persons with joining / total number of employed persons with disabilities) × 100 FY2022/3 results: 97.2% Held training and other internal events with the theme of "Design Your Own Career" as part of the "Wellbee" Published an action plan for the second phase (FY2022/3 to FY2026/3) of Japan's Act on Promotion of Women's 	disabilities that left the company in less than three years after Target: Keep at 95% or above diversity promotion project Participation and Advancement in the Workplace	 Promoting Diversity and Inclusion https://www.daicel.com/en/sustainability/social/diversity.html	
	Support personal growth	<ul style="list-style-type: none"> Revised the human resources systems for managers in April 2021 and for non-managers in April 2022; Implemented the Career Challenge System to enable employees to challenge themselves in new ways toward Held age-specific career training aimed at helping employees in their early 50s lead fulfilling personal and professional 	employees now can choose their career more independently achieving a career plan of their own devising lives by enabling them to plan their own future careers	 P.22 Sustainable People Support for Human Resource Development https://www.daicel.com/en/sustainability/social/hrd.html	
Materiality related to the foundation for the Daicel Group's continuity and governance	Environment	Reduce environmental impact	<ul style="list-style-type: none"> Industrial waste recycling rate*2 FY2022/3 results: 97.7% Target: FY2026/3 99% or above 		 Reduction and Recycling of Industrial Waste https://www.daicel.com/en/sustainability/environment/industrial-waste.html
		Ensure process safety and disaster prevention, occupational health and safety	<ul style="list-style-type: none"> Serious occupational accidents*1 FY2022/3 results: 0 Target: Keep at 0 Serious process safety incidents*1 FY2022/3 results: 0 Target: Keep at 0 Held safety training based on past incidents (occupational accidents and process safety incidents)*1 FY2022/3 results: 100% Target: FY2026/3 Keep at 100% 		 Process Safety and Disaster Prevention https://www.daicel.com/en/sustainability/social/safety-security.html
	Social	Ensure chemical safety and enhance product quality	<ul style="list-style-type: none"> RC-related regulation audit rate*1 FY2022/3 results (1st year of 5-year plan): 21% Target: FY2026/3 100% Rate of initial response to customer complaints within 24 hours*1 FY2022/3 results: 63% Conducted General Operability Studies*4 for quality and usage rates, used online sensors and soft sensors for quality management system 	Target: FY2026/3 100% quality checking, and worked toward completing the integrated	 Chemical and Product Safety https://www.daicel.com/en/sustainability/social/chemical-safety.html Enhancing Product Quality https://www.daicel.com/en/sustainability/social/quality.html
		Respect human rights	<ul style="list-style-type: none"> Implementation rate of Human rights due diligence for Daicel Group companies for FY2020/3 to FY2022/3: 64.9% Group companies overseas: conducted in 21/39 companies*3 Proposed plan for conducting human rights due diligence for suppliers 	Group companies in Japan: conducted in 16/18 companies*3	 Respect for Human Rights https://www.daicel.com/en/sustainability/social/human-rights.html
		Foster a corporate culture that meets employee needs	<ul style="list-style-type: none"> Annual continuous paid leave acquisition rate*1 (a five-day holiday taken once per year) FY2022/3 results: Held a "Thanks Holiday" (employees take a five-day holiday) pilot for certain organizations Increased number of holidays for shift workers as an initiative to shorten working hours Established the Employee Wellness Promotion Center to improve health management throughout the Group 	Target: FY2026/3 100%	 Foster a Corporate Culture That Meets Employee Needs https://www.daicel.com/en/sustainability/social/wlb.html
		Promote sustainable procurement	<ul style="list-style-type: none"> Sustainable procurement rate (the percentage of suppliers meeting Daicel's standards, based on the results of FY2022/3 results: 72% Target: FY2024/3 100% Held interviews with major suppliers on SAQ results, identified issues, and provided support for 	SAQs conducted for major Daicel Group suppliers) making improvements	 P.44 Initiatives to Achieve Sustainable Procurement Sustainable Procurement https://www.daicel.com/en/sustainability/social/supply-chain.html
Governance	Strengthen foundation for group governance and compliance	<ul style="list-style-type: none"> To enhance effective management oversight functions, a third-party organization held discussions on conducting evaluations to be done in FY2023/3 Rate at which legal checks are made and response measures taken for material matters requiring FY2022/3 results: 100% Target: Keep at 100% Issues reported to the Help Line FY2022/3 results: 50 Percentage of employees who know how to use the Help Line system and can contact the Help Line when they who have taken Help Line reporting training) FY2022/3 results: 8.5% Target: FY2026/3 100% 	effective evaluations at the Board of Directors meeting: executive decision discover compliance violations*2 (= percentage of employees	 P.54 Corporate Governance P.58 Corporate Ethics (Compliance) P.59 Risk Management Corporate Governance https://www.daicel.com/en/sustainability/governance/ Corporate Compliance https://www.daicel.com/en/sustainability/governance/compliance.html Risk Management https://www.daicel.com/en/sustainability/governance/risk-management.html	

*1 Daicel *2 Daicel and Group companies in Japan *3 Figures represent the number of candidate companies for human rights due diligence (as of March 2022)

*4 Daicel's original method of standardizing plant operations

Dialogue between Outside Directors

The Power of Chemistry to Realize a Sustainable Society

The Mid-Term Management Strategy “Accelerate 2025” started in FY2022/3. Daicel accelerates its strategy to “contribute to the development of a circular society.” Two outside directors with different backgrounds discussed Daicel’s strengths, expectations for its further growth, and governance.



Outside Director, Member of the Nomination and Compensation Committee
Counsellor, Asahi Kasei Corporation

Toshio Asano

Outside Director, Member of the Nomination and Compensation Committee
Advisor, Nippon Life Insurance Company

Takeshi Furuichi

Remain resolute in the decision to contribute to the development of a circular society

Furuichi: Daicel has included a great theme in its Long-Term Vision, “Contribute to the development of a circular society.” Few companies have a broad perspective to proudly set such a lofty goal. I think Daicel’s corporate culture is evident in its strong will and decisiveness to face head-on the establishment of a circular society. I also find it remarkable that it is implementing organizational reforms, co-creation with outside partners, and various strategies to achieve this goal.

Asano: As one of its measures, Daicel has elaborated the “Biomass Value Chain concept” to achieve carbon neutrality. I was impressed with the broad concept of a comprehensive cycle that covers not only forestry but also the agriculture and fishing industries. At the same time, aiming at its realization, Daicel has been steadily making efforts to innovate through scientific methods in cooperation with Kanazawa University and Kyoto University. This open innovation relies not only on the Company’s internal resources but also on proactive collaboration with external partners. I believe this shows that the concept is down to earth. Daicel is putting into practice its basic philosophy, “co-creating value.”

Furuichi: Japanese companies tend to stick to closed innovation and consider what they can do based on their own products. On the contrary, Daicel focuses on what society needs. Daicel is confident in co-creation with its partners and clearly explains how to cover its shortcomings. I can see this assures that its concept, or strategy, is down to earth, as you have said. The chemical industry uses reactions between different substances to create new value. Likewise, I hope Daicel works with more and more collaborators through open innovations to enable this to happen.

Asano: In addition, the Mid-Term Management Strategy is highly rational in that it clearly distinguishes business units to be expanded through active investment and ones to be reformed with the option of withdrawal in mind. Making such a clear distinction is usually hard for a manufacturer, but Daicel did it as a result of discussions involving top management, middle management, and even lower levels.

Furuichi: Presenting the portfolio categories with no ambiguity but with a clear message also helps investors. It also helps employees in each business unit, as the clear positioning of their business unit tells them in which

direction they should go and allows them to respond to, and prepare for, various possibilities. I thought it was an intelligent way to put forth a business strategy. Now the question is how to carry it out.

Asano: To expand the business in a competitive environment, it is necessary to make ambitious investments with a long-term vision. It also requires collective corporate strength, including research and development, and intellectual property. I see Daicel undertaking with full force and speed the initiatives outlined in its roadmap and the specific measures in each business unit, so I have very high expectations for the Company. I also appreciate the Company’s efforts over the past two years to withdraw from defense-related businesses and reconstruct its inflator business without wasting any time.

An extraordinary chemical manufacturer with solid chemical and assembly capabilities

Furuichi: Another characteristic of Daicel is that, even when it withdraws from a business, it retains and utilizes the technologies it has developed in that business unit in some way or another. Pyrotechnics, initially a key technology of defense-related business, has been utilized as safety technology for airbags. And now, it leads to new products such as a pyro-fuse for electric vehicles, and Actranza™ lab., a needle-less injector. Daicel’s core technology has been successfully inherited and used to create the next generation of products. I expect that Daicel’s future open innovations will further expand its interaction with people outside the Company and generate new value using the technologies it has been cultivating.

Asano: I agree. I am in the same chemical industry, but even so, I do not consider Daicel an ordinary chemical manufacturer. I think the Company’s core strength is that it has established a globally strong position in producing a series of derivatives from acetic acid, such as acetyl chemicals and cellulose acetate. No other manufacturer in the Japanese chemical industry has such a distinctive chain. The fact that Daicel has had this chain for many years proves that it has been making each of its products to meet social demand. I believe that the accumulation of technologies is one of its strengths. Another strength is that Daicel is good at assembly, such as inflators. This impression became even firmer when I visited the plant. The inflator business cannot be operated only with pyrotechnics. I am sure that Daicel had a hard time

commercializing it, but today, it is a major global player in the inflator business. The core technology of Actranza™ lab. is also pyrotechnics, but I think it was Daicel's assembly technology that made the product possible.

Furuichi: Not only does Daicel develop materials and technologies as a chemical manufacturer, but it also creates devices for their use.

Human-centered management that enables the employees and the Company to grow together

Asano: Chemical manufacturers, including Daicel, launch one new business after another, but most are downsized or discontinued within a few decades. Consequently, the chemical industry has a history of continuous restructuring. Therefore, chemical manufacturers cannot stay in business without truly valuing people. Daicel is committed to human-centered management. It does not lay off employees from a discontinued business, but rather seeks their agreement on moving to another business so that they can continue to play active parts in Daicel. This is only possible through its management that sincerely cherishes its people. In the chemical industry, companies highly



value persons who were in charge of, or involved in a discontinued business as they have faced various challenges. For this reason, Daicel's human-centered management is a critical stance. I would like the Company to follow it to the letter.

Furuichi: One may likely assume that chemical companies are centered around not humans but technology. Especially since Daicel has developed the DAICEL Production Innovation and the AI-based Autonomous Production System, people may understand these phrases superficially and literally and have the impression that machines are replacing humans. Some may feel it contradictory for such a company to claim that its management is human-centered. However, considering the background that you explained, it became clear to me that, after all, Daicel values people.

Board meeting facilitates lively discussions

Asano: I would like to mention governance. At Daicel's board meetings, all attendees have frank discussions. I clearly perceive the management's initiative to draw out the opinions of us, outside directors. Furthermore, the number of outside directors, including women, is significant. I believe the effectiveness of the Board of Directors is high.

Furuichi: That is correct. I was told beforehand that Daicel has a good culture in which everyone in the Company engages in lively discussions. Once a decision is made, they are determined to carry it out. I can see that this culture is manifest also in the board meetings.

Asano: We hope that Daicel maintains such an excellent corporate culture, not only in the board meetings.

Risk taking and risk control

Asano: The principal role of Daicel's Board of Directors is monitoring. Our role as outside directors is to see how management takes risks, invests in growth, and controls the risks within those investments. Daicel has adopted ROIC as a management indicator. ROIC results from the business decisions made and conducted in the past. Thus, it is important to sharpen management decisions to improve ROIC in three to five years. It is critical to make decisions and develop strategies today with an eye on three, five, and even ten years from now. Existing business

will shrink sooner or later, so it is always indispensable to take risks and create new business. From my perspective as a peer, Daicel is a sound risk taker that undertakes new business within the limits of controllable risks. The most recent example of its risk taking is the acquisition of Polyplastics Co., Ltd. as its wholly owned subsidiary. It was amazing that Daicel planned and accomplished such a significant investment promptly without missing the opportunity. The effects of this investment are already visible in the business results. I am looking forward to its future development.

Furuichi: Generally, Japanese companies step on the brakes too much, so I often suggest they take more risks. However, Daicel is taking risks confidently. I will keep a close eye on how each of its businesses is positioned in the overall portfolio, what kind of risk it will take and how much return it will target in five or ten years. Some risks are country risks, such as a Taiwan Contingency or a Nankai Trough earthquake. Management must consider the impact and whether the company's current capital will suffice. If such a risk is unbearable, they should increase capital slightly or drop higher-risk areas. They should examine the business portfolio in terms of whether they can protect the company in the event of an emergency. It would be too late to act after a contingency occurs. On the contrary, it will be an opportunity if the company is prepared.

Asano: I also believe it better to consider country risks, even though it is impossible to be fully prepared for them.

Corporate value of chemical manufacturers

Furuichi: As I became an outside director of Daicel and became more familiar with its business, I began to wonder if the corporate value of BtoB companies, particularly that of all chemical manufacturers, is fully appreciated. For many people, chemistry is probably difficult to understand. Therefore, I find it necessary to make more effort to communicate its value to the world, in addition to numerical disclosure.

Asano: Although most of the products around us, including smartphones, use materials from chemical manufacturers, it is certainly not well known to ordinary people. I personally believe it is essential to explain it to the employees. In turn, they will tell their families about their company. Then their families will be interested in chemistry.



Furuichi: I agree. We also want students and children to be more curious about chemistry. Certainly, it is important for a chemical manufacturer to benefit society through its products. Still, it is also expected to do that by conveying the attraction and potential of chemistry to the next generation and raising them to be responsible for the future. Daicel has already started such activities. For example, it sends its chemical technicians to schools near plants to teach chemistry. I hope the Company expands these efforts further to develop chemistry-minded human resources with high aspirations to stop global warming.

Asano: I believe chemistry can significantly contribute to building a sustainable society. In recent years, there has been a growing interest in ESG and SDGs, especially in the financial industry. I sense that this is a favorable trend for the chemical industry. As long as this world is in search of invention, discovery, or innovation, the power of chemistry will always be required in that process.

Directors, Audit & Supervisory Board Members, and

Directors



Yoshimi Ogawa

Representative Director, President and CEO, Member of the Nomination and Compensation Committee, Responsible for Research Center, Responsible for Advanced Materials & Packaging Institute, Responsible for Life Sciences Business Division, and Executive Consultant of Polyplastics Co., Ltd.

April 1983 Joined the Company
 April 2002 Head of Business Process Innovation
 June 2006 Executive Officer, Deputy Head of Aerospace & Defense Systems/Safety Systems Company
 June 2009 Head of Production Technology
 June 2011 Director
 June 2013 Managing Executive Officer
 June 2017 Senior Managing Executive Officer
 June 2019 Representative Director, President and CEO (incumbent)



Yasuhiro Sakaki

Director, Senior Managing Executive Officer, General Manager of Corporate Planning & Strategy Headquarters, Responsible for Safety SBU, and Healthcare SBU, Responsible for Raw Material Purchasing Center¹, Responsible for Customer Center¹

April 1984 Joined the Company
 June 2012 Head of Organic Chemical Products Company
 June 2014 Executive Officer
 June 2016 Head of Aerospace & Defense Systems/Safety Systems Company
 June 2017 Managing Executive Officer
 June 2019 Senior Managing Executive Officer (incumbent)
 June 2020 Executive Officer (incumbent)



Kotaro Sugimoto

Representative Director, Senior Managing Executive Officer, Member of the Nomination and Compensation Committee, General Manager of Corporate Support Headquarters, Responsible for Corporate Compliance Program, and Responsible for Digital Strategy Division

April 1984 Joined the Company
 June 2011 Head of Raw Material Purchasing Center
 June 2014 Executive Officer, President of Daicel Logistics Service Co., Ltd.
 June 2017 Managing Executive Officer
 June 2019 Representative Director (incumbent)
 June 2020 Senior Managing Executive Officer (incumbent)



Akihisa Takabe

Director, Managing Executive Officer, General Manager of Assessment Headquarters, Responsible for Intellectual Property Center

April 1984 Joined the Company
 June 2008 President of Daicel Safety Systems Inc.
 April 2014 Head of Central Research Center
 Head of Corporate Research Center of R&D Headquarters
 February 2015 Deputy General Manager of R&D Headquarters
 June 2015 Executive Officer
 June 2019 Director (incumbent)
 June 2020 Managing Executive Officer (incumbent)

Standing Audit & Supervisory Board Members

Shinji Fujita **Hisanori Imanaka**

Senior Managing Executive Officer

Toshio Shiwaku
 General Manager of Performance Materials Headquarters, President and CEO of Polyplastics Co., Ltd.

Outside Audit & Supervisory Board Members

Junichi Mizuo^{*2}

Representative Director and Chairperson of the Japan Compliance & Governance Institute, Honorary Professor of Surugadai University; Ph.D. in Business Administration, Executive Director of Japan Society for Business Ethics

Hideo Makuta^{*2}

Attorney at Law
 Advisor of Nagashima Ohno & Tsunematsu

Hisae Kitayama^{*2}

Certified Public Accountant
 Representative of Kitayama Public Accounting Office

Managing Executive Officers

Naotaka Kawaguchi

General Manager, Production Management Headquarters
 Responsible for Innovation and Business Development Headquarters
 Responsible for Biomass Innovation Center
 Responsible for *Monozukuri* Production Innovation Center
 Responsible for Chain Production Company and Multiple Production Company

Masamichi Mitsuuchi

Responsible for Engineering Center

Takashi Miyamoto

Responsible for Material SBU
 Head of Material SBU
 Responsible for Smart SBU

Executive Officers (as of June 22, 2022)



Masafumi Nogimori^{*2}

Outside Director, Chairperson of the Nomination and Compensation Committee

April 2005 Executive Vice President and Representative Director of Astellas Pharma Inc.
 June 2006 President & CEO and Representative Director of Astellas Pharma Inc.
 June 2011 Chairperson and Representative Director of Astellas Pharma Inc.
 June 2016 Retired from Chairperson and Representative Director of Astellas Pharma Inc.
 June 2017 Director of Daicel Corporation (incumbent)



Toshio Asano^{*2}

Outside Director, Member of the Nomination and Compensation Committee

April 2010 President & Representative Director, Presidential Executive Officer of Asahi Kasei Pharma Corporation
 April 2014 Presidential Executive Officer of Asahi Kasei Corporation
 June 2014 President & Representative Director and Presidential Executive Officer of Asahi Kasei Corporation
 April 2016 Director and Standing Advisor of Asahi Kasei Corporation
 June 2016 Standing Advisor of Asahi Kasei Corporation (incumbent)^{*3}
 June 2019 Director of Daicel Corporation (incumbent)



Teisuke Kitayama^{*2}

Outside Director, Member of the Nomination and Compensation Committee

June 2005 Director President (Representative Director) of Sumitomo Mitsui Financial Group, Inc., Chairperson of the Board (Representative Director) of Sumitomo Mitsui Banking Corporation
 April 2017 Director of Sumitomo Mitsui Banking Corporation
 June 2017 Advisor of Sumitomo Mitsui Banking Corporation
 June 2018 Director of Daicel Corporation (incumbent)
 October 2018 Honorary Advisor of Sumitomo Mitsui Banking Corporation (incumbent)



Takeshi Furuichi^{*2}

Outside Director, Member of the Nomination and Compensation Committee

March 2010 Representative Director and Senior Managing Executive Officer of Nippon Life Insurance Company
 March 2012 Representative Director and Executive Vice President of Nippon Life Insurance Company
 July 2016 Representative Director and Vice Chairperson of Nippon Life Insurance Company (incumbent)^{*4}
 June 2020 Director of Daicel Corporation (incumbent)



Sonoko Hacchoji^{*2}

Outside Director, Member of the Nomination and Compensation Committee

November 1993 Vice President of IBJ International Plc., UK securities subsidiary of The Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)
 March 2002 Executive Officer of IBJ Leasing Co., Ltd.
 January 2006 Director of Yuki Management & Research Co., Ltd.
 March 2011 Managing Director and Managing Executive Officer of FUJITA KANKO INC.
 April 2017 Chief Strategy Officer and Special Advisor to the President of Tsuda University
 June 2019 Director of Daicel Corporation (incumbent)
 April 2020 Special Advisor to the President of Tsuda University



Yuriya Komatsu^{*2}

Outside Director, Member of the Nomination and Compensation Committee

April 1988 Assistant Portfolio Manager of Credit Suisse Trust and Banking Co., Ltd.
 April 1990 Senior Analyst of SPARX Asset Management Co., Ltd. (currently SPARX Group Co., Ltd.)
 May 1996 Senior Research Analyst of The Dreyfus Corporation
 December 1999 Vice President of Fiduciary Trust Company International
 September 2000 Partner of INTELLESET, INC.
 November 2004 Partner of Worldeye Capital Inc.
 June 2006 Vice President of Olympus Capital Holdings Asia
 July 2010 Managing Director of Daiwa Quantum Capital Limited
 October 2014 Member of the Board of KADOKAWA DWANGO Corporation (currently KADOKAWA Corporation), Member of the Board of DWANGO Co., Ltd.
 September 2021 Managing Director of IA Partners Inc. (incumbent)
 June 2022 Director of Daicel Corporation (incumbent)

Executive Officers

Hitoshi Hayashi

Deputy General Manager, Assessment Headquarters
 Division Manager, Assessment Promotion, Assessment Headquarters

Masaaki Fujio

Division Manager, Responsible Care, Assessment Headquarters

Akio Kojima

Head of Smart SBU

Haruyoshi Tashika

Head of Chain Production Company
 Plant General Manager of the Ohtake Plant of Chain Production Company

Seiji Yamakado

President of Daicel Miraizu Ltd.,
 Chairperson of Shanghai Daicel Polymers, Ltd.

Nobuhiko Ikeda

Head of Multiple Production Company,
 Plant General Manager of the Harima Plant of Multiple Production Company

Kazuya Kurosawa^{*5}

Representative Director and Vice-President Executive Officer of Polyplastics Co., Ltd.

Kei Yamane

Head of Research Center

Takaharu Takikawa

Head of Engineering Center

Yoichi Nemoto

Deputy General Manager of Corporate Support Headquarters

Seiji Sakano

General Manager, Life Sciences Business Division

Masahiko Hirokawa

Deputy General Manager of Corporate Support Headquarters
 Division Manager, Investor Relations & Corporate Communications, Corporate Support Headquarters

Mitsuteru Mutsuda

Head of Innovation and Business Development Headquarters
 Head of Biomass Innovation Center

Ryohei Yamada

Head of Safety SBU
 Chairperson of Daicel Safety Systems (Jiangsu) Co., Ltd.,
 Chairperson of Daicel Safety Technologies (Jiangsu) Co., Ltd.,
 Chairperson of Daicel Safety Systems Americas, Inc.

^{*1} On August 1, 2022, the SCM (Supply Chain Management) Headquarters was formed through an integration of the Raw Materials Purchasing Center and Customer Center.

Yasuhiro Sakaki was appointed General Manager of SCM Headquarters on the same date

^{*2} Independent Director

^{*3} On June 24, 2022, Toshio Asano resigned as Standing Advisor and was appointed Counsellor at Asahi Kasei Corporation

^{*4} On July 5, 2022, Takeshi Furuichi resigned as Representative Director and Vice Chairperson and was appointed Advisor at Nippon Life Insurance Company

^{*5} On July 1, 2022, Kazuya Kurosawa was appointed Deputy General Manager of Performance Materials Headquarters

Corporate Governance

Strengthening corporate governance is an important management task that enables us to enhance corporate value and achieve our social mission and responsibilities as a listed company. Our management structure enables timely decision-making and implementation by clarifying the role of each organization. Moreover, by actively soliciting external opinions to improve management transparency and fairness, Daicel will strive to maintain the soundness of its corporate management.

History of Strengthening Corporate Governance

	2000	2010	2020
Separation of supervisory from business execution functions	<ul style="list-style-type: none"> 1999 Introduced the Executive Officer System 2000 Appointed Outside Directors 		<ul style="list-style-type: none"> 2015 Increased the ratio of Outside Directors to 50%
Clarification of management responsibilities, Building a system that responds quickly to changes		<ul style="list-style-type: none"> 2003 Shortened the term of office for Directors from two years to one 	
Establishment of various committees	<ul style="list-style-type: none"> 2000 Established the Nomination and Compensation Committee 	<ul style="list-style-type: none"> 2006 Established the Information Disclosure Committee / the Risk Management Committee 2010 Established the Internal Control Council 	
Effectiveness evaluation of the Board of Directors			<ul style="list-style-type: none"> 2016 Started to evaluate the effectiveness of the Board of Directors 2020 Improved the method for evaluating the effectiveness of the Board of Directors
Development of internal control systems		<ul style="list-style-type: none"> 2006 Established the Basic Policy for structuring Internal Control Systems 	<ul style="list-style-type: none"> 2022 Revised the Basic Policy for structuring Internal Control Systems

Corporate Governance Framework

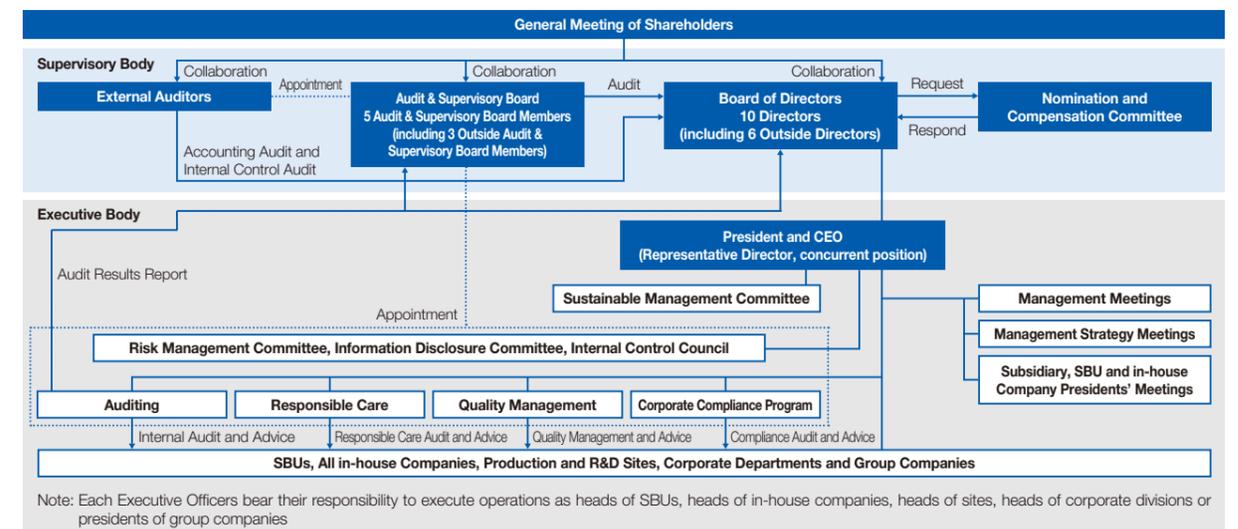
The Company has established a corporate framework under which its Board of Directors makes management decisions in an efficient manner and fulfills its supervisory functions, and its Audit & Supervisory Board accomplishes its auditing and supervisory functions. Such a framework has enabled us to keep reinforcing our corporate governance. Specifically, by welcoming Outside Directors and allowing them to provide opinions and advice based on their expertise, Daicel is working to ensure that the decisions made by its Board of Directors are appropriate and the execution of Director duties is effectively supervised. Moreover, we have adopted an Executive Officer System that has enabled us to clearly separate our decision-making, supervisory, and business execution functions. Such a clear division of roles has allowed us to bolster our business management structure and, consequently, corporate activities.

- [Corporate Governance Report \(June 29, 2022\)](https://www.daicel.com/en/sustainability/pdf/governance/cg_report_20220629.pdf)
- [Standards for Independence of Outside Directors and Outside Audit & Supervisory Board Members](https://www.daicel.com/en/sustainability/pdf/governance/Standards_for_Independence.pdf)

Outline of the Corporate Governance Framework (as of June 22, 2022)

Item	Content
Type of organizational structure	Company with Audit & Supervisory Board
Chairperson of the Board of Directors	President and CEO
Number of Directors	10 (including 2 female directors)
Number of Outside Directors	6 (all 6 are independent directors)
Number of Audit & Supervisory Board Members	5 (including 1 female director)
Number of Outside Audit & Supervisory Board Members	3 (all 3 are independent Audit & Supervisory Board members)
Number of Executive Officers	22 (including 4 officers concurrently serving as directors)
Number of Board of Director meetings held in FY2022/3 (Average attendance rate of Outside Directors / Outside Audit & Supervisory Board Members)	15 (96.0%/95.6%)
Number of Audit & Supervisory Board meetings held in FY2022/3 (Average attendance rate of Outside Audit & Supervisory Board Members)	15 (95.6%)
Term of office for directors	1 year
Term of office for Audit & Supervisory Board Members	4 years
Average term in office for Directors	3.6 years
Average term in office for Audit & Supervisory Board Members	2.2 years
External Auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework (as of June 22, 2022)



[Board of Directors]

The Company recognizes the role of the Board of Directors as being to establish a direction the company should aim for, formulate specific strategies toward that end, and supervising efforts to achieve those goals from an objective standpoint. Consisting of four Internal Directors and six Outside Directors, the Board of Directors makes decisions about important matters regarding corporate management and supervises the execution of business and business operations.

[Audit & Supervisory Board]

Consisting of five members, three of whom are Outside Directors, the Audit & Supervisory Board holds meeting to share information, deliberate on, and make decisions about important issues related to the Company's audits. It also regularly attends Board of Directors meetings and important internal meetings held by Standing Audit & Supervisory Board Members, and regularly meets with the Representative Director, Outside Directors, and External Auditors. In addition, it works to improve auditing effectiveness through such means as communicating with the Auditing Division, the organization for conducting internal reviews when needed.

[Nomination and Compensation Committee]

The Nomination and Compensation Committee issues reports in response to requests from the Chairperson of the Board of Directors or the Audit & Supervisory Board, with a focus on maintaining transparency, appropriateness, and objectivity with regard to decision-making processes for personnel affairs and compensation relating to personnel that include Directors and Executive Officers. The committee is chaired by an Outside Director and consists of six Outside Directors and two Representative Directors.

Effectiveness Evaluation of the Board of Directors

The Company conducts an effectiveness evaluation of the Board of Directors to maintain and improve its performance through questionnaires and individual interviews to each board member and Audit & Supervisory Board Member. In view of the effectiveness evaluation of FY2021/3, in FY2022/3 we took steps to further enhance discussions at meetings of the Board of Directors. This includes enhancing reports on the content of discussions at Management Meetings and other meetings, along with departmental strategies and progress made, as well as spending time discussing management strategies.

FY2022/3 Effectiveness Evaluation of the Board of Directors

Evaluation Process	Distributed questionnaires to all Directors and Audit & Supervisory Board Members; further explored questionnaire responses through individual interviews; the results compiled and analyzed by the administrative office were reported and discussed at a Board of Directors Meeting.
Overview of Evaluation Results	<p>The Board of Directors engaged in productive discussions with Outside Directors and actively offered their opinions, and we were able to confirm that the board is accomplishing its expected roles effectively. On the other hand, there were some issues that needed to be addressed to improve the board's effectiveness. Main issues pointed out:</p> <ol style="list-style-type: none"> Board composition issues <ul style="list-style-type: none"> Addressing diversity in the Board of Directors Board deliberation issues <ul style="list-style-type: none"> The ideal way for the Board of Directors to monitor progress on the execution of management strategies Board operation issues <ul style="list-style-type: none"> How to run Board of Directors meetings smoothly and efficiently in order to best use the time available for discussion Ways for enhancing the provision of useful information for making appropriate decisions (handling of technical terms and inhouse jargon, timing of delivering reference materials for board meetings) Information required to be expanded on an improved <ul style="list-style-type: none"> State of sustainability-related issues and initiatives Check need to revise business portfolio

Structure of the Board of Directors and Board of Auditors

Reasons for Appointment of Directors and Audit & Supervisory Board Members (as of June 22, 2022)

	Name	Position	Term of Office	Business Execution	Reason for Appointment	Remarks
Directors	Yoshimi Ogawa	Representative Director President and CEO	11 years	●	Mr. Ogawa has demonstrated strong leadership in guiding the entire Group toward achieving higher corporate value as the president and CEO of the Company since June 2019. We determined that he was qualified to manage the Daicel Group and its global business given his track record and wealth of experience, achievements and insight related to the overall management of Daicel. Chairperson of Management Advisory Committee.	Chairperson of Board of Directors
	Kotaro Sugimoto	Representative Director	3 years	●	Mr. Sugimoto possesses a wealth of experience, achievements and insight related to the overall management of Daicel, fostered as the head of administrative departments, including finance and accounting as well as compliance. We determined that he was qualified to manage the Daicel Group and its global businesses.	
	Yasuhiro Sakaki	Director	2 years	●	Mr. Sakaki possesses a wealth of experience, achievements and insight related to the overall management of Daicel, fostered as head of the Pyrotechnic Devices Business and departments involved in promoting corporate strategy. We determined that he was qualified to manage the Daicel Group and its global businesses.	
	Akihisa Takabe	Director	3 years	●	Mr. Takabe possesses a wealth of experience, achievements and insight related to the planning and development of new products at the Daicel Group, fostered as head of R&D and new product development for broad areas including basic technology and product development. We determined that he was qualified to manage the Daicel Group and its global businesses.	
	Masafumi Nogimori	Outside Director	5 years		Mr. Nogimori possesses a wealth of insights and experience, fostered as a manager of a company that produces and sells medical products, and applies these in the management of Daicel.	Chairperson of the Nomination and Compensation Committee
	Teisuke Kitayama	Outside Director	4 years		Mr. Kitayama possesses a wealth of insights and experience, fostered as a manager of financial institutions, and applies these in the management of Daicel.	
	Sonoko Hacchoji	Outside Director	3 years		Ms. Hacchoji possesses a wealth of insights and experience, fostered as a member of a management team at financial institutions and a hotel management company, and applies these in the management of Daicel.	
	Toshio Asano	Outside Director	3 years		Mr. Asano possesses a wealth of insights and experience, fostered as a manager of companies that manufacture and sell chemical goods, and applies these in the management of Daicel.	
	Takeshi Furuichi	Outside Director	2 years		Mr. Furuichi possesses a wealth of insight and experience fostered as a manager of a financial institution, which we hope he will apply to the management of Daicel.	
	Yuriya Komatsu	Outside Director	—		Ms. Komatsu possesses a wealth of insights and experience, fostered as a manager of investment companies and communications companies in Japan and overseas, and applies these in the management of Daicel.	
Audit & Supervisory Board Members	Shinji Fujita	Standing Audit & Supervisory Board Member	3 years		Mr. Fujita has been in charge of Daicel's accounting department for many years. Given this track record, we determined that he was qualified to serve as an Audit & Supervisory member responsible for implementing audits based on a neutral and objective perspective to ensure sound management at Daicel.	Chairperson of the Audit & Supervisory Board
	Hisanori Imanaka	Standing Audit & Supervisory Board Member	2 years		Mr. Imanaka has been in charge of supervising management across departments as the head of Daicel's management planning and sustainable management. Given this track record, we determined that he was qualified to serve as an Audit & Supervisory Member responsible for implementing audits based on a neutral and objective perspective to ensure sound management at Daicel.	
	Junichi Mizuo	Outside Audit & Supervisory Board Member	4 years		Mr. Mizuo possesses highly specialized knowledge and experience as a scholar of CSR, corporate governance and business ethics. He has also served as an Outside Director and is experienced in practical business operations. For these and other reasons, the Company has determined that he is qualified for the post of Outside Audit & Supervisory Board Member.	
	Hideo Makuta	Outside Audit & Supervisory Board Member	2 years		Mr. Makuta possesses highly specialized knowledge and extensive insight as an attorney at law and has served as a prosecutor at the Supreme Prosecutors Office, a member of the Fair Trade Commission, and an outside officer of companies. Given this track record, the Company has determined that he is qualified for the post of outside Audit & Supervisory Board Member.	
	Hisae Kitayama	Outside Audit & Supervisory Board Member	—		Ms. Kitayama possesses highly specialized knowledge and extensive insight as a certified public accountant and has served as a partner at a major auditing firm and an executive for an association of certified public accountants. She also has experience with corporate affairs as an outside director. For these and other reasons, the Company has determined that she is qualified for the post of Outside Audit & Supervisory Board Member.	

Note: Directors were appointed on June 22, 2022, and Audit & Supervisory Board members were appointed as of the date of the General Meeting of Shareholders held in this fiscal year or the past fiscal years

Directors' and Auditors' Primary Areas of Knowledge and Experience (Skill Matrix)

	Name	Corporate Management	Global Management	Marketing and Business Planning	Technology and R&D	Finance and Accounting	Legal Affairs, Intellectual Property and Risk Management	ESG
Directors	Yoshimi Ogawa	●	●		●			●
	Kotaro Sugimoto	●	●			●	●	●
	Yasuhiro Sakaki	●	●	●			●	●
	Akihisa Takabe	●			●		●	●
	Masafumi Nogimori	Outside	●		●			●
	Teisuke Kitayama	Outside	●			●	●	●
	Sonoko Hacchoji	Outside	●	●	●		●	●
	Toshio Asano	Outside	●	●		●		●
	Takeshi Furuichi	Outside	●	●			●	●
	Yuriya Komatsu	Outside	●	●			●	●
Audit & Supervisory Board Members	Shinji Fujita	●				●	●	●
	Hisanori Imanaka	●	●					●
	Junichi Mizuo	Outside					●	●
	Hideo Makuta	Outside				●	●	●
	Hisae Kitayama	Outside				●	●	●

Compensation for Directors and Audit & Supervisory Board Members

Basic Policy

- Compensation 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.
- Compensation of Directors shall consist of monthly compensation, performance-based bonuses, and stock compensation, which will generally be paid according at a 65:20:15 ratio. This rule does not apply to Outside Directors, who shall be paid only a monthly compensation. The compensation of Audit & Supervisory Board Members shall consist solely of monthly compensation.
- To ensure objectivity, transparency, and validity regarding compensation, the Board of Directors makes its decision following deliberations based on recommendations made by the Nomination and Compensation Committee.

Basic Policy on Compensation

1 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.
2 Performance-based Bonuses	Performance-based bonuses of directors are paid in accordance with the accomplishment of performance indicators designated by the Board of Directors. Currently, net sales and operating income are used as the indicators to emphasize business growth, market expansion, and improvements in the earning power of our core business. These indicators are given a 50-50 weighting, and the basic amount of the performance-based bonus is calculated by multiplying the rank-based amount with a payout rate that fluctuates between 0% and 200% depending on the level of accomplishment of the performance indicators.
3 Restricted Stock Compensation System	Daicel introduced Restricted Stock Compensation System to step up value-sharing with shareholders and motivate directors to contribute more to medium- to long-term improvement in corporate value. The stocks cannot be transferred for a period of 30 years, and the Board of Directors decides on an amount for each eligible individual, which is then divided by the stock price at a certain point to calculate the number of shares to be awarded.

Note: Daicel does not have a system for paying retirement benefits to officers

Corporate Ethics (Compliance)

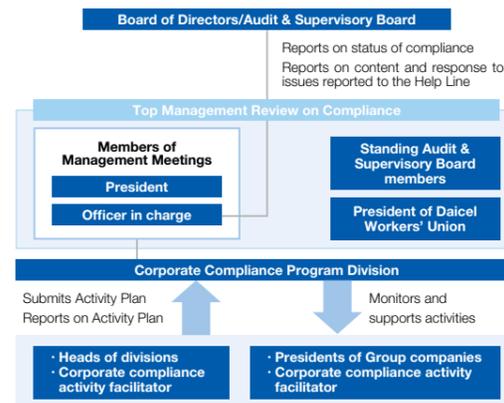
Corporate ethics (compliance) constitutes one of the foundations upon which we pursue sustainable management. The Daicel Group's corporate compliance activities are synonymous with practicing the Daicel Group Conduct Policy, which is based on our Basic Philosophy of being "the company making lives better by co-creating value," as well as each Group company's Code of Conduct, which have been established to embody the policy.

Promotion System

The Company has established a Corporate Compliance Program Division under the responsibility of a Senior Managing Executive Officers, to promote its corporate compliance activities across the entire Group. The head of each Daicel division and Group company appoints a compliance activity facilitator to spearhead corporate compliance activities.

At meetings of the Top Management Review on Corporate Compliance, which are held at least once a year and are attended by the President, and other members of Management Meetings, Standing Audit & Supervisory Board Members, and the President of Daicel Workers' Union, activities of and important issues concerning each organization are discussed. The details of these meetings are reported to the Board of Directors. The Corporate Compliance Program Division holds meetings with each organization and facilitates communication to promote better corporate compliance activities. These meetings also serve incidentally as a type of internal audit. The division works not only to raise awareness of and support organizations' corporate compliance activities but also to swiftly identify and address business risks.

Corporate Compliance Program Promotion System



Education and Training Programs

At Daicel Group, we systematically provide corporate compliance training tailored to each position and role for new graduate recruits, recently promoted employees, managers, directors, presidents of Group companies, employees posted to outside of Japan Group companies, and others. Also, we set the Daicel Group Compliance Awareness Month, conduct e-learning regarding contents such as prevention of corruption and anti-competitive behavior, and conduct discussion based on case study of illegal acts.

Compliance Help Line System (Internal Whistleblower System)

In line with the objectives of the Whistleblower Protection Act, the Company has set up the Compliance Help Line System, through which employees can report compliance-related issues and receive consultation if they are unable to do so using the regular reporting line. In addition to internal contact points, we have set external contact points which allows to report and consult through external institutions and also have made it possible for persons outside the Company to consult us on compliance issues via our corporate website. In order to familiarize all employees with how to use the system, the Company brings up the system in e-learning during the Daicel Group Compliance Awareness Month and rank-based training, in addition to regular awareness, while also providing reporting training using simulated scenarios. All progress with and results of responding to reports and questions that the internal whistleblowing hotline receives are regularly reported to the Board of Directors.

Overview of Daicel Group Compliance Help Line System

Target users:	All employees, including at overseas companies (contract and temporary employees), individuals outside the Company (customers, suppliers, business partners, retired employees, members of the general public, and others)
Reporting content:	Matters that may be in violation of the Daicel Group Conduct Policy (Illegal acts, anti-competitive behavior, corruption, bribery, human rights violations, harassment, employment environment, environmental pollution, and other compliance violations)
Features:	Anyone can report anonymously. Matters concerning Group companies can be reported to the Daicel help line as well as to Group company help lines.

Number of Reports and Consultations of Daicel Group which were reported to Corporate Compliance Program Division

	2020/3	2021/3	2022/3
Reports and consultations	51(39)	54(25)	50(11)
Including cases that significantly affected management	0(0)	0(0)	0(0)
Not applicable	0(0)	0(0)	0(0)

Note: Figures in brackets represent the numbers of reports and consultations received from Group companies outside Japan
 Note: Reported cases including those which were not confirmed as fact

[WEB Daicel Group Conduct Policy](https://www.daicel.com/en/sustainability/governance/compliance/policy.html)
<https://www.daicel.com/en/sustainability/governance/compliance/policy.html>

[WEB Daicel Code of Conduct](https://www.daicel.com/en/sustainability/governance/compliance/standard.html)
<https://www.daicel.com/en/sustainability/governance/compliance/standard.html>

Risk Management

The Daicel Group recognizes the vital role of risk management and adheres to its Risk Management Regulations so that it responds appropriately to the risks inherent in its corporate activities and minimizes the impact should any such risks materialize.

Overview of Risk Management

In the Daicel Group, all departments and Group companies ("each organization") seek to improve risk management by carrying out the CAPD cycle* as a part of their business operations. Each organization identifies risks that could have a major impact on their ability to achieve business targets (Check), considers and establishes countermeasures for preventing the risks from materializing and for minimizing damage in the event they materialize (Act, Plan), implements countermeasures (Do), reevaluates the risks after a certain period of time (Check), and reconsiders countermeasures based on the results (Act).

Daicel's Risk Management Committee, which is chaired by the officer in charge of the Corporate Compliance Program Division and comprising of the heads of each corporate support department as members, supervises and implements risk management measures. Each organization submits risk activity reports to the committee. During its regular meeting, the committee reviews the progress of risk-related measures based on these reports and an inventory of potential risks, and it provides advice and support as necessary. Risks requiring a Company-wide response are addressed by setting up projects and implementing other measures. Given the business environment and social circumstances surrounding the Daicel Group, some risks require closer scrutiny. These are designated as focus points, and each organization confirms and reviews their measures against these risks.

The committee reports on its discussions about focus points, progress on countermeasures addressing risks that could have major impact on management, focus points for the coming fiscal year, the status of Business Continuity Plans (BCP), and other key issues during the Management Meeting and Board of Directors' Meeting at the end of each fiscal year.

*CAPD cycle: Daicel carries out the CAPD rather than the typical PDCA to avoid the risk of overlooking important crucial facts and realities that often lie hidden in the initial planning stage

Strengthening Business Continuity Plans (BCP) Management

The Company formulates and manages BCP to minimize damage in the event of emergencies such as major disasters or a pandemic caused by a new virus as well as to maintain business operations or at least ensure the early resumption of business operations in the event of such contingencies. The BCPs are revised as necessary.

The Group includes all stages of a contingency within the scope of its BCP, from "Preparedness" (BCP I) to "Initial contingency response" (BCP II) and "Resumption of operations" (BCP III). We plan and prepare measures to limit any decline in performance associated with a disaster or incurred damage and to quickly resume business. The following measures were taken to strengthen our BCP in FY2022/3.

Preparedness (BCP I)	<ul style="list-style-type: none"> Consider preventive measures in the form of reactive analyses and risk assessments for self-reactive substances, as well as follow-up measures in the form of crisis assessments* In preparation for material procurement risks, procure long lead-time components needed for the maintenance and early rehabilitation of proper inventory levels
Initial contingency response (BCP II)	<ul style="list-style-type: none"> Review disaster risks using regional hazard maps in the Plan for a Resilient Japan Consider the installation of remote monitoring cameras and remote firefighting equipment Enhance information sharing among sites as part of the companywide disaster preparedness system built in response to COVID-19
Resumption of operations (BCP III)	<ul style="list-style-type: none"> Prepare BCPs for each product Innovation Park, Tokyo headquarters, and Osaka headquarters conduct non-scenario-based companywide disaster response training

*An assessment of response measures to prevent further damage or secondary accidents in the event of an accident

The Company also provides the "Guidelines for formulating BCP" to explain the procedures for creating BCP for individual products or products family. The guidelines include plans and information required to maintain or resume business operations for products and production lines. Each business unit applies the guidelines to maintain business operations and ensure the early resumption of business in the event of a disaster or damage.

[WEB Risk Management](https://www.daicel.com/en/sustainability/governance/risk-management.html)
<https://www.daicel.com/en/sustainability/governance/risk-management.html>