VISION AND MATERIALITY

Contents

Long-Term Vision "DAICEL VISION 4.0"

Realizing a Sustainable Society While Achieving Sustainable Business Expansion

The Daicel Group has formulated its Long-Term Vision "DAICEL VISION 4.0" and its Mid-Term Management Strategy "Accelerate 2025" based on this vision, and is taking steps toward its realization.

On this page, we will introduce the four structural transformations that the Group hopes to achieve in order to "contribute to building a circular society," as stated in our Long-Term Vision.

Goals of the Long-Term Vision

We believe that in order to achieve both a sustainable society and the growth of the Daicel Group in line with the Sustainable Management Policy, it is necessary to change the social structure that has taken mass production and mass consumption for granted.

Therefore, our Long-Term Vision is to contribute to the creation of a circular society through these challenges, while leveraging the strengths of our Group and working with partners that share our aspirations.

Social shift to realize a circular society as stated in our Long-Term Vision and Mid-Term Management Strategy

Existing Mass Consumption Society		Contribution to Building a Circular Society
Strategy that prioritizes only one's own interests	>>>	1 Formation of a New Business Group
Economic activities based on fossil resources	>>>	2 Realization of new Biomass Product Trees
Increased CO_2 emissions and massive energy consumption	>>>	3 Implementation of carbon offsets and energy offsets
Formation of a society that ignores the future caused by products made from these activities	>>>	4 Providing happiness in four domains: 1.Health 2.Safety/Security 3.Convenience/Comfort 4.Environment

1 Formation of a New Business Group

In order to change the social structure, it is essential to form a group (New Business Group) that can co-create new value for society and the environment. From a manufacturing perspective, we are just one of the processes that lead to our customers' end products. The supply chain is made up of a number of interconnected processes. By combining the strengths of the various companies, it is possible to create more efficient manufacturing than a single company could do by trial and error, and to create better products and more environment-friendly manufacturing methods. Our goal is for the supply chain to evolve into a unified value chain with the strength of co-creation to provide greater value to society. In addition to vertical partnerships connected by supply chains, diverse connections through horizontal business partnerships such as those among companies in the same industry are called cross-value chains, and the path to forming such a New Business Group is divided into three operations (OP below) that expand the scope of co-creation from Daicel alone to the Daicel Group to partners.

Growth & Acceleration Strategy

【Operations for goal achievement】

Operation-I (OP-I) Original Daicel

Areas including domains to focus on in addition to current businesses

- Transformation of business structure (Selection and concentration of the business ➡ Shifting to value providing type of organization)
- Transformation to asset-light
- Structural reforms to accelerate OP-II/III growth

Operation-II (OP-II) New Daicel

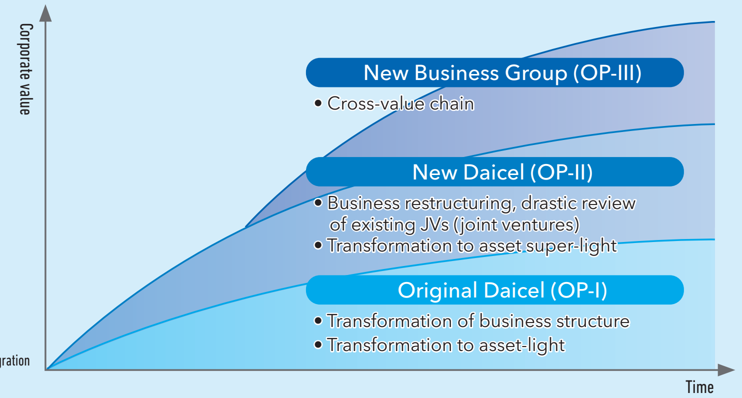
Peripheral areas of existing business to be expanded through M&A or collaboration

- Business restructuring, drastic review of existing JVs
- Transformation to asset super-light
- A company creating high added value that can aim at OP-III

Operation-III (OP-III) New Business Group

Cross-value chain that brings a vertical integration type of supply chain along with horizontal integration

- Building the No. 1 supply chain through diverse connections, without sticking to M&As



2 Realization of New Biomass Product Trees

Cellulose acetate, which has been our forte, is an environment-friendly biomass material, but its production process requires a large amount of energy. To address this issue, we have created a technique to extract cellulose from wood under environment-friendly conditions by utilizing "technology for melting wood" and to produce cellulose acetate from cellulose that does not react easily, using less energy, through joint research with universities. In addition to cellulose, it is now possible to extract reactive substances such as hemicellulose and lignin contained in wood, which have not been utilized in the past. We are taking on the challenge of creating a new product tree that is environment-friendly in both products and manufacturing processes, leveraging the Group's existing businesses and insights from throughout the years.

We are working on real world implementation of this technology as one means of changing from a society that massively consumes finite fossil fuels to one that recycles the forests that cover approximately 70% of Japan's land as renewable resources.

Biomass Value Chain Concept (Japanese only) https://www.daicel.com/bvc/

3 Implementation of Carbon Offsets and Energy Offsets

The chemical industry, which operates heavy and bulky plants, is generally considered an "energy-intensive industry." The Daicel Group believes that in addition to creating products that benefit people and society, the manufacturing process must also be friendly to people and the earth. We are working to achieve carbon and energy offsetting through energy conservation based on DAICEL Production Innovation, as well as through innovations in manufacturing processes and new technologies that enable the reuse and effective utilization of carbon emissions.

Pages 34 to 37: Daicel Group's Challenge to Achieve Carbon Neutrality, Information Disclosure in Line with TCFD Recommendations

4 Providing Happiness in Four Domains

In response to rising social trends and needs, the Daicel Group has defined four focus areas that it offers from the angle of leveraging the Group's strengths to help solve social issues. By maximizing the unique materials and technologies we have cultivated since our founding, and by successively combining our strengths with those of our partner companies, we will provide products and services that continue to bring happiness to people.

Page 16: Our Strengths in Terms of Product and Technology Lineage "Unique Technology Cultivated Since the Company's Founding"

Health

Medical supplies
- DDSs*/Medical device
- Medical devices/packaging materials (engineering plastics)

Vital sensor
- Nanodiamonds

Functional food materials based on intestinal metabolites
- Equol
- Urolithin
- 8-Prenylnaringenin

Environment

Environmentally conscious solutions business

Green chemicals
- Review of existing in-house chemical chains
- Spherical cellulose acetate particles BELLOCEA®
- Fine cellulose
- New cellulose derivatives

Safety/Security

Support for EV vehicles
- Mass production of Pyro-Fuse
- Sales expansion of inflators and Pyro-Fuse to China, Europe and the U.S.

Integration with sensing technology through business-to-business collaboration
- Participate into safety equipment in everyday life
- Equipment to prevent injury by detecting a fall

Convenience/Comfort

Development and deployment of new functions through improved processing technology
- Film technology
- Coating technology

Inorganic/organic composite electronic materials

Materials for electronic devices
- Optical lens, etc.

* DDSs: Drug delivery systems

Mid-Term Management Strategy

In line with our Mid-Term Management Strategy "Accelerate 2025," which ends in FY2026/3, the Daicel Group has worked to expand the scope of value co-creation while enhancing the Group's profitability and business creation capabilities. In the FY2026/3 and the subsequent Mid-Term Management Strategy period beginning in FY2027/3, we will continue to advance initiatives under the Long-Term Vision, DAICEL VISION 4.0, with a consistent focus on contribution to building a circular society.

Actively Driving Business Structure Transformation

During the current Mid-Term Management Strategy period, the environment surrounding the Group has changed rapidly and significantly, beginning with the COVID-19 pandemic and extending to heightened geopolitical risks and shifts in the monetary policies of major countries. Even in this environment, we have implemented various measures in line with our corporate, business, and functional strategies in order to contribute to the creation of a circular society by capitalizing on the strengths of the Group to continue to achieve sustainable growth as a company. In particular, we have actively pursued the transformation of our business structure in line with portfolio management, including the reorganization of our business structure from a traditional technology and product-based organization to a market-driven organization providing solutions focused on target markets, and the full acquisition of Polyplastics, a leading engineering plastics company that was a joint venture with a U.S. company. We have worked to increase business synergies and invested aggressively in production for business expansion by positioning Polyplastics as a growth business for the Group. In our Safety Business, which is also a growth business, we are striving to increase sales further by improving our profit structure through consolidation and reorganization of production sites and by expanding output in growth markets such as India and China.

History of Business Structure Reforms

April 2020	Company-Wide	Company-wide business organization reform (SBU system)
October 2020	Engineering Plastics	Made Polyplastics Co., Ltd. a wholly owned subsidiary
October 2022	Smart	Started operations at Daicel Beyond Ltd.
March to April 2023	Medical / Healthcare Safety	Transferred the pharmaceutical development and manufacturing contract business Withdrew from defense-related business
October 2023	Medical / Healthcare Safety Safety	Established Daicel Medical Ltd. Completed consolidation of production sites for the Safety Business Started manufacturing at Indian production site
March 2024	Engineering Plastics	Formed a joint venture for resin compound business
December 2024	Smart	Withdrew from organic semiconductor devices business
March to April 2025	Materials	Made Toyama Filter Tow Co., Ltd. a wholly owned subsidiary

Recognizing Transformation into an Asset-Light Structure and Creation of New Businesses as Ongoing Challenges

We have been working to achieve the asset-light structure (improvement of management efficiency) through balance-sheet control by reducing assets, including inventory and other working capital. However, our assets have temporarily expanded due to an increase in property, plant and equipment following a large-scale investment in production expansion and an increase in strategic inventory associated with the start of operations at new plants. Regarding cellulose acetate, which accounts for the majority of the Group's inventory assets, we are implementing measures such as reducing raw material inventory through manufacturing process changes, but this will continue to be our challenge.

In addition, in terms of new business creation, the contribution to profit of the Medical/Healthcare and Smart businesses, which are one of our next-generation businesses, is lagging behind the Mid-Term Management Strategy plan, and we recognize this as another challenge. However, we have been nurturing seeds of new businesses, such as the launch of new products and entry into new fields, and will accelerate our efforts to achieve early results. At the same time, during the current Mid-Term Management Strategy period, we have been sowing the seeds for new businesses and technological innovation themes in the medium to long term as priority items, and promoting R&D and implementation. These items are the Group's priorities toward achieving a balance between ecology and economy, and in the next Mid-Term Management Strategy, we will continue to accelerate such efforts by actively allocating resources to themes targeting the earliest possible social implementation, depending on each item's progress.

Key Initiatives Being Promoted

- Horizontal expansion and acceleration of Autonomous Production System
- Introduction of microfluidic device into the manufacturing process of resist polymer for starters
- Promotion of Beyond Coating (new development of high performance film business)
- Biomass Value Chain
- Functional modification of nanodiamonds
- Inorganic/organic composite materials

Business Portfolio-Conscious Management

We will continue to reform our business structure through business portfolio management.

Foundation

We will aim to generate stable cash and contribute to the improvement of ROIC by pursuing productivity improvements and capital efficiency through relentless cost reductions.

Materials	While continuing full production and full sales of our mainstay product, acetate tow, we will advance manufacturing process changes across cellulose acetate, further strengthening the competitiveness of our foundation businesses.

Growth

We will contribute to the expansion of EBITDA through aggressive investment in increased production and sales expansion.

Engineering Plastics	We will achieve early full operation of the capacity expansion facilities for POM and LCP implemented in FY2025/3, while strengthening our global marketing capabilities to grow the top line. Furthermore, we will further accelerate EBITDA growth by increasing the production volume of POM and COC in the next Mid-Term Management Strategy period.
Safety	We will steadily capture sales opportunities and grow the top line by expanding sales through increased production capacity at local manufacturing sites in line with the increase in airbag installation rates in the Indian market and by developing products that meet the collision performance needs of Chinese automobile manufacturers.

Next-Generation

We will create new sources of revenue by realizing early profitability for items we have been developing, and launching new items.

Medical / Healthcare	In the life science area, we will aim to launch and expand our medical device business by focusing on the early acquisition of regulatory approval of medical device and the establishment of manufacturing and sales systems. In the healthcare area, in tandem with increasing production to meet the steady rise in demand for our core product, equol, we will achieve full-scale monetization of the Healthcare Business through the launch of new products.
Smart	We will firmly capture growing demand in the advanced semiconductor (logic/memory) market and extend the application of our products into back-end semiconductor manufacturing process.

For details on the growth strategies for each business, please refer to pages 48-57 of the BUSINESS STRATEGY section.

Financial Strategy

We will strengthen our cash generation capabilities and financial base, while continuing to actively engage with the capital markets with the aim of enhancing sustainable corporate value.

Yoichi Nemoto
Managing Executive Officer, Deputy General Manager, Corporate Support Headquarters
Division Manager, Group Governance and Financial Coordination
Responsible for SCM Headquarters

Promoting Growth Investment Backed by High-Level Cash Generation Capabilities and Sound Financial Base

Under our Mid-Term Management Strategy, "Accelerate 2025," the Group aims to maximize profits in the Materials Business as a foundation business and invest the cash generated in growth businesses such as the Engineering Plastics Business and Safety Business, as well as in next-generation fields and R&D, in order to grow the top line and create new profit pillars.

In FY2025/3, despite the impact of issues at the carbon monoxide (CO) plant, the effects of growth investments centered overseas began to materialize, and the automotive-related and electronic materials markets showed signs of recovery, coupled with exchange rate effects, resulting in EBITDA reaching a record high of 102.4 billion yen.

In FY2026/3, we expect an increase in the sales volume of our main products, a resolution of CO plant issues, and improved productivity at our U.S. sites in the Safety Business site. However, due to the negative impact of the yen's appreciation and an increase in temporary maintenance costs in the Engineering Plastics Business, EBITDA is expected to decrease slightly, yet to remain at a level close to 100 billion yen.

From FY2027/3 onwards, we will increase cash generation capabilities by expanding production of POM and LCP in the Engineering Plastics Business and expanding sales in the Safety Business.

In addition to the cash we generate by ourselves, we believe it is important to build a robust financial footing that also takes credit rating into consideration so that we can secure funds necessary for growth investment through effective appropriate utilization of interest-bearing debt such as external borrowings and corporate bonds.

While ensuring financial stability, we aim to build a lean and robust balance sheet with high asset efficiency and are promoting measures to generate cash from the balance sheet across the Group, such as by controlling liquidity on hand mainly for cash and deposits, reducing working capital using CCC as a benchmark, and systematically reducing cross-shareholdings.

	FY2024/3 results	FY2025/3 results	FY2026/3 forecasts*
Net sales	558.1 billion yen	586.5 billion yen	600.0 billion yen
Operating income	62.4 billion yen	61.0 billion yen	54.0 billion yen
Ratio of operating income to net sales	11.2%	10.4%	9.0%
Net income attributable to owners of the parent	55.8 billion yen	49.5 billion yen	54.0 billion yen

	FY2024/3 results	FY2025/3 results	FY2026/3 forecasts*
ROE	17.1%	13.8%	14.8%
ROIC	6.3%	6.1%	5.4%
ROA	7.0%	6.0%	6.6%
EBITDA	96.1 billion yen	102.4 billion yen	97.0 billion yen

* As of May 13, 2025

Optimizing Cash Allocation Based on Company-Wide Balance-Sheet Control

Our asset-light policy and the targets for capital-profitability indicators (ROE, ROIC, and ROA) in the Mid-Term Management Strategy are intended to express our intent internally and externally to prioritize improving capital efficiency through balance-sheet control and maximizing returns.

Excluding external factors such as exchange rate fluctuations, business assets such as working capital including cash and deposits, inventories as well as manufacturing facilities can be directly handled by business divisions, plants, and Group companies. With the introduction of ROIC, we have seen a steady progress in changing mindsets regarding business assets among all parties involved.

For example, although there were special factors such as strategic inventory buildup to hedge supply risks related to plant expansion, our various measures such as inventory reduction at production sites, revisions to quality control methods, and pulp inventory reduction through the manufacturing process change in cellulose acetate have been steadily advancing. We expect these measures to continue contributing to the improvement of ROIC. In addition, we have deployed tools that contribute to the Visualization of working capital at overseas subsidiaries as well, and have started to implement balance-sheet control for each Group company.

We are also continuing to reduce cross-shareholdings with the aim of improving asset efficiency. In addition, the ratio of cross-shareholdings (including deemed-held shares) to consolidated net assets was 17.0% for the FY2025/3, and is projected to be 12.3% by the end of the FY2026/3.

We will constantly simulate the impact of these Group-wide actions and changes in business strategies in response to the external environment on the balance sheet and management indicators, and flexibly review cash allocation. We believe it is important to regularly disclose the results of these reviews and to ensure that our stakeholders understand our financial strategies, including proactive investment in growth areas and enhanced shareholder returns.

As of the update of the Mid-Term Management Strategy in May 2023

Total amount available for distribution: 420.0 billion yen (or more)

Cash-in (Cumulative total for 3 years beginning FY2024/3)		Cash-out (Cumulative total for 3 years beginning FY2024/3)	
Operating CF	287.6 billion yen	Growth investments	190.0 billion yen (or more)
Cash	End of FY2023/3 93.5 billion yen	Shareholder returns	85.0 billion yen (or less)
	Sale of cross-shareholdings 38.9 billion yen	Debt repayment	85.0 billion yen (or less)
Debt financing	0.0 billion yen (or more)	Cash	60.0 billion yen

As of May 2025

Total amount available for distribution: 422.0 billion yen (or more)

Cash-in (Cumulative total for 3 years beginning FY2024/3)		Cash-out (Cumulative total for 3 years beginning FY2024/3)	
Operating CF	280.0 billion yen	Growth investments	220.0 billion yen (or more)
Cash	End of FY2023/3 93.5 billion yen	Shareholder returns	94.0 billion yen (or less)
	Sale of cross-shareholdings 48.5 billion yen	Debt repayment	48.0 billion yen (or less)
Debt financing	0.0 billion yen (or more)	Cash	60.0 billion yen

Although We Face Challenges in Terms of Capital Profitability, We Will Further Strengthen Our Efforts in the Next Mid-Term Management Strategy

ROE, ROIC, and ROA, which we have set as important management indicators, currently exceed the estimated cost of capital and maintain spreads, but we are not satisfied with these levels.

In FY2025/3, ROIC was roughly flat year on year, but both ROE and ROA decreased in line with a decline in net income that resulted from a one-off extraordinary loss such as a business liquidation due to structural reforms. Looking ahead to FY2026/3, while ROE and ROA are expected to improve, ROIC is projected to decline due to a decrease in operating income and an increase in fixed assets. This falls short of the targets set in the Mid-Term Management Strategy, indicating that issues remain on both the asset and return sides.

In response to this situation, we are regularly monitoring capital profitability indicators and cost of capital levels, and the Board of Directors is conducting a wide range of discussions based on the results, including setting hurdle rates for business portfolio management, reviewing and revising the portfolio, and making decisions on resource allocation. Furthermore, through an ROIC tree that decomposes ROIC into its elements and breaks issues down to the field level, we are building a mechanism that enables each employee to connect them to personal actions. Beyond this, in the next Mid-Term Management Strategy, we will further strengthen initiatives to improve capital profitability.

We Will Continue to Engage in Active Dialogue with the Capital Markets to Enhance Corporate Value

Looking at our stock price, the PBR as of March 31, 2025, was approximately 0.9x, below the 1x threshold, and we recognize it as a challenge. When PBR is broken down into ROE and PER, the low PER remains noticeable, with a PER of about 7x compared to an ROE of 13.8%.

This reflects low market expectations for the Company, and we believe it is important to thoroughly explain the stability of our foundation businesses as well as the revenue expansion and business development of our Engineering Plastics Business and Safety Business, which we position as growth businesses, in order to generate expectations for the enhancement of corporate value. To this end, we will enhance our IR information disclosure, clearly communicate the Group's growth strategy using quantitative data, and strive to achieve sustainable growth in EPS, and improve cash generation capabilities.

In addition, we aim to strengthen two-way communication with shareholders and investors and translate this into actions that contribute to enhancing our corporate value. Among our recent initiatives, based on feedback from investors and analysts, we have clarified our policy of stable and progressive dividends and flexible share buybacks, adding a target of a total return ratio of 40% or more and a dividend on equity (DOE) of 4% or more to our shareholder return policy that started in FY2025/3. Moreover, starting in FY2026/3, we have changed the coefficients used to calculate performance-based compensation for Directors from "consolidated net sales and consolidated operating income" to "consolidated net sales, EBITDA, and ROIC" to ensure that compensation for Director serves as a sound incentive for corporate value enhancement.

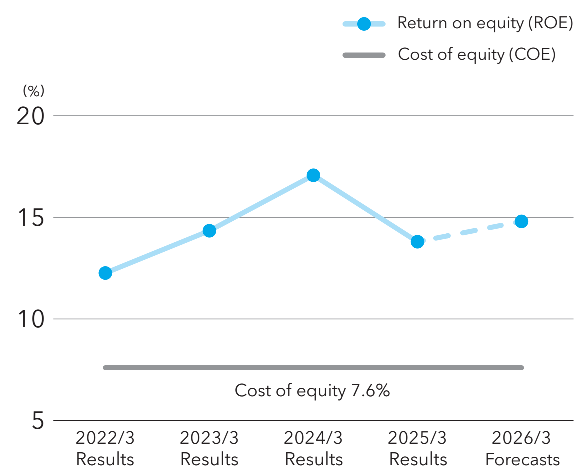
Daicel is committed to accelerating the implementation of growth strategies, steadily promoting financial strategies to support them, and sustainably increasing corporate value.

Communication with Shareholders and Investors

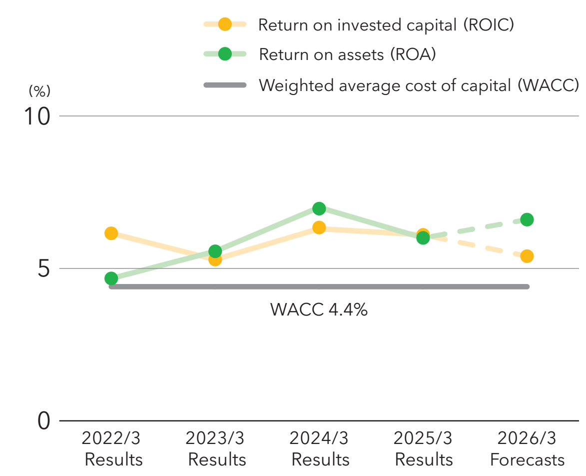
(times)

Main activities	FY2023/3	FY2024/3	FY2025/3
Individual interview (1on1)	115	162	160
Overseas road show (face-to-face)	0	2	2
Conference sponsored by securities companies	1	3	3
Business briefing	3	2	0
Plant tour	0	0	1
Briefing for Individual Investors	2	0	1

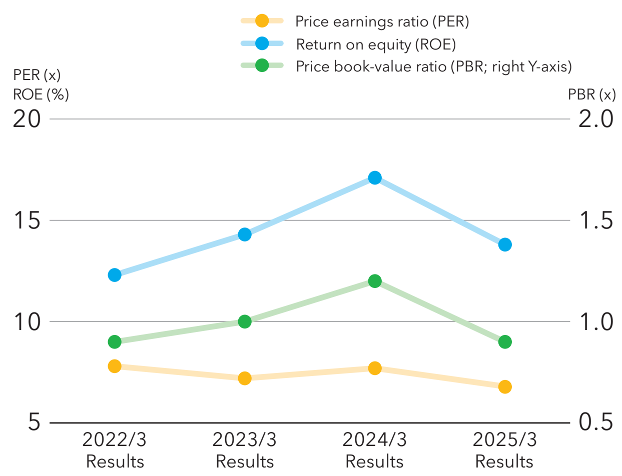
Trends of ROE and COE



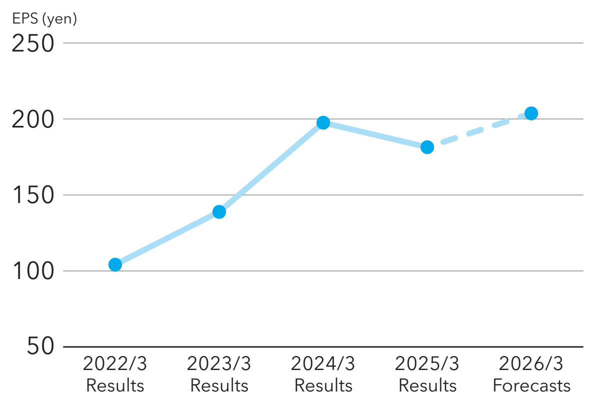
Trends of ROIC, ROA, and WACC



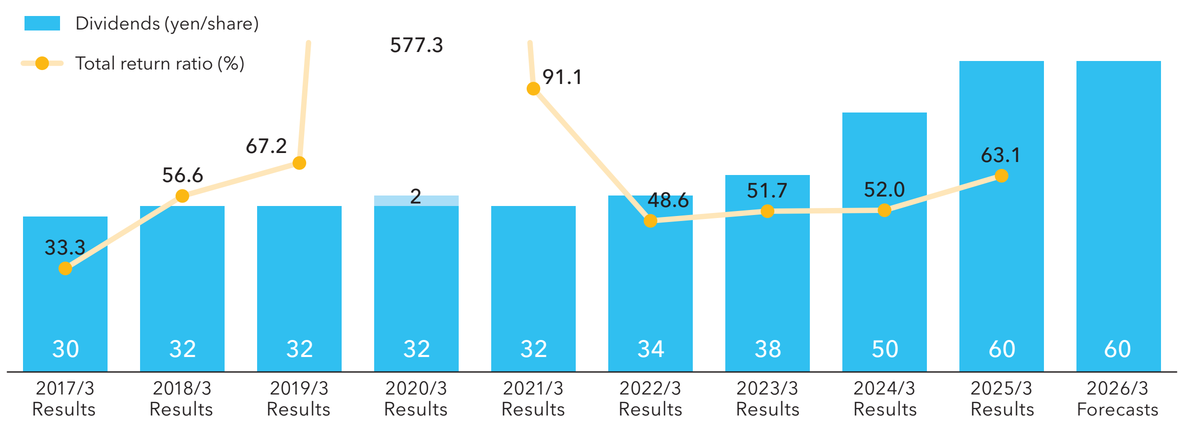
Trends in Stock Price Indicators



Trends in Earnings per Share (EPS)



Trends in Shareholder Returns



* Commemorative dividend of 2 yen

Sustainability Management and Materiality

Based on our Sustainable Management Policy, we will continue to focus on our core businesses through our continued efforts in business selection and concentration without compromising our commitment to safety, quality, and compliance, which are the priority foundations of our manufacturing, and will strive to achieve a sustainable society while expanding our business.

Page 05: Sustainable Management Policy

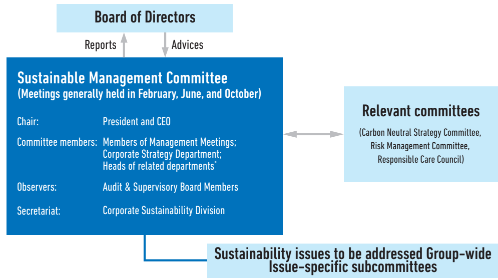
Sustainable Management System

The Daicel Group established the Sustainable Management Committee (typically meets three times a year), chaired by the President and CEO, to discuss and manage key sustainability issues (materiality) at the management level. In addition, for theme-specific subcommittees established to address sustainability-related topics such as Life Cycle Assessment (LCA) and procurement, the appointed officer acts as the responsible person, working to strengthen initiatives and further enhance information disclosure.

The regular progress evaluation of KPIs by the Sustainable Management Committee ensures implementation of the CAPD* cycle. In addition, the Board of Directors will receive regular reports from the Sustainable Management Committee concerning the status of the KPIs related to materiality in order to supervise the promotion of sustainability at the Daicel Group.

In FY2025/3, the Sustainable Management Committee met three times, mainly discussing the response to climate change, such as GHG emission reductions, the certification system for contributions to build a circular society (System name: CycloVia), and DE&I efforts, with the details reported to the Board of Directors.

Diagram of the Sustainable Management System



* Depending on the topic, participants will be drawn from each SBU, plant production-related departments, Group companies, etc.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, the Daicel Group has adopted a CAPD improvement cycle to avoid the risk of overlooking crucial facts and realities that often lie hidden in the initial planning stage.

Topic

CycloVia* (Certification System for Contributions to Build a Circular Society)

The Daicel Group aims to realize a circular society as outlined in our Long-Term Vision, DAICEL VISION 4.0, and we recognize increasing demand for products and technologies that contribute to building such a society as a key business opportunity. In FY2025/3, to capitalize on this opportunity, we initiated CycloVia, a system that recognizes the products and technologies within the Group that contribute to the development of a circular society. This certification system utilizes the assessment items detailed in the table on the right for evaluation. Certification is granted by the Sustainable Management Committee, and we will work to foster its development and wider adoption.

In addition, we plan to proactively operate this certification system throughout the Group, and explore its use as a metric to quantify our contribution to realizing a circular society, which is central to our vision.

Assessment Items	
Use of Circular Materials	
Reuse of Waste	
Reusability	
Recyclability	
Comparison	Reduction of Carbon Footprint of Product
	Water Use Reduction
	Reduction of Hazardous Substances
	Yield Improvement
Application to Business Fields for the Realization of a Circular Society	Contribution to the Renewable Energy Sector
	Contribution to Environmental Protection and Conservation
	Contribution to Energy and Resource Conservation
	Others
Environmental Certifications and Accreditations	

* Formed by combining "Cycle" with "Via" (Latin for "road"). This indicates pathways and actions taken to contribute toward the realization of a circular society.

CycloVia Certified Products (As of June 2025)

Product and Technology	Organization	Rationale for Certification	Characteristics
CMC DAICEL (Link to Japanese website)	Daicel Miraizu Ltd.	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
HEC DAICEL (Link to Japanese website)	Daicel Miraizu Ltd.	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
CELISH (Link to Japanese website)	Daicel Miraizu Ltd.	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
Cellulose Acetate	Daicel Corporation	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material
Acetate tow	Daicel Corporation	Utilizes circular materials	Utilizes naturally derived pulp (circular materials) as a primary raw material Acquired PEFC COC certification
TOPAS® COC	Polyplastics Co., Ltd.	Contributes to environmental protection and conservation Contributes to energy and resource conservation	By facilitating the use of monomaterials, contributes to easier recycling processes, leading to waste reduction through plastic packaging recycling, decreased reliance on virgin resin raw materials, and lower energy consumption during packaging resin production Certified by the independent German testing institute Institut cyclos-HTP as a mechanically recyclable additive for mixing and compounding with PE and PP Granted Critical Guidance Recognition by the Association of Plastics Recyclers in the United States, confirming that the material is recyclable without negatively impacting the high-density polyethylene recycling process
BELLOCEA® S7	Daicel Corporation	Utilizes circular materials	Confirmed to decompose in the ocean, these spherical particles, derived from cellulose acetate, present a solution for reducing environmental impact
QLIP, food bag clip which is highly sealable, reusable, and freezer-safe. (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the Biomass Mark scheme of the Japan Organics Recycling Association
"RAKU-POI" Ring, product for easy and hygienic waste disposal around the kitchen sink and its exclusive bag. (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the BiomassPla. Certification system of the Japan BioPlastics Association
"RAKU-POI" Self-Standing Drain Bag, product for easy and hygienic waste disposal around the kitchen sink. (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the Biomass Mark scheme of the Japan Organics Recycling Association
"RAKU—CHIN" Easy-Place Drain Bag, product for easy and hygienic waste disposal around the kitchen sink.	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the BiomassPla. Certification system of the Japan BioPlastics Association
"SANKAKU-Corner irazu," product folding detachable sink drain and its exclusive disposable drain bag (Link to Japanese website)	Daicel Miraizu Ltd.	Environmental certifications and accreditations	Product certified under the Biomass Mark scheme of the Japan Organics Recycling Association

Materiality Identification Process

Step 1 Extract social issues → **Step 2** Prioritize → **Step 3** Confirm validity → **Step 4** Formulate materiality and KPIs

Step 1: 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: 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 "Foundations of the Daicel Group's continuity and governance."

Step 3: 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: 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 with the Long-Term Vision and Mid-Term Management Strategy
- Consistency with related policies such as the Sustainable Management Policy, the Daicel Group Code of Conduct, Ethical Standards of Daicel Group
- Consolidation of opinions from relevant departments

Materiality List

1. Materiality aimed at achieving growth of the Daicel Group and value co-creation

In terms of products, manufacturing processes, and people under the Sustainable Management Policy, we have clearly identified areas where we will leverage our strengths to proactively create value in solving social issues represented by the SDGs.

2. Materiality related to the foundations of the Daicel Group's continuity and governance

We established respective considerations of priority foundations for value creation, including safety, quality, and compliance, for E (environment), S (social), and G (governance).

	Classification	Materiality
Materiality aimed at achieving growth of the Daicel Group and value co-creation	Sustainable Product	Contribute to beauty and health
		Contribute to the smart society
		Provide safety and security for society
		Provide environment-friendly materials and technology
	Sustainable Process	Contribute to the development of a circular society
		Respond to climate change
	Sustainable People	Promote DE&I
		Support personal growth

	Classification	Materiality
Materiality related to the foundations of the Daicel Group's continuity and governance	Environment	Reduce environmental impact
	Social	Ensure process safety and disaster prevention, occupational health and safety
		Ensure chemical safety and enhance product quality
		Respect human rights
		Foster a corporate culture that meets employee needs
		Promote sustainable procurement
	Governance	Strengthen foundation for Group governance and compliance

Materiality Monitoring

Along with established KPIs and targets, the progress of the identified materiality items is monitored through periodic evaluations by the Sustainable Management Committee and supervision by the Board of Directors.

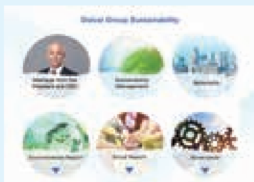
Pages 32 to 33: List of Materiality KPIs and Results

Our sustainability website provides comprehensive disclosure of our sustainability efforts, including detailed information on materiality. WEB https://www.daicel.com/en/sustainability/

Site Map (Note) Items in blue frame are also summarized in this report. The ★ mark indicates the materiality of our Group.

Sustainability Management Materiality

Responsible Care Activities Policy List



Environmental Report
- Environmental Management
- ★ Response to Climate Change
- Information Disclosure in Line with TCFD Recommendations
- ★ Reduction and Recycling of Waste
- Emission Management of Chemical Substances
- Water Resource Preservation
- Environmental Management and Prevention of Air Pollution
- Preserving Biodiversity

Social Report
- ★ Respect for Human Rights
- Customer Satisfaction and Safety Assurance
  - ★ Enhancing Product Quality
  - ★ Chemical and Product Safety
  - ★ Process Safety and Disaster Prevention
  - Distribution Safety
- Creating Attractive Workplaces
  - ★ Occupational Health and Safety
  - Policy and Guidelines on Human Resources
  - Initiatives to Help Employees Maintain Mental and Physical Health
  - ★ Support for Human Resource Development
  - ★ Promoting Diversity, Equity and Inclusion
  - ★ Foster a Corporate Culture That Meets Employee Needs
- ★ Sustainable Procurement
- Contribution to Local Communities and Society

Governance
- ★ Corporate Governance
- ★ Corporate Compliance
- ★ Risk Management
- Information Security / Information Management
- Tax Policy

List of Data Collection Boundaries
- Scope of Reporting for Human Resources and Governance Data
- Scope of Data Calculation for Environmental and Occupational Safety Performance

List of Declarations and Certifications
ESG Data
GRI Standards Content Index
Participation in Initiatives and External Recognition

List of Materiality KPIs and Results

KPIs and FY2023/3, FY2024/3, and FY2025/3 results are listed for the identified materiality.

Angles	Classification	Materiality	Content	KPIs	Target	FY2023/3 Results	FY2024/3 Results	FY2025/3 Results	Related Page
Materiality aimed at achieving growth of the Daicel Group and value co-creation	Sustainable Product	Contribute to beauty and health	•Providing solutions for the pharmaceutical and medical markets	•Our chiral columns used in pharmaceutical analysis methods*1	•FY2026/3: 95 cases (cumulative)	•88 cases	•113 cases	•124 cases	Medical https://www.daicel.com/lifesciences/en/
			•Providing sustainable cosmetic raw materials and health food	•Total number of people provided with functional food ingredients per year	•FY2026/3: 2.23 million (twice the FY2021/3 figure)	•1.24 million people	•1.69 million people	•1.62 million people	Cosmetics/Healthcare https://www.daicel.com/healthcare/en/
		Contribute to the smart society	•Providing solvents for semiconductor processing and polymers for resists	•New product rate of safe, high-boiling point solvents essential for advanced semiconductor manufacturing processes*2	•FY2026/3: 23.9%	•3.2%	•7.7%	•8.4%	Electronics https://www.daicel.com/smart/en/
		Provide safety and security for society	•Providing products that ensure the safety and security of mobility	•Average number of our safety devices installed per vehicle*3 •Diversified small mobility*4 devices and new safety devices to prevent home accidents*5 put on the market	•FY2026/3: 3 units/vehicle •FY2026/3: New safety device proposals, with a total of 2 cases by FY2031/3	•2 units/vehicle •New business proposals: 2 under review	•2.2 units/vehicle •New business proposals: 2 cases	•2.2 units/vehicle •New business development initiatives: 2 cases	Mobility https://www.daicel.com/safety/en/
		Provide environment-friendly materials and technology	•Providing materials and technology that reduce environmental impact such as environment-friendly plastics	•Rate of recyclable raw materials*6 used in products •Production of environment-friendly (highly biodegradable, etc.) cellulose acetate	•FY2031/3: 30% or more •FY2026/3: 10,000-20,000 tonnes/year	•15.9% •7,993 tonnes/year	•15.8% •7,625 tonnes/year	•16.5% •8,282 tonnes/year	Environment & Energy https://www.daicel.com/en/business/purpose/eco-energy.html
	Sustainable Process	Contribute to the development of a circular society	•Building Biomass Value Chain •Reuse of waste and CO_2	•External proposals for resource recycling systems using natural materials	•FY2026/3: 3 cases	•Under research and development	•1 case	•1 case	Biomass Value Chain (Japanese text only) https://www.daicel.com/bvc/
		Respond to climate change	•Reduction of GHG emissions through production innovation, energy innovation, and process innovation	•GHG emission reduction rate of our Group*7	•Scope 1 and 2 FY2031/3: 50% reduction (compared to FY2019/3)	•1% increase	•3.5% reduction	•0.5% reduction	Response to Climate Change https://www.daicel.com/en/sustainability/environment/climate-change.html
	Sustainable People	Promote DE&I	•Creating a workplace where everyone can work with energy, regardless of their gender, age, nationality or disability	•Ratio of women in management positions*8 •Ratio of persons with disabilities that have been with the Company more than three years*8 (1 - persons with disabilities that left the Company in three years after joining / total number of employed persons with disabilities) × 100	•FY2026/3: 10% or more •Sustain 95% or more	•4.9% •96.0%	•5.6% •97.4%	•6.3% •100%	Promoting Diversity, Equity and Inclusion https://www.daicel.com/en/sustainability/social/diversity.html
		Support personal growth	•Personnel development for honing expertise •Framework to support employees who take on challenges •Building highly fair evaluation system	•Status of initiatives for personnel development, review of human resource system, introduction and review of career seminars or management training for department managers*8	•Disclose results	•Strengthened system to support employees' career autonomy -Implemented of age-specific career training for employees in their 30s, 40s, and 50s -Established a Career Support Center in the Human Resources Division to provide career consultations for employees -Launched an expertise development program (for talent cultivation of administrative personnel) -Introduced coaching training given by external lecturers for department managers -Offered AI training to all employees (voluntary participation) •Introduced career support expenses (30,000 JPY/person) •Planned and implemented training for managers			Support for Human Resource Development https://www.daicel.com/en/sustainability/social/hrd.html
Materiality related to the foundations of the Daicel Group's continuity and governance	Environment	Reduce environmental impact	•Promotion of waste reduction and recycling	•Percentage of industrial waste recycled by our business sites and domestic Group companies	•FY2026/3: 99% or more	•98.4%	•98.0%	•98.6%	Reduction and Recycling of Industrial Waste https://www.daicel.com/en/sustainability/environment/industrial-waste.html
	Social	Ensure process safety and disaster prevention, occupational health and safety	•Elimination of process incidents	•Serious occupational accidents*8 •Serious process safety incidents*8	•Continue 0 (zero) cases •Continue 0 (zero) cases	•0 cases •0 cases	•1 case •0 cases	•0 cases •0 cases	Process Safety and Disaster Prevention https://www.daicel.com/en/sustainability/social/safety-security.html
			•Minimization of damages based on crisis assessments	•Percentage of safety training held based on past incidents (occupational accidents and process safety incidents)*8	•Continue to 100%	•100%	•100%	•100%	Occupational Health and Safety https://www.daicel.com/en/sustainability/social/ohs.html
		Ensure chemical safety and enhance product quality	•Reinforcement of management to prevent recurrence of quality defects •Centralized management and sharing of chemical substance information	•RC-related regulation audit rate*8 •Number of violations of chemical regulations •Number of problems caused by product safety •Rate of initial response to customer complaints within 24 hours*9 •Rate of completion of customer briefings within 25 days	•Continue to 100% •Continue 0 (zero) cases •Continue 0 (zero) cases •FY2026/3: 100% •FY2029/3: 100%	•41% •(Initiative from FY2024/3) •(Initiative from FY2024/3) •88.0%	•100% •0 cases •0 cases •89.0% •(Initiative from FY2025/3)	•100% •0 cases •0 cases •87.4% •70%	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	•Establishment and implementation of human rights due diligence •Development of a framework for corrective and remedy actions, and employee education	•Rate of progress in annual plans for human rights due diligence targeting the Daicel Group	•FY2026/3: 100%	•88.7% (FY2020/3-FY2025/3) (19 out of 19 domestic Group companies, 28 out of 34 overseas Group companies)*10			Respect for Human Rights https://www.daicel.com/en/sustainability/social/human-rights.html
				•Rate of progress in annual plans for human rights due diligence targeting suppliers	•100% continuation	•(Drafting and implementation of plans for human rights due diligence targeting suppliers)	•(Conducted human rights due diligence for domestic and overseas suppliers, followed up with suppliers on identified issues and improved 50 cases)	•100%	
		Foster a corporate culture that meets employee needs	•Shortening of working hours and improvement in the annual paid leave acquisition ratio	•Rate of continuous paid leave taken*8 (a five-day consecutive leave once per year)	•FY2026/3: 100%	•56.3%	•72.3%	•69.2%	Foster a Corporate Culture That Meets Employee Needs https://www.daicel.com/en/sustainability/social/wlb.html
			•Support for flexible work styles	•Percentage of male employees who have taken parental leave*8	•FY2026/3: 100%	•97.9%	•89.3%	•94.1%	
			•Promotion of employee health	•Status of efforts to promote employee health*8	•Disclose results	•Organized an "Employee Wellness Promotion Center" as a health management organization that promotes the mental and physical health of each employee on four different levels: company-wide, by business site, by workplace, and individually •Promoted health management aimed at the physical and mental health of each and every one of employees and their families, business partners, and local residents by holding sports events, etc. •Expanded babysitter subsidy benefits •Distributed "Guidance for Taking Parental Leave" to eligible employees and their supervisors •Recognized as a "Certified Health & Productivity Management Outstanding Organization (White 500)" for the sixth consecutive year •Certified as a "Sports Yell Company" for the second consecutive year			
		Promote sustainable procurement	•Improvement of CRS levels across the supply chain	•Sustainable procurement rate (new item set in FY2025/3) •Implement FY2025/3 version of SAQ and achieve 100% rate of suppliers (2) that meet standard (1) of our Group. (1) Benchmark points (4 points or higher for 9 key items; 3 points or higher for 24 other items) (2) Suppliers accounting for over 85% of purchasing value and suppliers of critical raw materials (165 companies in total) * The following old KPI was achieved in FY2024/3 (past targets/performance are shown in parentheses) "Percentage of raw fuel suppliers who meet our benchmark points as a result of SAQ"	•FY2026/3: 100% (FY2024/3: 100%)	•(79%)	•(100%)	•62%	Sustainable Procurement https://www.daicel.com/en/sustainability/social/supply-chain.html
	Governance	Strengthen foundation for Group governance and compliance	•Reinforcement of corporate governance	•Status of efforts to strengthen the supervisory function by the Board of Directors Evaluation target of the Board of Directors by Outside Directors and Outside Audit & Supervisory Board Members: (out of 5 points) •Rate at which legal checks are made and response measures taken for material matters requiring executive decision	•Average of 4.0 points or above •Continue to 100%	•(Initiative from FY2024/3) •100%	•4.4 points •100%	•4.3 points •100%	Corporate Governance https://www.daicel.com/en/sustainability/governance/
			•Enforcement of thorough compliance •Strengthening of risk management	•Issues reported to the Help Line •Percentage of executives and employees who know how to use the Help Line system and can contact the Help Line when they discover compliance violations*11 (= percentage of employees who have taken Help Line reporting training)	•Disclose results •FY2026/3: 100%	•76 cases •10%	•102 cases •18% (1,074 personnel)	•126 cases •97% (5,988 personnel)	Corporate Compliance https://www.daicel.com/en/sustainability/governance/compliance.html

*1 Targets: Pharmacopoeias in Japan, the U.S. and Europe *2 Highly safe high boiling point solvents: Solvents for electronic materials with high solubility and low toxicity such as MMPGAC *3 Targets: Products for Japanese automakers *4 Bicycles, mobility scooters, electric kick scooters, etc. *5 Drowning while bathing indoors, infant suffocation, falls, etc.

*6 Recyclable raw materials: biomass raw material, use of atmospheric CO_2, reuse of waste, and recycling Targets: Main resin materials of Daicel, Polyplastics, and Daicel Miraizu *7 Realization of carbon neutrality in FY2051/3 (Scopes 1, 2, 3) *8 Scope: Daicel Corporation *9 Scope: Domestic manufacturing sites of Daicel Corporation *10 The base number of group companies represents the companies that are candidates for human rights due diligence as of April 2024 *11 Daicel and domestic Group companies

Daicel Group's Challenge to Achieve Carbon Neutrality

The chemical industry provides beneficial materials that also contribute to reduction of environmental impact; however, the manufacturing processes of these materials require a lot of energy. The Daicel Group has taken this challenge head-on and is working on creating highly effective solutions that will not only reduce the environmental impact of the manufacturing processes but will also help in achieving carbon neutrality.

In this page, we will introduce the Daicel Group's initiatives being implemented from three angles, reducing costs, improving productivity and enhancing competitiveness as a manufacturing company with a view toward achieving manufacturing that is economical as well as ecological, while at the same time reducing its environmental impact.

Medium- and Long-Term Reduction Targets for GHG Emissions

The Daicel Group has set a medium- and long-term reduction targets in line with the standard of SBT*1.5°C.

2050: Achieve carbon neutrality
Scope: 1, 2, 3 of the Daicel Group

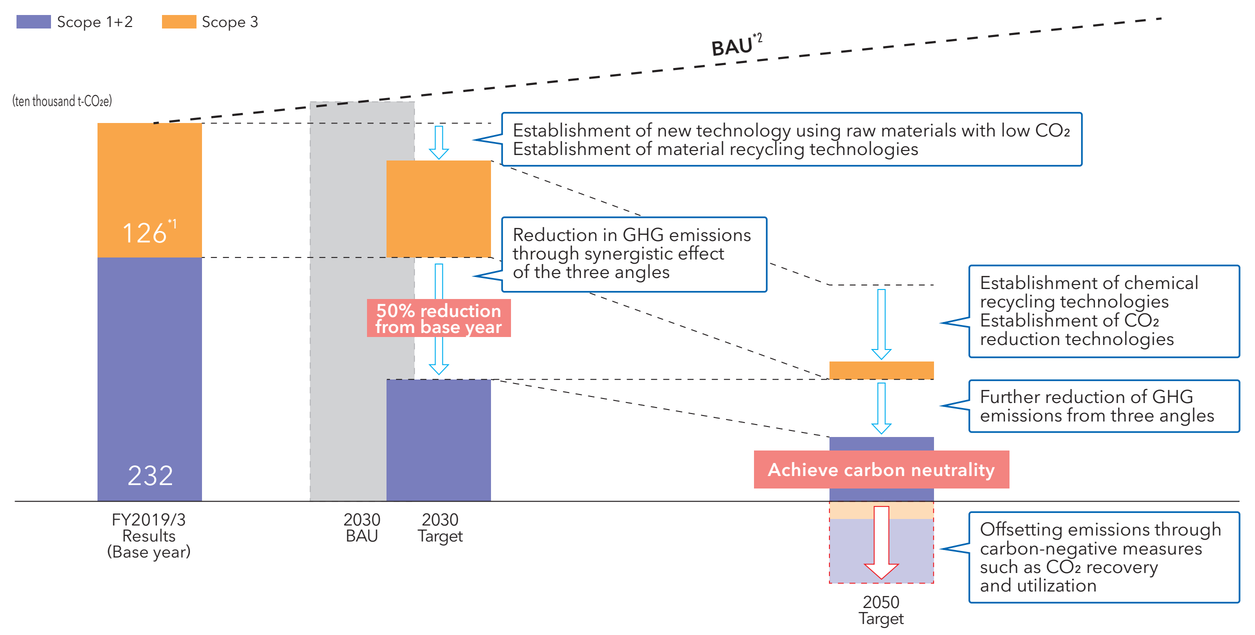
2030: 50% reduction in GHG emissions (compared to FY2019/3)
Scope: 1, 2 of the Daicel Group

* Science Based Targets: Goal setting consistent with science

Approach and Roadmap for Achieving Carbon Neutrality

Over the years, the Daicel Group has been working toward reducing the use of energy and cutting down GHG emissions from three angles (Please refer to the next page for details). To achieve the medium and long-term targets, we have identified the items that will contribute to reduction of GHG emissions from these three angles and calculated specific reduction amounts. Subsequently, we have created a roadmap and update it regularly. Although the individual items and reduction amounts are undisclosed, we will start with the implementation of the most feasible items, taking into account the return on investment that reflects internal carbon pricing.

Roadmap



*1 Since the calculations for Scope 3 were started from FY2020/3, we have tentatively shown the results for FY2020/3. We are working on gradually expanding the categories and boundaries in Scope 3 calculations.
*2 Business as Usual: GHG emissions without additional measures

Reduction of GHG Emissions from Three Angles https://www.daicel.com/en/sustainability/environment/climate-change.html#anc-5

Angle 1

Reduction in GHG emissions in the current production processes

We collect data on factory operations (including the status of energy use such as heat balance) through DAICEL Production Innovation to visualize the wastage and loss in the use of energy in the current facilities and production method and eliminate these thoroughly. We are advancing the implementation and expansion of an "Autonomous Production System," an evolution of DAICEL Production Innovation with artificial intelligence (AI) logic, to further reduce GHG emissions.

- DAICEL Production Innovation https://www.daicel.com/en/daicel-production-innovation/
- Autonomous Production System

Angle 2

Reduction in GHG emissions in innovative technology

In parallel with eliminating the wastage and loss of energy in the current production process as explained above, we implement innovative technology to significantly reduce energy use. This is achieved by changing the manufacturing method to reduce the distillation process, which consumes a large amount of energy, by reusing low-temperature exhaust heat, etc. We also conduct technical studies for utilizing recycled raw materials in order to reduce GHG emissions from raw materials.

- Microfluidic Device Technology https://www.daicel.com/en/microfluidics/
- Modified Petlyuk Distillation Process
- Vapor Recompression Technology

POINT The use of detailed data on factory operations visualized through DAICEL Production Innovation makes it possible to identify points for improvement, study innovative technologies, and simulate the effects of their introduction with a high level of accuracy.

Repetition of Angles 1 and 2

With the equipment and method employing the new technology implemented in Angle 2, the wastage and loss in the use of energy of Angle 1 are identified and reduced. We then repeat Angle 1 and Angle 2 by applying the innovative technologies implemented as per Angle 2 to the newly identified points of improvement. We continue to improve the level of our efforts, while creating manufacturing processes that minimize the use of energy.

Angle 3

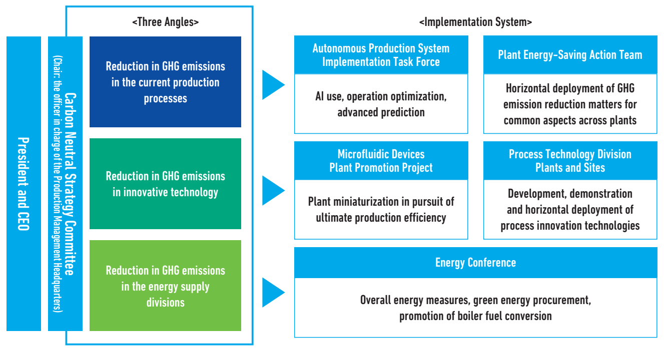
Reduction in GHG emissions in the energy supply divisions

It is a standard practice in chemical plants to design the capacity of energy supply facilities to be larger than that of energy-using facilities. Consequently, by minimizing energy use through Angle 1 and Angle 2, eliminating excess energy capacity in energy supply facilities, and downsizing them as much as possible, GHG emissions can be significantly decreased.

- Downsizing and optimal operation of boiler equipment depending on energy use
- Selecting energy source in consideration of cost and GHG emissions
- Improving the tire derived fuel mixture ratio of boiler equipment

Our Promotion System for the Reduction of GHG Emissions

The Carbon Neutral Strategy Committee has been established under the direct control of the President and CEO to promote energy conservation and GHG emissions reduction in the Group. The Committee is chaired by the officer in charge of the Production Management Headquarters and members include representatives from production, energy supply, and other corporate divisions in Japan. It strives to construct a circular process that is in harmony with the global environment from the Three Angles. In addition, we introduced internal carbon pricing in April 2025 in order to develop and execute appropriate investment plans which can achieve our medium- and long-term targets.



Information Disclosure in Line with TCFD Recommendations

The Daicel Group endorsed the TCFD recommendations in November 2021. In accordance with the recommendations, the Group disclosed information on each item related to climate change for governance, strategy, risk management, and metrics and targets, and conducted a scenario analysis in major business areas in FY2024/3.

Governance

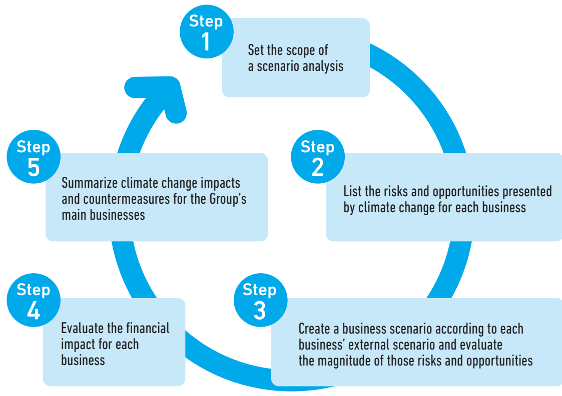
Our response to climate change is discussed at the management level. At the Sustainable Management Committee held three times in FY2025/3, discussions mainly focused on responses to climate change, including the implementation of the "Certification System for the Contribution to Build a Circular Society" (System name: CycloVia), initiatives to reduce GHG emissions, and the implementation of an internal carbon pricing system, with the details reported at the Board of Directors.

Strategy

In order to examine strategies and organizational resilience in light of climate-related risks and opportunities, the Daicel Group conducted a scenario analysis using the following procedures with reference to climate change scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), and considered the impact as of 2030.

●Implementation procedures for scenario analyses

Scenario analyses follow the procedures listed on the right.



●Scenario analysis conditions and overview

1. Scenario analysis scope

The following businesses were evaluated as the Group's main business areas.

■Engineering Plastics Business (Polyplastics)
■Acetyl Business centered on cellulose acetate (Material SBU)
■Safety Business (Safety SBU)

2. Time frame

We examined transition risks, physical risks, and transition opportunities in 2030.

3. Assumed scenarios

Based on information from the IPCC, IEA, and other sources, we examined the risks and opportunities of two scenarios: one in which decarbonization progresses (1.5°C/2°C scenario) and the other in which decarbonization does not progress (4°C scenario).

As the temperature increase at 2030 in both the 4°C scenario and the 1.5°C/2°C scenario is around 1.5°C and not significantly different from one another, the physical risk in 2030 is assumed to be similar in both the 1.5°C scenario (in part, below 2°C scenario) and the 4°C scenario. Therefore, no distinction is made for each of the two scenarios in terms of physical risk, and the same situation is predicted for 2030.

Scenario Overview

	1.5℃/2℃	4℃
Societal changes	● In order to limit the increase in average temperature to less than 1.5/2°C by the end of this century, bold legislation and technological innovation will be promoted. ● Efforts are being made to realize a decarbonized society around the world, and environmental performance (low environmental impact) is a value provided to customers on a par with QCD. ● In the chemical industry, companies and businesses that cannot adapt to a decarbonized society will be weeded out, and procurement risks for raw materials and fuels will increase as consolidation progresses. ● Public scrutiny of non-compliance with environmental policies will increase (a condition for stopping transactions from customers). ● An increasing proportion of renewable energy will destabilize the power supply.	● There is a gap between regions where bold legislation is prompt, mainly in Europe, and regions where the emphasis is on economic growth and the introduction of strict regulations is slow, especially in emerging countries. This gap results in a lack of progress in GHG reduction. ● Customers evaluating environmental performance (low environmental impact) are limited. ● In the fossil fuel and chemical industries, there is no active investment, and procurement risks for raw materials and fuels will increase as consolidation of companies and businesses in such industries progresses due to the aging facilities. ● Public scrutiny of non-compliance with environmental policies will increase (a condition for stopping transaction from some customers). ● An increasing proportion of renewable energy will destabilize the power supply in some regions.
Technological innovation	● Technologies related to CCU* and resource recycling (circular economy) have been actively developed and put into practical use in 2030. ● Investment in energy-saving and CO_2-saving technologies is becoming more active, and the acquisition of these technologies is directly linked to cost competitiveness.	● Rising energy prices will increase investment in energy-saving technologies, and the availability of technology acquisition is directly linked to cost competitiveness.
Climate change	● The scale of disasters such as typhoons and floods will increase. ● Extreme weather, such as high temperatures, is progressing.	● The scale of disasters such as typhoons and floods will increase. ● Extreme weather, such as high temperatures, is progressing.

* Carbon dioxide Capture and Utilization

●Scenario Analysis Results -Risks and Opportunities-

The following table shows the risks and opportunities related to climate change in the analyzed businesses, their degree of impact, and proposed countermeasures.

Risks/ Opportunities	Category	Details	Overall 4℃	Overall 1.5/2℃	Engineering Plastics (Polyplastics) 4℃	Engineering Plastics (Polyplastics) 1.5/2℃	Acetyl Chain 4℃	Acetyl Chain 1.5/2℃	Safety 4℃	Safety 1.5/2℃	Response
Transition Risks	Policies and Regulations	Increased operating costs due to the introduction and strengthening of carbon pricing (taxes)	●●	●●●	●●	●●●	●	●●●	●	●●●	Promote activities to achieve the GHG emissions reduction target (50% reduction in total compared to FY2019/3) Quantify risks associated with ICP implementation
		By introducing and strengthening carbon pricing (taxes), the increased costs to upstream business partners are passed on, resulting in higher procurement costs	●●	●●●	●●	●●●	●	●●●	●	●●●	Reduce the impact by promoting the reduction of GHG emission intensity in cooperation with suppliers Switch to low-GHG raw materials
		Strengthening of GHG emissions regulations based on carbon emission targets and policies of each country, including EU Carbon Border Adjustment Measure	●●	●	●●	●	–		●		Promote activities to achieve the GHG emissions reduction target (50% reduction in total compared to FY2019/3) Switch to energy-saving, low-GHG raw materials, and change suppliers
	Market	Price fluctuations of petrochemical-derived raw materials to realize a low-carbon society	●●●		●●	●	●●●		●		Optimize inventory management Promotion of multiple purchases, simplification of raw materials through formulations, and standardization of quality through improvement of manufacturing technology
	Technology	Increase in equipment investment costs for energy saving and productivity improvement	●●		●●		●●		–		Resolve risks by accelerating the development of technology and know-how for formulation design and technical services
	Reputation	Identification of and response to risks and opportunities related to climate change, and increasing demand for disclosure of environmental management information	●		●		–		–		Reinforce systems and structures related to environmental measures Continue disclosing information related to the environment in accordance with the changing needs of society
Physical Risks	Chronic /Acute	Intensification of disasters due to abnormal weather conditions (heavy rain, floods, and typhoons), resulting in suspension of operations and damage to raw materials and products Supply chain disruptions	●		●		●		●		Strengthen BCP for climate change
	Chronic	Worsening working conditions and the spread of infectious diseases due to the rise in average temperature	–		–		–		–		Continue making work environment improvements
Transition Opportunities	Market	Expansion of new markets for environment-friendly products (Biodegradable plastics, EVs, renewable energy, recycling, and water resource conservation)	●●●		●●		●●●		●●		Develop recycling business (recompounding business) Develop low-GHG products (utilization of CCU technology, and development of bio-based products) Functionalize cellulose acetate, develop new fine cellulose, and commercialize BIC[*1] projects Develop market for EV current interrupters Operate CycloVia[*2]
	Resource Efficiency	Reduction of operating costs through energy saving and productivity improvements	●●●		●●●		●●●		●		Adopt DAICEL Production Innovation and the Autonomous Production System
Other Reduction Activities[*3]			●●	●●●	●●	●●●	●	●●●	●	●●	

(Impact) ●●●: Over 10 billion yen, ●●: Several billion yen, ●: Less than 1 billion yen, -: Almost no impact
*1 Biomass Innovation Center: The research division of our company aiming to convert biomass resources into raw materials. *2 CycloVia: Name of our in-house certification system, the "Certification System for the Contribution to Build a Circular Society."
*3 Other reduction activities: Investment for a 50% reduction in GHG emissions (Scope 1, 2), reducing the impact of carbon pricing due to GHG emission reductions, transitioning to low-GHG raw materials, overall reduction activities in the supply chain, etc.

Risk Management

The Daicel Group regards climate change as a major risk in sustainable management, and we conduct risk assessment, formulate responses, and confirm implementation status as part of the Group's risk management system. The Sustainable Management Committee conducts detailed examinations for key issues.

Risk Management https://www.daicel.com/en/sustainability/governance/risk-management.html?id=anc-2

Metrics and Targets

The Group has listed "Respond to climate change," "Provide environment-friendly materials and technology," and "Contribute to the development of a circular society" as three of its 15 key sustainability issues (materiality), and has set KPIs for each. For "Respond to climate change" we will further develop energy-saving measures to achieve GHG emission reduction targets and carbon neutrality by 2050. In addition, in January 2025, we launched an in-house certification system, the "Certification System for the Contribution to Build a Circular Society" (System name: CycloVia). In April 2025, we also implemented an internal carbon pricing system. We will build a new structure by utilizing these systems as indicators of risks and opportunities.

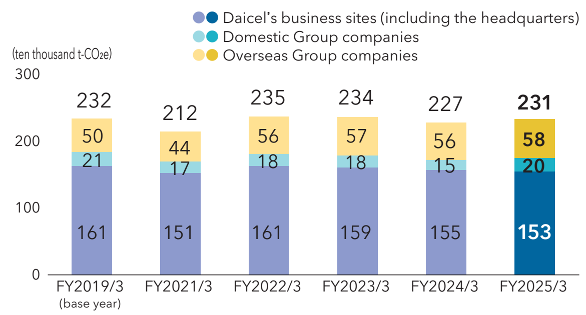
Pages 32 to 33: List of Materiality KPIs and Results

The Group's Sustainable Management Policy includes the development of a circular processes that coexist with the global environment. We will continue to discuss products and services that contribute to a low-carbon economy, and consider setting better metrics and targets.

GHG Emissions Reductions and FY2025/3 Results

The Group's GHG emissions for FY2025/3 increased by 1.9% year on year to 231 ten thousand tonnes of CO_2e. This increase resulted from higher operating levels at some domestic Group company plants and the establishment of new plants at overseas Group companies, despite ongoing efforts to reduce emissions, such as self-consignment of electric power.

GHG Emissions (Scope 1, 2)



We will thoroughly conduct R&D aimed at commercialization by maximizing the use of internal and external resources.

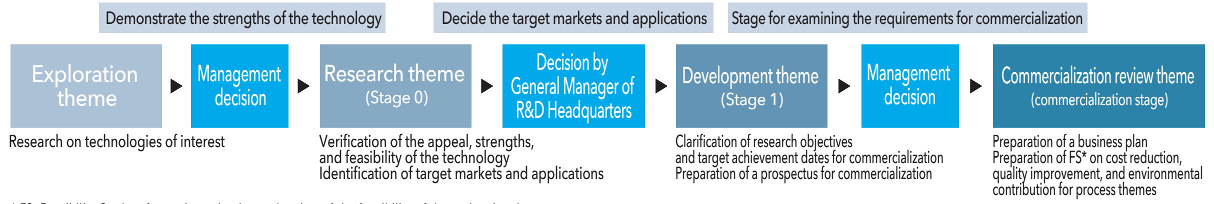
Toshio Shiwaku

Director, Senior Managing Executive Officer
General Manager of R&D Headquarters,
Responsible for Intellectual Property Center

The mission of the R&D Headquarters is to understand market needs, establish technologies while engaging with customers, and create new businesses and develop products with a time-oriented approach.

Under the current Mid-Term Management Strategy, we have been pursuing mid- to long-term research themes that balance ecology and economy, such as the creation of a New Biomass Product Trees through the mild melting of wood, the establishment of CO_2 reduction technology using nanodiamond catalysts, and the development of microfluidic device plants that perform chemical reactions on glass substrates the size of a business card, through collaboration with universities and partner companies. However, we currently face the challenge of not being able to advance research themes closely related to existing businesses to the stage of commercialization. Although research should be conducted with free thinking and enthusiasm, discipline is also required to maintain a business perspective and ensure steady progress toward commercialization. To further advance research toward commercialization, we newly established the R&D Headquarters in April 2024, consolidating the corporate research departments and introducing a stage management system and task force team system for company-wide research themes, which we have begun to implement.

The benefit of introducing stage management is that we can classify all company research themes, previously managed and advanced separately by each organization, into common stages of exploration, research, development, and commercialization review, and manage them centrally. By clarifying the conditions required to move to the next stage, we can now effectively engage internal resources such as marketing and production technology, in addition to R&D, at the time of commercialization review under management decision-making.



* FS: Feasibility Study refers to investigation and review of the feasibility of the project in advance.

For themes approaching commercialization, we have adopted a task force team system that brings together dedicated personnel with the necessary skills from multiple departments to promote cross-functional social implementation. The creation of new businesses requires the optimal utilization of resources throughout the entire company, not just from R&D divisions. We are now able to allocate resources from other divisions that are responsible for existing businesses to the launch of new businesses, a process that was previously difficult, and will aggressively pursue R&D for commercialization.

While maximizing the use of internal resources, there are many cases where new fundamental technologies are required to advance research. The social implementation of research themes is our domain, and we conduct joint research with universities and partner companies according to their areas of expertise to acquire the fundamental technologies needed to achieve this. We solve highly difficult challenges more efficiently by combining our respective strengths and advancing research.

The utilization of intellectual property (IP) is also essential for R&D. As the officer in charge of the Intellectual Property Center, I will promote the internal penetration of IP landscapes and further encourage the company-wide use of IP information. At the same time, we will engage in proactive intellectual property activities to protect and strengthen our business by shifting from patent applications based on the maintenance of existing technologies to strategic patent applications and portfolio construction based on the results of IP landscapes.

Taking on New Market Development for the Biodegradable Plastic CAFBLO® in a Task Force Team

Technology development by TFT members

One of our core products, cellulose acetate, which is made from natural raw materials, is highly biodegradable and friendly to the environment and human body. Utilizing our manufacturing technology that was accumulated over many years, we have developed cellulose acetate CAFBLO®, which controls substitution and polymerization degrees and significantly improves decomposition speed in seawater while maintaining conventional quality. Currently used in cutlery and fishing gear, it is expected to contribute to solving the problem of plastic waste flowing into the ocean and soil.

Currently, with an eye toward advancing into new markets, we have established a task force team (hereinafter "TFT") as the first initiative within the Group. The TFT is working to expand the variety of resins and develop new manufacturing processes that achieve costs aligned with market needs, with the aim of entering the largest market segment of various food applications. The TFT is composed of cross-functional members from various departments and organizations, including the R&D Headquarters with expertise in synthesis technology, the Material SBU familiar with the development process of existing grades, and Polyplastics, a Group company specializing in engineering plastics with skills in resin performance evaluation. By assigning human capital with the necessary elemental technologies to dedicated teams, we are able to combine their strengths to achieve rapid and dynamic development. Moreover, by conducting high-quality communication with TFT members as hubs, we are able to efficiently utilize the knowledge accumulated within their respective organizations, thereby strengthening the connections between organizations.

The challenge in developing new markets for cellulose acetate was that plasticizers used to lower the process temperature to a range where cellulose acetate could be molded would leach out depending on the end use of the product. In response to this challenge, the TFT is developing a grade that can be used in a wide range of food applications by incorporating a substituent that acts as a plasticizer into the molecular structure to prevent elution. Among our recent activities, we have successfully established the technology at the laboratory level and are working closely with the marketing division to engage in dialogue with customers and refine the design of detailed functions other than leachability according to the application. At the same time, toward mass production, we are co-creating with Kanazawa University to develop a new manufacturing process that dramatically improves productivity so we can compete on cost in general-purpose plastics, a competing material.

WEB For details on CAFBLO®, please refer https://www.daicel.com/cell_ac/en/

Social Implementation of a New Cellulose Material with Daicel Taking the Lead, yet Collaborating with Multiple Universities

We actively conduct joint research with universities and partner companies according to their fields of expertise to acquire the fundamental technologies needed for social implementation of our research themes. One such initiative is the social implementation of a new cellulose material conducted with Kyoto University and Kanazawa University.

Conducting a research with Professor Nakamura of Kyoto University

Trial production equipment

The new material, Molecular Cellulose Assembly, is produced using a novel technology that selectively dissolves lignin and hemicellulose contained in wood to separate cellulose. The separated cellulose molecules form a dense assembly, characterized by light weight, high elasticity, and high strength. Conventionally, separating cellulose from wood, a biomass polymer that is difficult to dissolve, required multiple energy-intensive processes such as pulping using high-temperature, high-pressure treatment. With the new technology, cellulose can be separated under far milder conditions and simpler steps, and by tuning the reaction conditions for the wood, the structure of the separated cellulose can be controlled to achieve desired functions.

This technology was established in collaboration with Kyoto University's Nakamura Laboratory, which specializes in developing catalysts and molecular conversion methods suited for the complex structure of wood, and research has been continuing. Currently, we are engaged in technological studies for scale-up, leveraging our strength in manufacturing and mass production of cellulose acetate, toward social implementation. In May 2025, members of our R&D and engineering divisions began the operation of trial production equipment at the BGIC*, co-creation center, at Kanazawa University, marking the first step toward mass production. Furthermore, we are exploring applications in high-value-added fields through joint research with multiple laboratories at Kanazawa University that specialize in cellulose functionalization technology. With Daicel at the center, by dividing roles and collaborating with multiple universities and laboratories with different specialties, we will broaden solutions to address various challenges up to social implementation and accelerate efforts to launch the first commercial product of the new cellulose material by FY2031/3.

* BGIC: Biomass Green Innovation Center

Leveraging Intellectual Capital to Create and Strengthen Businesses

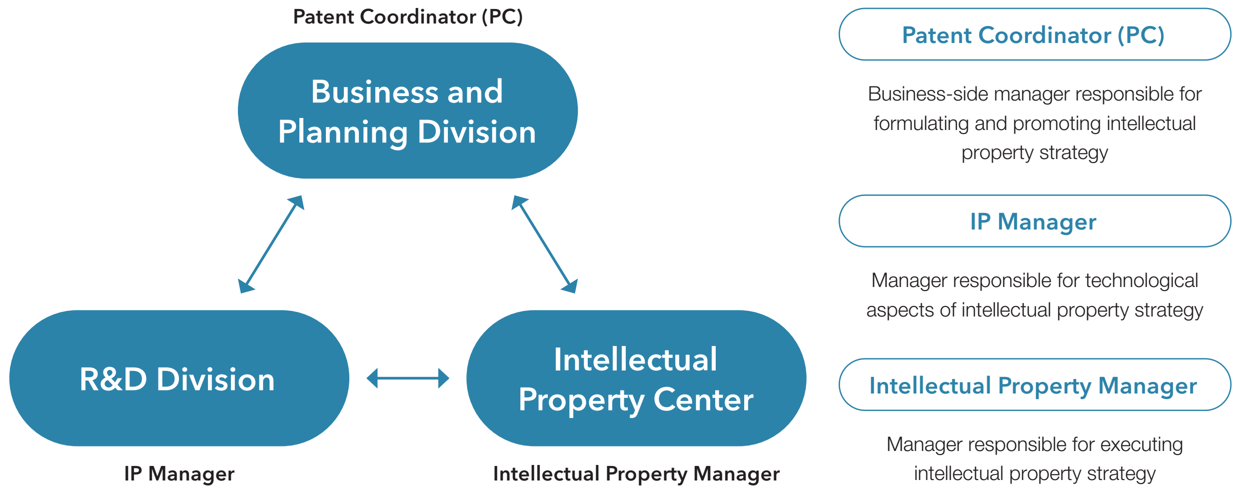
Daicel's Basic Philosophy is "the company making lives better by co-creating value." We actively invest in and leverage intellectual property and intangible assets to continue delivering value aligned with societal needs together with diverse partners that share our aspirations.

Basic Concept and Promotion System - Proactive IP to Strengthen Businesses -

The Daicel Group's Intellectual Property Center operates under the slogan Proactive IP (offensive intellectual property activities). This means not only defensive IP activities such as preserving and securing the Group's IP (including patents, utility models, designs, trademarks, and know-how), while respecting third-party IP, but also offensive IP activities that secure market advantages, acquire core technologies, and promote business creation by proactively leveraging IP with a global, forward-looking perspective.

Accordingly, the Group pursues IP creation and utilization not only through the Intellectual Property Center but mainly via the Intellectual Property Activity Team organized in business portfolio management units and by major research themes, comprising members from (1) the business and planning division, (2) the R&D division, and (3) the Intellectual Property Center. A distinctive feature is that members of (1) the business and planning division, who are users of intellectual property, serve as team leaders. By integrating business, R&D, and intellectual property, we are able to pursue proactive intellectual property activities with a focus on business utilization from the initial stages of rights acquisition.

■ Intellectual Property Activity Team



Approximately 35 Intellectual Property Activity Teams within Daicel and its Group companies are responsible for invention recognition, application and know-how confidentiality decisions, rights acquisition, maintenance decisions, patent utilization, third-party patent decisions and avoidance, and patent litigation response for their respective themes.

PCs and IP Managers are officially appointed within the Company to continuously carry out proactive intellectual property activities under this system.

Intellectual Property Risk Management

The Daicel Group conducts research and analyses of other companies' intellectual property according to changes in development stages and business environments in order to appropriately manage intellectual property risks. The results of these research are reviewed by the Intellectual Property Center and feed back to the Intellectual Property Activity Team as necessary. In reviewing intellectual property risks, we consider various perspectives, including confirmation of the existence of rights infringements, verification of the validity of rights, proposals for prevention designs, and the possibility of in-licensing, in order to determine appropriate risk countermeasures. This enables us to appropriately manage intellectual property risks and promote stable business operations.

Utilizing Intellectual Property as Information - IP Landscape (IPL) -

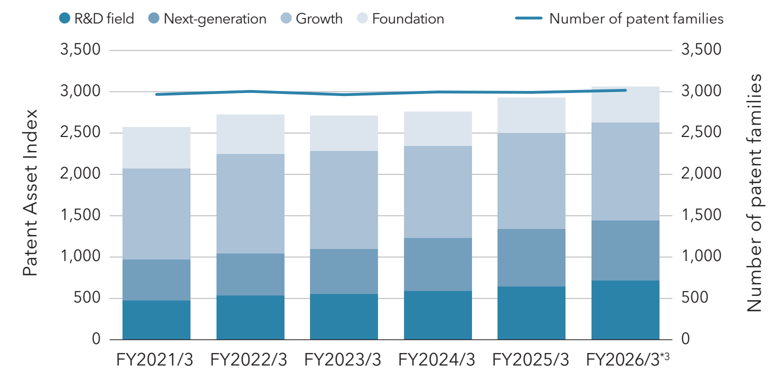
The Daicel Group is also engaged in IPL, which involves the broad utilization of intellectual property information, which is big data, not only in intellectual property activities but also in research and development activities, business operations, among others. IPL utilizes not only intellectual property information, but also all kinds of information, including technology, academic papers, markets, companies, politics, laws, etc. to visualize the current status of Daicel's management, business, and research. Analysis reports prepared by IPL are shared among the Intellectual Property Activity Team and people in charge of business planning and research and development, and are used to explore new applications for existing products and to create, select, and promote new business themes through comparative analysis with other companies.

In addition, the Intellectual Property Center of the Group implements education programs necessary for IPL (including methods for collecting, organizing, and utilizing various information such as intellectual property information) for all employees and promotes the spread of IPL throughout the Group by disseminating information related to IPL through the intranet.

Building a Strategic Patent Portfolio Using IPL

Securing competitive advantage requires not only protecting core in-house technologies but also building a patent portfolio through strategic acquisition of IP rights from a market perspective. Based on the positioning of our and others' IP that have been visualized in IPL, the Group is building a strategic patent portfolio by acquiring the Company's intellectual property, while anticipating the rights that other companies are likely to seek. Here, other companies includes not only competing companies but also customers and partner companies with whom we co-create value. To build a portfolio that is a barrier to entry for competitors, yet a shared asset for customers and partner companies, we include "the degree of attractiveness of our IP as seen by others" as an item in our internal IP portfolio evaluation.

Trends in the Group's Patent Asset Index and Number of Patent Families



The patent asset index (PAI)*1, which represents the total relative value at the patent family level, has been steadily increasing during the current Mid-Term Management Strategy period. On the other hand, the number of patent families*2 has remained almost flat during the same period. This indicates that the Group is building a strategic, high-value patent portfolio.

The PAI bar colors correspond to the three portfolio quadrants (next-generation, growth, and foundation businesses) and the corporate R&D Headquarters. The significant PAI increase in the next-generation and R&D field, which serve as the source of future growth, indicates that we are conducting IP activities with a focus on future competitive advantage.

*1 Total relative value at the patent-family level (using LexisNexis® PatentSight®)
*2 A grouping of patent filings when a patent application is filed in multiple countries
*3 Data as of April 1 of each fiscal year is presented

Promoting IP Activities Among Management and Employees

Issuing the White Paper on Intellectual Property and Opinion Paper

Each year, the Intellectual Property Center publishes the White Paper on Intellectual Property that aggregates overviews and data on the Group's intellectual property activities and the Opinion Paper that summarizes explanations and analyses of important themes related to the activities, and posts them on the intranet. We prepare these documents with particular attention to communication aimed at the management tier, and, after publishing the White Paper on Intellectual Property and Opinion Paper, we provide direct reports of our annual activities to management, receive feedback, and utilize it to improve operations.

Holding Patent Technology Briefings

Since FY2022/3, we have continuously held Daicel Group Patent Technology Briefings as a cross-divisional forum to share and discuss the background of inventions and their business use based on patents filed by the Daicel Group. Anyone interested can participate regardless of their division, and a total of 1,188 people have actively taken part, using it as an opportunity to mutually understand the research themes and markets of other divisions and to stimulate co-creation and collaboration across organizational boundaries.

Toward the Realization of Human Capital Management

Scene of the President's award presentation ceremony and roundtable discussions at each plant

With the aim of realizing Sustainable People (well-being of those who work), one pillar of our Sustainable Management Policy, the Daicel Group is building systems in which diverse employees can grow with a sense of presence and accomplishment, thereby contributing to the growth of the company. To help employees draw out their potential and leverage their strengths, we pursue our Long-Term Vision around two pillars: "promoting the active participation of human resources" and "building systems that enable diverse human resources to actively participate."

■ Daicel's Human Resources Strategy

Initiatives to Realize Human Capital Management

Promoting Active Participation of Human Resources	① Developing Human Resources Who Can Spearhead Changes	**Succession planning** ● Clarifying key positions ● Securing successors
	② Expanding Human Resources Skill Map	**Strengthening of human resources development** ● Visualization of expertise and capabilities ● Visualization of necessary experience and capabilities
	③ Strengthening Organizational Capabilities	**Demonstration of teamwork** ● Fostering of a corporate culture that encourages a spirit of challenge ● Facilitation of cross-organizational human resources exchanges
Building Systems that Enable Diverse Human Resources to Actively Participate	① Promoting Health Management	**Safe and secure workplace environment** ● Maintaining and improving the health of employees and their families ● Improvements in productivity
	② Promoting Diversity, Equity and Inclusion	**Sustainable growth** ● Promoting the active participation of diverse employees ● Providing growth opportunities
	③ Establishing Systems	**Fair evaluation system** ● Systems that reward contribution ● Communication between supervisors and subordinates

Embodying Sustainable People

Driving Business Growth and Contributing to the Realization of a Sustainable Society

In promoting the active participation of human resources, we are focusing on developing human resources who will lead the execution of the Mid-Term Management Strategy and bring about a transformation. By refining the expertise of human resources and placing them in appropriate positions, we will develop employees who can play a central role in promoting the growth of the entire company.

In building systems that enable diverse human resources to actively participate, we are creating an environment where every employee can find fulfillment in their work. Based on a safe and secure workplace, we aim to build a system where diverse employees can actively take on challenges, achieve growth, and contribute to society through the company.

1. Promoting Active Participation of Human Resources

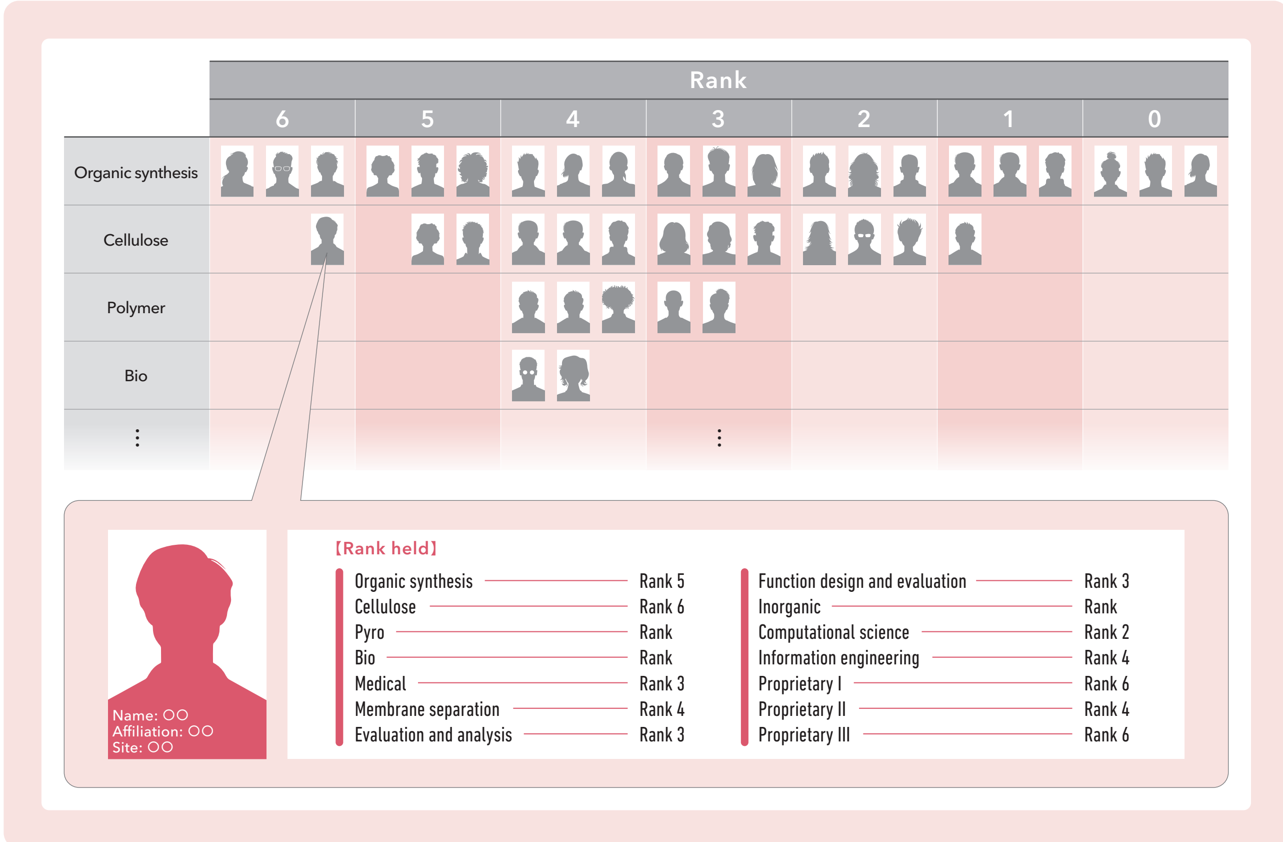
(1) Developing Human Resources Who Can Spearhead Changes

We are focusing on discovering and developing human resources who can spearhead changes in order to accelerate the realization of our Long-Term Vision. Specifically, we are reviewing our human resource system and assigning leaders who are responsible for formulating and implementing business strategies to key positions (200 management positions) designated by the company in order to realize agile decision-making and strengthen execution capabilities. These leaders are selected by an Appropriate Placement Committee composed of internal officers and assigned to each business division. Currently, the readiness rate for successor candidates in key positions exceeds 90%, and a stable structure is in place.

Furthermore, we have introduced a Next-Generation Leader Academy, which selects young employees in an effort to develop human resources who will lead the company in the future. We are continuously developing human resources through a leadership program that focuses on developing leaders who can envision the future from a high perspective and with a broad view, and who can draft strategies and discuss how to achieve that vision.

(2) Expanding Human Resources Skill Map

Believing appropriate human resources placement is essential to unleashing individual capabilities and strengthening the organization, we are working to visualize employees' skills that constitute a foundation. In particular, our technical employees play a crucial role not only in supporting existing businesses but also in driving the creation of new businesses. We are therefore prioritizing the Visualization of skills among such employees. This skill map classifies more than 100 specialized skills required for the Daicel Group's businesses into six levels, and updates each employee's skill level annually. Previously, non-managers were managed mainly on a four-level scale as a condition for promotion to managers. We have changed the system and now manage all technical employees on a six-level scale so that even managers continue to pursue technical mastery. These levels are also linked to the promotion requirements for our fellow positions, making it clear to employees what technical levels and skills they need to advance to the next step, thereby enabling them to build their careers autonomously. This also allows us to gain an understanding of the skills of over 1,000 technical employees and optimize the allocation, hiring, and development of human resources throughout the entire company. We will continue to proceed with the visualization of the skills of all employees, including those engaged in administrative work. Corporate growth cannot be achieved simply by assigning the right people to the right positions. It is important to support each employee in proactively designing their career plans and to demonstrating their abilities in an optimal environment. The company will also assign the right people to the right positions based on its business strategy and provide an environment where employees can work with a sense of accomplishment, thereby contributing to the enhancement of corporate value.



Illustrative Skill-Map Image for Technical Employees

(3) Strengthening Organizational Capabilities

To convert individual capabilities into organizational strength, we will foster a culture where each employee can engage in dialogue freely across organizational boundaries and pursue new discoveries and challenges. As part of these efforts, since FY2022/3, we have held DAICON, a business competition where employees from all departments with the same aspirations gather to propose new business ideas. This initiative is aimed at discovering new business opportunities and human capital with leadership skills who can push forward the new businesses, and providing employees with opportunities to take on new challenges. Through DAICON, we are discovering new perspectives and ways to utilize technologies that were not visible within departments, and building internal networks that would not have been created through normal business operations, all of which contribute to strengthening of our organizational capabilities. Among other initiatives, we are conducting activities to promote the penetration of the Mid-Term Management Strategy across departments, developing leaders who can engage and lead people across organizational boundaries, and providing opportunities for employees to achieve self-realization.

Scene of the FY2025/3 presentation

Outside Directors and other members of the management team participated

2. Building Systems that Enable Diverse Human Resources to Actively Participate

(1) Promoting Health Management

We operate a Healthcare Committee composed of labor and management members to support the self-directed health management of employees and their families to maintain a workplace where every employee can work in good physical and mental health. To support the maintenance and promotion of health throughout the Group, we have established a dedicated health management organization, the Group Health Support Center, which uses a health management strategy map to visualize the impact of health issues on business operations. In March 2025, Daicel was recognized as a Health Management Excellence Corporation 2025 (White 500) by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, along with Polyplastics Co., Ltd., Daicel Safety Systems Inc., Daicel Ohtake Sangyo Co., Ltd., and Daicel Arai Chemical Ltd. This is the sixth consecutive year that we have been recognized as a White 500 company, and we will continue to promote the health of our employees.

2025
健康経営優良法人
KENKO Investment for Health
大規模法人部門
ホワイト500

(2) Promoting Diversity, Equity and Inclusion

DE&I lecture by Outside Director Okajima

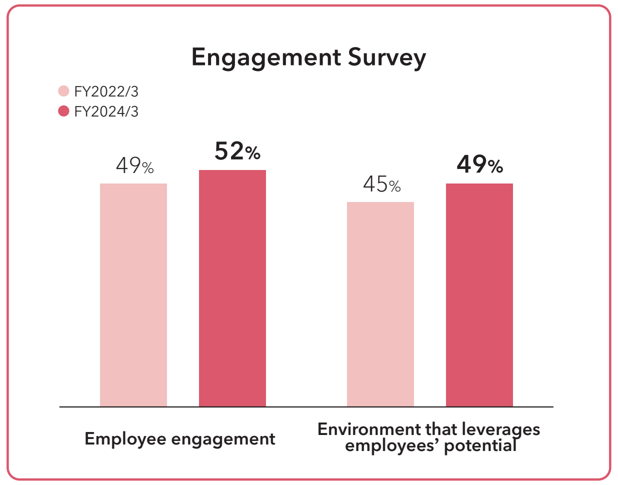
Within the corporate division overseen by a Director and Senior Managing Executive Officer, we have established a function dedicated to diversity promotion, and are building diversity-related systems and conducting communication and awareness initiatives. Our diversity promotion initiatives are based on promotion of the active participation of female employees in the company, and we have introduced a mentor system for female management candidates and hold regular meetings between female officers and female managers to promote their further career growth. In addition, we actively promote diverse working styles for our employees, and since 2018, we have encouraged male employees to take childcare leave. We have also introduced remote work for all employees as part of our efforts to promote flexible working styles according to their respective life events from an early stage, and are confident that the systems have become well established.

(3) Establishing Systems

We are focusing on systems that fairly evaluate and reward people who contribute to the organization and on promotion of communication based on trust between supervisors and subordinates. Among our past initiatives, in April 2021, we reformed the human resource system for managers and introduced the Restricted Stock Compensation System to encourage employees to engage in management from a management perspective. This system is designed to link the enhancement of corporate value with employee rewards. In addition, we have implemented a multi-dimensional evaluation system to foster mutual trust and understanding among supervisors, subordinates, and colleagues. Furthermore, we carried out a reform of the human resource system for non-management employees in April 2022. We split what had been a single career track into multiple tracks and clarified the expected roles for each course, and enabled each employee to make more proactive choices about their career within the Company. We have also simplified our evaluation methods and revised the system to place greater emphasis on dialogue with supervisors, which has enabled employees to feel that they are growing and that their achievements are being rewarded.

- Toward Corporate Value Enhancement -

In order to enhance corporate value, it is important for each employee to be able to demonstrate their potential to the fullest, which in turn necessitates the creation of a workplace environment that realizes this. We are working to improve employee engagement and conduct an engagement survey every two years for the entire Daicel Group to understand employees' attitudes toward the company and their work. This survey has a high response rate of over 90% of Daicel Group employees, and we take employees' responses seriously and disclose the results to all employees and labor unions. Furthermore, the Human Resources Division carefully analyzes the survey results and identifies the Company's strengths and areas for improvement. Recognizing that each organization faces different issues, we share results with departments and apply them to improve operations company-wide and locally. This has created a cycle of identifying and addressing potential issues within the organization.



In the FY2024/3 survey, items such as "I understand what outcomes are expected in my job" and "I can consult my direct supervisor when needed" received a high percentage of positive responses, which confirms that there is an environment in place where employees understand their roles and can work with confidence. Conversely, although scores are rising, there remains room for improving items designed to assess an environment that leverages employees' potential, such as "We have organizational structures that generate results" and "Ideas and resources are effectively shared across organizational boundaries."

We report these results to management and pursue improvement initiatives in each department. Based on employee feedback, we visualize potential organizational issues and make steady improvements in order to foster a workplace where employees can contribute more proactively. We will continue initiatives that support each person's growth and work fulfillment, maximize our human capital, and pursue sustainable value creation.

Michiro Gensaka

Deputy General Manager of Corporate Support Headquarters, Director of Human Resources Division

We are promoting human capital management to shape the future of our organization.

The driving force behind the Daicel Group's 100 years of transformation and growth lies in the challenges and growth of each and every Daicel employee. We believe that in the coming era, an organization where each employee can maximize their abilities and motivation and take on challenges will drive corporate competitiveness and sustainable growth.

Higher engagement is also key to employees feeling pride and meaning in their work and deepening their connection to the organization. We will build an environment in which we can achieve both employee growth and organizational evolution through dialogue-oriented management and career support. We aim to build a future that we can love together with employees through human capital management.