

GOVERNANCE

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Small Meeting with Outside Directors

Aiming to Promote Mutual Understanding through Dialogue

On December 22, 2023, a small meeting between our Outside Directors and institutional investors was hosted by Mr. Mikiya Yamada, an analyst at Mizuho Securities Co., Ltd.

Fourteen institutional investors from 11 companies attended the meeting and engaged in a dialogue concerning topics such as the status of management supervision by our Outside Directors, initiatives to create added value over the long term, and management succession plans.



Mr. Mikiya Yamada
Mizuho Securities Co., Ltd.
Senior Analyst, Equity Research
Department

Toshio Asano
Outside Director
Chairperson of the Nomination and
Compensation Committee

Keita Nishiyama
Outside Director
Member of the Nomination and
Compensation Committee

Daicel's Strengths and Human Capital Management

Mr. Yamada (hereinafter titles omitted): First, please tell us about Daicel's strengths and potential.

Asano: Daicel's strength lies in the fact that it has built up a strong global position across a series of acetyl chains, from methanol to acetic acid, cellulose acetate, and acetate tow. Furthermore, Daicel is unique in that, although it is a chemical company, it also excels in mechanical technologies that require high reliability as seen in the inflator business, and has successfully commercialized these technologies.

Nishiyama: I think Daicel's strength lies in its commitment to fundamental principles, as represented by DAICEL Production Innovation. As demonstrated by its "virtual company," "microfluidic device plant," and other initiatives, this commitment is what leads to the uniqueness of its approach, which is not to create a single product, but rather to conceive and realize a completely new manufacturing structure from scratch.

Yamada: Because of Daicel's unique value chain, it has little competition in Japan and even if DAICEL Production Innovation is applied to other companies, there would be no losses for Daicel. This gives Daicel the potential to grow while achieving co-existence and co-prosperity through various collaborations. What is your impression of Daicel from the perspective of human capital? To achieve Daicel's ambitious Long-Term Vision and Mid-Term Management Strategy, Daicel's management must have a strong will and on-site behavioral changes are essential.

Asano: Human capital management is something that all companies have been addressing up to now, and the history of each company shows how they have achieved growth while doing so. In the case of Daicel, the starting point for human capital management was when eight companies merged together before World War II. Consequently, management was keen to express their intentions and communicated with stakeholders, which is precisely why employees were able to follow along too. With the commercialization of cellulose from its founding celluloid business, it established an area where it could demonstrate its competitiveness while making profits, and even in the inflator business, it has identified a profitable area with an awareness toward social issues and is doing its level best to make the business a success. I believe that this history of Daicel is the result of Daicel's management recognizing its merger roots and valuing people while steering the company in the right direction.

Monitoring of Daicel's Mid-Term Management Strategy

Yamada: From that story about how Daicel was able to successfully commercialize products like inflators, I feel that it is very important that the intentions of Daicel's management are conveyed to employees. Next, I would like to hear your views on the supervision provided by Outside Directors. Daicel's current Long-Term Vision and Mid-Term

Management Strategy aim to form a new business group that will expand the scope of value creation while creating overall optimization across company boundaries, and to form a new Daicel, which is the step before that. However, from an outsider's perspective, it seems that the milestones and KPI management required to achieve these aims are quite challenging. From your positions as Outside Directors, how do you evaluate the degree to which these aims have been achieved?

Asano: I would like investors to understand that the first step for Daicel is to grow as a real company, and then to realize a virtual company (new business group). The most important target of the current Mid-Term Management Strategy as a real company was to make Polyplastics a wholly owned subsidiary of Daicel and to demonstrate synergies. At the time of the formulation of the Mid-Term Management Strategy, this endeavor had some uncertain elements. But with the setting of targets, the leadership of our President and CEO Mr. Ogawa, and the efforts of both our management and employees alike, the integration of both companies' management personnel is progressing smoothly, and synergies are also being achieved. The virtual company that follows this is, to be more specific, an alliance with other companies. Although it is too early to make an announcement about it, I understand that seeds have been sown to create value by forming alliances throughout the supply chain, including customers of existing businesses. The challenge ahead is to bring about the breakthroughs needed to illustrate the benefits of co-creation across corporate boundaries. The results of these breakthroughs will eventually be reflected in financial statements, but before that, they will be visible qualitatively like if a patent is successfully registered, if a certain product is strengthened or able to be created, or if something is able to be done or not. So I think that even as an Outside Director, I will be able to grasp the progress of the Mid-Term Management Strategy.

Nishiyama: Simply speaking, DAICEL Production Innovation means virtualization. What people used to see physically on site will be digitized with the IoT and software and efficiently managed. In this sense, there is a continuity between our efforts regarding the virtual company (new business group) that we are aiming to realize and our efforts regarding DAICEL Production Innovation. The DX capabilities of an organization are directly linked to its ability to realize a virtual company. This is a little different from quantitative KPIs, but since a virtual company goes beyond just Daicel and is something that can be achieved by working with other companies, I think it is easy to evaluate from the outside whether or not progress is being made regarding this concept.

Yamada: I agree that DAICEL Production Innovation means virtualization. It is my view that thorough standardization and the elimination of wastage and loss will free up people's time and create a culture of looking at things comprehensively. This is an important point when discussing Daicel's corporate culture, but why do you think this kind of production innovation emerged at Daicel and why did it take root?

Nishiyama: I have had contact with Daicel since around 2008, when I



was working as a government official. As I understood it, Daicel's organizational culture was rooted in "the hardships of a company with merger roots." In this context, its culture and ideas that emphasize delegating authority to young employees, changing things, and aiming for overall optimization from a broad perspective must have taken root some time in the past. This open mindset is also evident in the development process of the Autonomous Production System, the evolved version of DAICEL Production Innovation using AI which was jointly developed with the University of Tokyo. Currently, Daicel has concluded comprehensive collaboration agreements with several universities, aiming to accelerate R&D. I believe these relationships have been established precisely because the universities also see Daicel as a company that is ready to discuss and incorporate new ideas.

Looking Back on the Decision That Made Polyplastics a Wholly Owned Subsidiary

Yamada: You mentioned earlier how making Polyplastics a wholly owned subsidiary was a major point for the new Daicel, the step before realizing a virtual company. At the time, paying such a high acquisition price might have compromised Daicel's financial soundness in some respects, but looking back, do you think the Board of Directors had sufficient discussions on the matter? Also, do you think that Polyplastics' performance and synergies with Daicel are being realized as planned?

Asano: Naturally, the Board of Directors discussed the extent to which this acquisition decision would affect Daicel Group's financial position and the extent to which it would lower Daicel's credit rating. While it is true that our debt would temporarily increase, that was a hurdle that we had to overcome. I was confident that the synergistic effects in terms of business areas as well as technology and personnel exchanges had a greater medium- and long-term appeal that would outweigh any financial impacts, and I think all the Directors at the time thought so too.

As mentioned above, efforts to realize synergies, such as the integration of management personnel, are progressing smoothly. However, the challenge going forward is to create new value, such as new products, manufacturing methods, business models, and alliances, from the strengths and differences of both companies. I believe we can achieve that over the long-term, and looking back over the last five years, I believe we have delivered the results we expected.

Nishiyama: I was not in my current position when the decision to acquire the company was made, but Polyplastics' business model was original from the beginning, and I believe it is a company with strengths that differ from the organizational capabilities cultivated by Daicel. The two companies also differ in what their respective employees believe is important to do, as well as in their relationships with customers. Also, from the viewpoint of globalization, the two companies have distinct differences. In that sense, making Polyplastics a wholly owned subsidiary is an opportunity for Daicel itself to acquire new organizational capabilities that Polyplastics possesses. I believe that gradually learning about each other's differences and changing over time will bring about more substantial acquisition benefits from an organizational point of view than forcibly integrating in a short period of time.



Mr. Mikiya Yamada

Mizuho Securities Co., Ltd.
Senior Analyst,
Equity Research Department

Received an MS degree in Chemistry in 1990 from the Graduate School of Science, Tohoku University. Joined Dow Chemical Japan the same year as a chemist, and was promoted to Financial Planning Manager - Pacific Area before starting his equity research analyst career at Goldman Sachs in 2001. Covered the chemicals, fibre and textile sectors at JP Morgan from 2002, and joined Mizuho Securities in 2016 (current) after stints at Lehman Brothers and Barclays.

Questions from Institutional Investors

Q. Regarding Daicel's policy on compensation for Directors, I believe that net sales and operating income account for a large portion of the evaluation items for Daicel's performance-based bonuses. While many companies include efficiency-based perspectives such as ROE and ROIC, Daicel has not adopted such indicator targets. What discussions have the Board of Directors held about this? In addition to sales and operating income, investors also have asset efficiency as a key target. I would like you to consider a compensation system that takes this into account.

Asano: While there are various indicators, we would like our investors to understand that our policy is based on mutual understandability. As for ROE and ROIC, we have only just started introducing them in our business. And it is difficult to determine compensation with difficult-to-change KPIs, which is why Daicel set them as they are now. Going forward, taking the feedback we have received into account, we will consider a compensation system that not only satisfies investors, but also is easy to understand for the people at Daicel and encourages us to do better.

Q. I think Mr. Ogawa's various reforms in the current Mid-Term Management Strategy are great and consider the big picture. On the other hand, at a previous financial results briefing, Mr. Ogawa commented that some on-site employees were unable to keep up with the speed of the reforms. What is your advice as Outside Directors regarding this situation?

Nishiyama: I do not think it is a good thing that employees cannot keep up, but I do think it is necessary for management to set differential targets. Even within the Daicel Group, employees' work is diverse, with some initiatives being cutting-edge and others being conventional. It is the role of management to explain what the Company is trying to achieve and to help employees understand where their work fits in the big picture. On the other hand, some cutting-edge initiatives require new organizational structures or involve significant changes to

relationships with other companies. We believe that the role of Outside Directors is to advise management on the challenges of how to concretely conceptualize and implement such initiatives as a company.

Asano: There is no doubt that this was a tumultuous period for employees. I think there initially was some confusion regarding the reforms. This issue was discussed repeatedly by the Board of Directors, with the general consensus being that Directors should have sufficient discussions with employees and give them detailed explanations. I recognize that management is making efforts to gather employees' opinions and candid feedback in a variety of ways.

Q. Daicel's current Long-Term Vision and Mid-Term Management Strategy are aiming for a bold change in direction, but, looking from outside Daicel, there is a strong sense that it is being guided by the strong leadership of Mr. Ogawa. Could you please provide us with details from the Nomination and Compensation Committee's discussions, including those that take Daicel's potential successors—its next-generation management candidates—into account?

Asano: We discuss how to develop and decide on potential management personnel, including not only the President and CEO's successor but also Directors, Executive Officers, and those immediately below them. One issue that has been pointed out is that efforts must be made to secure and develop personnel from the perspective of diversity.

Nishiyama: In order to develop next-generation management personnel in a broader sense, it is important to create a vibrant environment that produces candidates with diverse backgrounds and ideas by securing and developing personnel from the perspective of diversity, as Mr. Asano mentioned, and by appointing external personnel. Furthermore, there is a need for initiatives that share the know-how possessed by Daicel's management as organizational knowledge and ensure its continuity across generations, which I would like to support as Outside Director.



Directors, Audit & Supervisory Board Members, and Executive Officers

(as of June 21, 2024)

INTRODUCTION

DAICEL GROUP'S STRENGTHS

VISION AND MATERIALITY

BUSINESS STRATEGY

GOVERNANCE

RESOURCES

Directors



Yoshimi Ogawa

Representative Director, President and CEO, Member of the Nomination and Compensation Committee, Responsible for Institute of Human-oriented Management, Executive Consultant of Polyplastics Co., Ltd.

April 1983 Joined the Company
April 2002 Head of Business Process Innovation
June 2006 Executive Officer, Vice President 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)



Toshio Shiwaku

Director, Senior Managing Executive Officer, General Manager of Assessment Headquarters, General Manager of R&D Headquarters, Responsible for Safety and Quality Assurance Headquarters, and Responsible for Intellectual Property Center

April 1987 Joined Polyplastics Co., Ltd.
April 2007 Chief of Research and Development Center of Polyplastics Co., Ltd.
March 2011 Executive Officer, Chief of Business Strategies Department, Corporate Strategy Division, Chief of POM Business Strategies Department and Chief of New Business Development Department of Polyplastics Co., Ltd.
June 2015 Managing Executive Officer, General Manager of Corporate Strategy Division and General Manager of Corporate Planning Department of Polyplastics Co., Ltd.
June 2016 Representative Director of Polyplastics Co., Ltd.
June 2017 Representative Director and President of Polyplastics Co., Ltd.
April 2021 Senior Managing Executive Officer of the Company (incumbent)
General Manager of Performance Materials Headquarters
June 2024 Director (incumbent)



Teisuke Kitayama*

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 to Sumitomo Mitsui Banking Corporation (incumbent)



Yuriya Komatsu*

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 1998 Vice President of Fiduciary Trust Company International
September 2000 Partner of INTELLASSET, 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.
June 2022 Director of Daicel Corporation (incumbent)
January 2023 Director of IA Partners Inc.



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, Corporate Sustainability and Digital Strategy Center

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



Naotaka Kawaguchi

Director, Senior Managing Executive Officer, General Manager of Production Management Headquarters, Responsible for Engineering Center, and Responsible for Monozukuri Production Innovation Center

April 1986 Joined the Company
April 2002 General Manager of Manufacturing Technology Department, Ohtake Production Company
June 2006 Head of Production Innovation Center, Production Technology
June 2009 Representative Director and President of Daicel Safety Systems Inc.
April 2011 Vice President of Aerospace & Defense Systems/Safety Systems Company
June 2014 General Manager of Harima Plant, Aerospace & Defense Systems/Safety Systems Company
June 2015 Executive Officer
June 2019 President of Aerospace & Defense Systems/Safety Systems Company
April 2020 Head of Safety SBU
June 2020 Managing Executive Officer
April 2023 Senior Managing Executive Officer (incumbent)
June 2024 Director (incumbent)



Toshio Asano*

Outside Director, Chairperson 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
June 2019 Director of Daicel Corporation (incumbent)
June 2022 Advisor of Asahi Kasei Corporation (incumbent)



Mari Okajima*

Outside Director, Member of the Nomination and Compensation Committee

April 2012 Vice President of Cabin Safety Promotion Department of Japan Airlines Co., Ltd.
April 2013 Vice President of Cabin Attendants Department, Haneda of Japan Airlines Co., Ltd.
November 2014 Deputy General Manager of Cabin Division and Vice President of The 1st Cabin Attendants Department, Haneda of Japan Airlines Co., Ltd.
June 2015 Deputy General Manager of Cabin Attendants Division and Vice President of Cabin Attendants General Affairs of Japan Airlines Co., Ltd.
September 2021 Professor at J. F. Oberlin University (incumbent)
June 2023 Director of Daicel Corporation (incumbent)



Yasuhiro Sakaki

Director, Senior Managing Executive Officer, General Manager of Corporate Planning & Strategy Headquarters, General Manager of SCM Headquarters, Responsible for Safety SBU, Healthcare SBU, Material SBU, Smart SBU, and Life Sciences SBU

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



Takeshi Furuichi*

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
June 2020 Director of Daicel Corporation (incumbent)
July 2022 Advisor of Nippon Life Insurance Company (incumbent)



Keita Nishiyama*

Outside Director, Member of the Nomination and Compensation Committee

April 1985 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
June 2011 Director-General of the Task Force for Management and Financial Investigation of TEPCO, Cabinet Secretariat
June 2012 Senior Executive Managing Officer, Innovation Corporation of Japan (currently Innovation Network Corporation of Japan)
July 2012 Deputy Director-General (Economic and Social Policy), Minister's Secretariat, Ministry of Economy, Trade and Industry
June 2013 Deputy Director-General (Economic and Industrial Policy Bureau), Minister's Secretariat, Ministry of Economy, Trade and Industry
July 2014 Deputy General Manager of Liaison and Coordination Office, Nuclear Damage Liability Support Organization, Executive Officer of Tokyo Electric Power Company (Assistant to Chairman and in charge of Corporate Planning Division (joint))
June 2015 Director and Executive Officer of Tokyo Electric Power Company (Assistant to Chairman and in charge of Corporate Planning Division (joint))
July 2018 Director-General of Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry
July 2020 Retired from the Ministry of Economy, Trade and Industry
November 2020 Representative Director at Nishiyama Research Institute, Inc. (incumbent)
June 2023 Director of Daicel Corporation (incumbent)

Standing Audit & Supervisory Board Members

Mikio Yagi Kenichi Yamada

Outside Audit & Supervisory Board Members

Junichi Mizuo*

Representative Director and Chairperson of the Japan Compliance & Governance Institute, Honorary Professor of Surugadai University

Hideo Makuta*

Attorney at Law, Ginza Chuo Law Office

Hisae Kitayama*

Certified Public Accountant, Representative of Kitayama Public Accounting Office

Senior Managing Executive Officers

Takashi Miyamoto

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

Managing Executive Officers

Yoichi Nemoto

Deputy General Manager of Corporate Support Headquarters
Division Manager, FP&C Group, Corporate Support Headquarters

Seiji Sakano

Head of Life Sciences SBU

Hiroshi Iwase

Head of Smart SBU
President, Daicel Beyond Ltd.

Executive Officers

Hitoshi Hayashi

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

Akio Kojima

Assistant Head of Institute of Human-oriented Management

Haruyoshi Tashika

General Manager of Safety and Quality Assurance Headquarters

Seiji Yamakado

Representative Director and President of Daicel Miraizu Ltd.
Chairperson of Shanghai Daicel Polymers, Ltd.

Nobuhiko Ikeda

Plant General Manager of Arai Plant
Representative Director and President of Daicel Arai Chemical Ltd.

Kazuya Kurosawa

Head of Material SBU

Takaharu Takikawa

Head of Engineering Center

Masahiko Hirokawa

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

Mitsuteru Mutsuda

Deputy General Manager, R&D Headquarters

Ryohei Yamada

Deputy Head of Life Sciences SBU
Division Manager of Medical Device Division, Life Sciences SBU

Eiichi Ryobo

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

* Independent Director or Independent Audit & Supervisory Board Member

Corporate Governance

Based on our Basic Philosophy of being a “company making lives better by co-creating value,” we see the reinforcement of corporate governance as a key management priority for improving corporate value and thereby contributing to the interests of our various stakeholders. Along with maintaining an efficient and dynamic organizational structure that enables us to quickly respond to changes in our business environment, we strive to preserve and reinforce the already highly effective corporate governance structure through which we consistently improve our corporate value by ensuring managerial transparency and legal compliance.

Changes in Corporate Governance Enhancement

	FY2001/3	FY2011/3	FY2021/3
Separation of supervisory from business execution functions	●2000/3 Introduced the Executive Officer System ●2001/3 Appointed Outside Directors ●2018/3 Increased the ratio of Outside Directors to 50% ●2023/3 Increased the ratio of Outside Directors to 60%		
Clarification of management responsibility and building a system that responds quickly to changes in the environment	●2004/3 Shortened the term of office for Directors from two years to one		
Establishment of various committees	●2001/3 Established the Nomination and Compensation Committee ●2007/3 Established the Information Disclosure Committee / the Risk Management Committee ●2011/3 Established the Internal Control Council		
Effectiveness evaluation of the Board of Directors	●2017/3 Started to evaluate the effectiveness of the Board of Directors ●2021/3 Improved the method for evaluating the effectiveness of the Board of Directors ●2023/3 Changed the method for evaluating the effectiveness of the Board of Directors (Evaluation by an external expert)		
Development of internal control systems	●2007/3 Established 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**
<https://www.daicel.com/en/sustainability/governance/>

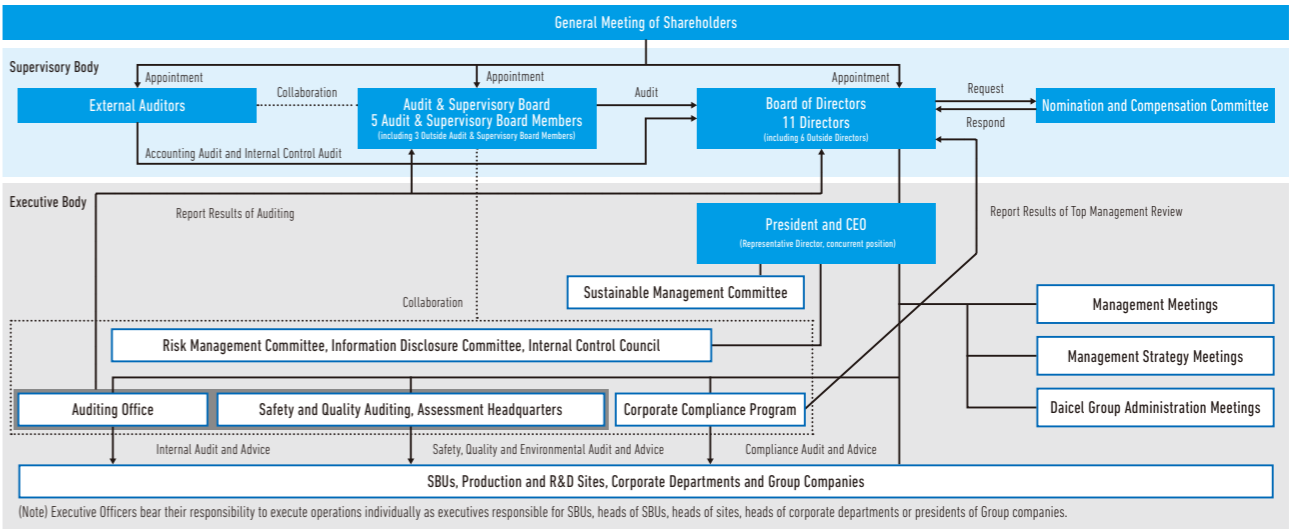
 **Corporate Governance Report (July 1, 2024)**
https://www.daicel.com/en/sustainability/pdf/governance/cg_report_20240701.pdf

 **Standards for Independence of Outside Directors / Outside Audit & Supervisory Board Members**
https://www.daicel.com/en/sustainability/pdf/governance/Standards_for_Independence.pdf

Outline of Corporate Governance Framework (As of June 21, 2024)

Item	Content
Type of organizational structure	Company with Audit & Supervisory Board
Chairperson of the Board of Directors	President and CEO
Number of Directors	11 (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	20 (including 5 officers concurrently serving as Directors)
Number of Board of Director meetings held in FY2024/3 (Average attendance rate of Outside Directors/Outside Audit & Supervisory Board Members)	15 (100%/97.8%)
Number of Audit & Supervisory Board meetings held in FY2024/3 (Average attendance rate of Outside Audit & Supervisory Board Members)	15 (100%)
Term of office for Directors	1 year
Term of office for Audit & Supervisory Board Members	4 years
Average term in office for Directors	4.6 years
Average term in office for Audit & Supervisory Board Members	3.4 years
External Auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework (as of June 21, 2024)



[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 five 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.

Number of Resolutions, Discussions, and Reports by the Board of Directors (FY2024/3)

Resolution and Report Classification	Number of Topics under Discussion
Management strategy, sustainability, governance, IR, individual matters	53
Accounting and finance	40
HR and remuneration	27
Risk management, corporate compliance and corporate ethics	6
Audit & Supervisory Board Members, External auditors and internal audits	6
Total	132

[Audit & Supervisory Board]

The Audit & Supervisory Board comprises five members, and three members are Outside Audit & Supervisory Board Members. The Audit & Supervisory Board holds meetings to share information, deliberate on, and make decisions about important issues related to the Company's audits. Outside Audit & Supervisory Board Members possess extensive experience in accounting, finance, legal affairs, and other disciplines, as well as broad insight into fields such as CSR, corporate governance, and business ethics, and fulfill auditing functions from a third-party, independent standpoint.

Major Activities of Audit & Supervisory Board Members
































































































































Dialogue with Executive Officers such as the President and CEO	The Audit & Supervisory Board Members are provided opportunities for dialogue with the President and CEO, senior managing executive officers, managing executive officers, etc. to ascertain the management situation and concerns, and when necessary, issues are raised and suggestions are made.
Attending important meetings	Besides the Board of Directors meeting, the standing Audit & Supervisory Board Members attend other important meetings such as management meetings, planning meetings, management strategy meetings, internal control council meetings, grasp a wide range of information and state their opinions as and when necessary.
Audit and site visit	The standing Audit & Supervisory Board Members take a lead in conducting site visits at offices, Group companies and other units in Japan and overseas. During the visits, they receive explanations of the status of business execution, ask questions, and state opinions based on their expert knowledge. In FY2024/3, we conducted audits of 22 internal departments, on-site audits at 7 business sites, and on-site audits at 28 Group companies.
Collaboration with internal audit departments and External Auditors	The Audit & Supervisory Board Members hold regular meetings with the Auditing office, Corporate Compliance Program, and Safety and Quality Auditing, which are internal audit departments, and receive reports on the implementation status of plans and activities. They hold meetings with the external auditors about ten times a year and receive timely reports on the status of execution of duties and the results of audits, and they also exchange necessary information and opinions through discussions on major audit matters.

[Nomination and Compensation Committee]

The Nomination and Compensation Committee 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, Audit & Supervisory Board Members and Executive Officers. The committee is chaired by an Outside Director and consists of six Outside Directors and two Representative Directors.

Composition of the Board of Directors and Audit & Supervisory Board (as of June 21, 2024)

 male  female

Position	Name	Responsibilities, Key Background, etc.	Sex	Term of Office	Independent Director or Independent Audit & Supervisory Board Member	Business Execution		Board of Directors (Attendance Rate)	Audit & Supervisory Board (Attendance Rate)	Nomination and Compensation Committee (Attendance Rate)	Primary Areas of Knowledge and Experience (Skill Matrix)*									
											Corporate Management	Global Management	Marketing and Business Planning	Technology and R&D	Finance and Accounting	Legal Affairs, Intellectual Property and Risk Management	DX	Sustainability		
																		Environment	DE&I	
Directors	Inside	Yoshimi Ogawa	Representative Director, President and CEO, Chairperson of Board of Directors, Member of the Nomination and Compensation Committee Responsible for Institute of Human-oriented Management, Executive Consultant of Polyplastics Co., Ltd.		13 years				 (93%)		 (88%)									
		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, Corporate Sustainability, and Digital Strategy Center		5 years				 (100%)		 (100%)									
		Yasuhiro Sakaki	Director, Senior Managing Executive Officer General Manager of Corporate Planning & Strategy Headquarters, General Manager of SCM Headquarters, Responsible for Safety SBU, Healthcare SBU, Material SBU, Smart SBU, and Life Sciences SBU		4 years				 (100%)											
		Toshio Shiwaku (New Appointment)	Director, Senior Managing Executive Officer General Manager of Assessment Headquarters, General Manager of R&D Headquarters, Responsible for Safety and Quality Assurance Headquarters, and Responsible for Intellectual Property Center		-				 (-)											
		Naotaka Kawaguchi (New Appointment)	Director, Senior Managing Executive Officer General Manager of Production Management Headquarters, Responsible for Engineering Center, and Responsible for Monozukuri Production Innovation Center		-				 (-)											
	Outside	Teisuke Kitayama	Outside Director Member of the Nomination and Compensation Committee Honorary Advisor of Sumitomo Mitsui Banking Corporation		6 years				 (100%)		 (100%)									
		Toshio Asano	Outside Director Chairperson of the Nomination and Compensation Committee Advisor of Asahi Kasei Corporation		5 years				 (100%)		 (100%)									
		Takeshi Furuichi	Outside Director Member of the Nomination and Compensation Committee Advisor of Nippon Life Insurance Company		4 years				 (100%)		 (100%)									
		Yuriya Komatsu	Outside Director Member of the Nomination and Compensation Committee Former Director of IA Partners Inc.		2 years				 (100%)		 (100%)									
		Mari Okajima	Outside Director Member of the Nomination and Compensation Committee Professor at J. F. Oberlin University Former Deputy General Manager of Cabin Attendants Division of Japan Airlines Co., Ltd.		1 year				 (100%)		 (100%)									
Keita Nishiyama	Outside Director Member of the Nomination and Compensation Committee Representative Director at Nishiyama Research Institute, Inc. Former Director-General of Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry		1 year				 (100%)		 (100%)											
Audit & Supervisory Board Members	Inside	Mikio Yagi	Standing Audit & Supervisory Board Member		1 year				 (100%)	 (100%)										
		Kenichi Yamada (New Appointment)	Standing Audit & Supervisory Board Member		-				 (-)	 (-)										
	Outside	Junichi Mizuo	Outside Audit & Supervisory Board Member Representative Director and Chairperson of the Japan Compliance & Governance Institute, Honorary Professor of Surugadai University		6 years					 (100%)	 (100%)									
		Hideo Makuta	Outside Audit & Supervisory Board Member Attorney at Law, Ginza Chuo Law Office		4 years					 (93%)	 (100%)									
		Hisae Kitayama	Outside Audit & Supervisory Board Member Certified Public Accountant, Representative of Kitayama Public Accounting Office		2 years					 (100%)	 (100%)									

* In "Primary Areas of Knowledge and Experience (Skill Matrix)", up to five items that are particularly expected from each person are listed. It does not represent all the knowledge and experience that each person possesses.

Effectiveness Evaluation of the Board of Directors

Every year, the Company conducts and publicly releases a summary of an effectiveness evaluation of the Board of Directors, which aims to maintain and improve the Board's performance and find the most suitable approach to corporate governance.

FY2024/3 Initiatives Based on the FY2023/3 Effectiveness Evaluation

In view of the Effectiveness Evaluation of FY2023/3, in FY2024/3 we spent more time reporting on the status of execution of management strategies, matters related to return on capital and stock prices, and the status of initiatives related to sustainability and human capital in order to further enhance discussions at the Board of Directors.

Summary of the Evaluation Process and Results

Evaluation Process	Questionnaires were distributed to all Directors and Audit & Supervisory Board Members, the results were further deepened through individual interviews, and the results were summarized and analyzed by the secretariat and reported to the Board of Directors for discussion.
Main Evaluation Item	<div>•Composition of the Board of Directors</div> <div>•Details of deliberations, resolutions, reports, etc.</div> <div>•Method of operation of the Board of Directors</div>
Overview of Evaluation Results	<p>Members of the Board of Directors engaged in productive discussions with Outside Directors and Outside Audit & Supervisory Board Members who actively offered their opinions, and we were able to confirm that the effectiveness of the board is generally satisfactory. On the other hand, it was confirmed that there are issues to be discussed for further improvement of effectiveness. The main issues raised are as follows:</p> <div>(1) Board composition issues<ul style="list-style-type: none">•Discussions to further enhance diversity from a long-term perspective•Further discussions on the process of appointing senior management</div> <div>(2) Board deliberation issues<ul style="list-style-type: none">•Further enhancement of reports on sustainability initiatives and human capital management promotion•Explanation of individual proposals linked to portfolio management</div> <div>(3) Board operation issues<ul style="list-style-type: none">•Further consideration to the provision of information that contributes to appropriate judgment (technical terms, in-house terminology, etc.)•Discussions on the role of the Chairperson of the Board of Directors</div>
Actions to Be Taken	We will discuss the above issues at the Board of Directors meeting for FY2025/3 and confirm our commitment to continue addressing them in order to further enhance effectiveness.

Appointment and Nomination Procedures for Directors and Senior Management

In nominating and appointing Directors, Audit & Supervisory Board Members, and management executives such as Executive Officers, Daicel seeks individuals with the right personality, knowledge, motivation, ethical stance, and management perspectives for leading the Company and who meet the basic criteria of supporting and upholding the Daicel Group's Basic Philosophy, Sustainable Management Policies, Daicel Group Code of Conduct, and Ethical Standards of Daicel Group, and possess the necessary credentials and experience for enhancing Daicel's medium- to long-term corporate value. The Board of Directors decides on nominations and appointments based on the advice of the Nomination and Compensation Committee.

Compensation for Directors and Audit & Supervisory Board Members

1. Basic Policy

- (1) 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.
- (2) Compensation of Directors shall consist of monthly compensation, performance-based bonuses, and stock compensation, which will generally be paid according at a 55:30:15 ratio that is subject to change according to one's position. 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.
- (3) 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.

2. 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- to 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 payment rate that fluctuates between 0% and 200% based on the level of accomplishment of the performance indicators. Further, the payment rate based on the level of accomplishment of the indicators is calculated based on the table below.

The Coefficients of Payment Rate for Calculating Performance-Based Bonuses

Indicator	Weight	Target Achievement Rate	Coefficient
Consolidated net sales	50%	120% or more	200%
		More than 100% and less than 120%	*1
		100%	100%
		More than 80% and less than 100%	*2
		80% or less	0%
Consolidated operating income	50%	120% or more	200%
		More than 100% and less than 120%	*1
		100%	100%
		More than 80% and less than 100%	*2
		80% or less	0%

*1 These bonuses are proportional to the percentage that the target figure was achieved, within a range of 101% to 199%. *2 These bonuses are proportional to the percentage that the target figure was achieved, within a range of 1% to 99%.

- The final amount of performance-based bonuses are determined by assessing the status of each Director from the perspectives of practicing Sustainable Management Policy and accomplishing Mid-Term Management Strategy, and adding or subtracting up to 20% to or from the basic amount of the performance-based bonus.
- (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.

Total Compensation for Directors and Audit & Supervisory Board Members (FY2024/3)

Category	Number of recipients	Amount (Yearly)			
		Monetary compensation		Stock-based compensation	Total
		Monthly compensation	Performance-based bonuses		
Directors (Outside Directors)	12 (8)	271 million yen (79 million yen)	120 million yen (-)	55 million yen (-)	447 million yen (79 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	6 (3)	111 million yen (39 million yen)	-	-	111 million yen (39 million yen)
Total	18	383 million yen	120 million yen	55 million yen	559 million yen

* A resolution of the 158th Ordinary General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Directors to a maximum of 640 million yen annually (including compensation for Outside Directors to a maximum of 140 million yen annually).

* A resolution of the 158th Ordinary General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Audit & Supervisory Board Members to a maximum of 130 million yen annually.

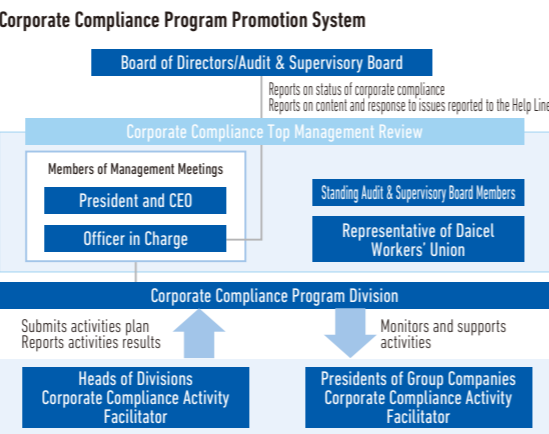
Corporate Compliance

One of the foundations for sustainable management is corporate compliance. Each department and Group company (hereinafter “each organization”) of the Company formulates action plans based on the Daicel Group Code of Conduct and Ethical Standards of Daicel Group, and under the same sense of values, we are working on corporate compliance activities throughout the Group and instilling corporate compliance in each and every employee.

Daicel Group Code of Conduct	As a guideline for regulating the behavior of individuals, it shows the items that each officer and employee should always be aware of and put into practice with the first priority to self-control as a member of society.
Ethical Standards of Daicel Group	It is a necessary condition for survival in a diversifying global society as a model of business execution of the Company, and indicates universally applicable items in all areas of activity.

Promotion System

The Company has established a Corporate Compliance Program Division under the responsibility of Senior Managing Executive Officers to promote its corporate compliance activities across the entire Group. Each organization independently practices corporate compliance activities with a corporate compliance activity facilitator at their cores. At meetings of the corporate compliance Top Management Review which are held at least once a year, 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 that include an internal audit aspect, to promote better corporate compliance activities, and works to raise awareness of and support organizations’ corporate compliance activities in addition to swiftly identifying and correcting business risks through dialogue.



Fair Business Practices

The Group stipulates its compliance with fair transactions in the Ethical Standards of Daicel Group and has formulated the Daicel Group Basic Policies on Anti-Corruption and Compliance with Competition Law. We promote fair business practices by thoroughly implementing rules on approval of expenses for entertainment and gifts to public servants and business partners and offering employee education through e-learning and hierarchical training. In FY2024/3, there were no violations in anti-corruption laws and regulations, including those related to anti-competitive conduct, bribery, and conflicts of interest, with no fines or administrative monetary penalties.

Compliance Help Line System (Whistleblower System)

We have established a “Compliance Help Line System” in accordance with the Whistleblower Protection Act. In addition to the internal contact points, we have also set up external points of contact hosting an external institution for receiving reports and consultations from within the Company. We have also set up a contact point on our website to respond to inquiries from outside the Company. The Board of Directors is regularly reported on the status and results of responses to all reports and consultations received by the Group’s hotline. We have also formulated rules on whistleblower protection, and are working on raising awareness of the rules and complying therewith. In response to the occurrence of misconduct related to third-party certification at our Group company, we are working to strengthen awareness-raising activities at each workplace and raise awareness through hierarchical training and e-learning during Compliance Awareness Month, and we also conduct reporting drills using simulated cases.

Overview of the Compliance Help Line System of Our Group

Target users	All employees in the Daicel Group and all stakeholders (e.g., customers, suppliers, partner company employees, retirees, and community residents)
Reporting content	Matters that may be in violation of the Ethical Standards of the Daicel Group (Illegal acts, anticompetitive 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

Cases of Reporting and Consultation of the Entire Daicel Group as Reported to the Corporate Compliance Program Division

	FY2022/3	FY2023/3	FY2024/3
Identified disruptive behaviors	24	35	50
Harassment, etc.	19	20	30
Dissatisfaction with the Company	4	16	21
Others	3	5	1
Total	50	76	102

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 (hereinafter “each organization”) seek to improve risk management by carrying out the CAPD cycle^{*1} as a part of their business operations. Each organization identifies risks that could have a major impact on its ability to achieve business targets and classifies them into risk categories (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).

In addition, Daicel has established the Risk Management Committee, which coordinates and promotes the risk management for each organization. The committee reviews the progress of risk-related measures for each organization, and it provides advice and support as necessary. Risks requiring a Company-wide response are addressed by setting up projects and implementing other measures. The committee reports on its discussions about progress on countermeasures addressing risks that could have a major impact on the management of the Group, the status of Business Continuity Plans (BCPs), and other key issues during the Management Meeting and Board of Directors Meeting at the end of each fiscal year.

^{*1} 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

Targeted Risk Categories

1. Risks related to business strategy

2. Risks related to production technology, production equipment and utilities

3. Risks related to construction and repair (including safety, quality, purchasing, etc.)

4. Risks related to stable supply of products

5. Risks related to intellectual property

6. Risks related to purchasing and procurement

7. Risks related to quality management and product liability

8. Risks related to responsible care (including environmental problems), accidents, and disasters

9. Risks related to information systems / networks and information security
10. Risks related to group management / control

11. Risks related to legal and corporate compliance

12. Risks related to employment, human resources and employee fraud / crime

13. Risks related to finance / investment, credit, finance, and accounting

14. Risks related to public relations and inappropriate information use

15. Risks related to antisocial groups and social communities

16. Risks related to climate change

17. Risks related to human rights

Strengthening BCP Management

The Daicel Group formulates and manages business continuity plans (BCPs) 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. The BCPs are revised as necessary.

The Group organizes BCPs in all three stages 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 BCPs in FY2024/3.

Preparedness (BCPI)	•Consider and implement preventive measures through risk assessments, and post-measures through crisis assessments ^{*2} for processes dealing with self-reactive substances •In preparation for material procurement risks, procure long lead-time components needed for the maintenance of proper inventory levels
Initial Contingency Response (BCPII)	•Confirm and review disaster risks, such as tidal waves and tsunamis, using hazard maps for each region in the Plan for a Resilient Japan •The planned installation of remote monitoring cameras and remote firefighting equipment •Enhance the information sharing system among sites in the company-wide disaster preparedness system •Review and consider disaster preparedness measures for wide-area disasters •Conduct disaster drills at each site, and confirm the operation of the company-wide information sharing system
Resumption of Operations (BCPIII)	•Prepare “BCP for Individual Products” ^{*3}

^{*2} An assessment of response measures to prevent further damage or secondary accidents anticipating the occurrence of an accident
^{*3} “BCP for Individual Products” summarizing plans and information required to maintain or resume business operations for individual products or product groups