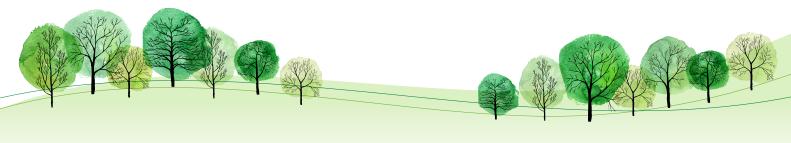
DAICEL GROUP SUSTAINABILITY REPORT 2023

Sustainable Value Together





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Accelerate Technological Innovations and Create a Bright Future Together With Diverse Partners

President and CEO, Daicel Corporation J. Og awa

Just as a natural forest composed of diverse types of trees and plants achieves sustainable growth, the Daicel Group will realize sustainability in its products, manufacturing processes, and people by multiplying the diversity of each employee.

We will also expand the circle of value co-creation with partners who share our aspirations and contribute to the creation of a circular economy together.

Daicel Group Sustainability



Message from the President and CEO



Sustainability Management





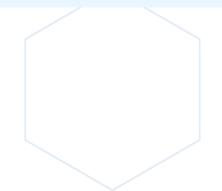
Sustainability Related Articles



Harima Plant Human Development Center Native Forests for Life Initiative









> Editorial Policy



> Independent Assurance Statement



Participation in Initiatives and External Recognition



> Scope of Reporting for Human
Resources and Governance Data



Scope of Data Calculation for
 Environmental and Occupational
 Safety Performance



> Status of Environmental Management System Certification



Status of Quality Management System Certification



> GRI Content Index



2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)







FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index











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Message from the President and CEO



We will accelerate value co-creation through the supply chain, aiming to build a circular society and achieve sustainable growth of the Daicel Group.

Introduction

Last year, inappropriate conduct regarding third-party certification was revealed with respect to certain products of our group company, causing great inconvenience and concern to our customers and other concerned parties. I would like to extend our sincerest apologies on behalf of the entire Daicel Group. We take seriously the thorough investigation conducted by outside experts and the recommendations suggested by them to prevent recurrence. We have implemented various measures, including organizational reforms, to prevent recurrence. We have renewed our Code of Conduct and Ethical Standards, with every employee reaffirming the sense of "Being a good member of society before being a business person." Additionally, in order to ensure that the importance of safety, quality and compliance is the priority foundations of the group is permeated through each corner of the organization, we have compiled the past incidents of accidents and quality issues and these are carried by all the employees along with the new Code of Conduct and Ethical Standards. I believe it is of utmost importance that we reflect on this and other events found this time and do not let the lessons learned from them fade away. We look forward to your continued guidance and support.

Daicel's Management Philosophy

In 1919, eight celluloid companies came together to form the Dainippon Celluloid Co., Ltd., the predecessor of our company. During World War I, the number of celluloid manufacturers increased due to a special procurement boom. This led to excessive felling of camphor trees in Taiwan, which was a major producer of camphor—a raw material used in plasticizers—and excessive competition further led to mass production of inferior products. Concerned by the situation, our first president, Mokichi Morita, preached resource conservation through planned felling of trees and improved international competitiveness through quality stability, leading to a merger that transcended conglomerates. As a materials manufacturer, we also focused on nurturing processing companies who are our users and on industrial development through co-existence and co-prosperity along the entire supply chain through the stable supply of products. The subsequent development of flame-resistant celluloid and the mass production of domestic photographic film was the creation of a value chain through functionalization and downstream production of products. Based on the idea that a company exists to contribute to society, Daicel has maintained its "desire to enrich people's lives" and "spirit of co-existence and co-prosperity with other companies," which is reflected in the current management philosophy, and a source of pride for the company.

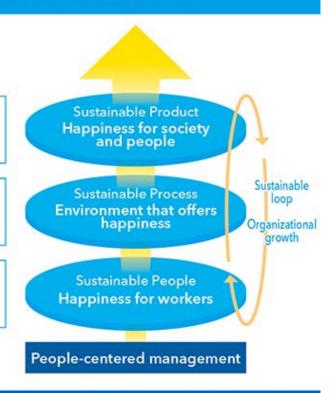
Here, the scope of co-existence and co-prosperity is not limited to the company, but includes co-existence with the global environment and nature, as stated in the philosophy of our first president. This is one of our major characteristics. Looking at the percentage of our chemical raw materials purchased, 20% are of crude oil origin, but the most common is methanol, which is a non-petroleum raw material in C1 Chemistry. The next largest volume is of wood-derived pulp, which is the raw material for cellulose acetate. We are thus closest to being a company which uses biomass as raw material. With these roots, we believe it is only natural for us to aim to build a circular society by realizing the "Biomass Value Chain Concept" and carbon neutrality (negativity) set forth in our Long-Term Vision and by aligning ecology and economy through the power of chemistry.

Sustainable Management Policy

We create and provide people with new values to achieve better quality of life.

We construct a circular process with all our stakeholders to make harmonious coexistence with the environment.

We promote "people-centered management" that enables diverse employees to grow while establishing their own presence and achieving fulfillment.



Priority Foundations of Corporate Activity "Safety, Quality and Compliance"

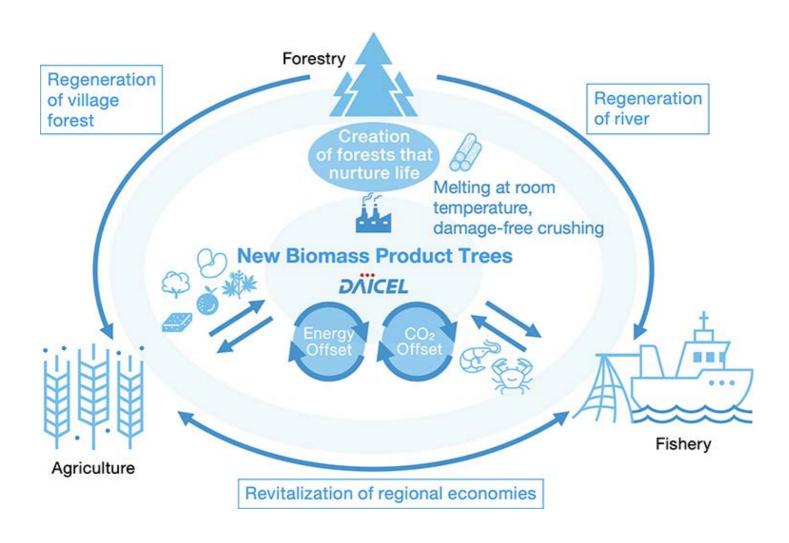
Aligning Ecology and Economy

Ecology essentially means the study of life and habits of animals and plants. Being in harmony with nature begins with eliminating waste. While there are certainly many technical challenges involved in building a circular society and achieving carbon negativity, ecology and economy are inherently compatible. The reason why it is difficult to achieve a circular society is because ecology has an impossible number of processes. If we move from the current mass-production and mass-consumption society to one that produces and consumes only the amount that is truly necessary, ecology and economy will be compatible in the final goal, even if they conflict somewhat in the process.

Otherwise, it won't be possible to make truly sustainable products. Even if it is not easy, we should see "opportunity for corporate growth" in solving problems in ecology to strike a balance between ecology and economy. Japanese companies have gained strength in the past by turning pollution and environmental problems into opportunities for improvement and innovation. To achieve a sustainable society, including carbon neutrality and resource circulation, it is necessary to change industrial structures and the way we use energy. We believe that our company's mission is to promote technological innovation to accelerate this movement.

Growth Opportunities for Technological Innovation

As an example of technological innovation to achieve both ecology and economy, Daicel has started to realize the "Biomass Value Chain (hereinafter referred to as "BVC") Concept" and "Microfluidic Devices" using its own strengths. The BVC concept aims to establish a technology to systematically utilize forests, which cover approximately 70% of Japan's land area, as a renewable biomass resource under moderate conditions and to create a sustainable, circular industrial structure. Of course, we do not believe that cellulose acetate alone, which is made from wood, can replace petroleum-based plastics. It is essential to have an open attitude to widely share the technology and data on the use of biomass materials, not just wood, with our partners. If spread widely, this technology will also contribute to regional development. Companies establish innovative technologies and use that know-how to utilize locally-produced biomass as a resource. This will encourage individuals to experience the joy of manufacturing at an individual, household and community level, which will bring out a rapid change in their lifestyles. The BVC concept will be pursued on two fronts—one is establishing innovative technology and generating profits through added value and the other is spreading know-how on a not-for-profit basis.



"Microfluidic Device" technology has the potential to bring about significant changes in the manufacturing processes of the chemical industry. Since manufacturing processes of chemical plants generate impurities other than the target substances, a lot of energy is consumed in the refining processes required for purification. If only the target substance can be produced under ideal reaction conditions, it will eliminate the need for refining processes, which consume 80% of the energy. The microfluidic device developed by our company in collaboration with the National Tsing Hua University of Taiwan is an ultra-compact chemical plant, in which several chemical operations are allowed to be performed on ultra-fine channels on glass substrates to achieve ideal reactions. In FY2025/3, we plan to use this technology to manufacture polymers for photoresists used in semiconductor circuits. To start with, we will implement this method in the manufacturing of high-mix low-volume products and then expand the scope to mass-production.

DX and an Open Mind_Foundation for Co-Creation with Other Companies

It is difficult for one single company to establish a harmonious balance between ecology and economy. For example, even within the same plant, if the supply chain from pre-processing to post-processing is not well-connected, the material balance collapses and mutual processes become irrelevant. On the other hand, if the processes are run in another company but the supply chain is well-connected, optimal operations of the entire supply chain can be achieved and large-scale wastage and loss can be averted, striking a harmonious balance between ecology and economy. DX and an open mind are the key to achieving optimal operations of the entire supply chain, which goes beyond the optimal operations of a single company.

DX helps us visualize the amount of energy required in real time and, is therefore, indispensable for eliminating energy loss and achieving carbon neutrality while manufacturing what is needed. As a means to achieve this, Daicel established the "DAICEL Production Innovation" in 2000, and then the Autonomous Production System, which is an evolved version of DAICEL Production Innovation using AI. One of the reasons why corporate alliances have not been successful in Japan in the past is because of the lack of unified data resources and data architecture. DAICEL Production Innovation makes it possible to unify the information from all the companies connected in the supply chain and visualize the data with aligned resources. With the concept of "Virtual Company," the entire supply chain is viewed as one company, which has functions and facilities such as procurement, production and sales. We intend to optimally manage and administer these functions and facilities and optimize the entire supply chain, which will help in striking a harmonious balance between ecology and economy.

Even in the field of research and development, working with an open mind allows us to understand each other's true needs and the technologies required to meet them, which significantly reduces the time required for development. In that case, I think there is a way of thinking that patents should be used for a minimum amount of royalties at first, and then distributed accordingly once its benefits are established.

Co-creation can be in many forms such as forming business alliances or mergers; however, having a loose governance system may also serve the purpose. I believe now is the time to freely discuss about how to work that out. Keeping an open mind is the first step to achieving open innovation.

Mid-Term Management Strategy Review

FY2023/3 saw a delay in the recovery of automobile production due to insufficiency of semiconductor supply as well as a decline in the demand for electronic devices. However, although these conditions were unfavorable, there was a tailwind in foreign exchange, and we were able to achieve the sales targets set under the Mid-Term Management Strategy. We will investigate and find out if our achievements were a result of actual ability or a tailwind, and plan our next actions accordingly.

Under our current strategy, we have divided our operations into three categories to fully utilize the assets and achieve maximum efficiency in resource recovery. In the first category of operations, we restructured our existing businesses and changed our organizational structure to have a more market-oriented approach, that is, meet the needs of our customers. We also withdrew operations, closed down sites and sold off businesses at a rapid rate in line with our portfolio management. Under category two, we drastically examined our relationships with our long-standing, joint-venture partners, and made Polyplastics Co., Ltd. our wholly owned subsidiary in 2020. We have almost completed our plans for the first half of the Mid-Term Management Strategy and will focus on forming a virtual company, which is our operation category three, in FY2024/3.

Thoughts on Mid-Term Management Strategy Update and Issues to Be Tackled in the Second Half

Various social condition have caused sudden changes in the business environment. We believe it is important to constantly update our strategy according to the changes in the business environment. With that in mind, we reviewed our actions and progress and updated our Mid-Term Management Strategy in May 2023. We have been accelerating our operations to keep up with the speed of the world and hence, this review gave each one of us in the Group an opportunity to pause and reflect.

One of the challenges to be tackled in the latter half of the Mid-Term Management Strategy is to ensure reliable operation of the raw material (carbon monoxide) plant for acetic acid, which is a large-scale investment. Due to Russia's invasion of Ukraine, we were unable to procure coal for the plant from the initially-planned location and had to revise our operations plan. With this review, we sought to not only adapt our operations to different types of coal but also increase the number of available types of coal, and increase the stability in raw material procurement and production. We thus intend to convert this crisis into an opportunity by making our operations more flexible.

Another challenge is to identify opportunities for new businesses and M&As. Although we need to work on increasing the endurance of new businesses, the overall response feels positive. We have also identified the potential of metal adsorption technology to recover rare metals and other metals using fine cellulose. Nanodiamond is also a material that can be chemically modified to impart organic and inorganic properties. Using our detonation technology, we are conducting joint research to develop a method for synthesizing nanodiamonds on a large scale, and also working on

developing technologies to use nanodiamonds as a catalyst for CO₂ reduction. In addition, we are looking to expand our businesses in the field of life sciences. Through the development of new technologies and exploring new combinations of materials, we are paving our way to achieve carbon neutrality and even carbon negativity by 2050.

Human Resources Are the Most Important Management Resource

I believe the second half of our Mid-Term Management Strategy is when the Group's capabilities will be truly tested. Human resources are our most important resource, which are indispensable in realizing a sustainable society and supporting the growth of the company through various measures. We promote "people-centered management" that enables diverse employees to grow while establishing their own presence and achieving fulfillment. One of the ways we do this is through "delegation of authority" and "personnel selection." During the development of our Autonomous Production System, we asked a young employee in the 30s to think of a production system that looked 10 years into the future. He took on the responsibility and worked in collaboration with the University of Tokyo. I said "I leave it to you" and he proceeded with the project proactively, reporting to me regularly, and achieving excellent results. This is when I newly realized the importance of delegating responsibility and praising the results.

When I was a student, I cycled across the U.S. to test myself. I met a lot of different people, some of whom thought I was a hero for taking up such a challenge. But when I saw local people volunteering at the church on weekends, I realized that it is such people who fulfill their duties in their daily, honest lives who are truly the great ones. The same is true for companies, and it is of utmost importance that the employees who fulfill their obligations honestly also get to exercise their rights. In FY2023/3, we reformed our personnel system by collaborating with the Workers' Union. We introduced a compensation system that encourages employees to take on challenges and evaluates the process and results of their work, along with a multiple-track job grade system. Employees also have rights and duties, and if company life accounts for one-third of an employee's life, it would be more fulfilling to have multiple options for work and career, and to have options for choosing how you want to live and work. With a strong desire to fulfill this, we reviewed our entire human resource system, including the multiple-track job grade system. With regard to the compensation system, we introduced the Restricted Stock Compensation System for managers to allow each employee to gain a manager's perspective and work with eyes on the mid-term and long-term results. This means increased compensation as well as funds for a second life. We believe that people-centered management not only entails protection of jobs, but also entails having a capacity to give employees more options.

Improvement of Profitability and Growth

We need to improve our management indicators to accelerate growth and increase our corporate value. The ROIC, in particular, is still low. Although we have stepped up our capital expenditure and our invested capital is increasing, we are determined to recover the investments and obtain profits. With that in mind, we shall maintain the sales and profit growth by promoting the sales and improving the profitability and growth of our main businesses, while also aiming to increase the EBITDA and achieving the target of 10% ROIC by FY2027/3. We also plan to further improve shareholder returns based on a total return ratio of 40% or more.

Although chemical plants are still heavy and bulky, the implementation of microfluidic devices in the future will shorten the payback period of investment. Once this is realized, materials industries such as ours will be able to shorten their payback period in the same way as the assembly industry. This will also help in striking a balance between the ecology and economy. We hope to show that being environment-friendly also increases the efficiency of economic capital. Although we have set a target of 1 trillion yen in sales for FY2031/3, we are aiming for a multi-trillion-yen joint venture. We will promote coexistence and co-prosperity in the supply chain as we increase Daicel's corporate value, make lives better through value co-creation, and create a bright future.

Yoshimi Ogawa President and CEO, Daicel Corporation

Basic Philosophy



We place great importance on the Basic Philosophy concept, and in future will continue to hold this concept without being influenced by changing times.

The company making lives better by co-creating value

Sustainable Value Together

Co-creating value • • •

Understanding and communicating together with various partners, to jointly create new value

Daicel Group Code of Conduct

Daicel Group has implemented a Sustainable Management Policy that is deeply rooted in one of our founding principles of co-creating value to achieve a better quality of life for all. Our objective is to contribute to the sustainable development of society. As part of the policy implementation, all Daicel group employees, including executives, have committed to follow the "Daicel Group Code of Conduct," a set of guidelines highlighting acceptable and expected ethical behavior.

In order to survive in an increasingly diverse global society, we establish <u>group ethical norms</u> that universally apply to all areas of corporate activity.

By committing to these policies and applying them in our daily business practices, our employees consistently conduct business with strong morals, integrity, and the highest standards of ethics. These efforts demonstrate Daicel's good corporate citizenship and integrity.

Daicel Group Code of Conduct

- 1. We conduct ourselves with strong moral and ethical standards.
- 2. We treat others with dignity and respect.
- 3. Though we have independent thoughts and actions, we collaborate to achieve optimal result as necessary.
- **4.** We create a "future of promise" for all by embracing new perspectives, adopting a mindset of change, and embracing the spirit of challenge.
- **5.** We proactively engage with individuals beyond our organization, fostering new benefits by promoting open partnerships with diverse companies and entities.
- **6.** We recognize that safety, quality, and compliance are the pillars of the manufacturing industry. Therefore, we prioritize them in our daily operations, continually striving to meet the expectations and earn the trust of our customers and society.

Revised April 1, 2023

Ethical Standards of Daicel Group

Daicel Group has implemented a Sustainable Management Policy that is deeply rooted in one of our founding principles of co-creating value to achieve a better quality of life for all. Our objective is to contribute to the sustainable development of society. As part of the policy implementation, all Daicel group employees, including executives, have committed to follow the "Daicel Group Code of Conduct," a set of guidelines highlighting acceptable and expected ethical behavior.

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Ethical Standards of Daicel Group

The following Ethical Standards of Daicel Group applies to all employees of Daicel Group companies, including our supply chains.

1. Fair and transparent business activities

(i) Compliance with laws (legal rules, regulations, ordinances, etc.), company policies and procedures.

We are committed to domestic and international legal and regulatory compliance, as well as company policies and procedures.

(ii) Fair business practices

We practice fair business and competition. We do not participate in unfair or anti-competitive business practices, including collusion, cartels, and bid rigging.

(iii) Compliance with contract terms and customer requirements

We prioritize compliance with customers/suppliers terms and conditions set forth in an executed contract. If a new term or condition arises that is not explicitly defined in the contract, we will clearly communicate the new term to all contracting parties once it has been mutually agreed upon.

(iv) Fair accounting

We conduct fair accounting and tax practices based on accurate records.

(v) Responsible procurement

We strictly prohibit inappropriate transactions, including the abuse of a dominant bargaining position, in our commitment to upholding fair business practices. We exercise thorough due diligence in supplier selection to ensure that only those who align with our social and ethical standards, such as environmental conservation and human rights protection, become part of our supply chain.

(vi) Information management

We commit to the safeguarding of our company's and third parties' confidential information, including personal data, by maintaining an effective information security system. We adhere to privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared.

(vii) Ban on insider trading

Insider trading is prohibited, and we handle crucial undisclosed information in the utmost responsible and appropriate manner.

(viii)Protection of intellectual property

We carefully safeguard the Group's intellectual property rights and prohibit any actions that would infringe upon the rights of others.

(ix) Disclosure of information

We disclose accurate corporate information, taking into consideration the interests of various stakeholders, including shareholders, in a timely, appropriate, and fair manner. In addition, we conduct suitable dialogues according to the needs of each stakeholder.

(x) Partnership with nonprofit and non-government organizations (NPOs/NGOs)

Our corporate-nonprofit partnerships have generated positive impacts on various social and environmental issues. We remain dedicated to seeking contribution opportunities to organizations that are committed to addressing pressing challenges faced by our communities today. We collaborate with NPOs and NGOs that offer innovative and comprehensive solutions to these issues, with the aim of making a meaningful and sustainable difference in society.

(xi) Proper relationships with politics

We maintain a suitable and transparent relationship with politics, based on legal regulations.

(xii) Prohibition of corruption and engagement with antisocial forces

We have no affiliation with any criminal syndicates or organized crime groups. Corrupt practices such as bribery, embezzlement, and money laundering are strictly prohibited.

(xiii)Sensible course of action

We clearly distinguish between public and private matters and do not misuse company assets or expenses for personal purposes.

Giving or receiving gifts or favors that exceed commonly accepted social norms is not allowed.

(xiv)Transparent and healthy work environment

We operate in an open work environment that is transparent and discourages secrecy, where common daily activities include communication and collaboration, consultation, and timely reporting of any potential issues.

Our principle of "Bad News First" also promotes transparency and discourages employees from committing fraud or participating in cover-ups.

(xv) Whistleblower protection and non-retaliation

We established internal and external channels for whistleblowers to securely report any violations of laws or the Code of Conduct. These channels are equipped to maintain the confidentiality, anonymity, and protection of whistleblowers, unless prohibited by law.

Any form of sanctions or retaliation against whistleblowers is strictly forbidden.

2. Respect for all individuals and maintaining a healthy and positive work environment.

(i) Respect for human rights

We believe all humans, regardless of race, sex, nationality, ethnicity, language, religion, or any other status, are entitled to all human rights outlined in the United Nations Universal Declaration of Human Rights, and we are committed to treat all workers with dignity and respect.

(ii) Respect for diversity and prohibition of discrimination and harassment

We are committed to providing a work environment that is free of harassment and unlawful discrimination, such as race, ethnicity or national origin, color, age, gender, sexual orientation, gender identity and expression, disability, pregnancy, and religion. This commitment extends to all aspects of employment, including hiring, wages, promotions, and access to training opportunities.

(iii) Prohibition of forced labor and child labor

We prohibit employment of any forced labor or child labor.

(iv) Freedom of association and collective bargaining rights

We respect the right of all workers to form and join trade unions of their own choosing, to bargain collectively, and to engage in peaceful assembly, in conformance with local law.

(v) Occupational safety and health management

We continuously identify, assess, and mitigate employees' potential exposure to health and safety hazards. Workers are to be provided with appropriate, well-maintained, personal protective equipment where necessary, as well as ongoing occupational health and safety training. We also strive to develop and improve the mental and physical well-being of all Daicel Group employees.

(vi) Human resources development initiatives

We believe that people are the driving force behind all business activities. Thus, our human resources development initiatives are aimed to enhance employee skills, knowledge, capabilities and promote professional growth in alignment with Daicel's values and goals.

(vii) Work-life balance

We recognize the importance of maintaining a healthy equilibrium between work responsibilities, personal well-being, and privacy of individuals. We encourage employees to set and maintain appropriate boundaries between work and personal life, which include respecting non-working hours and setting adequate time for rest, relaxation, and personal commitments.

3. Sustainability, environmental conservation, and social responsibility

(i) Product functionality, quality, and excellence

We manufacture and deliver high quality products that are functional and align with customer expectations. We consistently review and improve our production methods to meet quality standards with ongoing goals to exceed customer expectations and improve customer satisfaction.

(ii) Environmentally friendly and socially conscious production processes

We continuously identify the environmental impacts and strive to minimize adverse effects on the community, environment, and natural resources within our manufacturing operations, while safeguarding the health and safety of the public. We've developed technologies to drive innovation in new production processes that minimize environmental impact and reduce energy consumption. Furthermore, we actively contribute to the establishment of a circular economy, promoting the efficient use of resources and minimizing waste.

(iii) Safe handling of chemicals

We comply with relevant laws, regulations, and industry standards for the safe handling, storage, transportation, and disposal of chemicals. This ensures that employees are aware of and adhere to legal requirements to minimize risks to human health and the environment, including leakage.

(iv) Emergency preparedness and disaster prevention

As a chemical plant, we place great emphasis on establishing and maintaining a robust safety and disaster prevention system to prepare for natural disasters, such as earthquakes and typhoons. We continuously improve this prevention system through education and training programs, including emergency drills. By equipping our workforce with the necessary knowledge and skills, we strive to always operate safely and minimize harm to life, the environment, and property in an emergency or event of natural disasters.

(v) Contribution to local communities

Engaging with local communities is essential to being responsible corporate citizens. Daicel builds relationships with various local communities to understand their needs and priorities, to collaborate with community members and organizations, to help align our contributions with the communities' specific needs, and to foster meaningful partnerships that drive positive change.

Established on April 1, 2023

Policy List

	Category	Policies		
Basic Philosophy/Policies		Basic Philosophy		
Sustainability Mana	gement Policy	Sustainable Management Policy		
Daicel Group Code of Conduct and Ethical Standards of		Daicel Group Code of Conduct		
Daicel Group		Ethical Standards of Daicel Group		
Responsible Care A (RC Activities)	activities	The Daicel Group's Basic Policies for Responsible Care		
Social Report	Responsibility to Customers and Product Safety	Quality Policy for Daicel Group		
	Creating Attractive Workplaces	Daicel Group Human Resource Policy		
		Human Resource Guidelines		
	Respect for Human Rights	Daicel Group Human Rights Policy		
	Sustainable Procurement	Basic Purchasing Policy		
		Daicel Group CSR Purchasing Guidelines [PDF:151KB]		
Governance	Corporate Governance	Basic Policy for Structuring Internal Control Systems [PDF:47KB]		
		Basic Policy on Information Disclosure		
	Information Security	Information Systems Security Policy		

Sustainability Management

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

Sustainable Management Policy

Sustainable Management Policy

- We create and provide people with new values to achieve a better quality of life.
- We construct a circular process with all our stakeholders to make harmonious coexistence with the environment.
- We promote "human-centered management" that enables diverse employees to grow while establishing their own presence and achieving fulfillment.

Enacted June 5, 2020

Conceptual Diagram of Sustainable Management Policy

Basic Philosophy

The company making lives better by co-creating value Sustainable Value Together

Sustainable Management Policy

We create and provide people with new values to achieve better quality of life.

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We promote "people-centered management" that enables diverse employees to grow while establishing their own presence and achieving fulfillment.



Priority Foundations of Corporate Activity "Safety, Quality and Compliance"

Sustainable Management System

In FY2021/3 the Daicel Group established the Sustainable Management Committee, chaired by the President and CEO and comprising the heads of CSR-related divisions as members. All Senior Managing Executive Officers, directors of business, R&D, production divisions, and officers of major Group companies participate as advisors. The Committee meets typically three times a year (February, June, and October) in order to engage in management-level discussions on such matters as contributing to the creation of a circular society, addressing climate change, and respect for human rights. In addition, issue-specific subcommittees are working to strengthen initiatives and further enhance information disclosure for each theme related to sustainability, such as LCA, supply chains, and CSR.

The Daicel Group identified materiality and its key sustainability issues, and established a key performance indicator (KPI) for each issue to bolster its efforts for the Mid-Term Management Strategy and the CSR foundation.

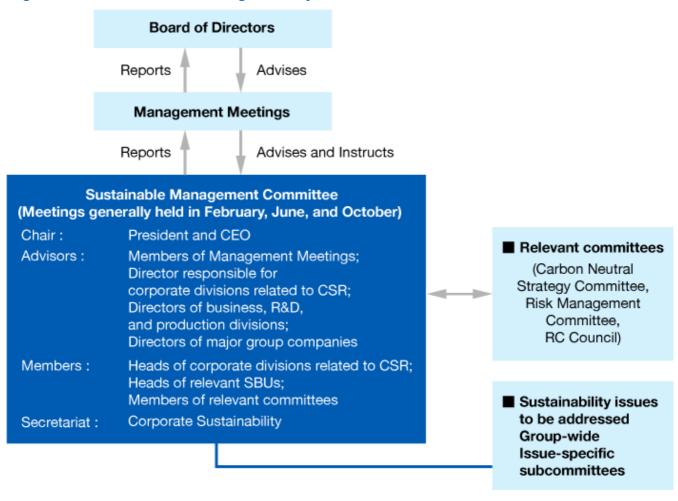
In addition, the Board of Directors will receive regular reports from the Sustainable Management Committee concerning the status of the KPI related to materiality in order to supervise the promotion of sustainability at the Daicel Group.

As for the KPIs, we regularly re-identify and modify the impact as necessary through stakeholder engagement. The regular progress evaluation of KPIs by the Sustainable Management Committee ensures implementation of the CAPD* cycle. In FY2021/3, the Sustainable Management Committee met three times, where the selection of materiality and its KPIs,

responses to climate change and human rights issues, etc. where discussed, with the details reported to the Board of Directors.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, 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.

Diagram of the Sustainable Management System



Joining the United Nations Global Compact

For a long time, the Daicel Group established and has been abiding by its various Group policies in order to promote responsible corporate management. In line with these policies, Daicel Corporation signed the United Nations Global Compact in April 2020 to support its intention to resolve global issues as a responsible corporate citizen.

> Ten Principles of the United Nations Global Compact and the Daicel Group's Initiatives [PDF:365KB]



Initiatives for Realizing a Sustainable Society

Recognizing social issues, the Daicel Group considers it is our corporate mission to contribute to the realization of a sustainable society through our products and business processes, and to create new value for society.

Beginning in FY2021/3, we incorporated sustainable management curriculum into position-based training, and launched programs such as the SDG Ambassador activities which support employee volunteering, and to make them part of every employee's mindset.

Furthermore, in order to take specific steps toward contributing to the construction of a circular society, as laid out in our Mid-Term Management Strategy, we identified materialities and formulated the relevant key performance indicators (KPIs). These KPIs will make each division's contribution to sustainability visible. We also intend to create a certification system for evaluating how well our products contribute to sustainability.

> Identifying Key Sustainability Issues (Materiality)

Initiatives Aimed at Promoting an Understanding of Sustainability

We believe that it is of utmost importance that each and every employee understands the sustainable way of thinking, connects them to his or her own work, and acts with sustainability in mind in order to contribute to their achievement. Through various initiatives, led by Corporate Sustainability, we are promoting the internal penetration of our concepts.

Implementation of training on sustainable management in position-based training

In FY2023/3, a sustainable management themed program was incorporated into the position-based training targeting advancing employees, including new recruits and newly appointed managers. We strive to promote the connection between the Daicel Group's policies and awareness of sustainability among employees through practical programs, including group discussions, on basic philosophy, sustainable management policy, HR policy and materiality in collaboration with CSR-related divisions such as Corporate Compliance Program and Responsible Care, and the Human Resources Division. In FY2023/3, a total of 440 employees across the Group participated in the training. In the future, we will systematically develop human resources who will be responsible for sustainable management from the time they join the company to when they are assigned to a managerial post.

Implementation of Sustainability Awareness Survey

Since FY2020/3, we have been conducting a sustainability awareness survey to verify the results of initiatives for promoting in-house awareness. The survey was held for the fourth time in February 2023, with approximately 5,500 employees from domestic Group companies surveyed (response rate of 76%). The survey showed that over 80% of employees feel the importance of connecting the Daicel Group's sustainability with their own work. Going forward, we will continue to promote in-house awareness in encouraging every employee to practice sustainability on a personal level.

Sustainable Week 2022 (Company-wide Event)

Since FY2021/3, the Daicel Group has been hosting the Daicel Group Sustainable Week, a company-wide event that also utilizes online. In 2023/3, the third Sustainable Week was held from November 18 to 28 under the theme of "Connecting the Dots and Making Sustainability a Personal Matter: A Future that Connects Us All." During the period, 10 events were held, including Message from the President and CEO, lecture and talk show by President Yamaya of Shizuoka BlueRevs, a professional rugby team, the Group-wide donation drive "Mottainai Challenge 2022" and more. Video clips were also shared online for employees who were unable to attend in person. The online event was accessed over 6,000 times on the dedicated site on the intranet.



Talk show between President Yamaya of Shizuoka BlueRevs and Senior Managing Executive Officer Sugimoto (showing "My Actions for Sustainability")

Activities by SDG Ambassadors

The SDG Ambassadors initiative was established by the Daicel Group in FY2021/3 as a community of self-motivated volunteers interested in sustainability and the SDGs regardless of their worksites, job types and positions in order to deepen their understanding and promote awareness throughout the Group. In this fourth year of the program, a total of 140 employees (74 in FY2021/3), including those at Group companies and overseas, are actively involved in the program. Members participate in monthly lectures and Ambassadors' Networking Event (nine times in FY2023/3) to engage in mutual exchanges across worksites. Basic lectures and team activities help participants learn about the sustainability initiatives and deepen and broaden their understanding.

Eleven of them, who are particularly passionate about sustainability are working as Sustainability Key Persons to lead the penetration of the concept of sustainability within the company at business sites and divisions by linking it to their work.



SDG Ambassador Activities

Hirohata Plant

The Hirohata Plant planned its own events themed event for all employees in honor of Sustainable Week. In addition to a workshop planned in collaboration between Hirohata Plant and SDG Ambassadors from other business sites to discuss separation of smoking and non-smoking areas, and involve all employees in building a flower bed at the front entrance of the plant, the plant hosted the program "My Sustainability Action" as an initiative that invites ideas relevant to sustainability from employees, which received over 70 submissions. Through these activities, many employees gained an increased appreciation for sustainability on a personal level.





DM Novafoam Ltd.

Following the Pink Mask Activity held as a movement in consideration of gender equality in FY2022/3, in FY2023/3 we implemented the Rainbow Mask Activity. The activity involves employees at the three pants of Nagano, Okayama, and Aomori switching their everyday face masks into rainbow masks as a visual cue to recognize the LGBTQ community.





Ohtake Plant

The event "Learning about SDGs over Coffee" held in May 2021, which aimed to make connection between the operations of plants and the SDGs using coffee as a medium, was held again for the entire Company via online format during Sustainable Week in November. The program was subsequently implemented online jointly with three sites of DM Novaform Ltd., and what first started as an intra-office activity became an exchange that transcended Group boundaries. Over 250 employees participated in the program, which provided the opportunity to recognize the connection between one's own operations and the Daicel Group's sustainability from the perspective of SDGs.





Co-hosted by DM Novafoam Ltd. and Ohtake Plant

Team Activities by Goal

Members who were interested in the 17 goals stipulated in the SDGs gathered, divided themselves into teams for each goal, and carried out activities. A diverse range of members across affiliations and offices delved deeply into the goals through personal experiences and discussions. They shared their results for the year at an online Ambassadors' Networking Event in March 2023.



Internal Dissemination Activities

We strive to disseminate information on the SDGs and sustainable activities by SDG Ambassadors through our Company newsletter and the intranet. During the FY2023/3 Sustainable Week, the SDG Ambassadors took the lead in planning and implementing initiatives and events to promote linkage between sustainability and everyday work.



Stakeholder Engagement

The Daicel Group aspires to be an honest company by forging highly reliable, collaborative relationships with all stakeholders involved in our business, including customers, suppliers, shareholders and investors, local communities, employees, industry and academia. We will strive to accurately understand stakeholder demands and expectations for the Daicel Group and reflect them in our business activities.

Stakeholder	Details	Main Methods of Communication
Customers	Corporate customers and general consumers to whom we provide our products and solutions	Dissemination of information via the corporate website and other media contact points Organization of exhibitions and participation in exhibitions

Stakeholder	Details	Main Methods of Communication
Shareholders and	Shareholders, individual and	Annual General Meeting of Shareholders
Investors	institutional investors	Financial Results Announcements
		Business briefings
		One-on-one interviews
		Participate in conferences for overseas investors
		Individual visits to overseas investors
		Small meetings
		Facility tours
		Dissemination and disclosure of information via the Daicel Report and corporate website contact points
Suppliers	Suppliers and subcontractors of raw	Daily business transactions
	materials, fuel, and parts, etc.	Responsible care promotion activities
		Contact points
		CSR Procurement Survey
Employees	All of the Daicel Group's employees	Various training seminars and educational training
		Central Healthcare Committee and Workplace Healthcare
		Committees
		Group newsletter and intranet
		Signing of the Labor-Management
		Charter with the labor union
		Compliance Help Line
Local Communities	Locations of the Daicel Group's	Voluntary activities
	offices and plants	Friendship events with local residents
		Participation in local events
Industry and Academia	Partner companies, universities and research institutions with whom the Daicel Group conducts joint research	Joint research and development Participation in projects
	and development	

Materiality

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

- * Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, 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.
- > Sustainable Management Policy
- > Mid-Term Management Strategy Accelerate 2025

Background and Approach to Identifying Our Materiality

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

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

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

Process of Identifying Materiality











Extract social issues

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

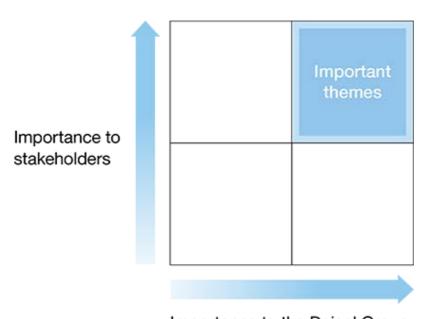


Prioritize

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

- 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, and the Ethical Standards of Daicel Group
- Consolidation of opinions from relevant departments

Materiality Map



Confirm validity

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



Formulate materiality and KPIs

By going through Steps 1 to 3, we identified 15 material issues. We designate a key performance indicator (KPI) and target for each. We will review our materiality, KPIs and targets in response to future changes in society and our business.

Monitoring Materiality

The progress toward identified materiality is regularly monitored by the Sustainable Management Committee via evaluation of the KPIs and targets set as well as with supervision from the Board of Directors.

Materiality and KPIs

> List of Materiality KPIs and Results (Daicel Report 2023) [PDF:855KB]

	Materiality aimed at achieving growth of the Daicel Group and value co-creation							
Classi fication	Materiality	Content	KPIs	Target	FY2023/3 Results	Relevant SDGs		
Sustainable Product	Contribute to beauty andhealth	 Providing solutions for the pharmaceutical and medical markets Providing sustainable cosmetic raw materials and health food 	 Our chiral columns used in pharmaceutical analysis methods*1 Total number of people provided with functional food ingredients per year 	 FY2026/3: 95 cases (cumulative) FY2026/3: 2.23 million (twice the FY2021/3 figure) 	88 cases (cumulative)1.42 million	3 services		

Materiality aimed at achieving growth of the Daicel Group and value co-creation						
Classi fication	Materiality	Content	KPIs	Target	FY2023/3 Results	Relevant SDGs
Sustainable Product	Contribute to the smart society	 Providing solvents for semiconductor processing and polymers for resists Providing functional films that contribute to higher functionality of displays 	New product rate of safe, high-boiling point solvents essential for advanced semiconductor manufacturing processes*2	• FY2026/3: 23.9%	• 3.2%	
	Provide safety and security for society	 Providing products that ensure safety and security of mobility 	 Average number of our safety devices installed per vehicle*3 Diversified small mobility devices*4 and new safety devices to prevent home accidents*5 put on the market 	 FY2026/3: 3 units/vehicle FY2026/3: New stable device proposals FY2031/3: 2 cases 	2 units/vehicleNew business plans under consideration 2	3 server 11 1 1 1 1 1 1 1 1
	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	9 manual 12 manual 12 manual 12 manual 13 manu
Sustainable Process	Contribute to the development of a circular society (Only in Japanese)	 Building Biomass Value Chain Reuse of waste and CO₂ 	External proposals for resource recycling systems using natural materials	• FY2026/3: 3 cases	Under research and development	9 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2

Materiality aimed at achieving growth of the Daicel Group and value co-creation						
Classi fication	Materiality	Content	KPIs	Target	FY2023/3 Results	Relevant SDGs
Sustainable Process	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	18:30
Sustainable People	Promote diversity and inclusion	Work environment where everyone can work with vigor regardless of gender, age, nationality or disability	 Ratio of women in management position*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 moreSustain 95% or more	4.9%96.0%	5 mm 8 mm mm 1 mm

	Materiality aimed at achieving growth of the Daicel Group and value co-creation									
Classi fication	Materiality	Content	KPIs	Target	FY2023/3 Results	Relevant SDGs				
Sustainable People	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 personnel system, introduction and review of career seminars or management training for division heads*8	• Disclose results	 Strengthened system to support employee's career autonomy Expanded agespecific career training by adding career training for 40s in addition to career training for 50s Established a Career Support Center in the Human Resources Division to support employee's career development Added a business management course (a course to practice planning from data utilization issue setting and investment proposals to business application) to digital literacy education 	10 mm () () () () () () () () ()				

ı	Materiality related to the foundation for the Daicel Group's continuity and governance								
Classi fication	Materiality	Content	KPIs	Target	FY2023/3 Results	Relevant SDGs			
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%	3 stratum 12 stratum 12 stratum 12 stratum 12 stratum 13 stratum 14 stratum 15 stratum 1			

	Materiality related to the foundation for the Daicel Group's continuity and governance									
Classi fication	Materiality	Content	KPIs	Target	FY2023/3 Results	Relevant SDGs				
Social	Ensure process safety and disaster prevention. occupational health and safety	 Elimination of process incidents Minimization of damages based on crisis assessments 	 Serious occupational accidents*8 Serious process safety incidents*8 Percentage of safety training held based on past incidents (occupational accidents and process safety incidents)*8 	 Continue zero cases Continue zero cases Continue to 100% 	 Zero cases Zero cases 100%	8 minutes				
	Ensure chemical safety and enhance product quality	 Reinforced quality management to prevent recurrence of quality defects Centralized management and sharing of chemical substance information 	 RC-related regulation audit rate*8 Rate of initial response to customer complaints within 24 hours*8,9 	FY2026/3: 100%FY2026/3: 100%	41%88%	12 STEPS.				
	Respect human rights	 Establishment and implementation of human rights due diligence Development of a framework for corrective and remedial action against human rights abuses, and employee education 	Status of efforts to respect human rights for the Daicel Group and the supply chain as a whole (status of conducting due diligence)	• Disclose results	Human rights due diligence on our Group companies implementation rate for FY2020/3-FY2023/3: 63.2% Implemented at 18 domestic Group companies out of 19 and 18 overseas Group companies out of 38**10 Planned and implemented human rights due diligence on suppliers	8 ====== (\$10 ====================================				

1	Materiality related to the foundation for the Daicel Group's continuity and governance									
Classi fication	Materiality	Content	KPIs	Target	FY2023/3 Results	Relevant SDGs				
Social	Foster a corporate culture that meets employee needs	 Shorter working hours and improvement in the annual paid leave acquisition ratio Employee health promotion Support for flexible work styles 	 Annual continuous paid leave acquisition rate (a five-day holiday taken once per year) Status of efforts to promote employee health*8 	• FY2026/3: 100% • Disclose results	 56.3% (Percentage of employees who took 3 consecutive days of annual paid leave. Calculated as 5 consecutive days off, including Saturdays, Sundays, and holidays.) Expanded the babysitter assistance program to support employees raising children to work without worries Distributed "Childcare Leave Guidebook" to eligible employees and their supervisors, which explains childcare leave benefits and other information in an easy-to-understand manner Established the Group Health Support Center as an organization dedicated to health management to promote the physical and mental health of each and every employee at four levels: company-wide, by business unit, by workplace, and by individual Promoted health management aimed at the physical and mental health of each and every employee, as well as their families, business partners, and local residents, by holding sporting events, etc. 	8 minutes in the second				

Materiality related to the foundation for the Daicel Group's continuity and governance Classi Materiality Content **KPIs Target** FY2023/3 Results Relevant fication **SDGs** Social Improved level of Sustainable • FY2024/3: • 79% **Promote** 100% sustainable CSR across the procurement rate procurement supply chain (Percentage of raw fuel suppliers that meet our reference points as a result of SAQ) Governance Strengthen Reinforce Status of efforts to Disclose Conducted an **foundation** corporate strengthen the results evaluation of the for Group supervisory function by effectiveness of the governance Continue to the Board of Directors **Board of Directors** governance Enforce thorough 100% and based on discussions at compliance Rate at which legal Disclose the Board of Directors compliance checks are made and Strengthen risk results meeting, using a response measures management • FY2026/3: method involving a taken for material 100% third-party organization matters requiring executive decision Identified multiple issues and improvement Issues reported to the areas from an objective Help Line perspective by Percentage of observing board executives and meetings, involving employees who know board members in the how to use the Help preparation of Line system and can questionnaires, and contact the Help Line participating in when they discover interviews compliance • 100% violations*11 (= percentage of 76 cases employees who have • 10.1% taken Help Line reporting training)

- *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 CO2, reuse and recycling of waste materials/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 number of target companies fluctuates because of M&A and business restructuring

Sustainability / Environmental Report

Environmental Management

Basic Approach

The Daicel Group seeks to fulfill its role in realizing a circular society by engaging in Group-wide activities that protect the environment by making effective use of the limited resources in its manufacturing process to minimize the Group's environmental impact. In accordance with the

<u>Daicel Group Basic Policies for Responsible Care</u>, we pursue initiatives under the specific themes of addressing climate change, reducing and recycling waste, reducing emissions of chemical substances, preserving water resources, preventing air pollution, and preserving biodiversity. Daicel's business sites and Group companies execute their environmental management systems such as ISO 14001 and regularly report their progress while engaging in continuous dialogue with our stakeholders.

Promotion System

The Daicel Group has established an environmental management system under the promotion system for responsible care ("RC") to implement energy-saving measures, reduce greenhouse gas (GHG) emissions, waste and the environmental impact on air and water quality, and preserve water resources and biodiversity. In each of these initiatives, we strive to protect the environment through continuous improvements by applying a CAPD cycle* through which we revise our plans based on the results of the certification audits for ISO 14001 as well as internal and RC audits and formulate and execute new plans.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Promotion System for Environmental Management

President and CEO

Management Meetings

Responsible Care Council

Chair : General Manager of the Assessment Headquarters

Vice-chair: Representative of Daicel Workers' Union Executive Committee

Members : Auditing Office, Corporate Compliance Program, etc.

Secretariat: RC Division of the Assessment Headquarters

Head of Each Business Site

Management
Representative for the
Environment
Management System

Each Business Site Environmental Management Committee

Members ---- Head of Each

ISO Division

Secretariat --- Each

Environment and Safety Division

Head of Each Business Site

Management Representative for the Environment Management System

Each Business Site Environmental Management Committee

Members ---- Head of Each

ISO Division

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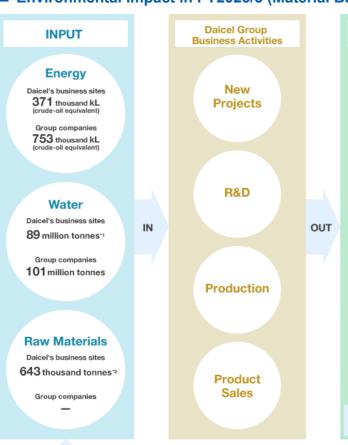
Environment and Safety Division

- > Promotion System for Responsible Care
- > Response to Climate Change
- > Reduction and Recycling of Industrial Waste
- > Emission Management of Chemical Substances
- > Water Resource Preservation
- > Environmental Management and Prevention of Air Pollution
- > Preserving Biodiversity

Environmental Impact of Business Activities

The environmental impact of the Daicel Group's business activities (material balance) in FY2023/3 is shown below.

Environmental Impact in FY2023/3 (Material Balance)



OUTPUT (Environmental Impact)							
Emission into the atmosphere	Daicel's business sites	Group companies					
Greenhouse gases'3	1,590 thousand tonnes'4	2,342 thousand tonnes					
CO ₂ (energy consumption)	1,119 thousand tonnes	1,870 thousand tonnes					
Other	333 thousand tonnes	333 thousand tonnes					
SOx	298 tonnes	299 tonnes*5					
NOx	636 tonnes	686 tonnes'5					
Soot and dust	28 tonnes	30 tonnes'5					
PRTR substances	47 tonnes	57 tonnes'5					
VOC (Volatile organic compounds)	1,163 tonnes	1,173 tonnes '6					
Emissions into public water							
Total Amount of Wastewater's	86 million tonnes	93 million tonnes					
COD	716 tonnes	748 tonnes'5					
Total phosphorous	85 tonnes	88 tonnes'5					
Total nitrogen	127 tonnes	132 tonnes'5					
PRTR substances	14 tonnes	14 tonnes'5					
Industrial waste							
Waste generated	131 thousand tonnes	155 thousand tonnes					
Final landfill	1 thousand tonnes	2 thousand tonnes					
PRTR substances (amount transferred)	65 tonnes	89 tonnes '5					
Recycling Rate ^{*4}	98 %	98 %'5					

- *1 Includes 35 million tonnes of seawater for cooling
- *2 Renewable materials (pulp and biomass ethanol), 153 thousand tonnes; non-renewable materials 490 thousand tonnes.
- *3 Includes CH₄, N₂O, HFC, PFC, SF₆, and NF₃, aside from CO₂.
- *4 Includes the headquarters, etc.
- *5 Daicel's business sites and domestic Group companies
- *6 Includes water as a byproduct from manufacturing

> ESG Data Environmental Performance Data

Internal Environmental Audits

In accordance with ISO 14001, each business site of the Daicel Group undergoes audits by a certification body and an annual internal audit. The internal audit is focused on auditing compliance with standards, follow-ups on matters that had been previously pointed out, and legal compliance with environmental regulations.

Education and Training on the Environment

The Daicel Group provides education to employees at each business site in accordance with ISO 14001 for operations that have an impact on environmental performance such as our initiatives on climate change, reduction and recycling of waste, management of chemical substance emissions, environmental management of air quality, etc. and with regard to compliance obligations. In particular, we seek to raise awareness of our climate change initiatives among employees at the headquarters through the work of the Energy Strategy Committee.

Status of Compliance with Environmental Regulations

In FY2023/3 and over the last three years, there were no serious violations of environmental regulations at Daicel nor was there any litigation involving fines for violations of the law, punitive measures, or compensation for environmental damages.

Status of Environmental Management System Certification

Environmental management system certification has been obtained by 82% of Daicel Group's production sites (85% in Japan and 79% overseas) as of April 2023. Please refer to the following link on the current status of environmental management system certification.

> Status of Environmental Management System Certification

Sustainability / Environmental Report

Response to Climate Change

Basic Approach

The Daicel Group has set out its Medium- and Long-term Reduction Target for reducing GHG emissions under its <u>Basic Policies on Responsible Care</u> with the goal of realizing a carbon neutral society. We will seek to reduce GHG emissions throughout the Group via a fundamental review of our production processes and the introduction of new technologies to significantly reduce energy consumption while also working to switch fuels, optimize energy consumption, and introduce renewal energy sources.

Medium- and Long-term Reduction Target for GHG Emissions

Medium- and Long-term Reduction Target for GHG Emissions

- FY2051/3: Achieve carbon neutrality*1
- FY2031/3: 50% reduction in GHG emissions (compared to FY2019/3)*2
- *1 Applicable to the Daicel Group's Scope 1, 2, and 3 emissions
- *2 Applicable to the Daicel Group's Scope 1 and 2 emissions

To achieve carbon neutrality by FY2051/3, we designated a medium-term target of reducing GHG emissions by 50%, compared to FY2019/3 levels, by FY2031/3. This target references the level of reductions required to limit the global rise in temperature to the SBT* of 1.5°C above pre-industrial levels as laid out by the Paris Agreement. To meet our Medium-and Long-term Target, we will further develop our energy-saving initiatives and promote the reduction of GHG emissions and to adhere to the framework of Science Based Targets (SBTs). In May 2023, we participated in the METI-led GX (green transformation) League with the aim of realizing a carbon-neutral society through the collaboration between industry, government, and academia.

* Science-Based Targets: Medium- to long-term reduction targets for companies, consistent with the Paris Agreement to "hold the average global temperature to well below 2°C above pre-industrial levels" and make efforts to "limit the temperature increase to 1.5°C above pre-industrial levels."

Promotion System for GHG Emission Reductions

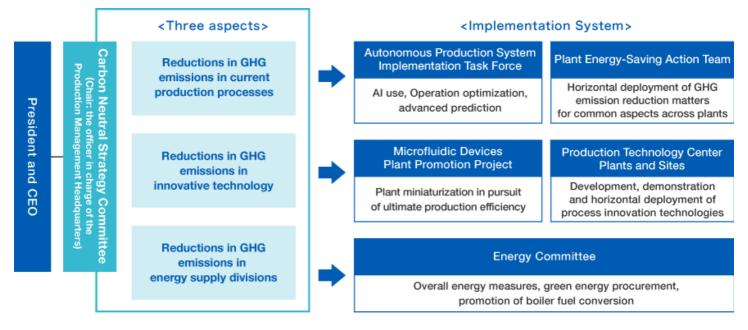
In July 2023, we changed the name of the Energy Strategy Committee to the Carbon Neutral Strategy Committee in order to further accelerate carbon neutral initiatives.

The Energy Strategy Committee was developed out of the Energy Conservation Promotion Committee, which operated until July 2020 under the direct oversight of the President and CEO.

The Energy Strategy Committee is chaired by the officer in charge of the Production Management Headquarters (General Manager of the Production Management Headquarters) and members include representatives from production, energy supply, and other corporate divisions in Japan. The committee will take the lead in promoting and managing energy conservation for the Group as a whole. At the same time, to achieve our GHG emission reduction targets, the entire Group will promote the building of a circular process that reduces emissions in current production processes and energy use, as well as through the use of innovate technologies.

With the aim of achieving our Medium- and -Long-term Reduction Target and in order to propose and carry out appropriate investment plans, we are considering instituting internal carbon pricing.

Structure of the Carbon Neutral Strategy Committee



Initiatives for Reducing GHG Emissions

Reducing GHG Emissions

In FY2023/3, GHG emissions for the Daicel Group decreased by 6 thousand t-CO $_2$ to 2,342 thousand t-CO $_2$ (down 0.3% year-on-year). This is broken down into 1,774 thousand t-CO $_2$ (down 0.9% year-on-year) in GHG emissions at Daicel's business sites and domestic Group companies, and 568 thousand t-CO $_2$ (up 1.7% year-on-year) in GHG emissions at overseas Group companies.

Energy consumption has a major impact on GHG emissions. In FY2023/3, energy consumption for the Daicel Group increased by 4% year-on-year, to 753 thousand kL in crude-oil equivalent. In FY2023/3, we did not achieve our energy consumption target of improving our five-year average energy intensity by 1% or more compared to the previous year.

In FY2023/3, energy-derived CO₂ emissions for Daicel's business sites (including the head offices) increased to 1,119 thousand t-CO₂ (down 1% year-on-year).

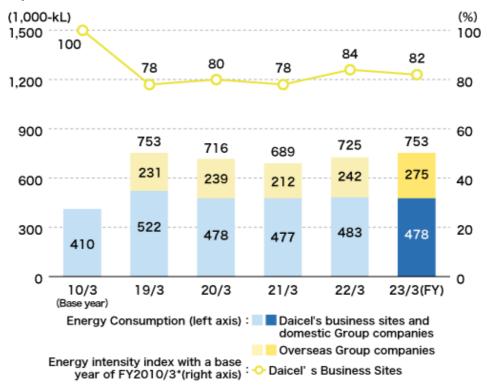
In order to ensure the reliability of the content of the report, a third party* regularly vouches for our calculations concerning GHG emissions.

In addition, we have begun to calculate the carbon footprint (CFP) of each product by utilizing the Life Cycle Assessment (LCA) method. Quantitatively visualizing environmental impact can help us reduce the environmental impact of existing products and develop new environmentally friendly materials and other products.

* Emissions of scope 1, 2 and 3 at Daicel's business site are calculated and verified by a third party.

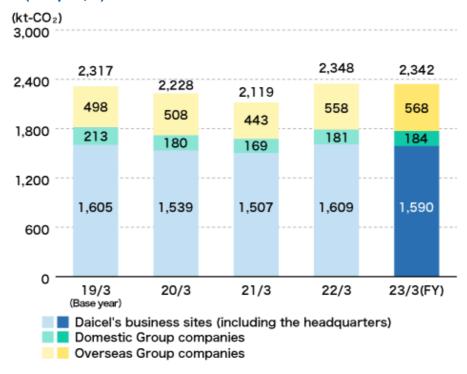
> ESG Data Response to Climate Change

Energy Consumption



* Energy intensity is measured by the quantity of energy required per unit of output or activity. In an index of energy intensity, the energy intensity is the quantity of energy required per unit output, and the energy intensity of a reference year is treated as 100. The power sold externally has been included in this calculation from FY2017/3, in accordance with the revised Electricity Business Act.

■ GHG Emissions (Scope1, 2)



Reducing GHG Emissions across Daicel's Supply Chain

We believe that GHG emissions must be reduced by both the Daicel Group and its supply chain, and we have been working to identify and reduce the volume of GHG emissions in accordance with the GHG Protocol, the world's most widely used standards, since FY2021/3.

Emissions of CO₂, CH₄, N₂O, SF₆, and NF₃ are calculated according to the emissions coefficients established in the Act on Promotion of Global Warming Countermeasures (Global Warming Law).

In FY2023/3, we will expand both the categories covered by Scope 3 and the scope of calculation beyond Categories 1–7. In the future, we plan to expand the calculation to include overseas emissions.

■ GHG Emissions by Scope in FY2023/3

		Categories	Emissions (thousand t-CO ₂)
Sco	pe 1* ¹	Direct GHG emissions	1,553
Sco	pe 2* ¹	Electricity indirect GHG emissions	37
Sum	of Scope 1,2*1		1,590
Sco	pe 3	Other indirect GHG emissions	1,177
	Category 1*2	Purchased goods and services	869
	Category 2*3	Capital goods	131
	Category 3*2	Fuel- and energy related activities (not included in scope 1 or scope 2)	107
	Category 4*2	Upstream transportation and distribution	14
	Category 5*2	Waste generated in operations	47
	Category 6 ⁴	Business travel	6
	Category 7*4	Employee commuting	2
Sum	of Scope 1,2,3		2,766

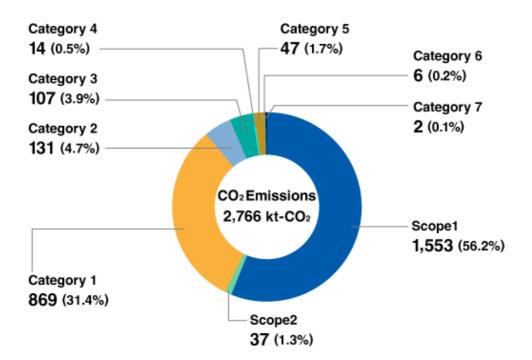
^{*1} Daicel's business sites (including the headquarters)

> ESG Data Response to Climate Change

^{*2} Daicel's business sites

^{*3} Daicel Group

^{*4} Daicel's business sites and domestic Group companies



Calculation Methods

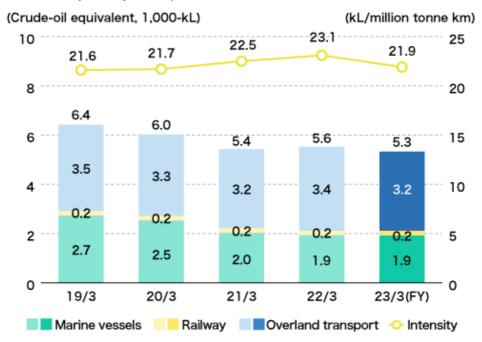
Based on the Ministry of the Environment and METI's Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.3), we used the guideline's Emissions Unit Values Database for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.2), IDEA (Inventory Database for Environmental Analysis) for life cycle analysis, and emission factors in the calculation, reporting, and publication system for the Law Concerning the Promotion of the Measures to Cope with Global Warming, etc.

Initiatives to Reduce the Environmental Impact of Logistics Operations

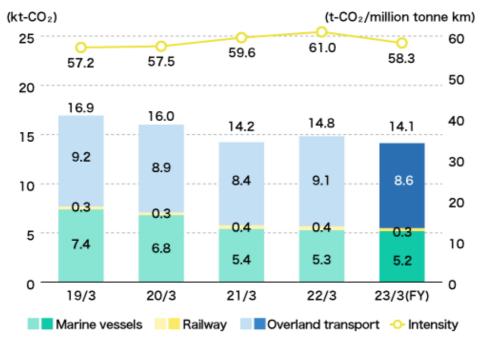
The Daicel Group is striving to curb energy consumption associated with product transportation through initiatives that include promoting a modal shift*¹ and container round use*². Compared to the previous fiscal year in terms of conserving energy, for logistics in FY2023/3, energy use in land shipping decreased, which improved specific energy consumption rates overall by 1.2 points.

- *1 Freight transport methods shifted from truck-based transportation to more environmentally friendly methods such as marine and railway transportation.
- *2 The practice of reusing devanned import containers for exports.

■ Energy Consumption and Energy Consumption Rates in Logistics Operations (Daicel's business sites and domestic Group companies)



■ CO₂ Emissions/Intensity (Daicel's business sites and domestic Group companies)



Reduction in Transport CO₂ Emissions from the Modal Shift

In 2007, Daicel Logistics Service switched from road to sea transport between the main ports for imports and exports and Daicel's plants to reduce CO_2 emissions generated from logistics. In FY2023/3, this modal shift of approximately 8,000 containers* to sea transport achieved a 70% reduction in CO_2 emissions compared to road transport.

* Calculated on the basis of 40-foot containers.

Promoting Container Round Use

Reusing imported goods containers for exporting products can reduce CO₂ emissions associated with the transport of empty containers. Daicel Logistics Service Co., Ltd. has adopted the round use method for containers for export and import operations to further reduce CO₂ emissions. This also saves energy by realizing smooth, efficient transport based on its proprietary system for facilitating the matching process for each shipping company. In addition, we strive to ensure safe and efficient transport by reviewing the standards for container use and implementing simple repairs as needed.

<u>Daicel Logistics Service: Modal Shift and Round Use (Japanese text only)</u>
 □

Reducing GHG Emissions from Three Angles

The Daicel Group has responded to climate change through the building of a circular process, which will enable us to run our business in harmony with the global environment, from the three aspects of reductions in GHG emissions: reductions in GHG emissions in current production processes, innovative technology, and the energy supply division.

Reduction in GHG Emissions in Current Production Process

Energy consumption by the Himeji Production Sector and Ohtake Plant accounts for 80% of overall consumption at Daicel's business sites. We treat these as if they were a single factory in cyberspace (a virtual factory*) and centrally manage information related to their manufacturing processes. This enables us to formulate optimal manufacturing plans and achieve overall optimization and energy savings. We will also seek to reduce GHG emissions by installing and deploying an autonomous production system evolved Al logic, which we jointly developed with the University of Tokyo. This is part of our Intellectual and Integrated Production System constructed through DAICEL Production Innovation that will lead to further reductions in GHG emissions.

* A factory model virtually created in a computer as if it were the real thing.

> Process Innovation with Virtual Reality |

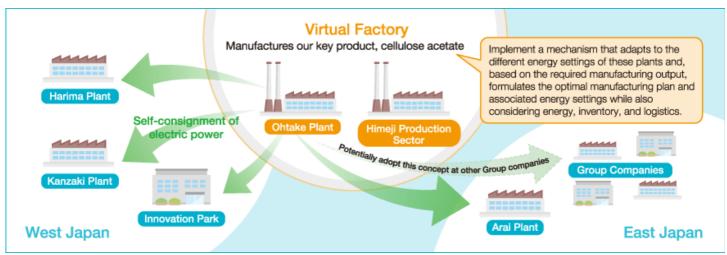
Introduction of the Energy Operation Optimization System

In order to manage our energy consumption in accordance with the optimal manufacturing plan, we have introduced the Energy Operation Optimization System, which provides online monitoring and controls for the most favorable operating conditions based on actual operating conditions and simulations. This system is used by the Himeji Production Sector and Ohtake Plant.

Leveraging the Self-Consignment System

As part of optimizing energy supply and demand, the Ohtake Plant started sending excess generated electricity to other worksites in West Japan using the self-consignment system. The plant began sending electricity to the Arai Plant in East Japan in May 2020 and to the Fuji Plant of Polyplastics Co., Ltd. in April 2021. Looking ahead, we expect to further extend the system to other Group companies toward achieving zero purchased electricity at the Group level.

The Self-Consignment System



Reduction in GHG Emissions by Innovative Technology

The Daicel Group looks well beyond efforts to improve and refine its technologies when putting in place energy-saving measures. It also works to comprehensively review its production processes and develop new technologies to reduce its GHG emissions. The R&D costs for environmental load reduction in FY2023/3 were ¥119 million.

In general, distillation processes tend to account for around 40% of general energy consumption in the chemicals industry. This is also true for Daicel's operations, so establishing energy-saving technologies in distillation processes is key to achieving significant energy savings. The distillation process utilizes high-temperature thermal energy but also generates large volumes of low-temperature exhaust heat energy that is released unused. With this in mind, it is essential to also develop technology that effectively recovers and reuses low-temperature exhaust heat energy in addition to reducing high-temperature thermal energy use.

The Daicel Group has launched an innovative energy-saving technology project and has been promoting cross-sectional activities throughout every level of the Company. As a result, these efforts have led to the creation of a modified Petlyuk process and vapor recompression (VRC) technology to reduce the energy consumption of distillation towers. Although these basic technologies have been used in industrial processes for a long time, they have not been scaled up for use in large chemical plants, with Daicel being the first in the world to do so.

Moreover, we are engaged in joint research with several universities to establish the technology for melting wood at normal temperature and pressure (which requires less energy) for constructing a new biomass product tree that holds the key to a carbon-neutral future. We are also developing a technology for recycling carbon dioxide by converting it into carbon monoxide through a reverse reaction. This is to further reduce the amount of CO₂ that escapes into the atmosphere even after taking measures to limit CO₂ emissions in the manufacturing process.

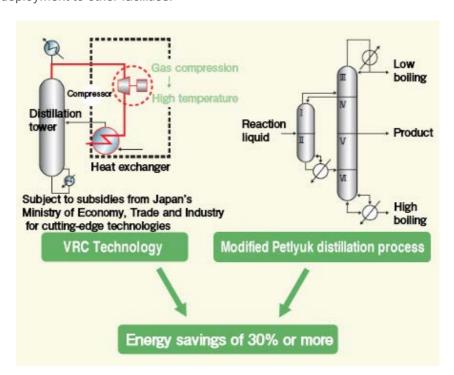
Enhancing Our Current Technologies

Modified Petlyuk distillation process

Petlyuk distillation, and its practical application as a dividing-wall column (DWC), is widely recognized as an energy-saving technology. However, implementing a DWC requires the complete replacement of distillation towers since it cannot be retrofitted to existing facilities, resulting in massive amounts of initial expenditure for the installation. By refining Petlyuk technology, Daicel developed a new process technology that allows for its application through improvements to distillation towers. Since 2014, the technology has been applied at the Arai Plant and the Company's acetic anhydride manufacturing facilities. We are also considering introducing this technology to the production facilities at the Ohtake Plant.

Vapor Recompression (VRC) Technology

Expectations are mounting that VRC technology will become ubiquitous to recover heat as high-temperature steam by compressing the exhaust heat inherent in low-temperature steam. While this technology has been widely used in aqueous-system simple distillation processes, there have been no examples of its application in organic solvent distillation processes. Aiming to do just this, Daicel has been working with a compressor manufacturer to develop a compressor that would enable the use of VRC technology in organic solvent distillation processes. We have completed verification using a prototype distillation process and we are currently continuing verification through long-term operations. We are also considering horizontal deployment to other facilities.



New Technologies that Adapt to Environmental Change

Membrane Separation Technology

The evaporation process in distillation consumes massive amounts of energy. Dramatic energy savings, however, are possible if a membrane separation technology is used instead. And we have been evaluating the operating life of various candidate membranes since April 2016.

New Reaction Technology

We developed an innovative process, which leverages a newly developed reaction technology with a new catalyst. It has been installed at the Aboshi Plant's 1,3-BG facility. We expect that energy consumption will be reduced by approximately 20% compared to that of conventional technologies.

New Wastewater Treatment Technology (Anaerobic Wastewater Treatment Technology)

Anaerobic wastewater treatment does not require oxygen and therefore requires less energy. In addition, the methane gas generated in the decomposition process can be used for fuel. We have been experimenting and validating at our Aboshi Plant this new technology for use in production.

Appropriate Production Technology with Microfluid Devices

Microfluid devices are devices that have several hundred micrometer channels on their base, so that chemical operations, such as blending, reacting, and distilling can be performed on a micro scale. Parallelizing 10,000 or more microfluid devices allows manufacturing methods that have been established through research to be expanded into mass production, and at the same time, one can adjust the amount produced to save space, conserve energy, and save resources, as well as to produce the amount required as needed. This technology will help make sustainable next-generation production plants a reality. Our intention is to have the industrial-academic alliance between Daicel, Taiwan's National Tsing Hua University, and the University of Tokyo result in the production of a working model soon.

Reduction in GHG Emissions in the Energy Supply Divisions

Each of the Daicel Group's plants generates its own steam and electricity for manufacturing, and we will also seek further energy conservation and reductions in GHG emissions by upgrading their facilities, promoting fuel conversion for boilers and procuring green energy such as renewables.

■ Energy-saving and GHG Reduction Measures at Each Plant

Aboshi Plant	In September 2012, the plant installed a cogeneration system with gas turbines. In June 2019, it started selling its excess electricity.
Ohtake Plant	In August 2007, the plant started selling its excess electricity. In July 2016, it installed an additional boiler. Two dual-fuel boilers are run in parallel using a mix of coal and scrap tires as fuel.
Arai Plant	In January 2017, the plant switched from a coal boiler to a cogeneration system with gas turbines.

Using Fuel Derived from Scrap Tires to Reduce Fossil Fuel Use

In Japan, roughly 100 million scrap tires, or about one million tonnes, are generated each year, placing a considerable load on the environment. On the other hand, about 30% of scrap tires consist of biomass, including natural rubber, making them a superb energy fuel.

^{*1} micrometer= 0.001 mm

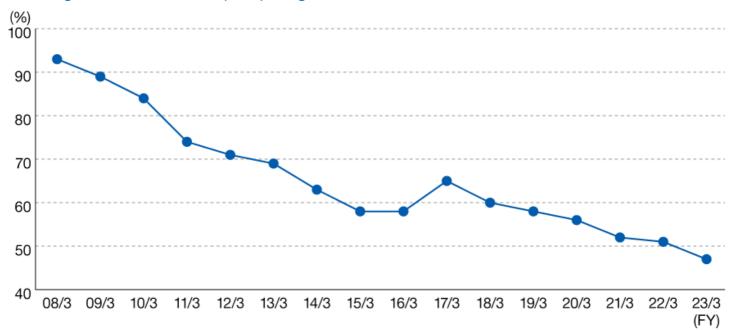
Having noticed this characteristic, we carry out thermal recycling at the Ohtake Plant with co-firing of coal and tire chips. The addition of tire chips can reduce the use of fossil fuels and CO₂ emissions, so we have been collaborating with manufacturers of power generation equipment, making progress in the improvement of the co-firing rate and developing technologies to generate the necessary level of power safely.

These efforts have yielded some success.

Moreover, we are promoting recycling through the use of particulates and cinders in cement and roadbed improvement agents, which account for about 60% of the total volume of generated industrial waste and the sorting and collection of plastic waste.

In FY2022/3, we sought to improve the quality control of scrap tires and achieved a co-firing rate of 53% (49% in FY2021/3), and a fossil fuel usage rate of 47% (51% in FY2021/3). Going forward, we will continue to reinforce our recycling efforts to bring about a sustainable society.

Changes in the Fossil Fuel (Coal) Usage Rate at Ohtake Plant



Information Disclosure in Line with TCFD Recommendations

The Daicel Group endorsed the TCFD* recommendations in November 2021. In accordance with the recommendations, the Group will disclose information on each item related to climate change for governance, strategies, risk management, and metrics and targets.

* Task Force on Climate-related Financial Disclosures

> Participating Initiatives and External Evaluations

Governance

Addressing climate change is an important agenda item for the Sustainable Management Committee and is discussed at the management level.

> Sustainability Management

Strategies

In line with the TCFD recommendations, from FY2023/3 the Group has begun conducting scenario analyses assuming a temperature rises of less than 1.5°C/2°C and 4°C with a timeline of 2030.

These scenario analyses largely reference the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) materials, which are commonly used for TCFD scenario analyses.

Implementation procedures for scenario analyses

Scenario analyses follow the procedures listed below.

Step1 Set the scope of a scenario analysis

Step2 List the risks and opportunities presented by climate change for each business

Step3 Create a business scenario according to each business' external scenario and re-evaluate the magnitude of those risks and opportunities

Step4 Financially evaluate each business

Step5 Summarize climate change impacts and countermeasures for the entire Group

The implementation status for scenario analyses will be disclosed in due course.

• Set the scope of a scenario analysis

In FY2023/3, we have currently conducted a scenario analysis for our Engineering Plastics Business, which is the driving force of the Group.

Going forward, we will target the acetyls business (Smart and Materials Businesses) with a focus on cellulose acetate as well as the Safety Business, conducting scenario analyses in turn and consolidating the risks and opportunities of climate change for the Group.

> Scenario analysis for the Engineering Plastics Business (Polyplastics Co., Ltd.)

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

Metrics and Targets

The Group has listed Response to Climate Change as one of its 15 key sustainability issues (materiality), and has set GHG emission reduction rates as a KPI.

We have also set KPIs for our materiality issues of Provide Environmentally-Friendly Materials and Technology and Contribute to the Development of a Circular Society. Further discussions will be held on products and services that contribute to a low-carbon economy, and we will consider setting better indicators and targets.

> Materiality

Sustainability / Environmental Report

Reduction and Recycling of Industrial Waste

Basic Approach

The Daicel Group follows its <u>Basic Policies for Responsible Care</u> to implement a variety of initiatives for reducing environmental impacts, including the preservation of water resources, environmental management of air pollution, reductions in emissions and the appropriate management of chemical substances at all of its business sites. With regard to waste reduction and recycling efforts in accordance with the Japan Business Federation's "Voluntary Action Plan for Establishing a Sound Material-Cycle Society," we are further promoting the 3Rs (reduce, reuse, and recycle) to reduce the amount of waste. This includes efforts to save resources, reuse, and recycle as we strive to realize a circular society.

Toward Achieving Our Medium-term Targets

In our medium-term target for the period ending FY2026/3, which was announced in 2020, we are focusing on raising the recycling rate at Daicel's business sites and domestic Group companies to 99% or higher and achieving zero emissions at Daicel's business sites and domestic Group companies. To improve our recycling rate, we will continue to apply the 3Rs to industrial waste by promoting the effective use of resources and reducing the amount of waste incinerated without energy recovery. In regard to achieving zero emissions, we will work on enhancing our recycling rate for plastic waste and organic sludge.

■ Medium-term Targets for Waste Disposal

Medium-term Targets through FY2026/3	Definition
Raise the recycling rate for Daicel's business sites and Domestic Group companies to 99% or higher	Recycling rate = Recycled materials*+ Thermally recycled materials Total amount of industrial waste*
Achieve zero emissions for Daicel's business sites and Domestic Group companies	Reduce landfill to less than 1% of the total amount of industrial waste*

Includes valuables

Promotion System

> Promotion System for Responsible Care

fiscal year to 1.1 thousand tonnes.

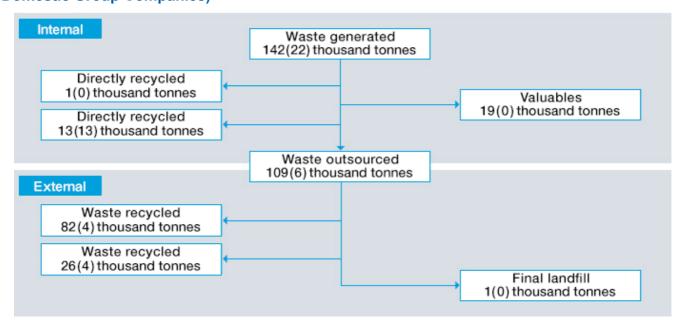
Initiatives to Reduce Industrial Waste

The Daicel Group manufactures a variety of chemical products, and waste is generated in the manufacturing processes. Examples include waste in the form of cinders and particulates from the burning of solid fuels for energy production, waste liquids, cleaning fluids, remnants, defective products, and decommissioned equipment. The Daicel Group strives to achieve zero emissions (with less than 1% of landfill disposal of industrial waste generated) by taking a proactive approach to recycling cinders and particulates that account for about half the waste produced in Japan. In FY2023/3, the amount of industrial waste generated by Daicel's business sites and the domestic Group companies decreased by 2% compared to the previous fiscal year to 142 thousand tonnes, and the production of some products was adjusted. The recycling rate was unchanged year-on-year at 98%. The amount of landfill waste fell 11% from the previous

In FY2023/3, the landfill rate for Daicel's business sites and domestic Group companies was 0.9%, so that once again we achieved our target of zero emissions following on from the previous fiscal year.

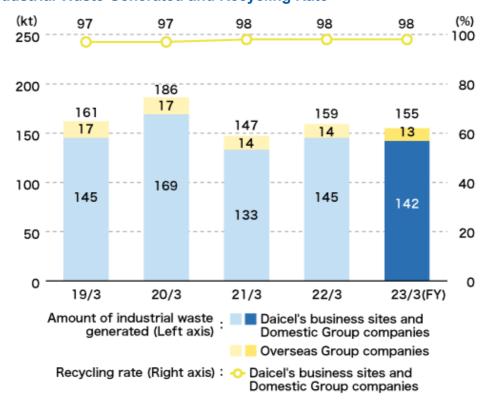
As a company involved in businesses that create industrial waste, we ensure that all our waste is properly disposed of by checking permits, disposal methods, and other details of the contracted industrial disposal companies at their sites. In the coming year, we will continue to work on waste recycling and reduction.

Industrial Waste Reduction and Recycling Flow in FY2023/3 (Daicel's Business Sites and Domestic Group Companies)

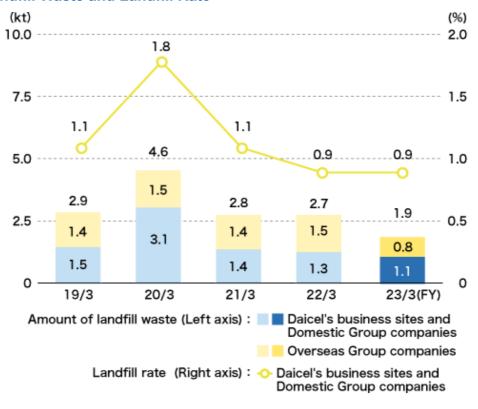


Numbers in parentheses refer to the amount of overall hazardous waste
 Hazardous waste: waste oil, waste acid, and waste alkali

Amount of Industrial Waste Generated and Recycling Rate



Amount of Landfill Waste and Landfill Rate



> ESG Data Industrial Waste Reduction

Promoting the 3Rs

The Daicel Group pursues the 3R initiatives of reduce, reuse, and recycle, including the conservation of resources, under the Daicel Group's Basic Policies for Responsible Care.

■ Major 3R Initiatives

Reduce	Improve the manufacturing facility for inflators	We seek to reduce industrial waste by modifying the manufacturing facility to lower defect rates for welding and caulking.
	Engineering plastic	We seek to reduce industrial waste by introducing a drying process to reduce the volume of deposits with a strong odor, which occurs during wastewater treatment.
Reuse	Reuse palettes for shipping	We promote reuse by switching to palettes that are easier to reuse and by conducting bulk collection of palettes.
	Reuse containers	We promote reuse by cleansing containers to avoid single use.
Recycle	Recycle boiler slag into raw material for cement and other materials	We select multiple disposal companies to promptly implement recycling.
	Recycle metals	We recycle metals by sorting waste generated by plant closures.
	Recycle inflators	We implement the treatment of explosive waste from inflators of scrapped automobiles at our facilities, and we sort metals and plastics for recycling.

Initiatives Addressing Marine Plastic Waste

As part of Preserving Biodiversity activities, the Daicel Group strives to solve the marine plastic waste problem.

> Initiatives Addressing Marine Plastic Waste

Sustainability / Environmental Report

Emission Management of Chemical Substances

Basic Approach

In accordance with <u>the Daicel Group Basic Policies for Responsible Care</u>, the Daicel Group monitors the emissions and transfers of chemical substances, including those regulated under the Pollutant Release and Transfer Register (PRTR), and volatile organic compounds (VOCs), while promoting reductions in emissions and practicing appropriate management of chemical substances.

Promotion System

> Promotion System for Responsible Care

Reducing PRTR Substance Emissions

With regard to the chemical substances specified by Japan's Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management ("PRTR Act"), as a medium-term target to be achieved by the end of FY2026/3, the Daicel Group has set a reduction target of 80% or more from levels in FY2002/3 (from 189 to 38 tonnes or less) for all Daicel's business sites and domestic Group companies. Total emissions from Daicel's business sites and domestic Group companies for FY2023/3 decreased from 83 tonnes to 57 tonnes. Daicel handled 70 out of 462 substances subject to notification under the PRTR system.

We intend to reinforce the monitoring of our emissions of PRTR-regulated substances and further reduce emissions through process and equipment modifications.

Medium-term Target and Results (Daicel's Business Sites and Domestic Group Companies)

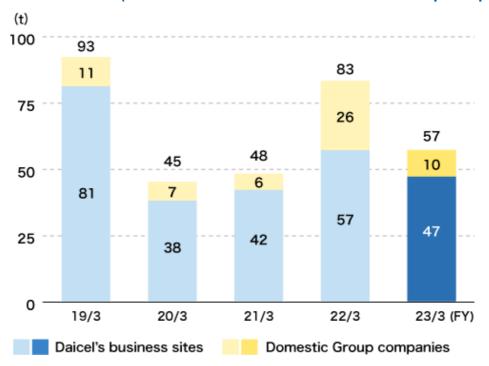
Target for Reduce emissions of PRTR-regulated substances by 80% from FY2002/3 levels (emissions of

FY2026/3 38 tonnes or less)

FY2023/3 result Achieved 70% reduction of PRTR-regulated substance emissions from FY2002/3 levels (57

tonnes in emissions)

■ Emission of PRTR Substances (Daicel's business sites and domestic Group companies)



> ESG Data Substances Subject to the PRTR

■ FY2023/3 Emission and Transfer of Major PRTR Substances (Daicel's Business Sites and Domestic Group Companies)

(t /year)* 1

Ordinance-	Substance	Total		Emiss	ions		Sewage	Off-site
designated number		emissions	Emissions into atmosphere	Emissions into water	Emissions into land	Business site landfill disposal		
1	Zinc compounds (water-soluble)	2.5	0.0	2.5	0.0	0.0	0.0	0.0
9	Acrylonitrile	0.2	0.2	0.0	0.0	0.0	0.0	0.0
10	Acrolein	0.5	0.1	0.4	0.0	0.0	0.0	0.0
12	Acetaldehyde	2.0	0.7	1.3	0.0	0.0	0.0	0.0
13	Acetonitrile	0.1	0.1	0.0	0.0	0.0	0.0	14.0
28	Allyl alcohol	1.1	0.0	1.1	0.0	0.0	0.0	0.0
56	Ethylene oxide	0.9	0.4	0.5	0.0	0.0	0.0	0.0
67	2,3-Epoxy-1-propanol	4.8	0.0	4.8	0.0	0.0	0.0	0.0
80	Xylene	0.1	0.1	0.0	0.0	0.0	0.0	0.0
151	1,3-Dioxolane	2.3	2.3	0.0	0.0	0.0	0.0	0.0
161	Dichlorodifluoromethane	3.6	3.6	0.0	0.0	0.0	0.0	0.0
186	Dichloromethane	0.4	0.4	0.0	0.0	0.0	0.0	2.7
240	Styrene	3.6	3.5	0.0	0.0	0.0	0.0	0.0
243	Dioxins*2	0.6	0.0	0.6	0.0	0.0	0.0	0.6
277	Triethylamine	2.1	1.9	0.2	0.0	0.0	0.0	2.7
300	Toluene	22.6	22.6	0.0	0.0	0.0	0.0	54.5
308	Nickel	0.2	0.0	0.2	0.0	0.0	0.0	6.6
351	1,3-Butadiene	0.6	0.6	0.0	0.0	0.0	0.0	0.0
375	2-Butenal	0.6	0.0	0.6	0.0	0.0	0.0	0.0
392	n-Hexane	0.7	0.1	0.5	0.0	0.0	0.0	0.0
405	Boron compounds	1.7	0.0	1.7	0.0	0.0	0.0	0.1
411	Formaldehyde	2.9	2.9	0.0	0.0	0.0	0.0	1.7
423	Methylamine	0.4	0.0	0.4	0.0	0.0	0.0	0.0

Ordinance- designated number		Total					Sewage	Off-site
		emissions	Emissions into atmosphere	Emissions into water	Emissions into land	Business site landfill disposal		
438	1-Methylnaphthalene	2.7	2.7	0.0	0.0	0.0	0.0	0.0
	Others*3	0.3	0.2	0.1	0.0	0.0	0.0	7.1
	Total	57.3	42.3	15.0	0.0	0.0	0.0	90.0

^{*1} The threshold for amounts handled at each workplace was 1 tonne/year.

Reducing Volatile Organic Compound (VOC) Emissions

The Daicel Group explores alternatives to chemical substances that pose a hazard to humans and the ecosystem, and strives to reduce the use of such substances.

As a medium-term target to be achieved by FY2026/3, we have set a volatile organic compound (VOC) emissions reduction target of 60% or more from levels in FY2001/3 (2,145 tonnes) at Daicel's business sites and domestic Group companies.

Due to a rise in production volume and other factors, FY2023/3 VOC emissions increased 16% year-on-year to 1,173 tonnes.

We seek to ensure safety in all our business activities, including production, consumption, and disposal, by conducting thorough risk assessments of chemical substance safety under our Total Environmental, Health and Safety Assessment System.

There were no serious leakages of VOCs in FY2023/3.

FY2026/3

Medium-term Target and Results (Daicel's Business Sites and Domestic Group Companies)

Target for Reduce VOC emissions by 60% from FY2001/3 levels (emissions of 858 tonnes or less)

FY2023/3 result Achieved 45% VOC emissions reduction from FY2001/3 levels (1,173 tonnes in emissions)

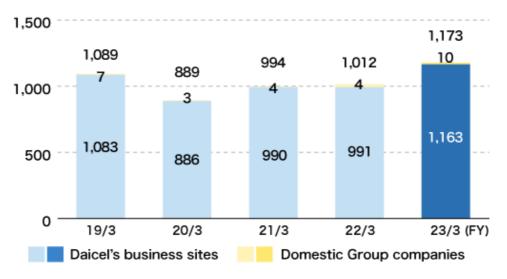
Total Environmental, Health and Safety Assessment System

^{*2} Unit for emissions and transfer of Dioxins is mg-TEQ/year.

^{*3} Substances with emissions below 0.1 tonnes per year are consolidated under Others.

Changes in VOC Emissions (Daicel's Business Sites and Domestic Group Companies)





> ESG Data Air Emissions

Appropriate Control of PCBs

In compliance with the Waste Management and Public Cleansing Act and the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes, the Daicel Group in Japan conforms to appropriate practices for the storage and management of transformers, capacitors, stabilizers of lighting equipment, and other machinery containing polychlorinated biphenyls (PCBs).

In FY2022/3, we completed the processing of highly-concentrated PCB contaminants stored at Daicel Group sites in Japan. We are also processing low-concentration PCB contaminants as we planned.

Sustainability / Environmental Report

Water Resource Preservation

Basic Approach

The risks associated with water, which is one of the irreplaceable natural resources on Earth, are on the rise across the globe. Along with natural disasters such as drought, torrential rain, flooding, and landslides, water pollution and water shortages, arising from people's daily life and economic activities, can also be viewed as water risks.

The Daicel Group adheres to <u>Daicel Group's Basic Policies on Responsible Care</u> as it seeks to preserve water quality and reduce water use for both fresh and salt water by managing the use of this limited resource and implementing appropriate wastewater treatment.

Promotion System

> Promotion System for Responsible Care

Managing Water Quality

The Daicel Group manufactures a variety of chemical products, and water is essential to our production processes. For example, we use water in a variety of such processes, including heating, cooling, and washing, and water is used for equipment that removes and discharges the chemical substances we produce in our production process. We purify the water we use and discharge almost all of it into rivers and oceans.*

At each plant, wastewater is purified to a water quality that can be discharged into rivers and oceans through the stable operation of advanced wastewater treatment facilities, contributing to reducing environmental impact. In addition to regularly measuring wastewater in accordance with laws and regulations, we also set voluntary setting targets for wastewater standards and total discharge that are stricter than those required by laws and regulations, and strive to preserve water quality by keeping wastewater levels below these targets.

In FY2023/3, we continued proper management based on our voluntary setting targets, and there were no serious legal violations with regard to water resource conservation.

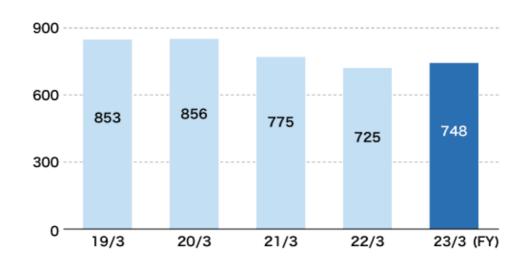
When formulating new business plans, we evaluate the effects of wastewater on water quality in advance by operating the Total Environmental, Health and Safety Assessment System. To fulfill our responsibilities as a manufacturer, we take measures to avoid the risks of water pollution from all causes. This includes improving wastewater treatment facilities in collaboration with facility manufacturers and developing wastewater simulation technology jointly with universities and other institutions.

* No discharge into groundwater

> Total Environmental, Health and Safety Assessment System

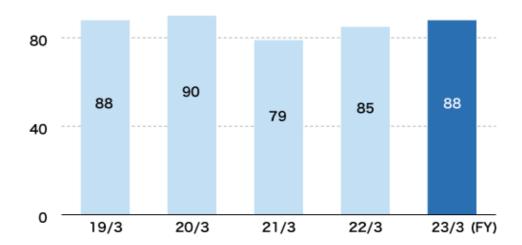
■ COD Emissions (Daicel's Business Sites and Domestic Group Companies)



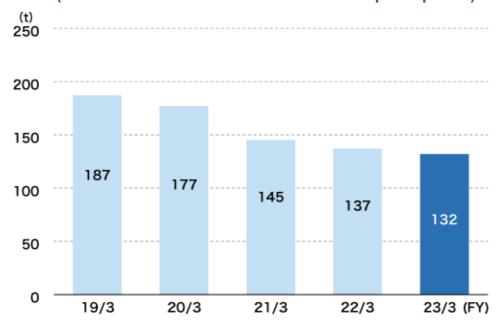


■ Phosphorous Emissions (Daicel's Business Sites and Domestic Group Companies)





Nitrogen Emissions (Daicel's Business Sites and Domestic Group Companies)



> ESG Data Water Resources and Water Quality

Efficient Use of Water

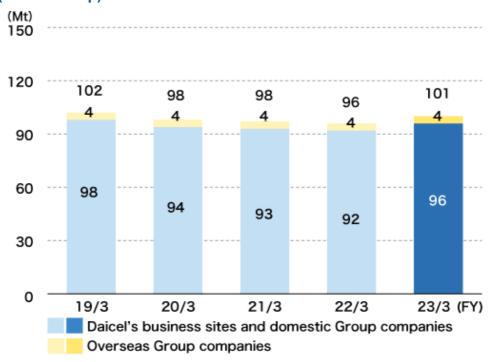
The Daicel Group is striving to reduce water intake at all of its business sites. Each business site has set a medium-term target of 10% reduction compared to FY2019/3 levels by FY2026/3 as the final year, and is promoting efficient water use. At cooling towers and other facilities, we are working to recycle cooling water and reduce the amount of water used. Each business site is monitoring water intake, discharge, and water consumption to reduce water risk and to review the manufacturing process, etc., and we are considering expanding these initiatives to other plants. Since FY2017/3, we have responded to the CDP* water security questionnaire, a program for the global disclosure of information concerning water-related risks posed by companies. We received a "B-" rating as a result of our responses to the CDP water security questionnaire conducted in FY2023/3.

Carbon Disclosure Project. A British NGO that discloses information on environmental measures taken by companies and local governments.

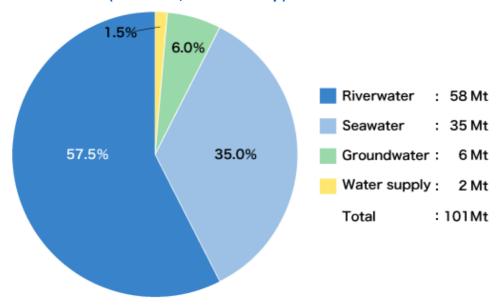
Medium-term Target (Daicel Group)

• Achieve 10% water intake reduction by FY2026/3 (compared to FY2019/3)

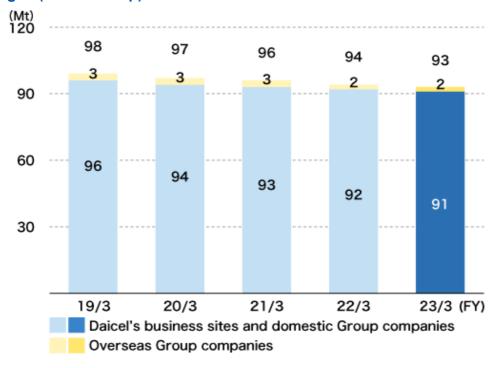
■ Water Intake (Daicel Group)



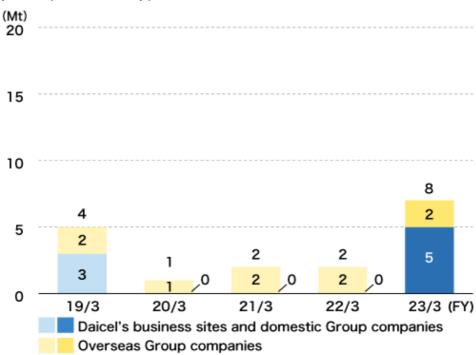
■ Breakdown of Water Intake (FY2023/3, Daicel Group)



■ Water Discharged (Daicel Group)



■ Water Consumption* (Daicel Group)



^{*} Water consumption = water intake – water discharge

> ESG Data Water Resources and Water Quality

Assessment of Water-Related Risks

Led by the Risk Management Committee, the Daicel Group conducts regular risk assessments on the water intake and discharge at each plant in Japan to accurately grasp and appropriately manage the risks.

In overseas, an Aqueduct* mapping survey in FY2023/3 identified minor risks in Thailand and China, but additional on-site surveys confirmed that there were no water risks at the site level. As a result, the Daicel Group was able to confirm that there were no areas of high water risk throughout the Group, and that there were no water intakes or discharges in water-stressed areas (areas of water shortages where freshwater resources per capita are below 1,700 m³, which are common in North Africa, the Middle East, and South Asia). We address water-related risks by taking preventive actions and measures for mitigating damage, and regularly check the status of these measures.

In FY2023/3, in order to strengthen preparedness against large-scale natural disasters, we identified disaster risks related to floods and storm surges in response to Japan's Fundamental Plan for Regional Resilience.

* It is a global tool for water risk assessment developed by the World Resources Institute (WRI). It is possible to assess the water risk in the area where the site is located in terms of water quantity, quality, regulation, and reputation.

Sustainability / Environmental Report

Environmental Management and Prevention of Air Pollution

Basic Approach

Guided by its <u>Basic Policies for Responsible Care</u>, the Daicel Group's efforts extend beyond simply complying with regulatory requirements to further reduce its emissions of air pollutants (sulfur oxides [SOx], nitrogen oxides [NOx], soot and dust). It continually strives to reduce its environmental risk by improving the facilities at each of its plants and periodically monitoring their emissions.

Promotion System

> Promotion System for Responsible Care

Prevention of Air Pollution

Daicel's business sites and Group companies in Japan strictly comply with regulatory requirements as well as other requirements as determined through negotiations with local governments and municipalities in regard to total emission volume and the density of specific substances. The Daicel Group in Japan strives to limit its emissions of air pollutants by voluntarily setting targets that are more stringent than required. We are limiting atmospheric emissions of SOx, NOx, and soot and dust through means that include removing it from the air through the use of catalysts, and dust collectors and scrubbers, as well as by choosing fuel that contains no nitrogen or sulfur.

FY2023/3 SOx and soot and dust emissions both dropped year-on-year to 299 tonnes and 30 tonnes, respectively. NOx emissions increased year-on-year to 686 tonnes but held below voluntary setting targets.

Initiatives

- Reduction of SOx through use of stack-gas desulfurization technology
- Reduction of NOx through use of catalysts
- Soot and dust removal using dust collectors for boilers and other combustion equipment

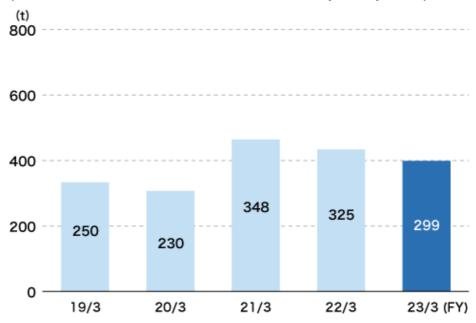
Before formulating a plan for the development of a new product or changing a manufacturing process, we carefully assess the potential impact it may have on air quality using our Total Environmental, Health and Safety Assessment System. We take the appropriate measures to fully address any possible issues before executing the plan.

Please see our "<u>Management of Chemical Substance Emissions</u>" page for information about our efforts to reduce emissions of volatile organic compounds (VOCs).

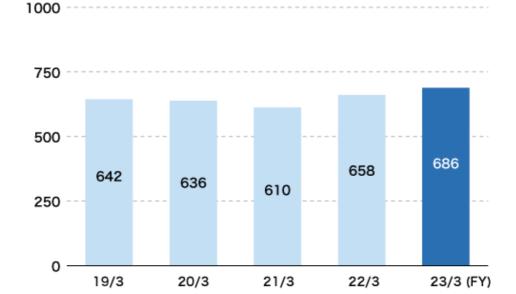
> Total Environmental, Health and Safety Assessment System

(t)

■ SOx Emissions (Daicel's Business Sites and Domestic Group Companies)



■ NOx Emissions (Daicel's Business Sites and Domestic Group Companies)



■ Soot and Dust Emissions (Daicel's Business Sites and Domestic Group Companies)



> ESG Data Atmospheric Emissions (SOx, NOx, Soot and Dust, VOC, CFC-11, CFC-12)

Sustainability / Environmental Report

Preserving Biodiversity

Basic Approach

Guided by the <u>Daicel Group Basic Policies for Responsible Care</u>, we operate our business with due consideration for the preservation of biodiversity to pass on to future generations the wonders nature has to offer.

Promotion System

To further clarify our commitment to biodiversity conservation, we incorporated our initiatives on preserving biodiversity into the Daicel Group's Basic Policies for Responsible Care in FY2012/3.

We implement each initiative appropriately through the Promotion System for Responsible Care, which directly reports to the president and CEO.

> Promotion System for Responsible Care

Initiatives Aimed at Preserving Biodiversity

Biodiversity provides numerous direct and indirect benefits every day, yet human activities are placing a significant stress on the Earth's ecosystems. This is causing a rapid increase in endangered species and threatening biodiversity. Given these circumstances, it is our responsibility to protect biodiversity and use biological resources in a sustainable manner for future generations.

To prevent the loss of biodiversity, Daicel is striving to address climate change, reduce and recycle waste, control emissions of chemical substances, and preserve water resources.

Moreover, our R&D divisions have established in-house rules to ensure that their research and development activities are undertaken in conformity with the "Law Concerning the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms" (Cartagena Protocol).

Initiatives Addressing Marine Plastic Waste

Marine plastic waste does not decompose and affects marine resources. In recent years, this problem has increased in severity, and the adverse effects of this waste on biodiversity are now being recognized as a serious issue. The Daicel Group is working toward solving this problem with specially designed products and unique technologies cultivated over many years.

Products that Help Solve the Problem of Marine Plastic Waste

Cellulose acetate, one of Daicel's major products, is biodegradable and an environmentally sound material that is made from plant-based cellulose and acetic acid, a naturally occurring chemical. After use, cellulose acetate ends up biodegrading into water and carbon dioxide, not only in the soil or among other waste materials but also in the oceans. Daicel has taken this advantage one step further by modifying the molecular structure of this substance to bring major improvements in biodegradability and create CAFBLO™, a type of cellulose acetate that is highly biodegradable in seawater. CAFBLO™ has obtained "OK biodegradable MARINE" certification from the international certification organization for biodegradability, TÜV Austria, Belgium.

In addition, <u>CELBLEN EC (Japanese text only)</u>, a biodegradable biomass plastic made from cellulose acetate with added plasticity, is also a noteworthy for contributing to solving the problem of marine plastics. It features greater transparency and moldability than other biodegradable plastics, and one of its uses is in manufacturing drinking straws and eating utensils, items that have otherwise been a particularly troublesome source of plastic waste that flows into the oceans. Even if these CELBLEN products are not recycled, they biodegrade, becoming one solution to the problem of marine plastic waste. We are developing a wide range of further uses for these materials and encouraging their greater use in our society as part of our efforts to combat the problem of marine plastic waste.

Collaboration with Industrial Organizations and Local Governments

Daicel participates in the Japan BioPlastics Association, which was founded with the objectives of promoting the widespread use of bioplastics and establishing a testing and evaluation system. The company also participates in the Clean Ocean Material Alliance (CLOMA), a platform for efforts to solve the problem of marine plastic waste through cooperation across industries.

Furthermore, it cooperates with the Osaka Blue Ocean Vision, which aims to reduce additional marine plastic waste to zero by 2050. This is also the goal of Green Sea Setouchi Hiroshima Platform, an organization with which Daicel cooperates. Through participation in these organizations, Daicel moves beyond maintaining alliances solely within the chemical industry and strives to accelerate the process of innovation and to solve the problem of marine plastic waste working together with other industries and the public and private sectors.



> The GREEN SEA Setouchi Hiroshima Platform (GSHIP) (Japanese text only)

Native Forests for Life

Native Forests for Life is an initiative aimed at restoring forests native to a region. It is based on the tree planting methodology (Miyawaki method) advocated by the late Dr. Akira Miyawaki. Daicel has organized a Native Forests for Life Committee, chaired by the president, to engage in a Group-wide effort for creating native forests for life and for preserving biological diversity. Daicel encourages local people to participate in tree planting programs, and these programs become a venue for interaction with the local community.

The Daicel Group also proposed a biomass value chain in our "Accelerate 2025" Mid-Term Management Strategy. We will realize a biomass product tree that effectively uses 100% of a tree to transform timber into a valuable resource to contribute to the forestry industry. By revitalizing forestry and turning neglected forests into forests for life, we can recover their water retention functions, reduce landslides, and enrich farmlands, which in turn will revitalize agriculture. As nutrient-rich groundwater flows into rivers, it will also revive fishery resources. The Daicel Group aims to build a sustainable society with a new model in which value circulates through a co-creative effort between primary industries such as forestry, agriculture and fisheries, and secondary industries including chemical manufacturers such as ourselves.

> Native Forests for Life Initiative

Respect for Human Rights

Daicel Group Human Rights Policy

At the Daicel Group, we recognize that, in order to progress and grow in tandem with society, it is imperative that we respect the human rights of anyone and everyone involved in or connected to us through our business activities. To fulfill this responsibility, the Daicel Group hereby establishes the Daicel Group Human Rights Policy ("the Policy").

Basic Position

We at the Daicel Group value the happiness of our employees as well as the happiness of society and all people. Human rights are fundamental for happiness, and the Ethical Standards of Daicel Group declare our determination to respect the human rights of all individuals according to international standards.

Moreover, as a signatory of the United Nations Global Compact, we fully support international standards for human rights. We acknowledge the standards listed in the United Nations International Bill of Human Rights (Universal Declaration of Human Rights and both International Covenants), the core conventions set forth by the International Labour Organization (ILO) in their Declaration on Fundamental Principles and Rights at Work*, and the United Nations Guiding Principles on Business and Human Rights. Accordingly, we promise to continue and promote efforts to respect and address the human rights in line with the above standards.

Scope of Application

The Policy applies to all executives and employees of the Daicel Group. The Daicel Group will also encourage its business partners and suppliers to support the Policy, and in concert with them, will promote activities to fulfill its responsibilities relating to human rights.

Human Rights Due Diligence

The Daicel Group will establish a system of human rights due diligence which will be continuously implemented. Human rights due diligence is a series of processes that includes identifying any adverse human rights impact connected to the Daicel Group and preventing or mitigating potential risks to human rights.

Correction and Remedy

When the Daicel Group identifies that it has caused or contributed to an adverse impact on human rights contrary to the Policy, it will promptly take corrective and remedial actions through appropriate procedures.

Education and Training

The Daicel Group will provide appropriate education and training to ensure that the Policy is integrated into all business activities and that human rights due diligence is effectively implemented.

Applicable Laws and Regulations

The Daicel Group will observe laws and regulations of countries and regions where it conducts business. However, if a conflict occurs between internationally recognized standards of human rights and the standards stipulated by laws and regulations of an individual country or region, the Daicel Group will pursue a direction that respects international principles of human rights.

Dialogue and Consultation

In implementing the Policy, the Daicel Group will seek expert advice on human rights both from within the company and external independent experts and engage in dialogue and consultation with our Group stakeholders.

Information Disclosure

The Daicel Group will publicly disclose the progress and results of its human rights activities based on the Policy.

Enacted July 30, 2020 Last revised August 1, 2023

* Declaration on Fundamental Principles and Rights at Work includes ten conventions in five categories

Freedom of association and the effective recognition of the right to collective bargaining	Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
The elimination of all forms of forced or compulsory labour	Forced Labour Convention, 1930 (No. 29) Abolition of Forced Labour Convention, 1957 (No. 105)
The effective abolition of child labour	Minimum Age Convention, 1973 (No. 138) Worst Forms of Child Labour Convention, 1999 (No. 182)
The elimination of discrimination in respect of employment and occupation	Equal Remuneration Convention, 1951 (No. 100) Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
A safe and healthy working environment	Occupational Safety and Health Convention, 1981 (No. 155) Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)

Efforts to Instill Respect for Human Rights into Practices

Human Rights Due Diligence

Human rights due diligence is a series of processes that include identifying any adverse human rights impact associated with a company and preventing or mitigating potential risks to human rights. The Daicel Group has established a clear human rights policy in line with the UN Guiding Principles on Business and Human Rights and has been conducting human rights due diligence since FY2020/3 based on accepted procedures in these principles.

Initiatives for Group Companies

Our human rights due diligence process for Group companies consists of risk investigation and assessment; prevention, mitigation or corrective and remedial actions; monitoring and planning; and information disclosure.

For the first step in the process, risk investigation and assessment, we have been sending questionnaires on human rights and labor practices to Group companies in Japan and overseas and have been conducting interviews based on their responses to the questionnaire.

In addition to the questionnaire, we request Group companies to submit substantiating documents as necessary. These documents correspond to the risk assessment checklist, and we implement a more detailed risk assessment through document checks and interviews.

In FY2023/3, in the risk investigation and assessment stage, the results of the survey revealed no human rights violations by Daicel Group companies or cases requiring corrective and remedial actions.

Implementation ratio of human rights due diligence (FY2020/3-FY2023/3)

63.2%

Group companies in Japan: conducted at 18/19 companies*
Group companies overseas: conducted at 18/38
companies*

* Denominators indicate the number of Group companies subject to human rights due diligence (as of March 31, 2023)

The number of companies changed compared to the previous fiscal year due to M&A and organizational changes.

However, during the human rights due diligence, we found several issues of concern such as Group company responses to revisions in local laws and regulations in each country, and observance of the statutory employment rate of persons with disabilities. We will continue to address these issues with appropriate countermeasures.

Daicel plans to complete implementation of human rights due diligence for all major Group companies by FY2026/3.

Initiatives for the Supply Chain

The Daicel Group promotes initiatives that ensure respect for human rights across its supply chain by addressing human rights and labor practices in the Daicel Group CSR Purchasing Guidelines, in addition to its Human Rights Policy.

By FY2023/3, we had distributed Certificates of Confirmation to 768 of Daicel's major suppliers (accounting for over 85% of total procurement) in order to confirm that they understood the content of the Daicel Group CSR Purchasing Guidelines, and we received signatures from 678 companies (response rate of 88%). Since FY2021/3, we have instituted a rule that requires new suppliers to sign a Certificate of Confirmation and the response rate from new suppliers has been 100%.

We also ask major suppliers to complete a Self-Assessment-Questionnaire (SAQ) on CSR procurement, which includes assessment of human rights and labor practices, to identify any human rights risks in our supply chain.

In addition to these Certificate of Confirmation and requests to complete SAQ on CSR procurement, we have also launched an initiative focused on human rights. Following the philosophy of the UN Guiding Principles on Business and Human Rights, we once more prepared risk mapping and identified areas where we should prioritize actions. Taking this into account, in FY2023/3, we conducted an assessment of 28 suppliers in Japan. In FY2024/3, based on the results of this assessment, we will hold discussions with relevant companies and provide assistance.

> Sustainable Procurement

Human Rights Education and Training

The Daicel Group provides employees with human rights education and training based on the Daicel Group Human Rights Policy to deepen understanding of human rights.

We incorporate human rights topics into training held annually during compliance month, and this provides human rights training regularly through e-learning and other means. In FY2023/3, a total of 9,338 employees from Daicel and its Group companies inside and outside of Japan took part in this training (participation rate of 73.4%)*.

We also provide an opportunity for people to learn about human rights through educational materials on corporate compliance, which we distribute to the entire Group companies every month. These materials include a wide range of human rights related content, such as forced labor, child labor, human trafficking, sexual harassment, workplace bullying, Sexual Orientation and Gender Identity (SOGI) discrimination, and working with people from different cultural backgrounds.

In addition, we educate employees by focusing on harassment through training by mission or capability-based grading and preparatory training prior to overseas assignments.

* Covers a total of 12,716 employees including contract workers and temporary employees.

Reporting and Consultation

The Daicel Group operates the Compliance Help Line System (whistleblower system) to receive reports and provide consultation on issues that include human rights. Issues can be raised anonymously to protect the identity and privacy of whistleblowers. Rules are also in place to prohibit any adverse treatment of whistleblowers.

In addition, compliance consultation information is available on our website, which can be used by stakeholders outside the Daicel Group to report or consult on human rights issues as well as other issues.

> Compliance Help Line System (Whistleblower System)

Sustainability / Social Report / Responsibility to Customers and Product Safety

Enhancing Product Quality

The Daicel Group strives to ensure and enhance quality by adhering to its Quality Policy.

Quality Policy for Daicel Group

Each member of the Daicel Group promises to deliver safe and quality products and services that can be used with confidence by customers. In order to realize this policy, we undertake the following actions.

- We listen to customer requirements and deliver trust and satisfaction.
- We clarify and seek to achieve the required quality.
- We obey laws and regulations.
- Each member looks at matters from the customer's perspective and undertakes actions on their own initiative.

Established April 6, 2016

Response to inappropriate actions of Daicel Miraizu Ltd.

In February 2022, it was determined that one of the Group companies, Daicel Miraizu Ltd., took inappropriate action ("misconduct") for some of the resin products they sold in relation to certification by Underwriters Laboratories Limited Liability Company (UL), a third-party safety science organization in the United States. In response, we established an investigative committee chaired by an independent outside Audit & Supervisory Board Member and composed of external experts who have no interest in the Company. In December 2022, the committee submitted a report that analyzed the facts and causes of this misconduct, determined whether there were similar cases in the Group, and recommended measures to prevent recurrence. The Group takes the results of this survey seriously and is working to prevent recurrence.

Based on the recommended measures to prevent recurrence, as of April 1, 2023, we made organizational changes to strengthen our management base with safety, quality, and compliance as our top priority. In addition to the progressive disbanding of the Quality Management Division and the Responsible Care Division of Assessment Headquarters, we have newly established the Safety and Quality Auditing. The Safety and Quality Auditing will centrally conduct safety and quality audits and training, including Responsible Care audits. In addition, we newly established the Safety and Quality Assurance Headquarters, and establish the Quality Assurance Center in this division to supervise and promote initiatives related to quality assurance and quality control. Furthermore, with the aim of strengthening cooperation among all factories beyond the boundaries of plants, we have abolished each production company and established a Quality Assurance Department

in every plant. As a result, we have assigned production, safety and the environment, quality assurance, production technology, and general affairs functions as the basic functions of all of our plants in Japan, and are strengthening the functions of each corporate division and cooperation among plants.

> Investigative report (summary)(only in Japanese) [PDF: 350KB]

Quality Management System

The Daicel Group has constructed a quality management system at each manufacturing site under the leadership of the plant manager (general manager). The Quality Assurance Committee, comprising departments at each site and other relevant departments, serves as an important organization in pursuing continuous improvements, with the support of the relevant corporate departments. Progress made toward achieving quality-related goals and initiatives, as well as the effectiveness of these efforts, is reported to and reviewed by the top management through monthly quality reports, quality white papers, and audit reports, etc.

Our Structure for Quality Management



Quality Assurance Committee

Certification Status

The Daicel Group has obtained various certifications to meet the requirements of our customers and markets, including ISO 9001.

[Examples of certifications]

- IATF 16949 for the automotive sector
- ISO 13485 for the medical equipment sector
- ISO 22000 and FSSC 22000 for food safety management

> Certification Status

Major Initiatives for Ensuring Quality

The Daicel Group initiatives for ensuring quality involve planning products based on the Group's proprietary technologies and market needs and proceeding with design and development.

During trial production and the early stages of commercial production, we review the product from the perspective of seeking out any issues related to quality and safety performance. We then move on to mass production after conducting the necessary assessments. We ensure traceability throughout our production processes, from raw materials to the final products. After the products are processed, they undergo quality testing and inspection before finally being shipped to the market.

For shipped products, we provide customers with information about safety and handling of products through such means as providing safety data sheets (SDS) and affixing labels.

Following a market launch, we manage changes in product specifications or changes in raw materials and processes by assessing the risks of changing any element in accordance with quality requirements and agreements with customers. This ensures that we can maintain quality in the face of change.

At each plant, internal audits and Quality Assurance Committee meetings are held regularly to check up on the status of quality management operations, conformity, effectiveness and other aspects to make improvements. The targets are set for improvement at the start of the fiscal year based on various benchmarks, including the number of customer complaints and in-process defects. These reviews are conducted at the end of each fiscal year by the plant managers and relevant departments to determine further improvements for the next fiscal year.

In addition, the Safety and Quality Auditing of Assessment Headquarters, which is part of the Head Offices, confirms that these processes are being properly conducted at each business site in the Daicel Group and performs audits in order to strengthen the management capabilities of the Group. Based on the results, each department works to ensure continuous improvement.

* SDS: Short for Safety Data Sheet, this document provides information on the properties, safety, and handling of chemical substances.

> Chemical and Product Safety

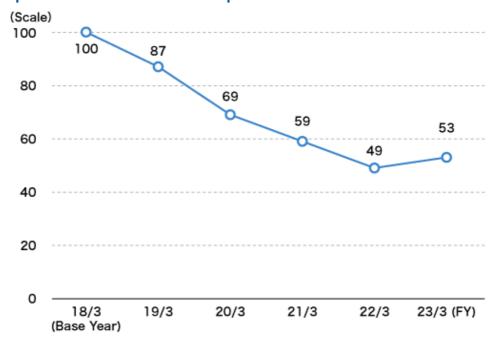
Responding to Customer Feedback

The Daicel Group responds to complaints and inquiries from customers by conducting primary investigations on issues such as in-process defects and abnormal tendencies, and it swiftly provides feedback. Also, we offer replacements as necessary for customers and investigate the causes of the occurrence and taking steps to rectify or prevent these situations.

In addition to information from customers, when quality defects or irregularities are discovered in product inspections and production processes, we use a dedicated database to visualize and accumulate information.

This information is used in discussions by the Quality Assurance Committee, which confirms the appropriateness of countermeasures, leading to further quality improvements, including prevention of recurrence.

Customer Complaints about the Daicel Group*



- * Shows the change in the number of customer complaints on a scale where data for FY2018/3 is 100.
- * Scope: Daicel Corporation, Dainichi Chemical Co., Ltd., Daicel Pyrotechnics Ltd., Daicen Membrane-Systems Ltd., Daicel Miraizu Ltd., Daicel Pack Systems Ltd., Daicel-Allnex Ltd., Daicel Aboshi Sangyo Co., Ltd., DM Novafoam Ltd., and Polyplastics Co., Ltd. (includes overseas companies), Polyplastics-Evonik Corporation, Daicel Nanning Food Ingredients Co., Ltd., Shanghai Daicel Polymers, Ltd., Daicel Safety Systems Europe Sp.z o.o., Daicel Safety Systems Americas, Inc., Daicel Safety Systems (Jiangsu) Co., Ltd., Daicel Safety Systems (Thailand) Co., Ltd., Daicel Safety Technologies (Thailand) Co., Ltd., Daicel Safety Systems (Thailand) Co., Ltd.
- * Applicable companies added in September 2021: Chiral Technologies Europe S.A.S., Chiral Technologies, Inc., Daicel Chiral Technologies (China) Co., Ltd., Daicel Chiral Technologies (India) Pvt. Ltd., Daicel Arbor Biosciences
- * Applicable companies added in April 2022: Xi'an Huida Chemical Industries Co., Ltd., Xi'an Da-an Chemical Industries Co., Ltd., and Ningbo Da-an Chemical Industries Co., Ltd.
- * Applicable companies added in or after October 2022 Daicel Beyond Ltd.

Rate of Initial Response to Customer Complaints within 24 Hours

FY	2021/3	2022/3	2023/3
Rate of initial response within 24 hours (%)	38	63	88
Average number of days to initial response at production sites	13.8	2.2	0.7

^{*} Applicable sites: Daicel production sites in Japan

Internal Education and Training

In addition to providing education for each organizational unit that operates the quality management system, Daicel's corporate departments host training sessions on quality management, quality control and internal audits. The programs are carried out in consideration of each participant's job grade and experience to gradually raise their knowledge level. The graph below shows training sessions held in FY2023/3.

In-house Training Sessions Conducted in FY2023/3

	Training content			
Training organizer	Quality management	Quality control	Internal auditor development	
Domestic production sites	24	48	8	
Corporate departments	4	9	3	
Total	28	57	11	

^{*} Applicable sites: Daicel production sites in Japan

> Support for Human Resource Development

> Human Development Center

^{*} The target rate of initial response within 24 hours is 100% by FY2026/3

^{*} The target rate of initial response within 24 hours is 100% by FY2026/3



Image Analysis System that Leverages Cutting-edge IoT and Al-driven Technologies

To strengthen our customers' security and increase their trust in us, the Daicel Group strives to enhance quality by being quick to introduce the latest technologies in order to meet our customers' expectations. For example, we signed a partnership agreement with Hitachi Ltd. Then, we introduced and operated an image analysis system in 2016 that leverages IoT and AI technologies at the Harima Plant, one of our manufacturing sites for inflators, a key component of automobile airbags.

The system is capable of consistently monitoring the status of operations, facilities and materials via images captured by multiple cameras installed along production lines. The system allowed us to change the conventional method of inspecting representative samples and closely manage the quality of every product unit being manufactured. It also led to a shift from representative-point management of each lot to all-point management based on the serial number of each product, which significantly improved the in-process guarantee rate for products. Moreover, we utilize the Al-based analysis of massive volumes of image data to improve work operations, determine optimal conditions for facility operations and enhance overall operational efficiency.

Since introducing the system to the inflator production line at the Harima Plant, we have begun introducing it in China and Thailand as part of our global rollout. We plan to introduce the system to all inflator production plants overseas by FY2024/3. Our goal for the future is to build a unified information system and standardize production process management, quality management, and the handling of management-related information.

Practical Application of a	n Image Anal	vsis Svs	tem I
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Risk Management for Product Safety

The Daicel Group is working to strengthen risk assessments related to product safety in order to provide customers with safe and secure products related to safety devices, covering such fields as pharmaceuticals, foods, cosmetics, medical devices, and automobiles. In addition, we identify and monitor risks related to product safety, conduct Product Crisis Assessment, which is an assessment of the response measures taken in the event of a crisis, and hold Product Safety Advisory Meetings, chaired by an external expert, to evaluate product safety risk assessments from a more specialized perspective.

In FY2023/3 there were no serious product safety accidents that negatively affected customers' physical wellbeing, life, or property.

In the event of a serious accident that adversely affects the physical wellbeing, life, or property of a customer, we will establish a Product Accident Countermeasures Committee chaired by the head of SBU etc. or a person designated by the

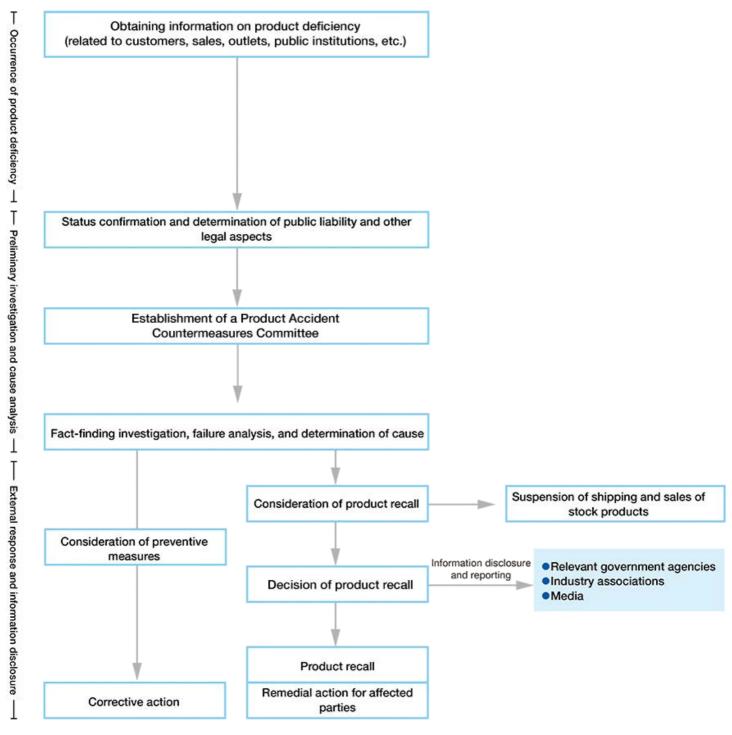
President and CEO based on internal rules, and will appropriately and swiftly implement everything from the initial investigation and cause analysis to the external response and information disclosure with the safety and security of customers as the top priority.

Product Accidents

FY	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Product accidents	0	0	0	0	0	0

^{*} Applicable sites: Daicel production sites in Japan

Process Flowchart for Responding to Serious Product Deficiencies



> Total Environmental, Health and Safety Assessment System

Sustainability / Social Report / Responsibility to Customers and Product Safety

Chemical and Product Safety

Basic Approach

In line with its <u>Basic Policies for Responsible Care</u>, the Daicel Group strives to ensure the safety of its products and promote continuous improvement in product stewardship* across its entire supply chain. At the same time, we practice chemicals management with consideration for risks that arise throughout the product life cycle, from development, manufactureing, distribution, and use to disposal, and recycling. We are committed to disclosing the information required for properly handling chemical substances both inside and outside the Group.

* Product stewardship is an initiative for minimizing the impact of chemical substances on human health, safety, and the environment throughout the entire value chain related to the life cycle of a chemical product, encompassing its development, manufacture, distribution, use, disposal, and recycling.

Promotion System

Under the Responsible Care ("RC") Promotion System, spearheaded by the RC Council, the Daicel Group strives to ensure chemical and product safety throughout the process of development, manufacturing, distribution, use, disposal, and recycling of chemical products. We practice proper chemical substance management by implementing the Total Environmental, Health and Safety (EHS) Assessment System as a means for evaluating risks associated with chemical substances in regard to health, safety, and the environment. Chemical substances subject to risk assessment include existing products that have undergone production process or production equipment changes, as well as new products.

- > Promotion System for Responsible Care
- > Total Environmental, Health and Safety Assessment System

Chemical Substance Management

Initiatives to Maintain Compliance with International Chemical Regulations

The Daicel Group not only complies with domestic regulations pertaining to the management of chemical products but also maintains compliance with the chemical regulations enforced in each country in Europe, the U.S., Asia-Pacific, and other regions by utilizing search databases for domestic and international laws to obtain the latest information on revisions to laws and regulatory trends in each country.

In May 2018, Daicel completed all registrations of its products designated under the European Union's REACH*, as planned, in compliance with regulatory timelines specified by the regulations based on the volume of substances being manufactured or imported.

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

Consolidated Management of Chemical Information

The Daicel Group creates SDS* and labels to ensure that all of its products are handled safely and securely, and it provides timely information to customers, and conducts risk assessments of the chemical substances in its products. Using its unique chemical information management data bank called D-CLik, the company has unified information on raw materials, intermediates, and finished products with regard to their toxicity, hazardous properties, and relevant regulations. As for the data on D-CLik, we not only register new chemical substances but also provide occasional updates by collecting monthly safety test reports and other relevant documents from the entire company and submitting them to the administration departments.

* The Safety Data Sheet is a document providing information on the properties and safety of chemical substances, and instructions about their handling.

Provision of Chemical Information

The Daicel Group provides the following information on chemical substances to ensure that customers can use its products with a sense of safety and security.

Information disclosed via the Safety Data Sheet (SDS)	 Daicel creates a SDS for all of its products in accordance with GHS*1 and the Industrial Safety and Health Act of Japan and provides this information to customers. Daicel publishes a SDS for its major products on its website.
Information disclosed via GPS/JIPS* ² activities	 Daicel participates in the GPS/JIPS (Global Product Strategy/Japan Initiative of Product Stewardship), a voluntary initiative promoted by the Japan Chemical Industry Association (JCIA) for reinforcing controls of chemical products. Daicel publishes its 12 Safety Summaries, based on risk assessment results, on the GPS Chemicals Portal Site run by the JCIA.
Information disclosed via chemSHERPA*3	 Daicel has declared its support for promoting the use of chemSHERPA, a scheme developed by the Ministry of Economy, Trade and Industry of Japan for communicating information on the ingredients of chemical products.

- *1 GHS stands for Globally Harmonized System of Classification and Labelling of Chemicals, which provides a globally standardized set of rules regarding chemical categories and the presentation of SDS information for hazardous properties of chemical substances, as well as precautions for their handling.
- *2 GPS/JIPS stands for Global Product Strategy/Japan Initiative of Product Stewardship, and it concerns the voluntary actions of the chemical industry promoted by Japan Chemical Industry Association (JCIA) and is based on the chemical management strategy of the International Council of Chemical Associations (ICCA). Through these actions, the industry conducts risk assessments of chemical products, creates safety summaries to easily explain results to people outside the industry, and makes these summaries publicly available on JCIA's "Portal Site for Chemical Substance Risk Assessment Support."
- *3 chemSHERPA is a scheme that aims to ensure the appropriate management of the content of chemical products while communicating information regarding their ingredients throughout supply chains based on a unified list.

The Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Act) was revised, and the designated chemical substances subject to the SDS system were replaced in April 2023. In addition, a partial revision of the enforcement ordinance of the Industrial Safety and Health Act (ISHA) was promulgated in May 2022, and substances subject to required labeling, SDS, etc. and notification will be added every year from FY2024/3. Prior to the enforcement of these acts, the Daicel Group's SDS was updated to include substances subject to revision by the Chemical Substances Control Act, and substances that are candidates until the enforcement of the ISHA in FY2025/3.

>	Chemical	risk	assessment	support	portal	

In-House Training and Education

To ensure appropriate management of chemical substances, the Daicel Group regularly provides all employees who handle chemical substances with educational programs about the hazardous properties of chemical substances and appropriate methods for handling them as well as the domestic and overseas laws and regulations governing them. Particularly with respect to domestic and overseas laws and regulations, we have assigned chemical product management supervisors and workers in each business division and Group company who gather four times a year to exchange information, which is undertaken in two parts. In the first part, participants share information and discuss topics such as chemical product regulations in Japan and overseas along with the latest information and trends related to industry groups, and in the second part, topics such as regulatory trends and internal management systems that are focused on conveying information about chemicals are discussed. In FY2023/3, the meetings were attended by a total of 280 division heads and relevant staff.

Information on toxicity, hazardous properties, and related regulations for all chemical substances and products handled by Daicel are compiled in a list in the chemical substances safety assessment that is conducted as part of the Total EHS Assessments. Based on this list, we consider measures for mitigating the risks of hazardous properties and incorporate them into work procedures. In addition, we ensure all employees handling chemical substances are acquainted with this information.

Voluntary Efforts Concerning Chemical Substances

When developing new plans* under the Total EHS Assessment System, the Daicel Group conducts advance assessments of all chemical substances handled through its business with regard to the risks and toxicity they may pose in order to prevent people, equipment, and the environment from being affected by its chemical substances.

■Prohibited substances

Chemical substances whose risk or toxicity renders their manufacture or use illegal or subject to particularly severe restrictions. The Daicel Group prohibits the manufacture and use of these substances.

■Substances prohibited in principle

Chemical substances whose manufacture or use is severely restricted (must obtain permission, file notifications, take safety measures, etc.). In principle, the Daicel Group prohibits the manufacture and use of these substances and considers replacing them with alternative substances at the R&D stage. When the manufacture or use of these substances cannot be avoided, we determined the viability of such use following deliberation by the Corporate Total EHS Assessment Committee based on information such as risks, toxicity, amount produced, amount used, applications, purposes, exposure severity, and risk countermeasures for people's health and the environment.

We systematically manage substances of concern due to their risks or toxicity through the Total EHS Assessment System. In FY2023/3, we conducted risk assessments for all chemical substances used in our existing products.

* This includes expanded applications for existing products as well as changes to product standards, manufacturing methods, and raw materials

Our Philosophy on Animal Experimentation in Toxicity Testing

Laws and regulations require hazard assessments be conducted as part of product development and appropriate product management control. As a general rule, the Daicel Group conducts toxicity testing without the use of animals. When animal experimentation cannot be avoided, we outsource to testing organizations that are in compliance with the 3Rs* (a set of international principles for conducting animal experiments properly in accordance with animal welfare principles) and that have policies and certifications regarding the careful treatment of animals.

* A set of internationally established principles that seeks to ensure animal experimentation is conducted properly and that includes guidelines for the feeding and storage of animals used in experiments. The 3Rs refer to the principles of (1) alleviating animal suffering (Refinement), (2) reducing the number of animals used (Reduction), and (3) using alternative means of experimentation that do not involve the use of animals (Replacement).

Sustainability / Social Report / Responsibility to Customers and Product Safety

Process Safety and Disaster Prevention

Basic Approach

The Daicel Group regards safety as one of its most important foundations. Adhering to the Daicel Group Basic Policies for Responsible Care, it identifies risks associated with processes related to safety and disaster prevention through various assessments.

The Group then takes preventive actions that include eliminating and mitigating those risks. Moreover, in the event of a safety incident during any process, necessary measures are taken, based on the BCP Guidelines, to minimize damage.

Promotion System

> Promotion System for Responsible Care

Initiatives on Process Safety and Disaster Prevention

To achieve its goal of zero accidents involving fires, explosions, and leaks, the Daicel Group engages in voluntary initiatives to ensure process safety by conducting risk assessments to identify and address hazards. The causes of problems that occur at Daicel Group sites, and the appropriateness of countermeasures to address them, are discussed at regular meetings of supervisors of environmental and safety divisions, and efforts are made to prevent similar incidents.

Status of Accidents in FY2023/3 (business sites of Daicel and domestic Group companies)

- Small fires: six cases (up four from FY2022/3)
- Leakages: five cases (down one from FY2022/3)
- Property damage: zero cases (down one from FY2022/3)

All of the above incidents were contained at the business sites and did not affect operations. The causes of these incidents have been investigated, and preventive measures were implemented to address both physical and human errors. Along with using the Occupational Accidents and Process Safety Incidents Database to keep all business sites

appraised of the details and causes of incidents and measures to prevent their recurrence, we investigate whether similar incidents have occurred and have taken measures to prevent potential incidents from occurring.

Risk Assessment

The Daicel Group seeks to ensure safety as a foundational principle of its operations by identifying, assessing, analyzing, and addressing process safety risks with regard to hazards that include explosions, fires, and the leakage of hazardous or toxic materials through equipment safety assessments as part of its Total Environmental, Health, and Safety Assessment System.

Initiatives for FY2023/3

With regard to self-reactive substances involving the risk of runaway reactions associated with thermal decomposition and polymerization, as a continuation of efforts in FY2022/3, a Working Group comprising production divisions, equipment management divisions, safety environment divisions, and internal experts conducted analyses that included simulations based on the latest data and information. In addition, we systematically introduced remote monitoring cameras to reinforce the monitoring of plants deemed to be at risk, and installed remote fire prevention and extinguisher systems to minimize any possible risks and damages in the event of an accident.

> Total Environmental, Health and Safety Assessment System

Equipment Safety

To keep its production equipment in good condition, the Daicel Group works to prevent equipment malfunctions and ensures safe and stable plant operations by following established maintenance cycles for all operating equipment that requires maintenance and performing this maintenance at all business sites without delay. We also have a working team comprising members of production, equipment management, development, and other divisions that conducts routine inspections to identify equipment problems and abnormalities, which we refer to as "TH." We then use these findings to examine causes of incidents and countermeasures in order to make improvements and also use these to review our maintenance standards.

Maintenance Dojo

Ensuring the good condition of production equipment requires maintaining and improving upon the technical capabilities of our equipment management divisions. The Daicel Group has taken a variety of countermeasures to strengthen the maintenance of its chemical plants. However, with the passing of the torch from one generation to the next in and around 2007, accidents began to occur that appear to have been caused by declining capabilities with regard to maintenance, construction management and supervision, acceptance inspections, and problem analysis. In response, we opened the

Maintenance Dojo and began offering a more practical curriculum with the goal of passing on maintenance skills and techniques while improving work quality. Dojos were opened for mechanical work in FY2016/3 and for electrical and instrumentation work in FY2018/3.

Initiatives of the Maintenance Dojo

To assure safety and quality in chemical plants, properly maintaining and managing equipment on a daily basis is essential. It is therefore also vital to accurately identify and evaluate the condition of equipment and take the proper measures at a stage when defects are small, and it is people who take these important actions.

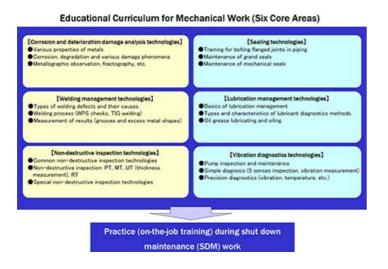
The Daicel Group believed that traditional knowledge and experience-based human resource development was inadequate for developing the human resources that would support safety and quality, and so it opened the Maintenance Dojo as a place for practical training in specialized techniques and skills. Through the dojo, we nurture our human resources into people who can take ownership of the maintenance and management of Daicel equipment and perform these tasks with confidence and pride.

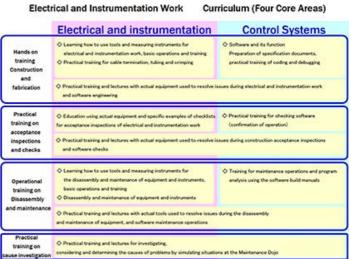
Equipment diagnostic engineering core members serve as supervisors (instructors) at the Maintenance Dojo, where maintenance technology required for the Daicel Group is organized into the following categories.

- 1. Specialized maintenance education for maintenance engineers
- 2. Voluntary maintenance education for operators
- 3. Technical training for the staff of partner companies

The curriculum for mechanical work consists of the following six core technologies: corrosion and deterioration damage analysis, welding management, nondestructive inspections sealing technologies, lubrication management, and vibration diagnostics. The curriculum for electrical and instrumentation work consists of the following four core areas: practical training on construction and production, acceptance inspections and checks, maintenance, and cause investigations, and operational training on disassembly. Through these curricula, we offer practical training that is not limited to imparting knowledge through classroom lectures. In addition, technical skills acquired at the Maintenance Dojo are put to practical use through OJT involving periodic repair and construction work (SDM construction), thereby establishing and improving trainees' skills.

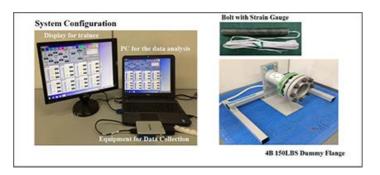
The targets for this training are not only Daicel Group employees but also staff of partner companies engaged in maintenance work.

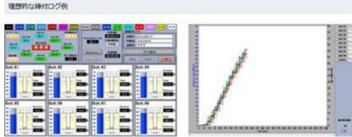




Case Study Training for Tightening Pipe Flanges

Since 2009, using a system developed in-house, our Aboshi Plant has provided training to improve our employees' pipe flange tightening skills. The system visualizes trainee skills by displaying in real time on a computer screen the axial force of a bolt and the surface force of a tightened gasket at the time of flange tightening (Photo 1). Due in part to the introduction of a skill certification system, these efforts have had a remarkable impact on preventing leakage from pipe flanges. The training was incorporated into the Maintenance Dojo in 2015 and has since been fully rolled out at each plant of the Group and our partner companies (Photo 2).





(Photo 1) Flanged bolting simulator (D-BOLVIS: Daicel Bolting Visualization)



(Photo 2) Simulator-based scientific training for flange tightening

Case Study Training Programs for Electrical and Instrumentation, System Construction, Production and Acceptance Inspections, and Checks

- Instructions on using tools and measuring instruments for electrical and instrumentation work, as well as basic operations and training
- Practical training for cable terminal processing, tubing, and crimping terminal processing
- Practical training for checking software and replacing the converter card

Air Piping Work -Types of union fistings -Combination of ring joints, fising joints, and Georgian in the fistings -Combination of ring joints, fising joints, and Georgian in the fistings -Committee of ring thereing -Committee of ring the ring -Committee of ring thereing -Committee of ring the ring thereing -Committee of ring thereing -

(Photo 3) Device used in practical training for construction and production



(Photo 4) Passing on techniques and skills vital to the Daicel Group

Emergency Responses

In the event of a major disaster such as a huge fire, explosion, or natural disaster, including an earthquake and tsunami, the Groupwide Disaster Response Headquarters will respond in accordance with its Disaster Response Rules.

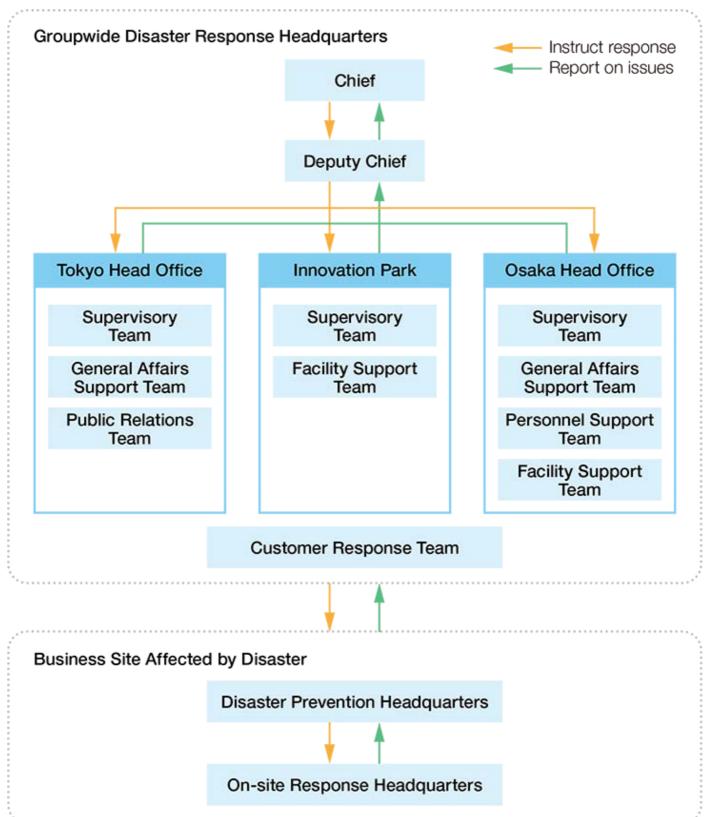
These headquarters have been established at the Innovation Park and the Osaka and Tokyo head offices, with overall operations managed by the President and CEO serving as the General Manager and the Director in charge of Responsible Care serving as the Deputy General Manager.

Along with installing antennas for satellite cell phone communications, we also deployed an information sharing system that can be accessed from all business sites as well as off-site in FY2022/3 as part of measures to strengthen the information infrastructure between business sites during a widespread disaster. We also introduced systems for Safety Confirmation and Emergency Call Systems at all Group business sites in Japan. In emergencies, personnel can quickly confirm the safety of other employees and family members and get information about the situation using the Safety Confirmation System. The Emergency Call System is used to stay informed about disaster situations and convene response headquarters personnel, and its early deployment at the Groupwide Disaster Response Headquarters and business sites' response headquarters has helped strengthen our emergency response capabilities. In addition, the Groupwide Disaster Response Headquarters promptly disseminates information about damage to people or property, as well as the impact on local communities, through the Daicel Group's website.

As part of our commitment to staying in close communication at all times with local communities, every one of our business sites has established procedures for disseminating information to local residents and other people outside the company. We are also actively reporting on subjects such as the Group's environmental conservation and safety promotion efforts through participation in things like community association meetings organized by the Japan Chemical Industry Association and community dialogue sessions*, in which relevant government bodies and company representatives participate. In FY2023/3, while information was disseminated online rather than in person due to COVID-19, the Aboshi, Hirohata, and Harima plants attended community dialogue sessions in western Hyogo Prefecture.

* This initiative aims to further strengthen trust-based relationships through dialogue about the questions, concerns, and expectations that local communities have about certain companies and through responsible care activities that better satisfy the expectations of these local communities.

Our Organization for Emergency Responses

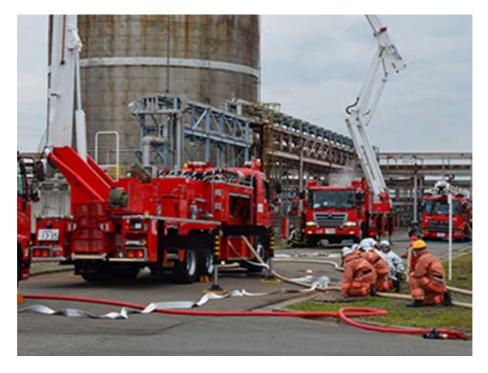


Earthquake, Tsunami, and Liquefaction Countermeasures

Taking a systematic approach, the Daicel Group has been pushing ahead with assessments of risks associated with earthquakes, tsunamis, and liquefaction as well as analyses of seismic conditions at its facilities and their structural reinforcement. In FY2016/3, we completed structural reinforcement work in line with the Act for Promotion of Renovation for Earthquake-Resistant Structures. Currently, efforts are underway to equip the facilities with greater earthquake resilience in accordance with Daicel's in-house standards.

Disaster Prevention Drills

The Daicel Group regularly conducts emergency safety drills for all business site personnel and Group company employees at each business site. The drills are designed to prepare employees through repeated practice so that, in the event of an emergency, they are well versed in lifesaving and first-aid procedures, capable of preventing spillover effects from a disaster, and are able to efficiently collaborate with other members of communities around our business sites. Complementing these efforts, Daicel conducts Group-wide disaster countermeasure exercises each year for Groupwide Disaster Response Headquarters personnel that address the possibility of a widespread disaster. In FY2023/3, we once again conducted initial response drills and BCP training without providing participants any advance information on the disaster location or scenario, with the situation developing and changing as soon as training began.



Emergency drill at a petroleum complex in Hyogo Prefecture (conducted in FY2020/3)





Aboshi Plant: Joint emergency drill with the local fire department and neighboring companies (conducted in FY2020/3)









Aboshi Plant, Innovation Park: Joint emergency drill with the local fire department (conducted in FY2021/3)









Ohtake Plant: Joint emergency drill with the local fire department (conducted in FY2021/3)



FY2023/3 Award from the governor for distinguished service in explosives safety



The chief security officer for explosives production at Daicel Safety Systems, Inc. has received an award from the governor of Hyogo Prefecture for distinguished service in explosives safety. This award is presented to those who have long committed themselves to, and have achieved noteworthy successes, in explosives safety.

Sustainability / Social Report / Responsibility to Customers and Product Safety

Distribution Safety

Basic Approach

Daicel Group works with one of its Group companies, Daicel Logistics Service Co., Ltd., to ensure safe distribution and quality management.

As for distribution safety, we aim to achieve zero logistics accidents, occupational accidents and at-fault traffic accidents by adhering to the Daicel Group Basic Policies for Responsible Care. In assuring quality, we are guided by the Quality Policy for the Daicel Group and strive to achieve our target of "taking responsibility as a logistics contracting company by quickly and sincerely responding to complaints and accidents related to logistics to earn the customer satisfaction (CS) of distributors."

Promotion System

We promote initiatives for ensuring distribution safety and quality with a focus on Daicel Logistics Service, given that the company handles most of the distribution operations of the Daicel Group.

Daicel Logistics Service implements and operates its quality management system in accordance with ISO 9001 using a CAPD* cycle. As a distributor, Daicel Group checks on the status of the initiatives of Daicel Logistics Service and engages in resolving any issues as part of its responsible care activities together with Daicel Logistics Service.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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

> Daicel Logistics Service Co., Ltd. Quality Policy (Japanese text only)

Safe Product Transport and Logistics Quality Management

Ensuring Safe Product Transport

Daicel Logistics Service promotes safe transport by upholding the targets of zero logistics accidents*1, zero occupational accidents and zero at-fault traffic accidents. Annual distribution safety targets are set by each distribution center, which serves as a logistics hubs. Progress on achieving the targets is reviewed each month by the Safety and Quality Committee, which comprises the heads of each center and department, and improvements are made, including revising the targets according to the circumstances.

In FY2023/3, while there were zero logistics accidents, there were three occupational accidents, two leakage accidents, and three at-fault traffic accidents. We investigated the causes of the accidents and took preventive measures to address both physical and human errors.

Basic Initiatives

- 1. Corrective measures for work system and work procedure flaws
- 2. Sharing case studies and countermeasures at Safety and Quality Committee meetings
- 3. Expand the educational curriculum taught by experienced staff (at the Safety and Quality Training Center)
 - Training to prevent workplace accident recurrence based on past incidents, and loading and unloading training
 - Drills simulating leakages
 - Education on the causes of at fault traffic accidents and on dangers when driving based on past incidents
- 4. Education on the hazards of chemical substances noted on SDS*2 and GHS*3 labels
- *1 Accidents such as fires, explosions, leakeges, discharges and losses associated with hazardous products (hazardous materials, poisonous and deleterious substances, high-pressure gas, environmental pollutants, and combustibles)
- *2 Safety Data Sheet, a document that provides information about the characteristics, safety, and handling of chemical substances
- *3 Globally Harmonized System of Classification and Labelling of Chemicals, an internationally standardized set of rules that provides standards for classifying chemicals based on hazards and content to note on labels and safety data sheets

Daicel Logistics Service Safety Targets:

Zero logistics accidents, zero occupational accidents, and zero at-fault traffic accidents

FY2023/3 Results:

- Achieved zero logistics accident (no change from FY2022/3)
- Three occupational accidents (up two from FY2022/3)
- Three at-fault traffic accidents (up two from FY2022/3)

For Achieving a Mindset and Behavior Focused on Safety

We seek to prevent logistics accidents, occupational accidents and at-fault traffic accidents by consistently implementing initiatives designed to firmly establish safety awareness and behavior among employees.

Major Initiatives

Prevention of logistics accidents	Safety education based on Transport Safety Management conducted at each distribution center (once a month) (1) Appropriate frame of mind for driving vehicles used in the business (2) Basic rules for ensuring safe operation of vehicles used in the business (3) Structural properties of vehicles used in the business (4) Proper method for loading cargo (5) Dangers of overloading (6) Matters that require attention when transporting hazardous materials (7) Appropriate transportation routes and status of roads and traffic on those routes (8) Predicting and avoiding dangers and responding to emergencies (9) Safe driving according to the driver's aptitude (10) Biological and psychological factors affecting drivers with regard to traffic accidents, and methods for addressing these factors (11) Importance of managing health (12) Appropriate driving methods for vehicles used in the business with equipment designed to enhance safety
Prevention of occupational accidents	Health management for safe transport (daily) (1) Measurement of blood pressure and body temperature before driving (2) Roll call (3) Daicel Logistics Service's measures against COVID-19
Prevention of at- fault traffic accidents	Operation managers at each distribution center provide education on safe driving to drivers using dashcam video of their actual transport operations (as needed)

Initiatives for Ensuring Safety during Transport and Storage of Hazardous Materials

In addition to transporting hazardous materials, Daicel Logistics Service handles storage of ordinary goods (designated combustibles and poisonous substances), ambient temperature hazardous material storage (Type 4 hazardous substances, Type 5 hazardous substances, and poisonous substances), and fixed temperature storage (cold) storage (Type 4 hazardous materials and poisonous substances). Hazardous materials are transported and stored in accordance with Japan's Fire Service Act and the United Nations Recommendations on the Transport of Dangerous Goods (Orange Book)*1. Daicel Logistics Service also implements its own safety measures in an effort to prevent accidents.

Major Initiatives

- Formulate and make effective use of operation manuals and check lists on the transport, loading and unloading of dangerous goods.
- When filling dangerous materials, comply with instructions on labels (displayed on the product and at the storage location) and standard operating procedures for storage and handling.
- When transporting dangerous materials, carry Yellow Cards*2 as an obligation.
- Provide education on the physical properties of dangerous materials during safety meetings (around once a month).
- Provide training for skilled experts and drivers at the Safety and Quality Training Center (around 15 times a
 year).
- Provide logistics safety training for the transport, loading, and unloading of hazardous materials for 20 business partners*³ (once a year for each company)
- · Logistics safety audits for business partners
- In addition to legally-mandated inspections for transport equipment, create a planned upkeep program for Daicel Logistics' own inspections and maintenance
- *1 Recommendations compiled by the United Nations and revised every two years with the aim of harmonizing national regulations and international rules on the transport of dangerous materials such as gunpowder, gases, liquids and solids.
- *2 Listing emergency responses to be taken by drivers, firefighters and police officers in the event of an accident.
- *3 Companies outside the Daicel Group to which Daicel Logistics outsources various logistics-related operations

Response to Distribution Accidents

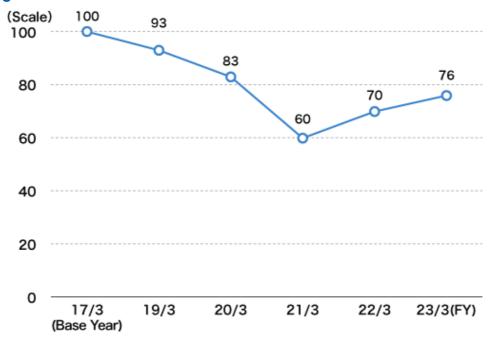
Daicel Logistics Service has established its emergency response and contact lists based on its Emergency Response Regulations. The company also conducts internal emergency reporting drills at least three times a year to remain prepared for emergencies.

Managing Logistics Quality

Daicel Logistics Service promotes stringent management of logistics quality by following its policy of "taking responsibility as a logistics contracting company by quickly and sincerely responding to complaints and accidents relating to logistics to earn the customer satisfaction of the distributors." At its monthly meetings, the Safety and Quality Committee reviews incidents involving logistics*, analyzes causes, and examines the effectiveness of response measures as a means to eliminate logistics issues.

The number of incidents related to logistics in FY2023/3 dropped by 25% compared to the reference year of FY2017/3, although this is a 14% increase over FY2022/3. As almost all incidents had a precedent, recurrence prevention measures were reviewed and personnel were trained and made aware of the measures.

Number of Logistics Issues



^{*} Overall term for logistics accidents, complaints, shipping and delivery errors, contamination, occupational accidents, traffic accidents and on-site accidents.

Promotion of the White Logistics Movement

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

Daicel's Code of Conduct

- 1. Suggestions for and efforts to make logistics improvements: We will faithfully discuss and respond to requests for proposals and cooperation concerning improvements from suppliers and distributors.
- 2. Usage of pallets, etc.: We will work to reduce loading and unloading time by using pallets, cage carts, reusable shipping cartons, etc.
- 3. Separation of highway transport operations and cargo collection and shipping operations: We will faithfully discuss and respond to requests for advice from distributors concerning the separation of highway transport operations and cargo collection and shipping operations.
- 4. Making improvements to shippers' facilities: We will shorten cargo wait time and loading and unloading time by making improvements to distribution facilities that include consolidating warehouses.
- 5. Usage of expressways: We will faithfully discuss and respond to requests for advice from distributors concerning the use of expressways and associated toll payment responsibility.
- **6.** Modal shift to marine and rail transport: For long-distance transport, we will use ferry or rail transport instead of trucks.

- 7. Consideration of legal compliance when selecting contractual partners: We will select distributors in compliance with related laws and regulations.
- **8.** Safety measures when loading and unloading: We will clearly indicate safe job procedures, ensure safe pathways, take measures that include erecting scaffolding, and work to eliminate workplace accidents.
- **9.** Suspension/discontinuation of operations due to unusual weather, etc.: We will not make unreasonable transport requests amid typhoons or other unusual weather.

The White Logistics Movement is a key initiative of the National Action Plan for Realizing the Work-style Reform in the Motor Carrier Business that is being promoted mainly by the MLIT, METI, and MAFF. Shipping line and logistics service providers work together to contribute to economic growth by addressing the growing shortage of truck drivers and ensuring stable logistics necessary for people's lives and industrial activities.

The key objective of the movement is to improve productivity of truck transportation and logistics efficiency while also striving to realize a labor environment that makes work easier for female drivers and those over the age of 60. We expect a number of good results from this initiative, including reducing our CO₂emissions, and are particularly focused on creating good working environments for our employees.

Initiatives to Reduce the Environmental Impact of Logistics Operations

Along with conducting a modal shift^{*1} Daicel Logistics is working to reduce its energy usage and environmental footprint. Along with a modal shift from land to marine transport for imports and exports shipped between major ports and factories since FY2008/3, the company has worked hard to reuse containers^{*2}.

For these efforts, in 2014 the company received the Logistics Grand Prize / Environmental Contribution Prize from the Japan Institute of Logistics Systems.

- *1 The shift from truck-based goods transportation to more environmentally friendly marine and railway transportation.
- *2 The practice of re-using devanned import containers for exports without returning them to the shipping companies.

> Response to Climate Change

Technical Training at the Safety and Quality Training Center

In 2011, Daicel Logistics Service opened the Safety and Quality Training Center on the premises of its Kansai Logistics Center Amagasaki Sales Office. This move was intended to step up its efforts to maintain distribution safety and quality, both essential to earning customer trust. Using its own curriculum, the Center conducts skill training for tanker truck drivers and on-site loading and unloading operators.

In FY2023/3, along with taking measures to prevent the spread of COVID-19, we conducted new training on transportation businesses for new drivers wherein participants learned about preventing the recurrence of past incidents and took practical tests in loading, unloading, and transporting. We also conducted online classroom learning and practical training

in small groups to train the forklift operation skills of personnel in charge of loading and unloading cargo. These training programs were taught by experienced personnel and served as opportunities to pass on technical skills to younger employees.

While these skill training sessions have been held about 10 times a year, this was increased to 29 times in FY2023/3 as group sizes were made smaller in order to prevent the spread of COVID-19. As of March 31, 2023, 1,362 employees had completed training.







Technical Training

> Training at the Safety and Quality Training Center of Daicel Logistics Service Co., Ltd. (Japanese text only)

Sustainability / Social Report / Creating Attractive Workplaces

Occupational Health and Safety

Basic Approach

To ensure the safety of its workplaces, the Daicel Group promotes various measures such as conducting risk assessments of all its activities, including R&D, manufacturing, and logistics, in accordance with the Daicel Group Basic Policies for Responsible Care. We have also established medium and long-term goals and carry out the CAPD*1 cycle as part of a continual effort to improve the occupational health and safety of our employees.

Placing the highest priority on safety in manufacturing, all employees and management at our business sites and partner companies (contractors)*2 work to improve the foundation of our production sites.

- *1 Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.
- *2 Partner companies (contractors) are companies outside the Daicel Group that engage in various operations primarily at our business sites

Promotion System

Through our responsible care system, which is supervised mainly by the Responsible Care ("RC") Committee, safety management supervisors from each business site leads our efforts to improve the quality of health and safety management at our business sites. In our occupational health and safety management system, we implement DAICEL Production Innovation for process-based production at our domestic business sites. For assembly-based manufacturing done at Group companies in Japan and overseas, we utilize a version of the Toyota Production System based on DAICEL Production Innovation. Furthermore, some of our domestic and overseas Group companies are ISO45001 certified.

DAICEL Production Innovation

This production system goes back to the basics and focuses on human-oriented manufacturing. By systemizing the skills and know-how of experienced staff and enabling everyone to put them to practical use, it endeavors to achieve a broad range of results that include:

- (1) Occupational health and safety/process safety and disaster prevention, and stable operations
- (2) Dramatically higher productivity
- (3) Substantially lower manufacturing costs
- (4) Smoother, more finely-tuned operations and quality stabilization

- (5) The passing on of skills and techniques and human resource development
- (6) Energy conservation

Also, we regularly conduct meetings of environmental and safety division supervisors, which are attended by safety management supervisors from each business site and members of the Responsible Care Division ("RC Division") of the Assessment Headquarters. In these meetings, members share information and discuss RC-related problems such as occupational health and safety, process safety and disaster prevention, and environmental conservation, as well as the content of revisions to laws and regulations such as the Industrial Safety and Health Act. In addition, at special meetings and RC audits, members confirm and discuss progress and issues concerning the RC Fiscal Activity Plan, including occupational health and safety, which each business site formulates.

Various councils led by partner companies (contractors) and the Environment and Safety Division have also been established at each business site to confirm and discuss all manner of policies to ensure safety.

<u>Promotion System for Responsible Care (Responsible Care Audit System and Special Meetings to Discuss Priority RC Issues)</u>

Initiatives toward Zero Occupational Accidents

The Daicel Group carries out the CAPD cycle and takes a variety of measures, including those below, to eliminate all serious workplace accidents.

■Practicing 3S, HH, and KY

In Japan, all business sites, including those of our partner companies (contractors), practice the 3S methodology of —Seiri (Sorting), Seiton (Setting-in-Order), and Seisou (Shining)—as well as HH (near-miss reporting)*¹ and KY (work injury prediction) in order to improve the foundation of our business sites and prevent the recurrence of past incidents.

■Before/After (BA) approach

We use a BA (Before/After) approach: Cases identified through this process as needing improvement are noted as "before" situations, and "after" situations are after improvements have been made. These workplace improvement initiatives involve employees consulting with their supervisors using BA sheets and then carrying out human and physical countermeasures. Progress with improvements is visualized as an after-improvement rate, and details are shared at health and safety meetings attended by employees and management at each business site.

■Looking to the future while respecting the past

We believe in "looking to the future while respecting the past," aiming to foster a safety culture while preventing the recurrence of workplace accidents. We look back on workplace accidents and process-related accidents arising from unsafe behavior and the neglect of the basics, work to prevent recurrence, and raise employees' safety awareness. Every month, the RC Division shares information about workplace accidents and process safety incidents that occurred the previous fiscal year with the workplace where those incidents occurred. This information helps employees at these workplaces review and make themselves aware of the incidents to avoid complacency in preventing their recurrence. In this way, both employees and managers work to prevent similar accidents from happening.

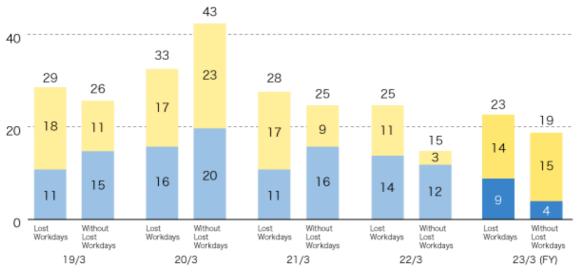
In FY2023/3, we and our partner companies (contractors) continued our efforts of FY2022/3 and worked toward our goal of eliminating serious workplace accidents, including chemical injuries, caught in, on or between, falls, and heat stroke. As a measure to eliminate chemical injuries, caught in, on or between accidents, and falls, we have been conducting prework safety assessments through the Whiteboard KY Sessions*2, a system shared by all business sites. For heat stroke, we have made sure employees can readily replenish drinking water and mineral supplies, set up rest areas, enforced mask usage rules, and encouraged the use of equipment to prevent and treat heat stroke.

In FY2023/3, there were 42 occupational accidents for the entire Group, consisting of 23 resulting in lost workdays and 19 that did not. There were no fatal accidents. The details and causes of these cases are shared with the RC Division through the "Incidents Database" promptly after they occur in accordance with internal rules, and both provisional and permanent measures are considered and implemented to prevent recurrence. This information is also shared horizontally with other business sites through the database and used to prevent similar accidents.

- *1 Near misses: Activities that are recorded as events that nearly became accidents or incidents, and whose causes are investigated by all involved. Eliminating the causes of near misses makes for safer workplace environments.
- *2 Aiming to ensure that work risks have been exhaustively identified, these sessions involve workers, supervisors, and experts using a shared format board to discuss and predict work-associated risks in advance, and confirm measures to mitigate them.

Number of Occupational Accidents (Daicel Group)





Daicel's business sites (including the partner companies operating inside the premises of Daicel's plants) and Domestic Group companies:

Overseas Group companies :

Occupational Accident Frequency Rate* (Daicel Group)



^{*} Occupational Accident Frequency Rate = number of people involved in an occupational accident / total actual working hours × 1 million hours

> ESG Data Numerical Data on Occupational Accidents





Patrols to ensure against heatstroke and injuries from hazardous substances

Initiatives to Improve Occupational Health and Safety

Safety Education for Employees and Partner companies (contractors)

The Daicel Group formulates its own training programs and provides necessary technologies and skills for employees, as well as regular safety education.

■Initiatives at the Operation Training Center (TRC)

In order to provide training on technology and knowledge related to chemical plants, the Group set up the Operation Training Center (TRC) where all staff learn about the background and goals of the mechanisms and rules created in light of past incidents. Employees also use special equipment to engage in hands-on risk training that includes experiencing crush accidents, static electricity, solvent and dust explosions, pressure, and exposure to caustic liquids. In FY2023/3, 397 people took training at the TRC, and a total of around 8,300 people have taken training since the Center was founded in 2002.

■Initiatives at each business site

Each business site receives training in using manufacturing technologies particular to their work processes, as well as training in occupational health and safety, environmental conservation, and chemicals management. Through TRC branch offices at each site, employees also take part in information sharing and simulation training for incidents that happened at business sites in the past. More than 19,000 people in total took training through TRC branch offices in FY 2023/3.

Furthermore, business partners and construction workers receive safety training specific to that site to confirm that they understand all safety rules. In addition, at workplaces where incidents occurred in the past, notices containing information about the events are posted to prevent complacency and raise awareness. Also, through the Occupational Accidents and Process Safety Incidents Database, TRC branch offices share information about incidents, as well as their causes and prevention measures, with top management and business sites where those types of incidents have not occurred.

Furthermore, in career development training for newly promoted employees, conducted as part of our human resource development program, we educate employees on our approach to disaster and risk management by citing the history of the explosion and fire that occurred at the Sakai Plant in 1982, using newspaper articles from that time and video footage to reinforce the importance of placing safety first in manufacturing. In the human resource development program for engineers to exercise their specialized skills, we organize seminars on assessment methods, including HAZOP*, and total and technical assessments, as well as the environmental management system.

- * Hazard and operability (HAZOP) is a qualitative analysis method for providing feedback on potential hazards and operability issues in the design process.
- > Operation Training Center (TRC)
- > Maintenance Dojo
- > Human Development Center

Safety Exchange Meetings for Group Members

Since FY2015/3, we have been holding exchange meetings in Japan aimed at fostering a sense of unity among Group members and heightening the awareness of those who take on front-line operations with regard to 3S and other safety assurance initiatives. With the labor union and management acting in collaboration, these meetings are attended by forepersons and mid-level managers from Daicel production sites and other domestic Group companies. The sessions usually involve a tour of plant facilities and small-group discussions on 3S case studies to help participants exchange their insights. Participants become leaders of their respective workplaces and endeavor to improve safety by applying the knowledge they have gained at the exchange meetings. As with FY2023/3, in FY2022/3 we refrained from holding the meetings after determining that group sessions pose a high risk of spreading COVID-19.

■ Safety Exchange Meetings

FY	Location	Participants
2023/3	_	_
2022/3	_	_
2021/3	_	_
2020/3	Harima Plant	12
2019/3	Kanzaki Plant, Daicel Logistics Service Co., Ltd. Kansai Logistics Center Amagasaki Business Office	25
2018/3	Okayama Plant, DM Novafoam Ltd.	18
2017/3	Hirohata Plant	18
2016/3	Harima Plant	19
2015/3	Aboshi Plant	21







Facility tour given by the Safety Exchange Meeting Members

Creation and Distribution of "The Essence of Safe Operations" and the "Basic Internal Rulebook on Construction Work"

The Daicel Group has numerous in-house rules on manufacturing safety, including the "Essence of Safe Operations" and "Basic Internal Rulebook on Construction Work," established in FY2014/3 to enable all front-line operators of the Group involved in manufacturing to be aware of, think about, and act to ensure safety on the same basis.

■Essence of Safe Operations

We created pocket-sized versions of these documents to allow workers to check, anywhere and at any time, the key points of safety rules that apply in the field, including information about the types of protective gear, how to use it, and how to use tools. In 2018, we issued the third edition, which includes more diagrams and photos so as to facilitate reading and understanding, and in 2020, the fourth edition which includes rules for preventing electrostatic accidents and the appropriate wearing of new uniforms was issued. In April 2022, we published the fifth edition of the leaflet, making changes necessitated by revisions to the Static Electricity Accident Prevention Rules (Powders and Liquids) and adding in content about safety when working at heights and other matters.

■Basic Internal Rulebook on Construction Work

There are two versions of the Basic Internal Rulebook on Construction Work, the Safety Version and the Quality Version. The Safety Version is a compilation of Daicel's unified basic rules related to construction work, formulated based on feedback from field personnel. We created the rulebook based on our belief that complying with these rules is essential, not only to ensure one's own safety but also to ensure the safety of colleagues working at the same site. The Quality Version focuses exclusively on rules aimed at preventing a recurrence of serious incidents resulting from defects in construction quality. It was created with the intention of encouraging employees to gain a deep understanding of the key points for ensuring construction quality and to comply with the rules. In April 2023, we issued a revised edition of the leaflet containing updated information.

安全作業必携

株式会社ダイセル 2022年4月

The Essence of Safe Operations

工事に関する社内基本ルール集 (安全版)

> 第9版 (2023年4月改定)

DAICEL MX 84 97 toll

エンジニアリングセンター ○○工場

Basic Internal Rulebook on Construction
Work (Safety Version)

工事に関する社内基本ルール集 (品質版)

> 第8版 (2023年4月改定)

DAICEL MICHAEL STEIL

エンジニアリングセンター ○○工場

Basic Internal Rulebook on Construction
Work (Quality Version)

Safety Programs for Partner companies (contractors) and Business Partners

We strive to ensure the safety of each business site by educating not only Daicel Group employees but all employees of partner companies (contractors) who are involved in manufacturing and construction work. To raise safety awareness, we continuously provide education on safety rules related to occupational health and safety process safety, and disaster prevention on a regular basis, such as when workers enter the worksite for the first time or before undertaking periodic repair work.

Class 1 Zero Accident Certificate Received

Zero Accident Certificates are given by the Ministry of Health, Labour and Welfare to business sites that experienced no accidents over a certain period of time. For accumulating 4.4 million hours with no accidents, the Harima Plant was given a Class 1 Zero Accident Certificate by the Labor Standards Bureau of the Ministry of Health, Labour and Welfare on July 26, 2021.



Sustainability / Social Report / Creating Attractive Workplaces

Policy and Guidelines on Human Resources

Daicel Group Human Resource Policy

Our Group has set forth our "Sustainable Management Policy" under our basic philosophy. With regard to people, our policy states that we will promote "People-centered Management", which enables all of our diverse employees to grow while establishing their own presence and achieving fulfillment. This is our approach to people in our Group, namely our Human Resource Policy.

"People-centered Management," which values each individual, has long been a key concept of our company. Daicel has a history of more than 100 years, and our approach to people can be traced back to our founding. Throughout our subsequent history, this concept has been nurtured as one of the core management policies, and since the end of the 1970s, Daicel has advocated "People-centered Management."

With our Long-term Vision starting in 2020, we renewed our Human Resource Policy, which moves our commitment towards diversity and happiness to the forefront, and announced this new policy to Daicel Group employees. Based on this Human Resource Policy, we are taking various initiatives, such as supporting human resource development, promoting diversity and inclusion, and fostering a corporate culture that meets employee needs.

Daicel Group Human Resource Policy

Sustainable People

We promote "People-centered Management" that enables all our diverse employees to grow while establishing their own presence and achieving fulfillment.

I will hone my skills and mind, achieve self-actualization by taking advantage of the opportunities at the company, and increase my happiness.

I will work creatively together with my teammates and increase our happiness.

I will also create and provide value, contribute to a more prosperous society, and increase the happiness of all.

Human Resource Guidelines

The Daicel Group has established unified guidelines for all Group members. Since 2013, we have been building a solid foundation for our human resource management systems based on these guidelines. Unlike the Human Resource Policy, which expresses our unchanging belief, we consider the Human Resource Guidelines as guidance that can be updated with the changing times. We revised some of the guidelines in 2019 to place more emphasis on human rights and labor while also making these items more understandable for staff working around the world.

The guidelines describe matters to be observed by all Daicel Group companies with respect to human resource practices. They specify objectives, basic concepts, compliance rules and recommendations ranging from human rights and labor, recruitment, compensation, the human resources development system and the appraisal system. For example, the basic concepts of the guidelines stipulate the need to "respect human rights and reject complicity in human rights violations" and "develop a culture where the employer, superiors and subordinates think of each individual's career and put ideas into practice." Recommendations include the need to "utilize the training programs offered by other Group companies actively."

When we exchange views with Group companies or conduct human rights due diligence, we verify whether each company is implementing human resource practices in line with the guidelines.

Applying the guidelines, we will continue to improve our human resource practices that will help employees enhance their capabilities and raise their motivation to perform their duties.

■ Objectives and Basic Concepts of the Human Resource Guidelines

Practices	Objectives	Basic Concepts
Human rights and labor	Improve productivity by respecting human nature and realizing a workplace environment whereby each employee can demonstrate his/her full potential	 Respect human rights and reject complicity in human rights violations Provide equal opportunities, such as for promotion and training, without undermining fairness on the grounds of race, nationality, gender, etc. Acknowledge diversity and inclusion to achieve a favorable workplace environment through promoting mutual communication and compromise Contribute to lives of people and society through work, and create a company which is trusted by society For resolution of issues, the company and employees understand each others' viewpoints, and promote solutions through negotiation and discussion Create a healthy mental and physical working environment which values communication with employees Improve productivity throughout the workplace with a good environment, and retain an appropriate number of employees
Recruitment	Recruit talent who empathize with Daicel Group Basic Philosophy and Human Resource Policy	 Recruit talent with strong will and integrity who can create new value Carry out equal and fair recruiting process regardless of ethnicity, nationality, gender etc. (Diversity & Inclusion)
Compensation	Create a corporate culture that efforts as well as results will be rewarded	 Design a human resources system that reflects both company performance and individual performance Create a system that can reflect fair treatment, based on approach to HR Policy and contribution to the company of each employee Ensure fairness, rationality and transparency in determination of compensation Continuously verify the validity of the company's reward standards

Practices	Objectives	Basic Concepts
Human resources development system	Implement effective and systematic human resources development system based on HR Policy	 Develop employees who can work properly while protecting safety and quality standards based on rules established in each country and region For strong-willed and decisive employees working at their own initiative, provide opportunities to take on more challenging roles and broader duties for their growth Broaden employee field of vision by providing a stimulating environment that allows discussion encompassing a variety of interests and values Enhance employees' value by developing their awareness of self-development and providing maximum support for them to improve their abilities Develop a culture where the employer, superiors and subordinates think of each individual's career and put ideas into practice
Appraisal system	Through appraisal system, create the foundations of company success by disseminating HR Policy and Corporate Values, developing human resources and realizing proper compensation	 Design appraisal system that appropriately evaluates the performance of each employee Establish a system which takes into account employee making efforts to achieve targets of HR Policy and also processes leading to good results Promote communication between superiors and subordinates through an appraisal system and use this system for human resource development Establish a fair and transparent appraisal system Realize the appraisal which is based on objective facts by cultivating understanding of the system

- $\geq \underline{\text{Sustainable Management Policy}}$
- \geq <u>Daicel Group Human Rights Policy</u>

Sustainability / Social Report / Creating Attractive Workplaces

Initiatives to Help Employees Maintain Mental and Physical Health

Basic Approach

The Daicel Group's personnel measures are aligned with its Human Resources Policy and Human Resource Guidelines.

The Daicel Declaration on Health Management was established in FY2019/3 based on our belief that maintaining the health and vigor of our employees will create a favorable balance between the quality of life of individual employees and the sustainable development of the Company. At Daicel, healthcare committees play a central role in helping employees manage their health by organizing health checkups, providing guidance on well-being, monitoring the stress level of employees by conducting stress checks, and alleviating stress.

Daicel Declaration on Health Management

The Company will strive to offer a safe and comfortable workplace based on the conviction that its business foundation relies upon the mental and physical health of each employee.

The Company will act in collaboration with the health insurance society to help each employee as well as their families engage in autonomous and proactive efforts to maintain and improve their health conditions.

President and CEO J. Og awa

Our Structure for Health Promotion

In 2003, the Company established the Healthcare Committee, consisting of representatives from labor unions, management, and Daicel's health insurance society, to create workplaces where individual employees can demonstrate their individuality and capabilities while ensuring their mental and physical well-being.

To further enhance the Groupwide health support system, we set up a Central Healthcare Committee along with healthcare committees at each business site.

In FY2023/3, we raised the level of the entire Group's health maintenance and improvement programs and accelerated their implementation. In order to do so, we established the Employee Wellness Promotion Center as a specialized health management organization at the Corporate Support Headquarters.

Employee Wellness Promotion Center

The Employee Wellness Promotion Center assists each individual employee of the Daicel Group with independent and proactive measures to improve their health. In order to achieve the two aims of enabling individuals to achieve a fulfilling life and to encourage the continuous development of the Company, we established the Employee Wellness Promotion Center as a health management organization at the Corporate Support Headquarters. Our objective in doing so is to maintain and increase the health of employees throughout the Daicel Group.

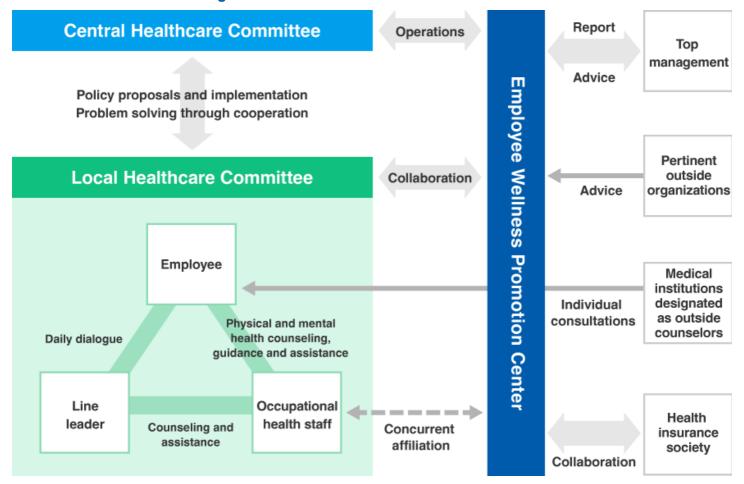
Central Healthcare Committee

In addition to formulating plans and measures and developing the framework for healthcare activities for the entire Group, the Central Healthcare Committee checks on the progress of initiatives by the healthcare committees at each business site and provides assistance. In planning measures for healthcare activities, the committee seeks advice from pertinent outside organizations as needed.

Healthcare Committees at Each Business Site

The healthcare committees plan and execute healthcare activities for each business site, including various health education programs and health-related events, and an improvement plan for the working environment based on group analysis of stress check results. The improvements are implemented in collaboration with the individual worksite leaders.

Structure for Health Management Promotion



Health Management Strategy Map

We have created a health management strategy map to identify the links between management issues that we want to solve through health management and various measures for maintaining and promoting health. We set indicators to measure the effectiveness of each measure, as well as medium-term targets, and implement a CAPD cycle*. The status of these initiatives is posted on our website on a regular basis.

- * Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.
- > Strategy Map [PDF: 400KB]
- > Medium-term targets and results for employee health (until FY2026/3) [PDF: 1.2MB]

Strengthening Our Structure for Health Promotion

To strengthen our healthcare promotion structure, Daicel has designated a team of industrial healthcare staff comprising full-time corporate health nurses and contract psychiatrists. The team provides employees with daily guidance on health matters, addresses the needs of employees with mental disorders, and supports their reinstatement at work. It also conducts preventive education to provide early detection and a timely response to mental issues while making it easier for employees to seek consultation.

Initiatives Undertaken by the Health Nurse Team

We have 13 full-time nurses (as of April 30, 2023), who work together as a team across business sites to build a cooperative framework and promote information sharing. The team participates in formulating and executing action plans to improve the workplace environment for each business site based on the results of mandatory stress checks. Moreover, it is involved in educational sessions focused on preventing physical and mental health issues. Team members share their insights as lecturers during position-specific training and orientation training for new graduates and lateral hires. These activities help prevent any health issues from arising and support corporate health nurses in improving their planning and teaching skills.

Furthermore, these nurses provide information on managing physical and mental health by regularly publishing a health newsletter to raise employee awareness on how to maintain well-being and take preventive health measures.



A health nurse discusses how to stay healthy and motivated



Attendees take turns giving presentations



Health Guidance and Consultations for Employees Posted Overseas

In FY2016/3, Daicel began closely assessing the working status of employees posted overseas. Since FY2018/3, we have been conducting follow ups for long-time workers such as counseling with corporate health nurses in accordance with domestic standards with the aim of robust health management. In addition, since FY2009/3, the Company had been implementing measures such as providing in-person counseling with a nurse to employees whose working hours are deemed excessively long. However, we switched to online consultations in FY2022/3 due to COVID-19 and held consultations with all employees posted overseas. Daicel will continue to maintain and improve the health of these employees, who play an important role in the operations of overseas affiliates.

Utilizing Psychiatrists Employed Exclusively by Daicel

Currently, Daicel employs four psychiatrists (as of April 30, 2023) to bolster its follow-up care system for employees who have developed mental health issues. Every psychiatrist is assigned a geographical segment for his/her oversight, thereby ensuring that employees in need receive meticulous care.

Maintaining and Promoting Good Health

Regular Health Checkups

We implement regular health checkups, mandated by law, for employees of Daicel Corporation, thus the employee medical examination rate in FY2023/3 was 100%. In addition, to improve the re-examination rate, corporate health nurses encourage those employees who are subject to a secondary examination, to take it during a follow-up consultation.

> ESG Data Regular Health Checkup Rate

Specified Health Checkups and Health Guidance

Daicel cooperates with the Health Insurance Union to implement specified health checkups and specific health guidance mandated by laws governing health insurance unions. This is to ascertain the status of employee health by analyzing the results and responses from medical interviews. We are working to prevent lifestyle diseases by seeking to achieve the national targets of 90% or higher for specified health checkups and 55% or higher for specific health guidance. In

FY2023/3, the specific health checkup rate was 82.2% for 5,741 eligible employees, and the specific health guidance rate was 56.9% for 854 eligible employees. We have attained the target for specific health guidance since FY2020/3 and intend to further improve this rate.

Specified Health Checkups and Specific Health Guidance Rate

	Target value	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Specified health checkup rate	90% or more	80.9%	84.6%	84.0%	81.3%	82.2%
Specific health guidance rate	55% or more	50.6%	55.6%	58.6%	58.2%	56.9%

Prevention of Secondhand Smoke Exposure

In view of the risk of damaging health from exposure to second-hand cigarette smoke, we are working to reduce the risk by limiting smoking areas inside the business sites. Since October 2020, the Health Insurance Union has been providing free online programs to support employees seeking to quit smoking by bolstering health management through a joint effort with the Company.

Mandatory Stress Checks

Aiming to develop a vibrant workplace, Daicel has been actively assisting each business site in efforts to better manage their working environments by, for example, utilizing the results of stress checks. In FY2023/3, the stress checks carried out by Daicel and its Group companies achieved 99% coverage of all employees. The Group provides employees with face-to-face sessions with a psychiatrist if they suffer excessive stress and are in need of counseling. Furthermore, nurses provide follow up for employees who suffer from excessive stress but do not want to have face-to-face sessions with a psychiatrist. In addition, the healthcare committees at each business site conduct comprehensive analyses of stress check results and then formulate and execute plans to tackle any issues that are identified in order to maintain and promote good employee health.

Training Related to Mental Health

Daicel conducts training for managers on mental health support for their subordinates and self-care. The training is designed to enhance communication skills through hands-on experience workshops in addition to acquiring basic knowledge of line care and stress management, and learning how to improve mental health through lectures by outside speakers. We have introduced online mental health training by corporate health nurses during rank-based training for new recruits, mid-career recruits and newly appointed managers.

Health Consultation Desk

The Daicel Health Insurance Union operates a free health consultation desk. Experienced health counselors including full-time physicians at external institutions are available to provide advice on health issues over the phone all day and year-round. Employees are encouraged to freely consult on physical disorders caused by prolonged periods of telework or concerns related to their everyday lives. To protect the caller's privacy, personal information and what is discussed during the consultation are not made available to the employer or the Health Insurance Union.

The Consultation Desk covers:

- (1) 24-hour telephone health consultation service
- (2) Mental health counseling service
- (3) Second opinion service
- (4) Secondary medical examination arrangement service
- (5) Support for medical examination for lifestyle diseases
- (6) Arrangement and introduction service for medical examinations
- (7) Support for balancing cancer treatment and work

Promotion of "Health Accelerator 6"

We have named the six health behaviors we want to promote "Health Accelerator 6," and call on Group employees to put them into practice.

Daicel Group "Health Accelerator 6"



Exercise: Light exercise for at least 30 minutes twice a week!

Diet: Finish meals at least 2 hours before bedtime!

Sleep: Get a good night's sleep!

Drinking: Refrain from consuming more than 2 alcoholic drinks per day!

Snacking: Appropriate after dinner snacks!

Smoking: Refrain from smoking!

Based on the themes of exercise, diet, sleep, drinking, snacking, and smoking, we use internal social media to disseminate the health maintenance and promotion initiatives of top management and conduct online training with public health nurses. We will continue to improve employee health literacy and promote behavioral change through providing information.



"Working Women and Health Issues Seminar" Health Seminar

As one of the initiatives aimed at creating a workplace where working women can play an active role, and in which both men and women can support each other, we conducted e-learning sessions in September, October, and November 2022. The sessions focused on health issues specific to women, such as hormones and menstruation, pregnancy and childbirth while working, and menopause health management for all employees, including male employees. A total of 2,326 Daicel Group employees of all ages and both genders participated. Going forward, we will continue to provide information and training on health issues specific to women for all employees, including male employees, so that female employees can continue to work more energetically.



Recognized for the Fourth Consecutive Year as a "WHITE 500" Organization under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program

In March 2023, Daicel Corporation was recognized together with Polyplastics Co., Ltd. as a "WHITE 500" organization under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program. This marks the fourth year and first years that Daicel and Polyplastics have been recognized as "WHITE 500" organizations, respectively. With this program, co-sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, companies are selected for their excellent health management initiatives such as those tailored to the needs of local communities and initiatives that are in line with the goals of Nippon Kenko Kaigi.

In Daicel, under the themes "mental health care" and "physical health care," members of the Central Health Care Committee, which is organized by labor management and the health insurance society, and industrial health staff (medical specialists in industrial health, public health nurses, etc.) and psychiatrists, take action together to maintain and improve the mental and physical health of employees. Their activities also involve supporting the reinstatement to work of employees with mental health disorders, preventive education to provide early detection of such disorders, responding in a timely manner to mental health issues and developing frameworks. These efforts have led to us receiving this honorable recognition.





Polyplastics Obtains Top-Tier Rating from DBJ for Employee Health Management

In 2020, Polyplastics Co., Ltd. was recognized for outstanding health management of its employees, and it received the top-tier rating under the Employees' Health Management Loan Program of the Development Bank of Japan Inc. (DBJ).

Polyplastics received high recognition for the following points.

- Led by its healthcare team, the Company addresses the health issues identified by analyzing various data and making a thorough effort to prevent any deterioration in health and raising awareness among employees.
- Adhering to its work style (the Shi-A-Wa-Se happiness framework), Polyplastics is creating a workplace environment that caters to the diverse needs of employees and their work styles.
- Aiming to enhance engagement, Polyplastics shares its mission, vision and values with employees. It also
 holds workshops at each division on issues mentioned during employee awareness surveys to prepare for
 the formulation of future measures.





"Workshop for Mental and Physical Health" Workplace Leader Seminar

In response to workplace health issues, we held an online mental and physical health promotion workshop so that workplace leaders can proactively work on their health. In the workshop, group discussions were held among workplace leaders using stress check and health check group analysis reports as inputs, and the participants were encouraged to incorporate this information into improvement plans for their own workplaces and put them into practice. In FY2023/3, the seminar was held 15 times in total, with participation from 210 workplace leaders.







Gamba Osaka Soccer Class

In FY2023/3, we held a soccer class with players and coaches from Gamba Osaka, with whom we are an official partner, to help employees, their families, business partners, and local residents maintain and improve their health. A total of 122 people (69 adults and 53 children) participated in the event. In addition, we set up a health check booth to measure vascular age, bone health, exercise function, and vegetable intake, and health advice was given by a public health nurse. The Daicel Group will continue to work on health and productivity management with the aim of ensuring that everyone is both physically and mentally healthy.



Sustainability / Social Report / Creating Attractive Workplaces

Support for Human Resource Development

Basic Approach

Based on the "Daicel Group Human Resource Policy," our Group supports its diverse employees to grow with a sense of presence and fulfillment. Behind the promotion of investment in people is the desire for each and every employee to hone his or her skills and mind, and to achieve self-actualization by taking advantage of the opportunities at the company. As we strive to achieve self-actualization, we take pride in our work and contribute to the happiness of all by providing good things to society.

The following basic concepts have been established for human resource development.

- Develop employees who can protect safety, quality and compliance standards based on rules established in each country and region.
- Provide equitable opportunities for individualized human resource development and implement appropriate appointments tailored to each employee to enable our diverse employees to grow.
- Develop talented individuals focused on teamwork to contribute to the further progress of Daicel Group as a unified team.
- Develop talented individuals who can enhance their expertise and shine in their area of specialty.
- Strive to enhance employees' employability by raising their motivation for self-development and providing maximum support for improving abilities.
- Cultivate a culture in which each employee's career is considered and nurtured by the employer, superiors and subordinates.

Management Structure

Under the director in charge of human resources, the Human Resources Division promotes various training programs in collaboration with each Group company.

Operation Training Centers (TRC) have been established at manufacturing sites throughout the Company for the operators and engineers on the production floor. To facilitate the education of operators and engineers in the essential qualities of knowledge, experience and behavior, hands-on training is carried out in mockup plants.

The rotation schedule for training is submitted for deliberation by the Aptitude-based Placement Committee, comprising the Human Resources Division, top management and directors in charge of each SBU.

In addition, we established the Career Support Center, effective April 1, 2023. At Daicel, employees choose their own careers through dialogue with their supervisors rather than through company mandate. Some employees, however, may have difficulty making decisions about their own careers due to such reasons as a lack of experience at the company. The Career Support Center was created to help such individuals map out their careers.

> Safety Education for Employees and Partner Companies

Human Resource Development System

Various systems and structures are in place to support Daicel's human resource development. The effectiveness of human resource development is further enhanced by skillfully combining these methods according to the position and ability of each employee.

■ Human Resource Development System and Personnel System

Method	Content
On-the-Job Training (OJT)	 Fundamental component of Daicel's human resource development Systematically conduct training at workplaces though work
Offsite Job Training (Off- JT), e.g., Group seminars	 Programs implemented outside workplaces Opportunities to gain experience that cannot be acquired via OJT Active discussions between persons with different ideas help enhance their individuality
Self-directed development	 A fundamental practice that must be embraced by those seeking to achieve personal growth Continuously achieve self-innovation through individual volition

Method	Content
Rotation (change of roles or functions)	 Help employees gain a broader range of skills and experience and nurture the capabilities of those serving as leaders Encourage employees to realize their full potential by changing workplaces and duties
Assessment (reviewing the skills of each individual)	 Help employees objectively review their skillsets against the standards of the division and the Company Facilitate self-directed development by helping individuals assess their own strengths and weaknesses
Self-Development System (Human Resource Development Notebook)	 A system is in place that enables employees to convey their own career vision to the Company. Once a year, employees submit a report to their supervisor about their views on job type, job location and career. Through dialogue with employees, the supervisor determines placement and development methods that will lead to further growth and success for employees based on their aspirations, aptitude and ability.
Human Resource Development Plan	 An annual human resource development plan is formulated every year to encourage the mid- to long-term growth of each employee and link their career objectives to the Company's goals. Successor plans are created to secure capable resources who can potentially take on key management positions as leaders in the years to come (some of Daicel's global counterparts have also adopted this successor planning process).
The Career Challenge System	 The Career Challenge System encourages career autonomy for Daicel employees. They are not limited to a typical employee rotation system, since the Career Challenge System allows them to challenge themselves in new ways to follow a career plan of their own devising.
Technician Training System	A system was established for training young engineers to support individual growth.
Fellow Career Track System * Fellow positions are equivalent to Professional positions under the old system.	 A system is focused on developing human resources specialized in very specific fields and who possess promising skills and knowledge for tackling challenges and enables fellows to choose their own career path and hone their expert skills. Desirable Traits (1) Those capable of taking key roles as leading authorities in specific areas (2) Those determined to stay committed to acquiring specialist skills and knowledge at the early stage of their careers (as of March 31, 2023, 8 employees are on this career track, each playing key roles in their areas of specialty)

	Method	Content
TAKUMI India sassa	In-house Certification System for Skilled Experts	 A key system for nurturing technicians aimed at fostering a culture that respects manufacturing techniques and encourages individuals' efforts to develop their skills. (As of March 31, 2023, 58 employees have been certified for their distinguished skills.) At the same time, we systematically nurture successors to ensure manufacturing safety and quality.

> ESG Data Support for Human Resource Development

Revision of the Human Resources System

In April 2021, Daicel revised its human resources system for managers with work processes that encourage employees to set new challenges for themselves as well as measures to sufficiently reward results.

Daicel switched its focus from a preference for generalists to a system of multiple career paths for specialists and managers, so that individuals can now select a career path based on their aptitude. Furthermore, the seniority system for promotion was eliminated and changed to a framework in which employees can earn early promotion by demonstrating their ability. For those in leadership positions, 360-degree appraisals are conducted once a year as opportunities for better self-understanding through comprehensive feedback from coworkers and subordinates.

The human resources system for non-managers was also revised in April 2022 and changed to a framework in which employees can chose their career at Daicel independently. We streamlined a Creator Course and an Expert Course, each of which has clearly stated roles and expectations. Evaluation methods were simplified as well, incorporating dialogue with superiors as a means of gaining a sense of employees' growth and efforts to reward their performance.

Performance Appraisal to Support Human Resource Development

Daicel uses Management by Objectives (MBO) as a performance appraisal method to support human resource development. The objectives of each division are broken down to the individual level, and we evaluate employees once a year based on achievements corresponding to their individual objectives.

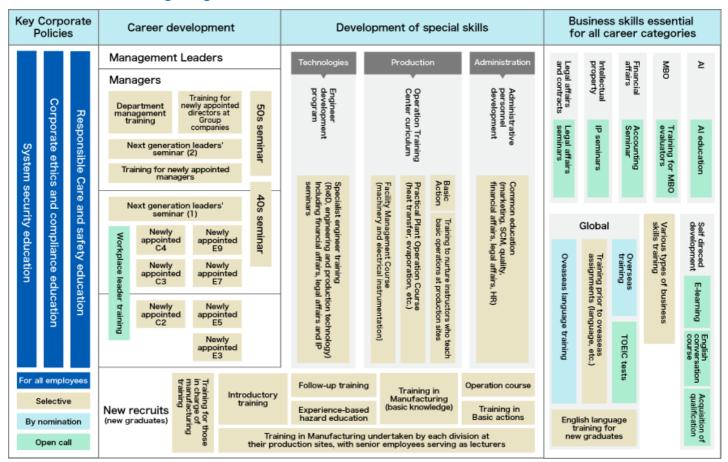
Daicel practices MBO by upholding the keywords "Dialogue, Growth and Achievement" and emphasizes extensive dialogue between the superior and subordinate. This is based on our underlying belief that mutual understanding and trust fostered through dialogue will encourage employees to take on the challenge of achieving higher goals on their own initiative, which in turn will lead to personal growth for each individual. In addition to evaluating employees on their job performance, we appraise their conduct and attitudes according to their job and rank. We provide employees with feedback on the results of these evaluation, which are ultimately reflected in their compensation.

We are committed to maintaining a fair and equitable evaluation system by disclosing it to all employees and providing MBO assessor training to enable more appropriate evaluations, leading to enhanced human resource development.

Human Resource Development and Training Programs

The Company has various human resource development programs for enhancing the skills of employees.

Overview of Training Programs in Place



^{*} The human resources system for non-managers has been divided into two career paths, the Creator Course and the Expert Course. The steps along each course are based on the individual's abilities.

The Creator Course comprises levels C1 through C4.

The Expert Course comprises levels E1 through E9.

Training Programs for New Employees

To quickly equip new employees with the skills expected of industry-ready personnel, Daicel provides a training program that covers areas ranging from basic knowledge required of corporate employees to practical skills for operations at production sites.

The program is conducted at the Nishiharima Training Center, and new employees initially learn about social and workplace conduct, Company policies, and other basic knowledge and skills. This is followed by training at the Operation Training Center and production sites. Through these activities, new staff acquire the essential knowledge they need to perform their duties in a manufacturing workplace.

Training Schedule for New Employees

		Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
As	signment				Admin. staff (university graduates) Interviews	****	****	Admin. staff (university graduates) Assignment				Engineers (university graduates/hi school gradu interviewed	gh DDDD	p grad	ingineers university duates/high ol graduates signed to
Grou	up seminars		introductory training (high-school / University graduates)	,				Follow-up training 1					Follow-up training 2	•	orkplaces
	Administrative staff (uriverity graduates)		Basic	Plant	training			interim i	resentation	on meeting					
Training for manufa- cturing	Engineers			Plant	training			interim i	resentation	on meeting			Final Pr	* esentation	meeting
	High school graduates			Basic op course(re			Plant	training					Final Pr	esentation	meeting

Training in Manufacturing

All newly graduated employees are initially assigned to a plant and undergo one year of training in manufacturing. During this period, they learn the fundamentals of manufacturing and plant operations through OJT at the front line of production.

Plant training consists of instruction on basic facilities and the eight-hour-shift system, allowing new employees to actually see, hear, and feel what it is like to be in a plant. This experience deepens their appreciation of safety, quality, costs, and the environment, all watchwords of plant operations. Moreover, they are instructed in subjects relevant to their particular work areas.

While receiving advice and guidance at the workplace, trainees come into contact with many employees in each work area. Through the training, we aim to give new employees an appreciation of what it takes for them to do their best in manufacturing.

Career Development

As part of the ongoing career development process for employees, we create a human resource development plan every year. The objective is to encourage the medium- to long-term growth of each employee and link their career objectives to the Company's goals.

Position-Specific Training

Daicel provides training programs that are tailored toward different positions as defined in the Company's job grade system, ranging from new employees to new director for Group companies. Each training session aims to nurture human resources to live up to the expectations of their positions and respective roles and responsibilities.

In addition to sessions that deal with subjects such as corporate ethics, basic legal literacy, and other essential knowledge and rules that employees need to know, we provide training for skills in areas such as communication and management. Our career training is for mid-career recruits as well as the newly promoted. It puts an emphasis on teaching how trainees can put the knowledge and skills they learned to use on the job, and it aims to motivate people after they are promoted or recruited while promoting individual skill improvement and behavioral changes.

In FY2023/3, the training sessions were attended by a total of 311 employees.

Next-Generation Leaders' Training (Non-managers and Managers)

Daicel provides a "Next-Generation Leaders Training Seminar" (1) (for non-managers), targeting employees who are expected to soon become section chiefs in the hope of placing competent young personnel in optimal positions where they can demonstrate leadership and grow into leaders of their divisions at an early stage. We also conduct a "Next Generation Leader Training Seminar" (2)(for managers) with the aim of identifying promising young managers at an early stage. In these training programs, the participants experience action learning for a year that is aimed at resolving issues faced by their divisions.

As of FY2023/3, 10 employees were selected for the Next Generation Leadership Training Seminar (1)(for non-managers), and 10 were selected for the Next Generation Leadership Training Seminar (2) (for managers).

Age-Specific Career Training: The Fifty Seminar and The Forty Seminar

Since FY2022/3, Daicel has held The Fifty Seminar, an age-specific career training program for employees in their early 50s. In FY2023/3, we expanded the scope of our age-specific career training program to begin offering the "Forty Seminar," available to employees in their 40s. During this training program, participants engage in group work with people of the same age to reconfirm their strengths and expertise. In addition, they work out how they can contribute to their organization in the future. They also receive information about preparing for a fulfilling future life, as well as deepening their understanding of the Company's internal systems for older workers (pensions and the post-retirement re-employment system).

We anticipate that this training program will help employees in their 40s and 50s map out their future career paths independently and enable them to excel in their careers and create a fulfilling life for themselves. In FY2023/3, 193 employees took part in the Fifty Seminar and 65 attended the Forty Seminar.

Establishment of the Career Support Center

Along with creating a career development mechanism for Daicel employees to choose their own career path, we launched the Career Support Center in April 2023 to provide career consultation services. In the future, we will begin offering these services to all employees rather than only new graduates and mid-career recruits. Career-related information is provided through our company intranet in addition to our career training sessions.

Development of Specialized Skills

As a manufacturing company, capable engineers are the foundation of our business, and developing them is one of our most significant tasks. We maintain an extensive training curriculum, which ranges from Monozukuri Training ("monozukuri" means manufacturing), which is offered to new employees, to sessions on specialized knowledge and skills that are needed at various points in their careers.

The Engineer Development Program

The Company's Human Resource Development for Engineers Committee meets quarterly to review progress and improve the content of the Engineer Development Program, which includes financial literacy as well as technical skills and knowledge. Completing the program is considered one of the prerequisites for promotion to manager, and it is effective for strengthening employees' engineering capabilities over several years.

Engineer Development at Our Global Sites

The Safety Strategic Business Unit operates five manufacturing sites in four countries (the U.S., China, Thailand, and Poland). While each location develops its own training and development programs, the Human Development Center trains and certifies trainers specialized in critical processes and develops special skills to ensure that the same level of safety and quality are being incorporated into manufacturing practices worldwide. Currently, there are 25 certified trainers across the globe, and each one trains and certifies new trainers locally at the various business sites.

We opened four dojos, for safety, quality, maintenance, and assembly, at Daicel Safety Systems (Jiangsu) Co., Ltd. (DSSC) in China and Daicel Safety Systems (Thailand) Co., Ltd. (DSST) in Thailand, and two dojos, for safety and maintenance training, at Daicel Safety Systems (Thailand) Co., Ltd. (DSST) in Thailand in January 2021. We conduct training and development programs tailored to local cultures and the scale of each business site based on Daicel's relentless pursuit of safety and quality and monozukuri spirit.

> Human Development Center at the Harima Plant





Scenes from the training program

Overseas Language Training

We have also established programs for dispatching employees for overseas language training, ranging from short-term studies (English) for all new employees, to sending employees recommended by department managers to study overseas, and to various universities for longer periods (English and Chinese). We aim to foster a global mindset among new employees by creating opportunities to promote not only language learning but also cross-cultural understanding. While we had been unable to implement overseas language training since FY2022/3 due to the COVID-19 pandemic, we have re-started this program on a limited basis (Chinese) since FY2024/3.

Basic Training and Education for All Employees

The assurance of safety and quality is the basis of monozukuri activities and, at the same time, a matter of the utmost importance for our ongoing business. Thus, we need to develop human resources who are capable of achieving these essential criteria. We should not be satisfied with simply acquiring more sophisticated technologies and knowledge. It is also important to remain focused on the basics and diligently execute basic manufacturing activities such as performing greetings; 3S activities, namely Seiri (Sorting), Seiton (Setting-in-Order), and Seisou (Shining); crisis-identification activities; and hazard prediction activities. At our Operations Training Centers (TRC), we maintain our management principle of "start with basics, and return to basics," which was adopted at the time of our founding, and we continue to develop the right people who support Daicel's monozukuri activities with the focus on "assurance of safety and quality."

Operation Training Center (TRC)

The Operation Training Center (TRC) provides training programs to foster operators and engineers, who are indispensable at each manufacturing site.

The center was set up in 2002 as a facility responsible for the Group-wide education and training programs for all employees, with the goal of instilling and maintaining "Production Innovation by the Daicel Way". Production Innovation by the Daicel Way goes back to the basics and focuses on human-oriented manufacturing. By systemizing the skills and know-how of experienced staff and enabling everyone to put them to practical use, it endeavors to achieve a broad range of results including: (1) safe and stable operations, (2) dramatically higher productivity, (3) substantially lower manufacturing costs, (4) smoother, more uniform operations and quality stabilization, (5) the passing on of skills and techniques and human resource development, and (6) energy conservation. The TRC is a place where operators and engineers acquire the knowledge, experience and skills needed in their jobs, through experience-based training using both real equipment and simulators. It enables trainees to learn effective ways to operate and control equipment that is used in actual worksites and gain a structural understanding of the equipment.



Operation Training Center (TRC) and Small-Scale Plant

> Daicel's Commitment to Monozukuri Manufacturing

Education and Training Programs

Target: New employees, operators at all levels, engineers, and workplace leaders (foremen, managers, and general managers).

Content of training programs: We implement 25 different training courses. These include basic manufacturing activities such as performing greetings, 3S methodology, namely Seiri (Sorting), Seiton (Setting-in-Order), and Seisou (Shining), and crisis-identification activities to hands-on experience and work on small-scale chemical plants and training devices, which involves training for operating distributed control systems (DCS) at each job level. Employees can raise their awareness of safety by learning about the objectives and background of the safety measures and rules introduced on the basis of lessons learned from past incidents. In addition, we provide experience-based hazard education using specialized equipment that simulates entanglements with equipment, static electricity, solvent and dust explosion, pressure, and exposure to chemicals.

We have been using an annual CAPD cycle* to actively improve the TRC's training curriculum, programs and textbooks. We have also kept class sizes small (interactive education with about six students) to maximize educational outcomes.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Pressure Experience

This equipment runs pressurized water through pipes of varying diameters and simulates different pressures. Trainees develop a better understanding of issues relating to pressure, which they rarely come across in their daily lives.



Pressure simulator

Entanglement Experience

This equipment simulates a person's hand getting entangled in a roller. By demonstrating the shock of getting entangled, we teach about the danger of rotating components.



Entanglement simulator

On an annual basis, the TRC has offered experience-based training with a focus on chemical plants, not only to Company employees but also to university and vocational high school students.

From the time the TRC opened in 2002 to the end of FY2023/3, a total of 8,561 people has completed their training (FY2023/3: 397). The number includes 3,262 operators (excluding new employees) (FY2023/3: 139), 2,114 engineers (FY2023/3: 152), 1,983 new employees (FY2023/3: 82), 811 workplace managers (FY2023/3: 24), and 391 students and other staff (FY2022/3: none).

Moreover, the TRC was awarded "the Responsible Care Award (RC Award)" at the JCIA's 9th Responsible Care Awards in 2015, in recognition of its activities toward "passing on skills, and education and training in the process industry" since FY2003/3.



RC Award Certificate

Sustainability / Social Report / Creating Attractive Workplaces

Promoting Diversity and Inclusion

Basic Approach

The Daicel Group implements personnel measures in accordance with its Human Resource Policy and Human Resource Guidelines.

In its Sustainability Management Policy, the Daicel Group clearly states its commitment to realizing a sustainable society and expanding business by promoting human-centered management. This type of management enables diverse employees to grow while establishing their own presence and achieving fulfillment. In accordance with this approach, the Group is creating a workplace environment that supports diversified human resources and in which each employee can fully demonstrate their talents.

Our Structure for Promoting Diversity

The Human Resources Division supervised by the director responsible for this area leads the Company's human asset management, in which a CAPD cycle* is applied for planning and implementing specific measures. The measures that are important from a management perspective are submitted for deliberation in major meetings such as the Management Meeting and Planning Meeting.

In addition, based on "sustainable people," one of our sustainable management policies, we have set "diversity and inclusion" as one of our key management issues. We are promoting measures according to the situation of each Daicel Group company.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Initiatives for Promoting Diversity

Daicel promotes diversity with a focus on advancing female employees. In order to support the career development of motivated women and create workplaces that cater to everyone's needs, we promote initiatives related to remote work and raising the annual paid leave usage ratio. As a result, these efforts are leading to the creation of workplaces and systems not only for women but also for a diverse group of employees so that they can fully demonstrate their talents. In its

recruitment activities, the Group places emphasis on securing talented individuals regardless of gender or nationality, with "human resources who value communication between people from the standpoint and perspective of others" and "human resources who have passion and attachment to issues and take responsibility until the end." Daicel is also working to achieve a diversity ratio of 30%.

In addition, we are actively recruiting experienced employees to ensure diversity not only by attributes such as gender and nationality but also by experience, different cultures, and areas of expertise. We aim to create an organization where each and every one of our diverse employees can make the most of their individual abilities and individuality so that they all achieve self-fulfillment.

Promoting Diversity and Reforming Work Styles

		——————————————————————————————————————	
	Introductory period (2015 - 2017)	Learning New Ways (2018 - 2019)	New Normal Reforms Implemented (from 2020)
System and Awareness Reform	Five days pad childcare leave (FY2017/3) Inducement to take leave (FY2017/3) Training for female leaders (Nadeshiko sessions) (FY2018/3) Work-from-home system (Childcare or nursing care) (FY2018/3)	Men eligible for childcare leave (FY2019/3) Working hours shortened (FY2019/3) Work-at-home system extended to all employees (FY2019/3) Satellite offices (FY2019/3)	Work-at-home allowance (FY2021/3) No more transfers away from family members (FY2021/3) Babysitter subsidy (FY2021/3) Executive mentor system instituted (FY2022/3) Introduction of Work × Work Challenge System for side jobs (FY2022/3) Introduction of Same-sex Partnership System (FY2024/3)
Infrastructure and Environment Development	Free addresses (non-assigned desks) (FY2016/3) Management of working hours using PC-log attendance (gate entry/exit times are used for employees at plants) (FY2018/3) Strengthening the security of backbone system (accessible from outside the company) (FY2018/3)	"Office Casual" dress code (FY2020/3)	Electronic contract system (FY2021/3) Implementation of barrier-free at some business sites (FY2023/3)

> Initiatives for Raising the Annual Paid Leave Usage Ratio (Foster a Corporate Culture That Meets Employee Needs)

Helping Women Earn Career Success

Since we formulated an action plan based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace in April 2016, we have been actively recruiting female employees and training female leaders, and have established a system that allows employees to choose their own work style according to their life stage.

Received certification a Leading Company for Women's Advancement from Osaka city in FY2020/3



Received Eruboshi certification (3 stars) in FY2021/3



> ESG Data Numerical Data on Diversity

Action Plan Based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace

Period: April 2021 to March 31, 2026

Target:

Maintain at least two female directors, including executive officers Target 1

Target 2 Increase the ratio of women in management positions to at least 10%

Target 3 Raise the ratio of women in positions immediately under section managers to 15% or higher

Ensure that all employees take a five-day vacation once a year using paid leave and designated Target 4

national holidays.

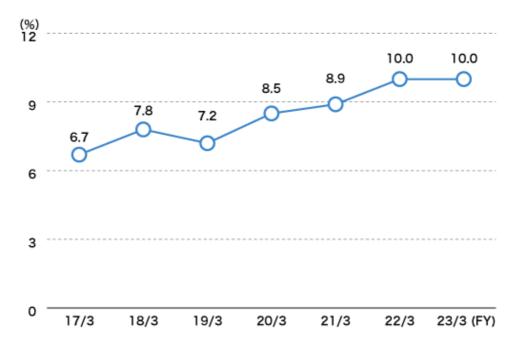
Trend in Number and Ratio of Female Managers

FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
12	16	25	29	28	34	38
1.6%	2.1%	3.1%	3.6%	3.5%	4.3%	4.9%



■ Trend in Number and Ratio of Women in Positions Immediately under Section Managers

FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
29	36	35	42	47	52	56
6.7%	7.8%	7.2%	8.5%	8.9%	10.0%	10.0%



> Action Plan for Helping Women Earn Career Success (database of companies that promote women's careers) (Only in Japanese)

> ESG Data Numerical Data on the Advancement of Women



Networking Events for Female Managers in Group Companies

In FY2023/3, Daicel and the Daicel Group company Polyplastics Co., Ltd. held a networking event for female managers, in which highly experienced women with different skills were invited to a venue where they could share opinions, information, and current conditions with one another, so that they might further improve their sense of solidarity.

On that day, 37 female managers participated in the event, which became an occasion for creating crossorganizational ties among the participants. Some of the comments from women present include: "I was able to exchange diverse opinions with a wide variety of people" and "I got to know employees whom I have never encountered before."





A networking event for female managers (Happy Career) held jointly by 15 companies

Ten Daicel employees participated in an online networking event held in FY2023/3 for female managers in their late 20s to early 30s, co-hosted by 15 companies participating in the Diversity West Japan Study Group. About 10 female managers from each company participated in the event and exchanged opinions about balancing work and child-rearing, and their future careers. Comments from managers who participated included, "I was able to resolve some of my concerns," and "it was stimulating to exchange opinions with other managers who are around the same age."

Executive Mentor System

As the number of men and woman in every job-grade and occupation approaches parity, one of our principal objectives is to build an organization that can make management decisions based on more diverse viewpoints. In order to achieve this, our two goals are to increase the number of female directors and internally promote female directors.

One of the policies for achieving these goals is our Executive Mentor System, which was instituted in FY2022/3, and is directed at female managers. Under this system, female managers meet with directors regularly and, through discussions with them, broaden their outlook and learn to adopt managerial attitudes.



Declaration of Support for KEIDANREN's "#Here We Go 203030 Challenge Initiatives for 30% of Executives to be Women by 2030"

"The NEW Growth Strategy" announced by KEIDANREN (Japan Business Federation) in November 2020 focuses on diversity and inclusion as the key drivers for achieving sustainable growth. It upholds the goal of raising the ratio of female executives to 30% or more by 2030. Daicel declared its support for this goal on April 5, 2021.

<About KEIDANREN's "Challenge Initiatives for 30% of Executives to be Women by 2030">

This is a goal based on the "The New Growth Strategy" announced by KEIDANREN in November 2020, and it is guided by the following four points.

- (1) Positioning diversity and inclusion as key corporate strategies, we will carry out initiatives that lead to business impact.
- By focusing on boards of directors, the decision-making bodies of companies, we will accelerate initiatives to apply the perspectives of a diverse range of people, including women, to the execution of operations and governance.
- (3) We will provide support in line with each career stage, from hiring to leadership development including identifying candidates, in order to strengthen the talent pipeline.
- (4) We will pursue the creation of organizations and environments that can maximize the performance of all employees by breaking away from previous employment practices and reforming the organizational culture.



> Keidanren "Challenge Initiatives for 30% of Executives to be Women by 2030" |

Advancing the Careers of Non-Japanese Employees

Daicel provides the following assistance when hiring non-Japanese employees.

- Assistance with visa application procedures
- Explanation on company systems (policies, personnel system and other issues)
- Information required for working in Japan

As of March 31, 2023, there are 24 non-Japanese employees working at Group companies in Japan.

Promoting Employment of Persons with Disabilities

Daicel systematically hires persons with disabilities and creates workplace environments that enable them to fully demonstrate their individual abilities. This is done to fulfill its social responsibility of maintaining the ratio of persons with disabilities in the total workforce above the statutory employment rate and also to provide support so that persons with disabilities can contribute as members of society.

As of June 1, 2023, the rate of persons with disabilities in the total workforce was 3.29% (non-consolidated), which is above the statutory requirement. We aim to ensure that each individual can contribute in the best possible way at each worksite.

Ratio of Persons with Disabilities in the Total Workforce (non-consolidated)

	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3
Ratio of persons with disabilities in the total workforce	2.17%	2.17%	2.43%	2.88%	3.29%

^{*} The statutory employment rate in Japan was set at 2.0% up to March 31, 2018, 2.2% from April 1, 2018, and 2.3% from March 1, 2021.

^{*} The results are as of June 1 of each fiscal year.



Seminars on Fostering Supporters for Workers with **Mental or Developmental Disorders**

Daicel invited two Employment Assistants for employees with mental disorders from the Employment Service Center in Umeda City to the Osaka Head Office to provide lectures for deepening our understanding of these disorders. We held three online seminars on fostering supporters for workers with mental or developmental disorders (two hours each), which were attended by a total of 90 employees mainly from the administration division of each business site.

During the seminars, the Employment Assistants offered basic information on mental and developmental disorders, explained what those who have them are capable of achieving, and then answered questions from the attendees. Since some attendees worked with people who have these disorders, their questions were based on their own experiences. This made the seminars more valuable because the participants could learn from each other as well.

We intend to continue holding these seminars on a regular basis with the aim of creating workplaces where employees with these disorders can work with a sense of security.

Encouraging Senior Employees to Remain Active in the Workforce

Daicel has a system in place that allows employees who have reached the retirement age of 60 to continue working for the Company and use their extensive knowledge and experience in the workforce. In accordance with the revised Law Concerning Stabilization of Employment of Older Persons, the system applies to employees seeking to continue to work to the age of 65.

In FY2023/3, 74 out of 84 employees who reached that age were re-employed under the system, and 264 senior employees are currently working at the Company after passing their retirement age as of March 31, 2023. Daicel will continue to maintain working environments where veteran employees can make use of their careers, knowledge, and experience.

> ESG Data Number of Senior employees



Life Planning Seminars

We have held Life Planning Seminars for employees between the ages of 55 and 59, covering topics related to their post-retirement life, such as health and receiving pensions. They consist of a Health Care Seminar from a public health nurse, explanations about the pension system and post-retirement re-employment system from the Human Resources Group, and a Second Life Seminar by Nippon Life Insurance Company. We are engaged in proactive efforts to ensure that our retirees have the information they need to lead active and fulfilling lives.

Consideration of Employees Identifying as LGBT

The Daicel Group aims to create attractive workplaces in which every employee, including those identifying as LGBT, can fully demonstrate their abilities. We set up an LGBT consultation desk in April 2019 toward creating an attractive workplace for all employees. Group companies are promoting conversations with their LGBT employees. For example, as a result of such discussions, the changing room policy was adjusted to accommodate transgender needs.



A Human Rights Seminar Focused on LGBT Issues for Executives of Daicel Corporation and Group Companies

In FY2023/3, 357 of our leaders participated in the training to learn about the environment surrounding those involved and the inherent risks, and to think about creating workplaces where sexual minorities can play an active role and creating a society that is easy to work in. Through discussions on how to respond to comingout, we discussed specific ways to create an organization where everyone can work with peace of mind.

Introduction of Same-sex Partnership System

In order to further create an environment where everyone can work in their own way, the Daicel Group introduced a same-sex partnership system on April 1 2023, which stipulates that the same-sex partners of employees should be treated the same as legally married spouses, and made it possible to apply for various allowances and benefits under relevant rules.

> Respect for Human Rights

Sustainability / Social Report / Creating Attractive Workplaces

Foster a Corporate Culture That Meets Employee Needs

Basic Approach

The Daicel Group aims to be "a company where employees can feel fulfilled through their work," and implements human resource practices based on Daicel Group's Human Resource Policy and Human Resource Guideline. We believe that the happiness of each employee and his/her family is the prerequisite for the overall happiness of society.

We make efforts to enable employees to achieve personal fulfillment by adhering to "human-centered business management" that values each and every employee, so that all Group employees will contribute to the realization of a sustainable society.

My Action Declaration

Each employee contains within himself or herself the driving force to bring about Daicel's future as laid out in the company's Long-Term Vision and Mid-Term Management Strategy.

Based on the principle of Human-Centered Management, labor and management are working together on a variety of policies in order to enable diverse employees to grow while enjoying a sense of their own presence and accomplishment. They also intend to devise a corporate culture that creates an employee-friendly working environment. Diverse work styles and values exist among our employees, and each employee's idea of happiness is different. The decision to create an environment in which employees can exercise their individuality and have both labor and management support employees in exercising their individuality was announced in "My Action Declaration."

"My Action Declaration" states that it will be the common basis for action of both workers and managers and identifies what individual employees want to do in various situations in their lives and how they want to bring it about. The task set out for each employee is to state what he or she wants to do in the four fields of work style, life, wellness, and society and to make a declaration to that effect.

My Action Declaration

We will fully support the aspirations of each individual.

The message expressed by labor and management in the declaration

It is important for each Daicel employee to not only focus on their working life but also to place value on their private life and time with family and friends, to think about the kind of life they want and how they should work while having a sense of fulfillment and accomplishment, and also to reap rewards in the context of the life they envisage.

We will fully support the aspirations of each individual so they are driven with the mindset that, "My life is mine alone, so I will strive to make it better." Let's take the first step in that direction.

Work Style

Using individual means to achieve a sense of accomplishment and self-fulfillment

- I want to create a safe, comfortable workplace where colleagues help one another
- (2) I want to work in a flexible and efficient manner
- (3) I want to challenge myself to become the person I aspire to be
- (4) I want to enjoy a sense of purpose and accomplishment

Life

A fulfilling everyday life and preparation for the future

- (9) I want to consider my own way of life and how to plan my life
- (10) I want to build assets for the future
- (11) I want to value time spent with my friends and family
- (12) I want to spend my time off in a fulfilling manner

Wellness

I want to improve my health now in order to remain healthy all my life

- (5) I want to eat nutritionally balanced meals
- (6) I want to sleep enough to allow my body to rest properly
- (7) I want to make exercise a part of my everyday life
- (8) I want to maintain a cheerful mood

Society

I want to contribute to society as I am able

- (13) I want to help people through volunteer work
- (14) I want to create an abundant and healthy environment
- (15) I want to raise the next generation of children
- (16) I want to promote the welfare of the region

Management Structure

The Human Resources Division supervised by the director responsible for this area leads the Company's human resources management, in which a CAPD* cycle is applied for planning and implementing specific measures. The measures important from a management perspective are submitted for deliberation in major meetings such as the Management Meeting and the Strategy Meeting.

The Company engages in continuous dialogue with the labor union, primarily through various committees as outlined in the section titled "Sound Labor-Management Relations," as we seek to foster a worker-friendly corporate culture in a united effort of labor and management. We will strive to change mindsets and reform our systems toward becoming a company that meets the needs of its diverse workforce.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Enhancing Work-Life Balance

In order to improve the work-life balance of all our employees and create work environments that meet their individual needs, Daicel is seeking to shorten the prescribed working hours.

Measures to Shorten Working Hours

Timing	Description
April 2017	Reached an agreement with the labor union in regard to shortening mandatory working hours and increasing the number of holidays.
April 2018	Mandatory working hours for full-time employees, other than shift workers, was reduced from 8 to 7.5 hours per business day. Achieved a decrease of approximately 120 hours, or about 6.2%, in mandatory annual working hours.
April 2020	Increased the annual holidays for shift workers by 10 days.
April 2022	Annual days off was increased to 122 days.

Visualizing Working Hours

Daicel visualizes actual working hours by including the log-on and log-off times of workers' computers in the attendance reports. By creating this system, we seek to maintain and manage our employees' health amid the ongoing expansion of remote work.

Reducing Extended Working Hours

Daicel endeavors to reduce extended working hours by prohibiting overtime work exceeding 75 hours a month through an agreement with the labor union. In addition to operating a system for visualizing actual working hours, the Higher Productivity Promotion Committee, which comprises labor and management, seeks to reduce extended working hours by monitoring the status of applications for overtime by each department, determining the causes of overtime work, conducting interviews in the relevant department, and discussing concrete measures for improvement. Moreover, to follow up on employees who could not avoid extended work, we hold consultations with industrial doctors and corporate health nurses for employees whose monthly overtime exceeds 60 hours and for those whose monthly overtime exceeds 45 hours for three consecutive months.

Initiatives for Realizing Flexible Work Styles

Helping Employees Manage Their Work-Life Balance

At Daicel, we are focused on implementing measures that offer diverse and flexible working arrangements to our employees to help them better manage their work-life balance.

"Work × Work Challenge System" for Side Jobs

Daicel has introduced a system that enables employees to undertake side jobs to foster independence, consider one's own career, and encourage further growth. As of March 31, 2023, 29 employees are taking advantage of this system.

Daicel's Human Resources Programs

■ Daicel's Human Resources Programs

			Contract Employee		
	Program/Policy			Contract Employee	
Support for Child-Rearing and Nursing Care	Prenatal leave 6 weeks prior to childbirth 14 weeks in case of multiple pregnancies	0	0	0	
	Postpartum leave 8 weeks following childbirth Employees can return to work after 6 weeks from childbirth based on their own wishes and their doctor's approval	0	0	0	
	Child-rearing leave Until the day before the child has reached the age of one In certain cases, until the day before the child has reached the age of two This program also covers employees with fixed terms of service (contract employees), and there are no restrictions based on length of service.	0	0	0	
	Nursing care leave Up to 5 days per year In cases where employees need to engage in the nursing care of two or more family members whose conditions meet such criteria, up to 10 days per year This program also covers employees with fixed terms of service (contract employees), and there are no restrictions based on length of service.	0	0	0	

			Contract E	Employee
	Program/Policy	Full-Time Employee	Post- Retirement Employee	Contract Employee
Support for Child-Rearing and Nursing	Extended nursing-care leave* Up to 365 calendar days	0	0	0
Care	Family care leave In cases where employees need to care for their preschool-age children, they are entitled to special leave of up to 5 days per year aside from their annual paid leave (if raising more than two preschool-age children, up to 10 days per year)	0	0	0
	Special leave due to non-work accidents or illness* Employees are entitled to take special leave of up to 20 days per year aside from their annual paid leave, in the event they have a non-work accident or are sick and must be absent from work for over 3 consecutive working days.	0	0	0
	Special paid leave for employees whose spouse has given birth* Male employees are entitled to special paid leave of up to 3 days when their wife gives birth.	0	0	0
Mental and Physical Health	Annual paid leave* Employees are entitled to a fixed number of annual paid leave days based on years of service from the first day of their employment.	0	0	0
	Promotion of annual paid leave usage* In conjunction with the formulation of annual operational schedules, each worksite designates multiple dates on which employees are encouraged to take annual paid leave.	0	Ο	0
	Health Day* Employees are entitled to special paid leave for the purpose of health management during the month of their birthday or the previous or following month.	0	Ο	0

			Contract Employee		
	Program/Policy	Full-Time Employee	Post- Retirement Employee	Contract Employee	
Work-Life Balance	Reduced work hour system* Employees who meet the criteria (pregnant, childbirth, child rearing, nursing care) are allowed to reduce their working hours by up to 135 minutes per day. They can also use flextime in combination with this program.	0	0	0	
	Flextime* Employees are allowed to work under a flexible work schedule that meets a set of criteria without defining the core hours.	0	0	0	
	Remote work program (work from home or from a satellite office)* All employees are entitled to work from home on an as-needed basis. Employees can also work at locations that are not their designated business sites for the purpose of work efficiency and productivity (no limitations on frequency per month).	0	0	0	
	Work × Work Challenge System for side jobs* Employees are entitled to engage in work other than Daicel operations for the purpose of enhancing their knowledge and skills.	0	0	0	

A program or policy adopted by Daicel that is beyond its statutory obligations.

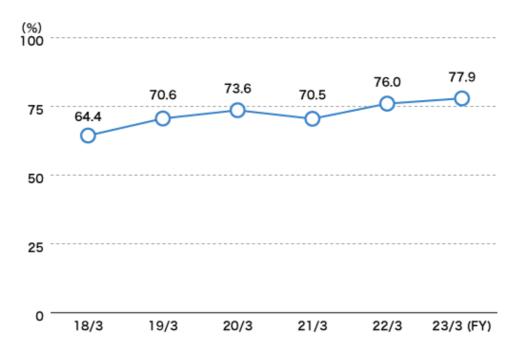
> ESG Data Numerical Data on Work-Life Balance

Improvement in the Annual Paid Leave Usage Rate

Since the Group set a goal of 70% or more for its annual paid leave usage rate in FY2017/3, Daicel has raised in stages the designated number of days that employees are recommended to take annual paid leave, from three to four days in FY2019/3, then to five in FY2020/3. In FY2023/3, we achieved an annual paid leave usage rate of 77.9%.

■ Rate of Employees Taking Annual Paid Leave

FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
64.4%	70.6%	73.6%	70.5%	76.0%	77.9%



Promoting Usage of Annual Paid Leave ("Thanks Holidays")

One of the goals in our action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, is "Ensure that all employees take a five-day vacation once a year using paid leave and designated national holidays." We are promoting paid leave usage under the name "Thanks Holidays."

In our action plan based on the Act for the Advancement of Measures to Support Raising the Next Generation's Children, we formulated a goal of raising our paid leave usage rate to 80% or more. We have undertaken a program to both help all employees achieve a full work-life balance and to set up a system in which team members support one another's work in the usage of long-term leave. For FY2023/3, the paid leave usage rate was 56.3%.

> ESG Data Rate of employees taking annual paid leave

Promoting Remote Work (Work from Home or a Satellite Office)

Daicel is promoting remote work to advance efficient work styles not restricted by time or location.

The Company has concluded a contract with a satellite office operator to provide a convenient work environment for employees in transit or on business trips, allowing them to do their jobs without having to return to their offices. We have also deployed the necessary devices and networking for remote work.

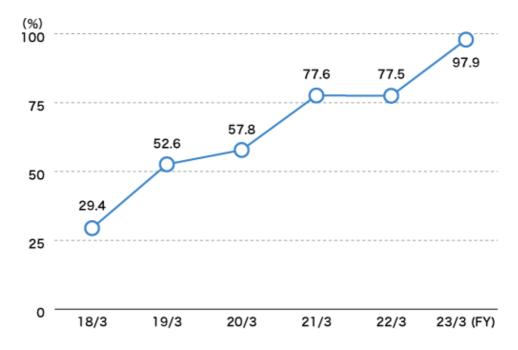
So that as many employees as possible can spend more time with their families, we eliminate unaccompanied transfers when the situation allows and allow the employee to do their work remotely from home or other locations.

Encouraging Childcare Leave for Male Employees

From the perspective of improving the work-life balance and creating a workplace that encourages male employees to take childcare leave, the Company introduced a paid portion (five days) to this type of leave in FY2018/3. The percentage of eligible male employees taking the leave in FY2023/3 was 97.9%.

■ Percentage of Male Employees Taking Childcare Leave

FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
29.4%	52.6%	57.8%	77.6%	77.5%	97.9%





Employee's Voice: Childcare Leave Was a Good Opportunity for Changing My Mindset



Hisayuki Kosaka (Corporate Support Headquarters, Human Resources Group) Childcare Leave from July 20, 2021 to August 18, 2021 (about one month)

Before I took Childcare Leave, I left meal preparation for the child up to my partner, but during the leave, I fed my baby his first solid food and milk. He didn't eat it as I thought he would, so that aspect of it was quite a challenge. I also tried my hand at making baby food, and when he eagerly ate it, I couldn't have been happier.

In addition, I did things like taking him on walks, going to the park, reading him stories, and just spending as much time as possible together. Taking care of my child like this further deepened my love for him. Taking Childcare Leave and becoming involved in childcare increased the time we spent together and furthermore, I was able to reduce the burden on my partner. Since children grow from day to day, the time when I was able to support and encourage his growth was truly precious. I hope that men don't hesitate to take Childcare Leave so that they can have this kind of valuable experience.

Working Environments that Provide Flexibility for Employees

Daicel is focused on creating working environments that enable employees to perform to the best of their capabilities, thus contributing to higher productivity.

Post-COVID Work Styles

The prevalence of remote work and the use of the online environment over the past three years during the COVID-19 pandemic has been a learning experience in matters such as how to communicate both in-person and online. We have renovated the office at our Tokyo headquarters so that we can apply what we have learned to our own work styles and further enhance job satisfaction for a unified Daicel Group.

Remodeling concept

- The office/workplace is the most important place for employees to interact and create value
- The office/workplace is a place where teams share their enthusiasm and practice a more results- and productivityoriented work style while flexibly incorporating remote work as a work option.



Guidance on Reward Standards and Transparent Decision-Making on Compensation

At Daicel, we believe that providing secure rewards is an important element of an employee-friendly corporate culture. As part of our process of human rights due diligence, we check whether Daicel Group companies are paying salaries in compliance with the laws and regulations of each country or region, including paying salaries above the statutory minimum wage and providing extra payment for overtime work. As a result, all the Daicel Group companies are in compliance with the law, and there have been no cases requiring corrective and remedial actions. While such legal compliance is a given, the Daicel Group's Human Resource Guidelines also request each Group company to "conduct verification of company compensation levels and salary items against external benchmarks regularly" to maintain the competitive level of reward standards based on the labor market.

Decisions on compensation are left to the discretion of each Group company, but we also pay due consideration to ensuring a transparent decision-making process for compensation. The Human Resource Guidelines state that we must "establish rules for wage structure and salary details, and disclose them to employees." For example, Daicel Corporation discloses its salary scale to applicable employees in addition to its salary-related rules.

Employee Benefits and Welfare

Yu Ai Kai Mutual Aid Association

This association was created in accordance with the welfare policies defined by Daicel's labor union and management in order to leverage the mutual aid of members for their improved well-being and nurture self-motivation and the spirit of friendship. Its members are employees of Daicel and Daicel Group companies.

■ Benefits and Welfare of Yu Ai Kai Mutual Aid Association

ltem	Description
Congratulatory stipend for weddings	The stipend is paid when a member gets married.
Congratulatory stipend for childbirth	The stipend is paid when a member or their spouse gives birth.
Congratulatory gifts when a member's child enters school	A gift is presented when a member's child has entered elementary, junior high, or high school (Recipients choose a gift from a catalogue).
Stipend for members at the passing of a family member	The stipend is paid when a family member of a member has passed away. The amount depends on the degree of kinship.

Item	Description		
Consolatory stipend for injuries and illness	The stipend is paid when a member takes a leave of absence due to a work-related injury or illness. The amount depends on the number of days of leave required.		
Consolatory stipend for damage attributable to disasters	The stipend is paid when a member's dwelling is damaged by a fire, storm, flood, earthquake, or other disaster. The amount depends on the degree of damage.		
Stipend for members on leave of absence	The stipend is paid when a member takes a leave of absence due to a non-work accident or illness, provided that the reasons for such leave meet the in-house criteria stipulated by the entities for which they work. The amount depends on the number of days of leave required.		
Stipend for subsidizing hospitalization expenses	The stipend is paid when a member or family member is hospitalized at a medical institution where health insurance is applied due to the accidents or illness being non-work related. The stipend is paid per day of hospitalization, and the amount depends on the type of injury or illness.		
Stipend for nursing care support	The stipend is paid when a member applies for the nursing care leave program in place at their respective entity. The amount depends on the length of nursing care leave applied for.		
Orphanage education annuity	Following a death, an annuity is paid to a member's dependent child(ren). The annuity is paid monthly for each child attending elementary, junior high, or high school.		
Refund upon withdrawal from membership	A refund is paid to members withdrawing from the association, with the sliding amount determined by the period of membership.		
Survivor's benefits	Benefits are paid to the survivor when either the member or registered spouse passes away.		
Social contribution activity awards	A cash award is given to commend individual (or a group of) members deemed to have made a significant contribution to society.		
GLTD insurance	Group Long-Term Disability insurance is in place to provide coverage for members who are unable to work for an extended period of time due to disabilities resulting from an injury or illness and who are not fully insured by the public insurance system or conventional disability income insurance.		

Employee Benefits and Welfare Program for Diverse Lifestyles

In addition to the employee benefits and welfare program provided by the fraternal association, Daicel has adopted a benefits and welfare program that can be used by employees according to their lifestyles as part of its efforts to improve the work-life balance.

Cafeteria Plan

Daicel provides employees with the Cafeteria Plan, an optional benefits and welfare program that allows employees to choose from menus that meet their personal needs, such as career development, healthy living, childcare and nursing care, and travel.

Use of Company-Sponsored Babysitter Dispatch Services

We subsidize part of the cost when an employee hires a babysitter through the Company-sponsored babysitter dispatch service launched by Japan's Cabinet Office in November 2020. We will continue to consider various programs and measures to help employees balance work and life with a sense of security. In FY2023/3, a total of 101 employees used these services.

Daicel Group Employee Stock Ownership Association

To help employees build their wealth by holding shares acquired from contributions, which enhance their sense of unity with the Company, Daicel Group established the Daicel Group Employee Stock Ownership Association. As of March 2023, 2,572 members of the Daicel Group Employee Stock Ownership Association hold 5.972 million company shares.

Daicel Group Employee Stock Ownership Association (as of March 31 of each fiscal year)

	FY2019/3	FT2020/3	FY2021/3	FY2022/3	FY2023/3
Number of members	1,986	2,223	2,279	2,503	2,572
Number of shares owned	4.08 million	4.647 million	5.048 million	5.245 million	5.972 million

Sound Labor-Management Relations

Summary of the Labor and Management Charter

- The Company and the union shall understand each other's position and make decisions through negotiations and discussions based on respect for human life and dignity.
- The Company shall give latitude to union activities and will not discriminate against its employees due to such activities.
- The Company and the union shall eliminate excessive control and respect the humanity of employees.
 Employees shall of their own free will contribute to the Company's business through their efforts to enhance productivity.
- The Company shall treat employees in a fair and appropriate manner with the aim of making the maximum
 use of the capabilities of each employee.

Daicel considers its employees to be important stakeholders. Accordingly, it has established the Labor and Management Charter, which has been signed by representatives of the labor unions and management. Both parties respect each other's standpoints and discuss issues in good faith in order to best develop the Company's business. Through these efforts, we are maintaining and reinforcing a healthy relationship between labor and management. In addition, labor and management committees are set up at each workplace. The Daicel Group undertakes a variety of measures covering a wide range of areas. This includes discussions between labor and management regarding such issues as working conditions, productivity improvement, personnel systems, working hours, and health management.

■ Major Labor-Management Committees

Name	Purpose
Central Management Council	 Issues requiring negotiation Issues requiring consultation Issues requiring reports or briefing (All of the above are important.)
Central Healthcare Committee	Support the mental and physical well-being of employees to raise individual productivity and create vibrant and healthy work environments.
Central Productivity Promotion Committee	 Promote work-life balance, and formulate policies on work style reform Monitor initiatives and activities aimed at reducing total working hours Share good practices related to reducing total working hours Monitor applications for overtime exemptions by each business site
Liaison Meeting on Labor- Management Issues	Discuss issues related to corporate management

> ESG Data Labor Union Membership and Composition

Employee Engagement Survey

Since the Daicel Group is composed of companies that provide value to society, it listens to its employees' unfettered opinions, and it aims to initiate specific actions on that basis. For that reason, Daicel administered an Employee Engagement Survey of its Group employees worldwide in December 2021. As we move forward with improvements based on the results of the survey, each employee will understand and accept how the company's goals support the sustainable growth of its business. We aim to create an environment where employees can exercise their will and capabilities to the greatest extent possible as they strive to achieve those objectives.

In FY2023/3, each workplace and department used the results of the survey to formulate action plans, and we have been promoting activities to improve operational efficiency.

The next employee engagement survey is scheduled for FY2024/3.

Summary of the Engagement Survey

Number of employees surveyed	10,678	
Number of employees who responded (response rate)	9,299 (87%)	
Number of questions	84 questions in 17 categories	
Survey language	11 languages	
Administration method	Internet -based questionnaire	
Categories that scored high	Quality & Customer-Focus Confidence in Leadership, Performance Management	
Categories that scored low	Work Process, Authority & Empowerment, Pay and Benefits	

Fostering a Sense of Unity Across the Daicel Group

Disseminating the Daicel Group's Long-Term Vision and Mid-Term Management Strategy

We provide opportunities for Daicel Group employees to gather and discuss the Group's Long-Term Vision and Mid-Term Management Strategy so that they can feel a personal connection to these ideas and how they are connected to their individual duties, and take steps toward realizing those visions.

In FY2023/3, workshops utilizing Lego were held at each business site. Participants built Lego items to understand each other's work and gain mutual understanding of what others are trying to accomplish.







Internal Communication

Recognizing employees as important stakeholders, we are constantly developing systems to meet their expectations and needs while also maintaining dialogue and other forms of communications through the labor union.

We also utilize various internal communication tools to regularly share information with all Group employees in multiple languages. This is done to foster a sense of unity across the Daicel Group by stimulating internal exchanges.





Sustainability / Social Report

Sustainable Procurement

In its purchasing activities, the Daicel Group carefully evaluates quality, pricing, and delivery dates while also considering social impact, in such areas as the environment, human rights, and the labor force. We have established our views on purchasing in the Basic Purchasing Policy and the Daicel Group CSR Purchasing Guidelines, and we seek compliance from our suppliers as we work together toward realizing a sustainable society in an effort that extends across the entire supply chain.

Basic Purchasing Policy

To achieve the goals of its Basic Philosophy, the Daicel Group adheres to its Conduct Policy and practices the following basic policies in its purchasing activities.

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

Established May 7, 2018

Daicel Group CSR Purchasing Guidelines

The Daicel Group has established the Daicel Group CSR Purchasing Guidelines in line with its Basic Purchasing Policy. These guidelines forms the basis of purchasing transactions, and they are adhered to by the Daicel Group and its suppliers around the world in a proactive effort toward realizing a sustainable society that extends across the entire supply chain.

By FY2023/3, we had distributed Certificates of Confirmation to 768 of Daicel's major suppliers (accounting for over 85% of total procurement) in order to confirm that they understood the content of the Daicel Group CSR Purchasing Guidelines, and we received signatures from 678 companies (a response rate of 88%).

Since FY2021/3, when we create a contract with new suppliers, we make it a rule to ask that they sign the Certificate of Confirmation as well, and 100% of them have done so.

Daicel Group CSR Purchasing Guidelines

- 1. Compliance with laws, regulations, and social norms
 - In the course of business activities, we shall comply with laws, regulations, and social norms with
 regard to such matters as business transactions, labor management, environmental preservation, safe
 operations, and intellectual property, thereby living up to higher standards of corporate ethics and fair
 business conduct.
 - In addition to complying with laws and regulations enforced in the countries and regions where we
 operate, we shall respect the cultures and customs of those local communities.
 - We shall not provide or receive entertainment or gifts that could be deemed to exceed the scope of sound commercial practice and social norms.
- 2. Respect for human rights and the working environment
 - We shall not condone forced labor, child labor, underpaid labor, or any other inhuman labor practices.
 - We shall eliminate discrimination within our workforce and strive to offer equal opportunities and realize the fair treatment of employees.
 - We shall prevent workplace harassment, bullying, and violence.
 - We shall respect the rights of our employees and, to this end, provide adequate wages while appropriately managing their working hours.
- 3. Occupational health and safety
 - We shall prevent occupational accidents and diseases by offering a safe and sanitized working environment and paying close attention to the management of employee health.
 - We shall formulate emergency countermeasures by anticipating possible accidents and disasters with the aim of protecting employee safety.
- 4. Environmental considerations
 - We shall strive to reduce the environmental impact of our operations by, for example, reducing resource and energy consumption in the course of production, packaging, and distribution and by curbing emissions of CO2 and industrial waste.

 We shall pursue business operations that give due consideration to the protection of the global environment and the conservation of biodiversity.

5. Sound business management

- We shall strive to engage in sound and transparent business management and appropriately disclose corporate information with stakeholders with the aim of establishing sincere relationships based on a spirit of mutual interest, respect, and trust.
- We shall not provide any benefit to antisocial forces while also strictly prohibiting the provision or receipt of undue gains attributable to such fraudulent activities as insider trading.
- 6. The pursuit of product quality and safety as well as improvements in technologies
 - We shall strive to meet customers' requirements with regard to product quality and safety in addition to providing accurate information about our products and services.
 - We shall strive to develop products and solutions through the pursuit of new technologies and better quality.
- 7. Maintaining stable supplies and the flexibility to remain responsive to changes
 - We shall deliver our products on time and strive to maintain stable supplies.
 - We shall formulate business continuity plans to secure our preparedness for emergencies, including natural disasters and operational accidents.

8. Information security

- We shall put in place security measures to combat network threats with the aim of ensuring that none of our systems are damaged by such threats or exploited by hackers to harm the systems of others.
- We shall appropriately protect the personal information we handle whether it pertains to customers, employees, or other third parties.
- We shall maintain the appropriate management of confidential information we receive from customers or other third parties, and striving to prevent the leakage of such information.
- 9. Contribution to communities and society
 - We shall develop collaborative relationships with local communities and strive to contribute to the development of society.
- 10. Promotion of CSR initiatives in which all supply chain constituents play their roles
 - We shall proactively push ahead with CSR initiatives while also disclosing the status of such initiatives.
 - We shall ask our business partners to join our efforts to promote CSR with the aim of encouraging our entire supply chain to engage in CSR.
 - We shall engage in responsible purchasing practices and observing purchasing regulations that are in place to address social issues related to specific materials such as conflict minerals regulations.

Established June 2018

> Procurement of raw materials, fuels, and components

> Equipment procurement

Our Structure for Promoting Sustainable Procurement

In FY2021/3, the Daicel Group launched a Procurement Subcommittee under the Sustainable Management Committee, chaired by the President and CEO, for promoting sustainable procurement with a sense of unity throughout the Group. The subcommittee comprises individuals charged with supervising procurement from the Raw Materials Purchasing Division and major Group companies, Corporate Sustainability, Investor Relations and Corporate Communications, each SBU and quality assurance department, and it meets periodically to engage in discussions encompassing the entire Group with regard to procurement operations that have been conducted by each business site or Group company in the past. The subcommittee met 13 times from FY2021/3 to FY2023/3.

During these meetings, the discussion are reported to the Sustainable Management Committee, which provides feedback on its own deliberations and debates and then reflects the results of the activities of the subcommittee.

- Setting targets related to sustainable procurement to be addressed by the Group as a whole, in addition to verifying progress on issues and exchanging information
- Discussing action on conflict minerals, palm oil, and human rights issues, and establishing targets and implementation plans, etc.
- > Sustainable Management System

Initiatives for Sustainable Procurement

Selection Process for New Suppliers

The Group has been conducting CSR procurement assessments since FY2021/3 when adopting new suppliers for the purchase of major raw materials and fuels.

In conducting the CSR assessment, we make use of a CSR assessment sheet which is a self-assessment questionnaire (SAQ) that we have created with reference to the questionnaire produced by the United Nations Global Compact Network, Japan. The questions include items concerned with supplier's activities across a wide range of areas related to quality assurance and stable supply, corporate governance, human rights, health and safety, environmental measures, information security, and so on. We evaluate suppliers' results comprehensively in line with the Group's standards and make decisions about the possibility of doing business with them.

Communication with Current Suppliers

When purchasing raw materials, fuel, parts, and equipment the Daicel Group conducts quality audits of our current suppliers according to the content of the transaction. We work to make improvements for any supplier that falls short of our standards or that is deemed to be a high risk.

Addition of CSR Clauses to Basic Purchasing and Sales Contracts for Raw Materials, Fuel, Parts, and Equipment

Beginning in FY2023/3, the Raw Materials Purchasing Division, the organization within the Daicel Group that procures raw materials, fuel, parts, and equipment produced a CSR clause for basic purchasing and sales contracts. It asks suppliers to abide by Daicel's Basic CSR Purchasing Guidelines. This CSR clause includes a wide range of items, including adherence to laws and social norms. The Raw Materials Purchasing Division is working to incorporate the CSR clause into all newly concluded purchasing and sales contracts and all such contracts that come up for renewal.

Self-Assessment-Questionnaire (SAQ) on CSR Procurement

To assess the sustainability initiatives of suppliers, the Daicel Group periodically conducts assessment using SAQ (CSR procurement assessment sheet). By providing assessments and offering feedback on their responses, we seek to raise awareness among suppliers and reduce environmental and social risks.

As for items concerning environmental measures, we check and evaluate suppliers' progress on developing targets for reducing greenhouse gases.

Also, we conduct interviews with suppliers who may not meet the Daicel Group's standards as a result of assessment, and we share the issues and work on initiatives for improvements.

Self-Assessment Questionnaire on CSR Procurement: Main Assessment Items

Self-Assessment Questionnaire on CSR Procurement: Main Assessment Items

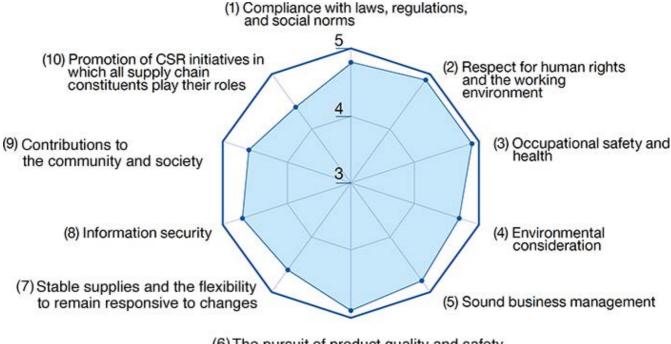
Assessment Item	Details
Compliance with laws, regulations and social norms	Establishment of management policies, legal compliance, establishment of whistleblowing system, and restrictions on offering gifts and entertainment
Respect for human rights and the working environment	Prohibitions of discrimination, forced labor, child labor and inhumane treatment, while ensuring adequate pay and appropriate management of working hours
Occupational health and safety	Occupational health and safety and management of workplace hygiene and responses to occupational injuries, illnesses and emergencies
Environmental considerations	Prevention of environmental pollution, effective use of energy, reduction of greenhouse gases, reduction of waste, and initiatives on preserving biodiversity
Sound business management	Information disclosure, elimination of inappropriate profit-taking, respect for intellectual property, and elimination of antisocial forces
The pursuit of product quality and safety as well as improvements in technologies	Provision of information on products and services, quality assurance for products and services, and management of chemical substances
Stable supplies and the flexibility to remain responsive to changes	Stable supplies, and BCP management
Information security	Defensive measures against network threats and measures for preventing leakage of personal information and confidential information we receive from customers and third parties
Contributions to the community and society	Contributing to the global community and local communities
Promotion of CSR initiatives in which all supply chain constituents play their roles	Sustainable procurement of minerals and promotion of CSR initiatives

Survey Results and Initiatives for Improvement

In the end of FY2023/3, we conducted an SAQ targeting 768 major suppliers of the Daicel Group, accounting for over 85% of total procurement, and received responses from 678 companies, a response rate of 88%.

Based on the SAQ results, we conducted interviews with 73 of the 189 companies that we deemed to be in need of improvement and identified 161 issues. We identified a relatively large number of issues in the areas of stable supply and promotion of CSR initiatives, and worked with the relevant suppliers in FY2023/3 to make improvements in 82 cases.

Survey Issues of Major Raw Materials and Fuel Suppliers



(6) The pursuit of product quality and safety as well as improvements in technologies

Human Rights Due Diligence

Based on the "human rights due diligence" concept, we prepared a risk map and identified the priority areas to be addressed. In addition to that, we conducted assessments of 28 domestic suppliers in FY2023/3. In FY2024/3, we will engage in discussions with each company and provide support for making improvements.

We also plan to conduct assessments of overseas suppliers and consideration of this is underway.

^{*} It shows the average scores for each issue.

Responsible Sourcing of Minerals

Profits gained from minerals commonly known as 3TG, which are mined in the Democratic Republic of Congo and neighboring countries, are being used to fund the activities of armed groups and anti-government organizations responsible for serious human rights violations. Under Section 1502 of the Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) enacted in January 2013, companies listed on U.S. stock exchanges are required to investigate and report on procurement status, particularly for tin, tantalum, tungsten, and gold (commonly known as 3TG). The Daicel Group is not listed on the U.S. stock exchange and is not required to report its activities, but throughout its supply chain, the Daicel Group will not, by any means, tolerate the procurement of the minerals which results in human rights violations or environmental destruction.

The Daicel Group considers such minerals to be an important issue, and in addition to the SAQ, we have conducted a conflict minerals reporting template (CMRT) survey that focuses on these minerals. In FY2023/3, we conducted a CMRT*1 survey of suppliers (a total of 39 companies) that handle items including 3TG out of the raw materials and parts we procured. As a result, we confirmed that there were no issues of concern (100% response rate). In addition, we used the EMRT*2 to survey suppliers of raw materials that include cobalt (a total of 24 companies), and we received a 100% response rate and found no problematic cases. We will continue to expand the minerals surveyed in order to meet the growing expectations of society.

- *1 Conflict Minerals Reporting Template. An international format for smooth collection of information on conflict minerals used throughout the supply chain.
- *2 Extended Minerals Reporting Template. A format that extends the target minerals from the CMRT. Included cobalt and natural mica as of June 2022.

Sustainable Procurement of Palm Oil Products

Progressive development of large-scale plantations of oil palms from which palm oil is extracted in Southeast Asia has led to the destruction of rain forests with a serious impact on the ecosystem and has therefore raised public concern. Recognizing the responsibility of a company that uses chemical products derived from palm oil as a raw material, the Daicel Group joined the RSPO* in August 2018 and is seeking to switch to palm oil-derived raw materials certified by the RSPO. In 2019, we began selling RSPO-certified products as raw materials for use in cosmetics, and we are gradually expanding this product line. As of the end of FY2023/3, about 11% of our chemical products derived from palm oil are RSPO certified. We will continue to play our role in realizing a sustainable society through our supply chain.

* Roundtable on Sustainable Palm Oil: An international certification system aimed at the sustainable production and use of palm oil.

Efforts to Regulate Chemicals

The Daicel Group uses domestic and overseas searchable databases of laws and regulations concerning chemicals not only in Japan but also Europe, the U.S., and the Asia-Pacific region, to acquire information about regulatory trends and revisions and to act in an appropriate and legal manner.

In particular, Europe is the world leader in the area of laws and regulations, and our response to their REACH regulations* includes not only appropriate legal registration of our products but also appropriate management of our supply chain.

* Registration, Evaluation, Authorization and Restriction of Chemicals: Regulations established by the European Union and required for producers and importers of chemicals, regarding the registration, safety evaluation, limits on use, and permissions for use of these products.

> Chemical and Product Safety

BCP Procurement

In view of the procurement risks and impact on the supply chain, the Daicel Group implements measures with regard to BCP for our main raw materials and fuel by gradually adopting multi-sourcing and accumulating safety stock, on a priority basis. As of the end of FY2023/3, measures were complete for 48% of our main raw materials, and we will continue to implement measures for the remaining 52% of our main raw materials.

Procurement Helpline Line

To promote fair transactions in line with our Basic Purchasing Policy, the Daicel Group has set up a help line to receive reports from suppliers. We ask our suppliers to report on legal violations and deviations from the Basic Purchasing Policy that occur within the Daicel Group during the course of business with the Group so that we can resolve any issues. The Basic Purchasing Policy explicitly states that there will be no adverse treatment for individuals consulting or reporting on issues through the help line.

> Inquiries about our business (including procurement)

Internal Education and Training

In FY2023/3, we held study groups for purchasing staff handling raw materials and fuel nine times on topics such as the long-term outlook for energy supply and demand, effective utilization of biomass raw materials and fuel and industrial waste, management of greenhouse gas emissions, and responding to external evaluation agencies. A total of 84 staff participated in the study groups. We also held study groups during meetings of the Procurement Subcommittee, comprising staff from each SBU as well as divisions handling the purchasing of raw materials, fuel, and materials at Group companies. Study group topics included issues related to RSPO certification and introductions to case studies at other companies in the industry. A total of 45 staff participated in these study groups. We have also incorporated personal goals for sustainable procurement initiatives in the evaluation of all purchasing staff to encourage everyone to exercise initiative.

Sustainability / Social Report

Contribution to Local Communities and Society

Basic Approach

The Daicel Group respects the customs and cultures of the local communities connected to the Group through its business activities, and it maintains and enhances its good relationships with those local communities by providing relevant information, carrying out appropriate dialogues, and contributing to local community developments.

These efforts are in keeping with the Ethical Standards of Daicel Group (3) Sustainability, environmental conservation, and social responsibility (v) Contribution to local communities: Engaging with local communities is essential to being responsible corporate citizens. Daicel builds relationships with various local communities to understand their needs and priorities, to collaborate with community members and organizations, to help align our contributions with the communities' specific needs, and to foster meaningful partnerships that drive positive change. Based on this code, we communicate with the local communities where we are located, as well as engage in a wide range of activities such as fostering the next generation and volunteering, in order to symbiotically contribute to the development of the community.

Supporting Future Generations

A Visit to Schools Jointly Organized by the Seven Daicel Group Companies in China

The seven Daicel Group companies in China initiated their first joint support program for education on September 22, 2022. The representatives from the seven Daicel Group companies visited eight schools, together with government officials and Shengli Village representatives, and donated scholarships and school supplies to 259 children. Shengli Village is located in the Guangxi Zhuang Autonomous Region in Southern China.

In order to ensure that the activities are comprehensive, the representatives of the Group companies and the village held multiple discussions in order to understand the children's study and living environment and to grasp their needs. In addition to donating scholarships and school uniforms, sports equipment such as basketballs, ping pong tables, jumping ropes, and hula hoops were given to each school. Participating Daicel employees commented that they were very happy to have received an enthusiastic welcome and words of joy from the teachers and students.

The Daicel Group considers this activity an important social contribution for the sound upbringing of children. We hope that these children will grow up with hope in their hearts as they dream of the future.





Tuition Support for University Students from Danyang City

Since FY2013/3, Daicel Safety Systems Jiangsu (DSSC) has offered scholarships to university students from Danyang City, Jiangsu Province who are having difficulty paying their tuition due to family circumstances. The scholarships are administered through the Danyang Charity Association.

Scholarship funds were provided to five students in FY2023/3.

On August 16, 2022, the five recipients were invited to DSSC for a signing ceremony. The DSSC president gave words of encouragement to the students, and each of the students introduced themselves and spoke about their aspirations. This support is not limited to simply providing scholarship money. DSSC employees held a debriefing session with the students about their university life and future career paths upon graduation, and we maintain communication with the students, asking for post-graduation updates, etc.

We hope that the young people from Danyang who we support through this activity will play an active role in the future and contribute to developing the community.



Interaction with the Local Community

Communication with Local Residents at Fuji Plant in Japan

Since 1974, Polyplastics Co., Ltd. (Polyplastics' Fuji Plant) has regularly invited local residents to exchange opinions on the environment, health, and safety.

These discussions were suspended for three years due to COVID-19, but face-to-face discussions resumed on June 28, 2022, with thorough infection measures in place. Sixteen local residents participated. The event also included a plant tour, an introduction to the company's initiatives and a visit to the company's new F-BASE building that was completed in January 2021. Such activities provide an opportunity to further deepen understanding of Fuji Plant's initiatives. The opinions and requests provided by local residents during the opinion exchange were discussed internally; improvements were made, and the details of these improvements will be reported.

In 2016, Fuji Plant received the RC Excellence Award at the Japan Chemical Industry Association's 10th Responsible Care (RC) Awards in recognition of its ongoing exchange of opinions with local residents. Fuji Plant also received the association's RC Effort Award for its proactive approach to communicating with local residents during the COVID-19 pandemic while giving consideration to safety. Going forward, Fuji Plant will continue to communicate with local residents to deepen mutual understanding and build a relationship of trust.

Cleanup Activities Around the World

The Daicel Group actively participates in cleanup activities in the communities where our sites are located, as we strive to beautify the community, preserve the natural environment, and promote interaction and communication with local residents.

Participated in the "100,000 People Clean Our Town Campaign" Sponsored by Amagasaki City in Japan

On June 17, 2022, Daicel Corporation and Daicel Value Coating Ltd. participated in the "100,000 People Clean Our Town Campaign" organized by Amagasaki City, in which the Kanzaki Plant is located. Around 100 employees participated by cleaning the area around Kanzaki Plant. This campaign, a joint effort by Amagasaki, local citizens, and business volunteers, has been held regularly since 2008 with the aims of having citizens beautify the town themselves, fostering awareness of one's own municipality and promoting the creation of a bright and comfortable town. Both companies agree with the aims of the campaign and have been participating since the beginning as part of their efforts to interact with local residents.

Cleanup Event at the Beach in Miyajima World Heritage Site in Japan

Daicel Corporation participates in the GREEN SEA Setouchi Hiroshima Platform (GSHIP), a public-private partnership organization that aims to reduce the amount of plastic waste flowing into the Seto Inland Sea to zero by 2050. On March 25, 2023, GSHIP held a cleanup event in Miyajima, Hiroshima Prefecture. A total of 144 people from children to adults participated, including 13 people from Daicel Corporation.

This cleanup event collected 144 kg of garbage in total. In particular, large amounts of styrofoam and plastic pipes used for oyster farming as well as plastics used in daily life were collected.



In addition to these events, cleanup activities were conducted in various locations in Japan near Daicel Group's business sites, including the Nira River (Isesaki City, Gunma Prefecture), the Ibo River (Tatsuno City, Hyogo Prefecture), Himeji City (Hyogo Prefecture), and Naoetsu Kaigan Funami Park (Joetsu City, Niigata Prefecture).

Participation in a Clean-Up Event of Arbor Adopt-A-Park in the State of Michigan, U.S.

A group of volunteers from Daicel Arbor Biosciences participated in the second annual Daicel Arbor Adopt-A-Park event on May 6, 2022.

Organized by the Arbor Actioners, nearly 20 volunteers picked up trash along the trails and nature areas of Peninsular Park in Ypsilanti, Michigan. Although it was wet, the volunteers worked hard to collect as much trash and debris as possible. In the end, the group collected a total of 23 bags of trash - plus a chair and several large hunks of metal, helping to spruce up the park.



Voluntary Activities

CSR Activities for Community and Society in Prachinburi, Thailand

Daicel Safety Systems (Thailand) Co., Ltd. (DSST) continuously works on a variety of CSR activities that involve cooperating with people in the community.

Monthly Community Visits

DSST employees carry out visits to the community every month to promote mutual understanding with the local community in the vicinity of our business sites.

On the day of the visit, several DSST employees visit nearby temples and community representatives to pray with

Buddhist monks for the health of residents. Some 95% of Thai people are Buddhist, and the religion is deeply rooted in the lives and customs of local residents. The regular visit each month leads to a promotion of mutual understanding with the local community.



A visit to former community leaders



Donating money and offerings to charity on the occasion of important Buddhist days

A Donation to a Governmental Organization for Occupational Skill Development (Skill Development Foundation)

DSST contributes to a governmental organization to support programs for the skill development of local residents. It is aimed at supporting those who have fewer chances to develop their skills for some reason or other.



To support the venue for the skill development Seminar project

A Support Activity for Local Children (Daicel Sharing Happiness to Community Project)

DSST worked on the support activity "Daicel Sharing Happiness to Community Project" on November 11, 2022. This support activity is aimed at improving the learning environment for local children and promoting mutual understanding with local residents through communication between employees and children.

On the day of the event, employees and local residents worked together to improve the children's learning environment by repainting the walls and road surfaces of an outdated elementary school building. DSST also donated scholarships to students and provided food aid to local residents.





Repainting road surfaces

Donating money to the temple

In addition, DSST worked on various activities throughout the year, such as donating money and candles to temples near its business sites, and blood donations by employees.

DSST will continue to deepen communication with local residents and contribute to the development of the local community.

Comfort Activities at a Nursing Home in Shanghai, China

Daicel Chiral Technologies (China) Co., Ltd. (DCTC) participated in comfort activities at a nursing home in Shanghai on December 15, 2022.

Two company representatives visited the facility with a volunteer organization that supports dementia patients. DCTC donated items that had been requested by the residents, such as heaters for the cold winter months and magnifying glasses to make it easier to see screen text during online medical care sessions.

The volunteer organization that DCTC worked with research approaches to dementia through art and exercise to help improve patients' quality of life, and it conducts regular art and exercise activities.

In the future, DCTC would like to hold events where residents and its employees can interact, such as painting or dancing together.





Food Donations in Singapore to Reduce Food Loss

Daicel (Asia), in cooperation with the non-profit Food Bank, held an event on November 22, 2022, to reduce food loss. The activity involved purchasing food from Food Bank that had no quality issues but was no longer sold to consumers and donating it to charity.

On the day of the event, Food Bank staff supervised Daicel staff as they packed food into individual bags and handed them out to local residents. It was almost as if Daicel Asia staffs were giving them an early Christmas gift. They were very happy to receive the gifts.

This was the first time for Daicel to conduct a food loss reduction activity with all its employees, so the activity not only enhanced the sense of unity among employees but also provided a good opportunity to think about sustainability.





A Support Activity for Ukrainian Refugees in Poland

Poland is a neighbor of Ukraine and has been a refuge for many displaced people from the war in Ukraine, which started in February 2022. In the first months of the war, approximately three million people, mostly women and children, evacuated to seek a safe place to live. The Polish government established shelters in rural areas.

During March and April, the town of Zarow, where Daicel Safety Systems Europe Sp. z o.o. (DSSE) is located, worked to secure food, clothing, shelter, and other necessities of life to accommodate 496 refugees, including 170 children.

DSSE also cooperated with the town and made a donation to support the refugees. The donation was to provide one month's worth of living expenses (electricity, water, shelter, food, etc.) to four families.

In addition, employees organized fundraising activities and donated school supplies, toys, strollers, bicycles, and other items to help the children get back to their normal lives as much as possible.

DSSE cooperated with public institutions and residents in providing a safe place for refugees from Ukraine.



Pomoc Ukrainie – akcesoria szkolone

- piórniki z wyposażeniem 15 sztuk
- przybory piśmienne (ołówki, długopisy, kredki, mazaki, kleje, nożyczki, wycinaki, plastelina, bibuły, gumki, strugaczki, farbki, linijki)
- bloki rysunkowe i techniczne (po 20 szt.)
- zeszyty w kartkę (50 szt.), w wąskie i szerokie linie (po 10 szt.)
- kolorowanki dla mniejszych dzieci

Corporate Governance

Basic Approach

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

> Corporate Governance Report (July 11, 2023) [PDF: 578KB]

History of Strengthening Corporate Governance

Date	Initiative	Purpose
June 1999	Introduced the Executive Officer System	To separate supervisory and business execution functions clearly
June 2000	Appointed Outside Directors	To strengthen decision-making and supervisory functions and ensure transparency in management
	Established the Nomination and Compensation Committee	To improve objectivity and transparency in the nomination and compensation assessment process
June 2003	Shortened the term of office for Directors from two years to one	To clarify management responsibilities of Directors to shareholders and build a system that responds quickly to changes
March 2006	Established the Information Disclosure Committee	To ensure the reliability of the information to be disclosed

Date	Initiative	Purpose
April 2006	Established the Risk Management Committee	To accurately understand and appropriately manage risks
May 2006	Established the Basic Policy on Building an Internal Control System	To develop an internal control structure
August 2010	Established the Internal Control Council	To build an internal control system and ensure the adequateness of its operation
January 2016	Started to evaluate the effectiveness of the Board of Directors	To maintain and improve the effectiveness of the Board of Directors
June 2017	Increased the ratio of Outside Directors to 50%	To ensure further transparency of decision-making and supervisory functions and management
January 2020	Improved the method for evaluating the effectiveness of the Board of Directors	To introduce individual interviews in addition to surveys
June 2022	Increased the ratio of Outside Directors to 60%	To ensure further transparency of decision-making and supervisory functions and management
January 2023	Changed the method for evaluating the effectiveness of the Board of Directors	To use external experts as part of the evaluation process

^{*} The Basic Policy for Structuring the Internal Control System, established in March 2006, is revised as necessary, such as when organizational changes occur.

Corporate Governance Framework

Outline of the Corporate Governance Framework (as of June 23, 2023)

Electing multiple Outside Directors is a basic policy of the Daicel Group. By electing Outside Directors, who now comprise a majority of the Board of Directors, and considering their opinions and advice as informed by their diverse expertise, Daicel is working to bolster the oversight functions and appropriateness of management decisions made by the Board of Directors. Moreover, our Executive Officer system has enabled us to clearly separate our decision-making/supervisory functions from our business execution functions, allowing for a dynamic business execution structure that allows us to quickly respond to changes in the management environment.

Through this governance structure, we strive to consistently improve corporate value with all reasonable considerations made for our stakeholders.

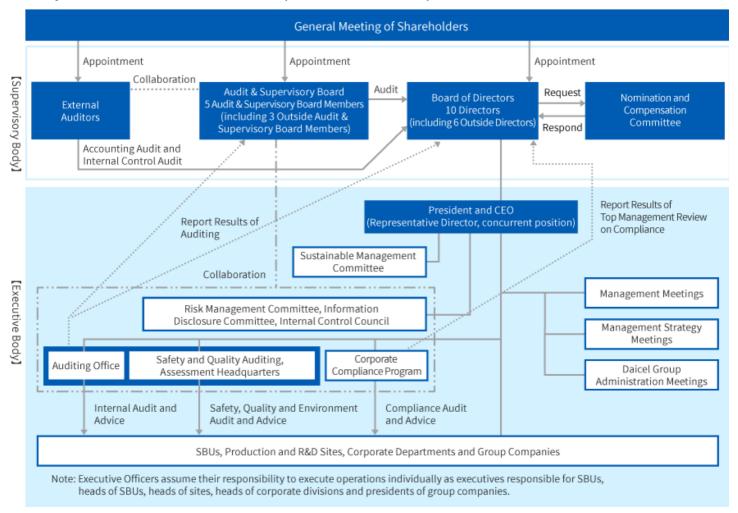
Item	Content
Type of organizational structure	Company with Audit & Supervisory Board
Chairperson of Board of Directors	Director, Chairperson of Board of Directors
Number of Directors	10 (including 2 female Directors)
Number of Outside Directors	6 (all 6 are independent Directors)
Number of Audit & Supervisory Board Members	5 (including 1 female Audit & Supervisory Board Member)
Number of Outside Audit & Supervisory Board Members	3 (all 3 are independent Audit & Supervisory Board Members)
Number of Executive Officers	21 (including 4 officers concurrently serving as Directors)
Number of Board of Director meetings held in FY2023/3 (average attendance rate of outside Directors/outside Audit & Supervisory Board Members)	15 (97.8%/98.3%)
Number of Audit & Supervisory Board meetings held in FY2023/3 (average attendance rate of Outside Audit & Supervisory Board Members)	15 (98.3%)
Term of office for Directors	1 year

ltem	Content	
Term of office for Audit & Supervisory Board Members	4 years	
Average term in office for Directors	3.6 years	
Average term in office for Audit & Supervisory Board Members	2.4 years	
Voluntary advisory body to the Board of Directors	Nomination and Compensation Committee is composed of 8 Directors (including 6 Outside Directors) and chaired by an Outside Director. Meetings held in FY2023/3: 8	
Compensation system for Directors and Audit & Supervisory Board Members*	 Monthly compensation Performance-linked remuneration (excluding Outside Directors and Audit & Supervisory Board Members) Restricted Stock Compensation (excluding Outside Directors and Audit & Supervisory Board Members) 	
External Auditor	Deloitte Touche Tohmatsu LLC	

^{*} The compensation system is also used for executive officers and others.

The ratio of (1), (2), and (3) above is generally 55:30:15, with the ratio changing based on the individual's position.

Corporate Governance Framework (as of June 23, 2023)



Board of Directors

The Company recognizes a role of Board of Directors as following; Setting the direction we should aim for and creating a concrete business strategy toward the target, Supervising the execution of business and business operations from the objective point of view. Ensuring this effectiveness of the role of Board of Directors, it is constituted of four Inside Directors and six Outside Directors; the former have a profound insight about our businesses, the latter have a wealth of experience in the business management and diverse expertise (including eight men and two women in the Board as a whole). Also, all of Outside Directors are independent. The details about them are indicated in the part titled "Information about Directors and Audit & Supervisory Board Members" in the Securities Report. The Outside Directors satisfy the "Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members" as defined by the Company. Therefore, we organize the Board of Directors in a way that allows the Outside Directors, who are in a majority on the Board of Directors, to state their opinions to the Company's management from the objective and independent Directors' point of view.

The Board of Directors has a meeting once a month as a general rule. The Board of Directors meets to make decisions concerning important management issues and supervise the execution of duties and operations. In addition, five Audit & Supervisory Board Members, three of whom are the Outside Audit & Supervisory Board Members, also attend the Board of Directors meetings, where they express their opinions appropriately in case of necessity.

The term of office for Daicel's Directors is one year. This short term of office enables Daicel shareholders to increase their involvement in the appointment of Directors. At the same time, it allows the Company to better clarify the management responsibilities of its Directors and thereby strengthen its corporate governance.

It is necessary for each Director to develop his/her knowledge of our business to ensure effective supervision of the execution of business. Therefore, we provide opportunities for mainly Outside Directors and Outside Audit & Supervisory Board Members to tour our manufacturing sites and provide an explanation of Daicel's departments, products and technologies as well as the Board of Directors' meetings.

The activities of the Board of Directors are as follows.

Number of meetings of the Board of Directors held in FY2023/3 was15 Number of Board of Directors resolutions, discussions, and reports

Resolution Report Category	Number
IR	4
Governance	28
Risk Management, Corporate Compliance, Corporate Ethics	12
Audit & Supervisory Board Members, External Auditors	5
Management Strategies and Sustainability	5
Accounting, Finance	40
Individual Cases	12
HR, Remuneration	30

Resolution Report Category	Number
Internal Audits	2
Total	138

FY2023/3 Board of Directors

Summary of Major Resolutions, Discussions, and Reports Related to Governance and Compliance

Date	Agenda Category	Agenda	Summary of Resolutions, Discussions, and Reports
April 28, 2022	Governance	Director and Audit & Supervisory Board Member training track record	Information provision and status of training for Directors and Audit & Supervisory Board Members
June 10, 2022		Daicel's intellectual property and intangible asset investments	Daicel's approach and efforts regarding intellectual property and intangible asset investments, etc.
June 22, 2022		Corporate Governance Code	Status of response to the Corporate Governance Code
July 7, 2022		Cross-shareholdings	Consideration of the holding status of Daicel's cross-held shares
October 14, 2022		Effectiveness evaluation of the Board of Directors	Consideration of method for evaluating the effectiveness of the Board of Directors
March 24, 2023		Revision of the Basic Policy for Structuring the Internal Control System	Revision of the Basic Policy for Structuring the Internal Control System
March 24, 2023		Enforcement status of the Basic Policy for Structuring the Internal Control System	Enforcement status of the Basic Policy for Structuring the Internal Control System

Date	Agenda Category	Agenda	Summary of Resolutions, Discussions, and Reports
June 10, 2022	Risk Management /	Inappropriate actions related to UL certification	Report, examination, and expert investigation committee report on
July 7, 2022	Corporate	related to OL certification	inappropriate actions related to UL
August 24, 2022	Compliance / Corporate		certification, etc.
December 22, 2022	Ethics		
January 16, 2023			
August 4, 2022		Status of Group	Report on the contents and response status,
November 2, 2022		whistleblower system	etc. of whistleblowing within the Daicel Group
February 2, 2023			
August 24, 2022		Cyber security	Status report related to Daicel's cyber security
March 24, 2023		Corporate compliance activity status report	FY2023/3 Daicel Group Corporate Compliance Activity Status Report
March 24, 2023		Risk management activity status report	FY2023/3 Risk Management Activity Status Report
May 11, 2022	Audit &	Audit by Audit &	Report on resolutions of the Audit &
June 22, 2022	Supervisory Board	Supervisory Board Members	Supervisory Board, audit plan, interim report, annual report, etc.
July 7, 2022	Members / External		
January 16, 2023	Auditors / Internal Audit		
April 28, 2022		FY2023/3 internal audit plan	Report on FY2023/3 internal audit plan
June 22, 2022		Internal control over financial reporting	Reporting and discussion of internal control reports related to financial reporting
March 24, 2023		Confirmation of execution of business	Explanation and discussion related to confirmation of execution of business

Audit & Supervisory Board

The Audit & Supervisory Board comprises five members (four men and one woman), and a majority of three members are independent Outside Audit & Supervisory Board Members that meet the standards for independence of Outside Directors and Outside Audit & Supervisory Board Members. Outside Audit & Supervisory Board Members possess extensive experience and wide-ranging knowledge concerning accounting, finance, legal affairs, management, and other disciplines, and fulfill auditing functions from a third-party, independent standpoint.

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

The activities of the Audit & Supervisory Board Members are as follows.

		Relevance	
Category	ory Activity		Outside
(1) Director	Attendance at Board of Directors meetings	0	0
	Regular meetings with the Representative Director (exchange of opinions, etc.: held semiannually)	0	0
	Regular meetings with Outside Directors (exchange of opinions, etc.: held semiannually)	0	0
(2) Business execution	Interviews and hearings with the President and CEO, Senior Managing Executive Officer, and Managing Executive Officers (implemented for 8 of 8 planned people)	0	_
	Attendance at important meetings, such as Management Meetings, Planning Meetings, Management Strategy Meetings and the Internal Control Council	0	_
	Perusal and confirmation of important documents (Board of Directors meetings minutes, approval requests, approval documents, etc.)	0	•
	Audits of each Company department (implemented for 28 of 28 planned departments)	0	•
	Visits to each business site (implemented for 7 of 7 planned sites)	0	•

		Relevance	
Category	ry Activity		Outside
(3) Subsidiaries	Visits to domestic and overseas Group companies (including remote visits) (31 planned companies, and implemented for 32 companies)	0	•
	Regular meetings with Audit & Supervisory Board members of Group companies (reports on the status of each company's audits, exchanges of opinions, etc.: held annually)	0	•
(4) Internal audits	Regular meetings with the Internal Audit Department (explanation of the plan, report on the implementation status, exchange of opinions, etc.) — Auditing Office (held quarterly) — Corporate Compliance Program (held quarterly) — Safety and Quality Auditing (held annually)	0	•
(5) Accounting audits	Regular meetings with the External Auditor (explanation of audit plan, quarterly review reports, audit results reports: held quarterly)	0	0
	Meetings with the External Auditor (in addition to the above, exchanges of opinions, consultations, etc.: held as necessary)	0	_
	External Auditor evaluation (held annually)	0	0

^{*} Relevance [\circ : Responsible \bullet : Optional / Partially responsible]

With respect to Key Audit Matters (KAM), along with attending regular meetings and gatherings with External Auditors to confirm brainstorming progress, the Audit & Supervisory Board communicate important information to the executive team as needed.

Nomination and Compensation Committee

The Nomination and Compensation Committee, which is chaired by Outside Directors and consists of Outside Directors, who are in the majority of the Board of Directors, and Representative Directors, reports on the personnel and remuneration of Directors, Executive Officers and other officers in response to requests from the Chairperson of the Board of Directors or Chairperson of the Audit & Supervisory Board, from the point of view of ensuring objectivity, transparency, and validity in the process of decision.

The Nomination and Compensation Committee is administered in line with the regulations for the Nomination and Compensation Committee. This committee has the authority to state the opinions in response to requests from the chairperson of the Board of Directors regarding the decision of the candidates for the Directors and the Audit & Supervisory Board Members, the appointment of executive officers, etc. and the compensation assessment process of Directors and Audit & Supervisory Board Members. The chairperson of the Board of Directors must report the response of the Nomination and Compensation Committee in the Board of Directors meetings regarding the decision of the candidates for Directors and Audit & Supervisory Board Members and the decision on compensation for Directors and Audit & Supervisory Board Members. The Board of Directors meets to make decisions concerning these topics in consideration of responses from the Nomination and Compensation Committee.

The activities of the Nomination and Compensation Committee are as follows.

Number of meetings of the Nomination and Compensation Committee in FY2023/3 was 8 Number of Committee agenda items

Agenda Category	Number
Individual Cases	3
Appointment of Executive Officers, etc.	10
Compensation for Executive Officers, etc.	1
Appointment of Directors and Audit & Supervisory Board Members	10
Compensation for Directors and Audit & Supervisory Board Members	9
Total	33

Executive Officers

The Company has an Executive Officer System in order to clearly delineate decision-making and supervisory functions from business execution functions and further energize corporate management through swift decision-making.

The Company's 21 Executive Officers (four of whom are also Directors) execute operations as heads of SBUs, sites, or corporate divisions or as presidents of Group companies.

In accordance with the Rules Concerning Circulars (rules relating to job functions) these Executive Officers are given a certain measure of decision-making authority that they exercise to make swift decisions after accurately assessing business opportunities. Certain committees have an Executive Officer nominated by the President and CEO to serve as Chairperson in overseeing efforts to develop driven, responsible managers that will achieve the aims of the medium-term strategy and long-term vision of the Company.

These Executive Officers report important matters concerning business execution at monthly Board of Directors meetings and take advice from Directors and Audit & Supervisory Board Members to serve in supervising the Board of Directors.

Management Meetings

In the course of the President and CEO carrying out basic policies on corporate management as determined by the Board of Directors, the Management Meetings holds discussions and makes decisions about important business plans and business execution plans, as well as individual business operation execution.

Generally meeting twice a month, the committee consists of the President and CEO as well as Directors (excluding Outside Directors) and Executive Officers nominated by the President and CEO. The committee also has two Standing Audit & Supervisory Board Members that give their views on matters when needed.

The committee reports on the progress and results of its proceedings at monthly Board of Directors meetings and takes advice from Directors and Audit & Supervisory Board Members to serve in supervising the Board of Directors.

Composition of Each Body and Status of Director Activities (as of June 23, 2023)

Name	Position	Term in Office	Independent Director	Execution of operations	Board of Directors (FY2023/3 Attendance)	Audit & Supervisory Board (FY2023/3 Attendance)	Nomination and Compensation Committee (FY2023/3 Attendance)	Remarks
Yoshimi Ogawa	Representative Director President and CEO	12 years		•	100%		100%	Chairperson of Board of Directors
Kotaro Sugimoto	Representative Director	4 years		•	100%		100%	
Yasuhiro Sakaki	Director	3 years		•	100%			
Akihisa Takabe	Director	4 years		•	93.3%			

Name	Position	Term in Office	Independent Director	Execution of operations	Board of Directors (FY2023/3 Attendance)	Audit & Supervisory Board (FY2023/3 Attendance)	Nomination and Compensation Committee (FY2023/3 Attendance)	Remarks
Teisuke Kitayama	Outside Director	5 years	•		100%		100%	
Toshio Asano	Outside Director	4 years	•		100%		100%	Chairperson of the Nomination and Compensation Committee
Takeshi Furuichi	Outside Director	3 years	•		100%		100%	
Yuriya Komatsu	Outside Director	1 year	•		(100%)		(100%)	
Mari Okajima (New appointment)	Outside Director	-	•					
Keita Nishiyama (New appointment)	Outside Director	-	•					
Hisanori Imanaka	Standing Audit & Supervisory Board Member	3 years			100%	100%		Chairperson of the Audit & Supervisory Board
Mikio Yagi (New appointment)	Standing Audit & Supervisory Board Member	-						
Junichi Mizuo	Outside Audit & Supervisory Board Member	5 years	•		100%	100%		

Name	Position	Term in Office	Independent Director	Execution of operations	Board of Directors (FY2023/3 Attendance)	Audit & Supervisory Board (FY2023/3 Attendance)	Nomination and Compensation Committee (FY2023/3 Attendance)	Remarks
Hideo Makuta	Outside Audit & Supervisory Board Member	3 years	•		93.3%	93.3%		
Hisae Kitayama	Outside Audit & Supervisory Board Member	1 year	•		100%	100%		

^{*} Attendance rate is for FY2023/3.

> Standards for Independence of Outside Directors / Outside Audit & Supervisory Board Members [PDF:22KB]

Effectiveness Evaluation of the Board of Directors

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

FY2023/3 Initiatives Based on the FY2022/3 Effectiveness Evaluation

In view of the Effectiveness Evaluation of FY2022/3, in FY2023/3 we spent time improving reports with regard to the importance of subjects such as major investments in our business strategy, as well as progress and issues related to such subjects.

> Directors and Senior Management

FY2023/3 Effectiveness Evaluation of the Board of Directors

Although our effectiveness evaluations of the Board of Directors to date have been done strictly by those affiliated with the administrative office of the Board of Directors, FY2023/3 saw us begin to enlist the support of a third party organization (a law firm) with the goal of incorporating the knowledge of experts to further improve the effectiveness of the Board of Directors. We plan to make use of this third party once every three years.

Summary of the Evaluation Process and Results **Evaluation process** A questionnaire prepared by the office in cooperation with a third-party organization is distributed to all the Directors and Audit & Supervisory Board Members, and the results are collected. • The responses of the above questionnaire are surveyed in more detail in individual interviews with the presence of a third-party organization. Based on the responses to the questionnaire and results of interviews, issues are identified through discussions between the third-party organization and the office. These results (including proposals by the third-party organization on responses to issues) are reported and discussed at the Board of Directors. Main evaluation item Composition of the Board of Directors Status of discussions at the Board of Directors Status of discussions on investor evaluations and disclosure Status of discussions on matters of high public interest in recent years (SDGs, etc.) Other board operational issues Overview of evaluation results Members of the Board of Directors engaged in productive discussions with Outside Directors and actively offered their opinions, and we were able to confirm that the effectiveness of the board is generally satisfactory. On the other hand, there were some issues that needed to be addressed to improve the board's effectiveness. The main issues pointed out were: **(1)** Board composition issue Further discussions on the succession plans of the management team Board deliberation issues **(2)** Enhancement of the monitoring structure of the status of execution of management strategies as well as the identification of risks of individual proposals Status of discussions on investor evaluations and disclosure (3) • Further discussions on the ideal way, etc. to disclose information on changes, etc. of management strategies Status of discussions on matters of high public interest in recent years (4)

• Enhancement of monitoring structures for the initiatives related to sustainability and promotion of human capital management

Overview of evaluation results	 Other board operational issues Improvements on the timing of delivering reference materials for board meetings and use of in-house jargon Discussions on the ideal way to serve as Chairperson of the Board of Directors 	
Actions to be taken	It was confirmed that the Company will further enhance its effectiveness through discussions on the above issues at the Board of Directors meetings in FY2024/3 and ongoing initiatives going forward.	

Appointment and Compensation of Directors and Audit & Supervisory Board Members

Appointment and Nomination Procedures for Directors and Senior Management

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

Daicel has declared its support for the Challenge Initiatives for 30% of executives* to be women by 2030 (#Here We Go 203030), sponsored by Keidanren. Daicel has positioned Diversity & Inclusion (D&I) as a key materiality. The Company will seek to further enhance our corporate value by combining the power of diverse human resources, including women.

* Executives include senior managers, such as Directors, Audit & Supervisory Board Members, and Executive Officers.

Reasons for Appointment and Status of Activities of Outside Directors and Outside Audit & Supervisory Board Members

Daicel appoints its Outside Directors in accordance with its own Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members, which require that Outside Directors be sufficiently independent and present no risk of conflicts of interest with general shareholders. Daicel also designates all Outside Directors who satisfy the independence criteria as independent Directors.

Reasons for Appointment of Directors and Audit & Supervisory Board Members (as of June 23, 2023)

Yoshimi Ogawa	Position	Reason for Appointment
Yoshimi Ogawa	Representative Director	Mr. Ogawa has demonstrated strong leadership in guiding the entire Group toward achieving higher corporate value as the President and CEO of the Company since June 2019. We determined that he is qualified to manage the Daicel Group and its global business given his track record and wealth of experience, achievements and insights related to the overall management of Daicel.
Kotaro Sugimoto	President and CEO	Mr. Sugimoto possesses a wealth of experience, achievements and insights related to the overall management of Daicel, fostered as the head of administrative departments, including finance and accounting, as well as compliance. We determined that he is qualified to manage the Daicel Group and its global businesses.
Yasuhiro Sakaki	Director	Mr. Sakaki possesses a wealth of experience, achievements and insights related to the overall management of Daicel, fostered as president of an overseas subsidiary and head of the Safety segment and departments involved in promoting corporate strategy. We determined that he is qualified to manage the Daicel Group and its global businesses.
Akihisa Takabe	Director	Mr. Takabe possesses a wealth of experience, achievements and insights related to the planning and development of new products at the Daicel Group, fostered as head of R&D and new product development for broad areas, including basic technology and product development. We determined that he is qualified to manage the Daicel Group and its global businesses.
Teisuke Kitayama	Outside Director	Mr. Kitayama possesses a wealth of insights and experience, fostered as a manager of financial institutions, and applies these in the management of Daicel.
Toshio Asano	Outside Director	Mr. Asano possesses a wealth of insights and experience, fostered as a manager of companies that manufacture and sell chemical goods, and applies these in the management of Daicel.
Takeshi Furuichi	Outside Director	Mr. Furuichi possesses a wealth of insights and experience fostered as a manager of a financial institution, and applies these in the management of Daicel.
Yuriya Komatsu	Outside Director	Ms. Komatsu possesses a wealth of insights and experience, fostered as a manager of investment companies in Japan and overseas and communications companies, and applies these in the management of Daicel.

Yoshimi Ogawa	Position	Reason for Appointment
Mari Okajima	Outside Director	Ms. Okajima possesses highly specialized knowledge and experience as an academic expert who has conducted various research related to customer satisfaction and social issues with a focus on the SDGs, and applies these insights and experience in the management of Daicel.
Keita Nishiyama	Outside Director	Mr. Nishiyama possesses in-depth knowledge of economic, industrial, and IT policy that he has cultivated during his duties at the Ministry of Economy, Trade and Industry, and a wealth of knowledge as a manager that he has cultivated at an electric power company and investment company, and applies these insights and experience in the management of Daicel.

Audit & Supervisory Board Members	Position	Reason for Appointment
Hisanori Imanaka	Standing Audit & Supervisory Board Member	Mr. Imanaka has been in charge of supervising management across departments as the head of Daicel's management planning and sustainable management. Given this track record, we determined that he is qualified to serve as an Audit & Supervisory Member responsible for implementing audits based on a neutral and objective perspective to ensure sound management at Daicel.
Mikio Yagi	Standing Audit & Supervisory Board Member	Mr. Yagi has served as the President and CEO of a Group company as well as the responsible person for the Safety segment, etc. Given his insights from by his extensive experience and special expertise in the fields related to production, sales, product quality, etc. of Daicel, we determined that he is qualified to serve as an Audit & Supervisory Member responsible for implementing audits based on a neutral and objective perspective to ensure sound management at Daicel.
Junichi Mizuo	Outside Audit & Supervisory Board Member	Mr. Mizuo possesses highly specialized knowledge and experience as a scholar of CSR, corporate governance, and business ethics. He has also served as an Outside Director and is experienced in practical business operations. For these and other reasons, we have determined that he is qualified for the post of Outside Audit & Supervisory Board Member.
Hideo Makuta	Outside Audit & Supervisory Board Member	Mr. Makuta possesses highly specialized knowledge and extensive insights as an attorney at law and has served as a prosecutor at the Supreme Prosecutors Office, a member of the Fair Trade Commission, and an outside officer of companies. Given this track record, we have determined that he is qualified for the post of Outside Audit & Supervisory Board Member.

Audit & Supervisory Board Members	Position	Reason for Appointment
Hisae Kitayama	Outside Audit & Supervisory Board Member	Ms. Kitayama possesses highly specialized knowledge and extensive insights as a certified public accountant and has served as a partner at a major auditing firm and an executive for an association of certified public accountants. She also has experience with corporate affairs as an Outside Director. For these and other reasons, we have determined that she is qualified for the post of Outside Audit & Supervisory Board Member.

^{*} The Directors and Mikio Yagi, an Audit & Supervisory Board Member, were appointed on June 23, 2023. Other Audit & Supervisory Board members were appointed on the day of Ordinary General Meetings of Shareholders held in past fiscal years.

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

	Name		Corporate management	Global management	Marketing /Business	Technology /R&D	Finance and	Legal affairs,	DX	Sustair	nability
					planning		accounting	property, risk management		Environment	Diversity & Inclusion
	Yoshimi Ogawa		•	•		•			•	•	
	Kotaro Sugimoto		•	•			•	•			•
	Yasuhiro Sakaki		•	•	•			•		•	
	Akihisa Takabe		•			•		•		•	
Directors	Teisuke Kitayama	Outside	•	•			•	•		•	
Directors	Toshio Asano	Outside	•	•		•				•	
	Takeshi Furuichi	Outside	•	•			•				•
	Yuriya Komatsu	Outside	•	•			•	•			•
	Mari Okajima	Outside			•		٠				•
	Keita Nishiyama	Outside	•					•	•	•	

	Name		Corporate management r		Marketing T /Business planning	Technology /R&D	Finance and accounting	Legal affairs, intellectual property, risk management	DX	Sustainability	
										Environment	Diversity & Inclusion
	Hisanori Imanaka		•	•						•	•
	Mikio Yagi		•	•	•			•			•
Audit & Supervisory Board	Junichi Mizuo	Outside						•		•	•
Members	Hideo Makuta	Outside					•	•			•
	Hisae Kitayama	Outside					•	•			•

^{*} Up to five items that are particularly expected of each person are listed. The above matrix does not represent all the knowledge and experience of each person.

Compensation for Directors and Audit & Supervisory Board Members

1. Basic Policy

- (1) The Compensation of Directors and Audit & Supervisory Board Members shall be determined by Board of Directors' resolutions for Directors and Audit & Supervisory Board Members' discussions for Audit & Supervisory Board Members, within the scope of the total amount of compensation, etc. approved at the General Meeting of Shareholders.
- (2) The Compensation of Directors shall consist of monthly compensation, performance-based bonuses, and stock compensation, which will generally be paid according at a 55:30:15 ratio that is subject to change according to the position. This rule does not apply to Outside Directors, who shall be paid only monthly compensation. The compensation of Audit & Supervisory Board Members shall consist solely of monthly compensation.
- (3) To ensure objectivity, transparency, and validity regarding compensation, the Board of Directors makes its decisions following deliberations based on recommendations made by the Nomination and Compensation Committee.

2. Basic Policy on Compensation

(1) Monthly Compensation

In principle, the monthly compensation of Directors and Audit & Supervisory Board Members is a fixed amount paid in accordance with internal rules that are determined by the Directors' duties and job titles in business execution and as to whether or not the Audit & Supervisory Board Members are fulltime. Regarding monthly compensation, the Company has revised the compensation to an appropriate and fair level reflective of its business performance, accomplishment of medium- and long-term business plans, and social situations, among other factors.

(2) Performance-linked remuneration

Performance-linked remuneration of Directors is paid in accordance with the accomplishment of performance indicators designated by the Board of Directors.

Currently, net sales and operating income are used as the indicators to evaluate things such as business growth, market expansion, and improvements in the earning power of our core business. These indicators are given a 50-50 weighting, and the basic amount of the performance-based bonus is calculated by multiplying the rank-based amount with a payment rate that fluctuates between 0% and 200%, depending on the level of accomplishment of the performance indicators. The payout rates linked to the indicators are calculated as shown in the table below.

Indicator	Weight	Target achievement rate	Coefficient
		120% or more	200%
		More than 100% but less than 120%	*1
Net sales	50%	100%	100%
		More than 80% but less than 100%	*2
		80% or less	0%
	50%	120% or more	200%
		More than 100% but less than 120%	*1
Operating income		100%	100%
		More than 80% but less than 100%	*2
		80% or less	0%

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

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

The final amounts of performance-based bonuses are determined by assessing the status of each Director from the perspectives of practicing sustainable management policies and accomplishing medium-term strategies and adding or subtracting up to 20% to or from the basic amounts of the performance-based bonuses.

(3) Restricted Stock Compensation System

Daicel introduced the Restricted Stock Compensation System to step up value sharing with shareholders and motivate Directors to contribute more to medium- to long-term improvement in corporate value. The stocks cannot be transferred for a period of 30 years, and the Board of Directors decides on an amount for each eligible individual, which is then divided by the stock price at a certain point to calculate the number of shares to be awarded.

FY2023/3 Total Compensation

		Amount (Annual)					
Category	Number of	Cash Com	pensation	Stock-based			
	Recipients	Monthly Compensation	Performance- based Bonus	Compensation	Total		
Directors	11	276 million yen	75 million yen	52 million yen	404 million yen		
(Outside Directors)	(6)	(75 million yen)	(-)	(-)	(75 million yen)		
Audit & Supervisory Board Members	6	109 million yen	_	_	109 million yen		
(Outside Members)	(4)	(39 million yen)	_	_	(39 million yen)		
Total	17	386 million yen	75 million yen	52 million yen	514 million yen		

^{*} A resolution of the 153rd Ordinary General Meeting of Shareholders held on June 21, 2019, held the amount of compensation for Directors to a maximum of 500 million yen annually. A resolution of the 156th Ordinary General Meeting of Shareholders held on June 22, 2022, held the amount of compensation for Outside Directors to a maximum of 100 million yen annually.

^{*} Daicel does not have a system for paying retirement benefits to officers.

^{*} A resolution of the 152nd Ordinary General Meeting of Shareholders held on June 22, 2018, held the amount of compensation for Audit & Supervisory Board Members to a maximum of 120 million yen annually.

Training for Directors, Audit & Supervisory Board Members and Executive Officers

Directors and Audit & Supervisory Board Members attend external seminars and training sessions in order to accomplish such things as acquiring the knowledge necessary for the performance of their duties and work tasks, as well as to update their skills. The Company bears the costs of these activities.

It also provides annual compliance training for Directors, Audit & Supervisory Board Members, Executive Officers, and other employees such as senior employees (excluding Outside Directors).

In addition, we provide opportunities for Outside Directors to tour our manufacturing sites and receive an explanation of Daicel's business activities so they can better understand our business and utilize their knowledge in discussions within Board of Directors meetings.

In FY2023/3 we released information about our information disclosure and governance systems with regard to our intellectual property and intangible asset investment, our initiatives in our cellulose business and at our Biomass Innovation Center, our investments in the engineering plastics segment, and information about our Sustainable Management Committee.

> Education and Training Programs

Establishment of the Internal Control System

Daicel develops and manages a system of internal controls under its Basic Policy for Structuring the Internal Control System to ensure the appropriateness of its business operations as stipulated under Japan's Companies Act.

Furthermore, Daicel has established the Internal Control Council chaired by a senior managing executive officer, who concurrently serves as the general manager of the Corporate Support Headquarters and comprising general managers of corporate departments as members, to accurately grasp the status of the establishment and management of these systems and to discuss related measures toward ultimately ensuring the effectiveness of internal controls throughout the Group. Standing Audit & Supervisory Board Members also attend meetings held by the council as observers. The council provides a report on its activities to the Audit & Supervisory Board and Board of Directors, and the Board of Directors has confirmed that the Basic Policy is being implemented appropriately.

> Basic Policy for Structuring Internal Control Systems [PDF: 107KB]

Policy Regarding Cross-Holding of Shares

Policy on Cross-Holding of Shares

Daicel only adheres to a shareholding policy insofar as it is judged to contribute to the improvement of the medium- and long-term corporate value of Daicel Group from the perspectives of, for example, strengthening business relationships, maintaining the stability of transactions with financial institutions, and maintaining or strengthening cooperative business relationships.

When any stocks do not meet the purpose of our possession or are not recognized as being economically rational due to changes in the business environment or other factors, we will reduce them accordingly.

We regularly review the purpose and appropriateness of all stocks we hold, as well as the quantitative and qualitative benefits of our business transactions and the economic practicality of the risk of such transactions. The results of these reviews are reported to the Board of Directors, which examines the reviews.

Cross shareholdings of the Company (investment shares held for purposes other than to be net assets)

In line with the above-mentioned policy, in FY2023/3 the Company sold all shares of three securities out of 25 listed securities held by the Company. We also sold all shares of two unlisted securities. As of the end of FY2023/3, the Company held 48 stocks for a balance sheet amount of ¥58.9 billion. The decrease in the balance sheet amount is due to the sale of cross shareholdings and to fair value.

The ratio of the balance sheet amount to consolidated net assets increased in FY2021/3. This owes to a decline of approximately ¥167 billion in consolidated net assets in connection with the Company acquiring 100% ownership of consolidated subsidiary Polyplastics Co., Ltd. in October 2020. The Company continues to decrease its cross shareholdings.

		FY2020/3	FY2021/3	FY2022/3	FY2023/3
Number of	Unlisted stocks	27	28	27	26
brands of stocks (brands)	Listed stocks	27	26	25	22
	Total	54	54	52	48
Amount reported in the balance	Unlisted stocks	0.7	1.3	1.3	1.3
sheet	Listed stocks	52.0	64.5	65.3	57.6
(billions of yen)	Total	52.7	65.9	66.6	58.9
Ratio of consolidated net assets (%)		13.4	26.9	23.7	19.0

■ Cross shareholdings (top 10 securities) (as of March 31, 2023)

Stock	No. of Shares	Amount Reported in Balance Sheet at Fiscal Year-end (Millions of yen)	Purpose of Shareholding
FUJIFILM Holdings Corporation	5,809,249	38,910	Given our business transactions involving cellulose acetate and other products, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Japan Tobacco Inc.	1,500,000	4,197	Given our business transactions involving acetate tow and other products, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
DAIKIN INDUSTRIES, LTD.	156,000	3,690	We have continuously held the shares to maintain and strengthen our favorable relationship with the company in pursuing joint development of products and other activities.
NAGASE & CO., LTD.	1,197,000	2,435	Given our business transactions involving organic chemicals, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Tokyo Ohka Kogyo Co., Ltd.	271,100	2,084	Given our business transactions involving organic chemicals, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Mitsubishi UFJ Financial Group, Inc.	1,963,580	1,664	We have continuously held these shares to maintain and strengthen our favorable relationship with the company to ensure stable financial and settlement operations for the Daicel Group.

Stock	No. of Shares	Amount Reported in Balance Sheet at Fiscal Year-end (Millions of yen)	Purpose of Shareholding
Toyoda Gosei Co., Ltd.	369,700	842	Given our business transactions involving automobile airbag inflators and other products, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Sumitomo Mitsui Financial Group, Inc.	145,520	770	We have continuously held these shares to maintain and strengthen our favorable relationship with the company to ensure stable financial and settlement operations for the Daicel Group.
Sojitz Corporation	159,442	440	Given our business transactions involving acetate tow, organic chemicals, and other products, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
MS&AD Insurance Group Holdings, Inc.	99,400	408	We have continuously held these shares to maintain and strengthen our favorable relationship with the company to ensure stable non-life insurance transactions for the Daicel Group.

Cross shareholdings of the Company (total investment securities and deemed holdings of shares for purposes other than to be net assets)

	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Total amount of cross-shareholdings (billions of yen)	69.0	85.6	89.1	73.0
Ratio of consolidated net assets (%)	17.6	34.9	31.9	23.5

Plan for Future Stockholding Reductions

In light of various circumstances that include the impact on the market and the financial strategies of the issuing entity, the Company plans to sell any stock that fails to satisfy our purpose for shareholding or that is deemed to be no longer economically practical due to factors that include changes in the business environment.

The balance of cross shareholdings not including deemed holdings of shares and cross shareholdings including deemed holdings of shares as a proportion of consolidated net assets from FY2024/3 to FY2026/3 is expected to be as shown below.

	FY2024/3	FY2025/3	FY2026/3
Total amount of cross-shareholdings (excluding deemed holdings of shares) (billions of yen)	49.7	31.5	20.0
Ratio of consolidated net assets (%)	15.2	9.1	5.6
Total amount of cross-shareholdings (including deemed holdings of shares) (billions of yen)	64.1	45.9	34.5
Ratio of consolidated net assets (%)	19.6	13.3	9.6

^{*} The Company's reduction plan is based on information obtained by the Company as of May 26, 2023 and on certain assumptions deemed to be reasonable. Actual figures may diverge from the plan due to various factors.

Communication with Shareholders and Investors

Appropriate Information Disclosure and Constructive Dialogue

Daicel encourages fair evaluation of its corporate value by following its disclosure policy to foster accurate understanding of the Company among its stakeholders, including shareholders and investors. With the aim of building relationships of trust with all its stakeholders, Daicel has disclosed corporate information in a timely, impartial, accurate, and proactive manner on an ongoing basis. We also carry out IR activities to engage in dialogue with our shareholders and investors to further enhance our corporate value.

> Our disclosure policy, including our basic policy on information disclosure

General Meeting of Shareholder

We have considered the Annual General Meeting of Shareholders as a valuable opportunity to engage with our shareholders. Daicel posts the convocation notice for its Annual General Meeting of Shareholders on its website prior to distributing it by postal mail, aiming to provide shareholders with sufficient time to examine the agenda items. Moreover, to ensure that as many shareholders as possible to exercise their voting rights, we offer voting alternatives via postal mail or the Internet, using computers, smartphones and other devices, for those who are unable to attend the meeting. To facilitate their further understanding of initiatives of the Daicel Group, we are striving to provide easy-to-understand answers to questions voiced by shareholders.

The Annual General Meeting of Shareholders was held on June 22, 2022, amid the COVID-19 pandemic. During the meeting, we asked shareholders to wear masks and placed alcohol-based disinfectants near the reception desk and contactless thermometers near the entrance as measures to prevent infection. Inside the buildings, we let shareholders seat at a greater distance from each other compared to past meetings, and staff disinfected the microphones after use by each shareholder. Daicel's Directors and organizing staff also checked their temperatures and physical condition prior to participating and wore masks during the meetings.

We will continue to place importance on dialogue with shareholders and hold General Meetings of Shareholders with thorough safety considerations.

IR Activities

Under the supervision of the officer in charge of IR, the Company promotes IR activities in cooperation with the management team including the President and CEO, and related departments such as the IR department. In line with the forementioned basic policy on Information disclosure, Daicel adopts a proactive approach toward its IR activities.

By holding quarterly financial briefing session and things such as individual interviews, interviews at conferences sponsored by securities companies, and small meetings with the President and CEO, the Company strives to promote communication, aspiring to foster better understanding of the Daicel Group among institutional investors. In FY2023/3, business briefings on the Healthcare, Smart and Materials were held as opportunities to promote a better understanding of the Daicel Group's businesses. In view of the COVID-19 pandemic, these IR events, including the financial briefing session, were held not only in person but also online teleconferencing to allow investors to participate as much as possible.

With respect to individual investors, we participated in individual investor events hosted by securities companies and explained our business, in addition to providing information via our corporate website. Furthermore, we conducted an online survey of 2,000 individual investors to develop a deeper understanding of the Daicel Group and ask their opinion about Daicel Group.

Furthermore, we offer an email newsletter service providing information that Daicel has published on TDnet and EDINET. Please follow this link to sign up for our investor relations email newsletter.

> Investor Relation

FY2023/3 Activities

Activity	Frequency	Outline
Financial briefing sessions for analysts and institutional investors	4	Held briefings a quarterly basis; the second and fourth quarter briefings were held in parallel with face-to-face meetings and online conferences hosted by the President and CEO, while the first and third quarter briefings were conference calls hosted by the Investor Relations Department.
Strategy briefings for analysts and institutional investors	3	 Held briefings (online) as follows: Materials business on June 13, 2022 Smart business on July 14, 2022 Healthcare business on August 30, 2022
Individual interviews with analysts and institutional investors	Approx. 120 interviews	Conducted online conferences and teleconferences with analysts and institutional investors (Interviewer or interviewee of the Company: The IR department centered on the head of the IR department or the officer in charge of IR)
Small meetings with domestic institutional investors	1	Held an online meeting with domestic institutional investors by the President and CEO
Participation in conferences for overseas investors	1	Participated in a conference in Japan for overseas investors held by securities companies and the officer in charge of IR had face-to-face discussions with investors
Business briefings for individual investors	2	Participated in events for individual investors held by securities companies, and the head of the IR department gave a business explanation (once at the venue and once on streaming video)

Feedback on dialogue with shareholders and investors

The IR department feeds back to management and related departments as needed about the content of dialogues with shareholders and investors, their opinions and requests, and the content of analyst reports. In addition, the officer in charge of IR reports the dialogue to the Board of Directors and the IR department reports it to the management team on a quarterly basis at the meetings, which is used in discussions aimed at improving our corporate value.

Corporate Compliance

Basic Approach

Corporate compliance constitutes one of the foundations upon which we pursue sustainable management. To further enhance our law-abiding corporate compliance activities, since the establishment of the Daicel Chemical Industries Code of Conduct on March 25, 1998, we have made revisions to our policies and rules concerning corporate compliance according to changes in internal policies and in society.

Consequently, we put two new policies into effect on April 1, 2023. The first was the Daicel Group Code of Conduct, a guide for all Daicel Group officers and employees to follow in order to remain constantly aware of the prime importance of becoming a self-sufficient member of society, and to govern one's own behavior. The second was the Ethical Standards of Daicel Group, which address all officers and employees of the Daicel Group, as well as all business areas and company activities in our supply chain, and which encapsulates the norms we must observe as company. The Daicel Group has sought to clarify the relationship between our Sustainable Management Policy formulated in 2020 and our other policies, and to ensure that all personnel, whether internal or external, are familiar with and practicing our management policy of prioritizing safety, quality, and compliance, the foundation of the Group's manufacturing operations. The Daicel Group believes that instilling good corporate compliance into every employee is an important managerial objective. Therefore, as part of our corporate compliance activities, every one of our departments and groups ("organizations") makes Corporate Compliance Action Plans every year that are used to maintain a uniform set of values throughout the Group.

- > Daicel Group Code of Conduct
- > Ethical Standards of Daicel Group

Corporate Compliance Management System

To promote corporate compliance activities, the Daicel Group established the Corporate Compliance Management Regulations and the Corporate Compliance Management System based on a check-act-plan-do (CAPD) cycle* to drive continuous improvement and development of activities.

The Daicel Group believes that corporate compliance should not be limited to the activities of certain individuals or organizations but should be practiced by all Group employees.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Corporate Compliance Management System Based on the CAPD Cycle



Corporate Compliance Program Promotion System

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

Each organization submits a report on the status of corporate compliance and outstanding issues to the Corporate Compliance Program Division at the end of the fiscal year. The division compiles these reports and presents them at the Top Management Review on corporate compliance, which is attended by the top management, Standing Audit & Supervisory Board members, and the representative of the Daicel workers union, to discuss related issues and objectives for the next fiscal year. The result of the discussion is reported to the Board of Directors, which deliberates on key objectives for the next fiscal year. Following approval by the Board of Directors, the Corporate Compliance Program Division presents the priority objectives to each organization, which then formulates activity plans in accordance with the priority objectives.

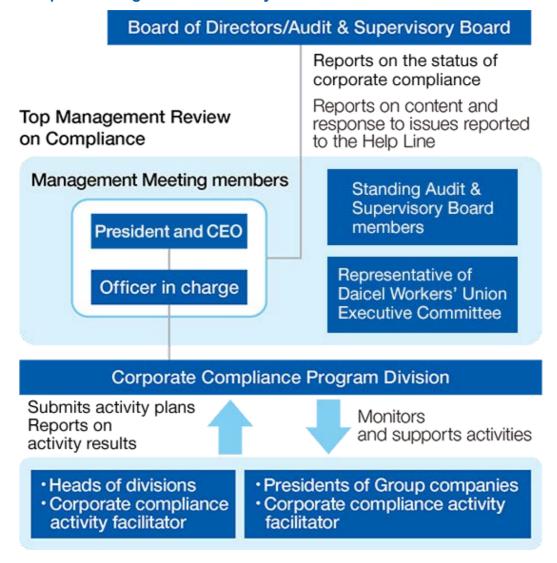
The Corporate Compliance Program Division serves as a venue for dialogue for the promotion of corporate compliance programs with each organization. Discussions were held with all organizations (100% achievement rate) in FY2023/3, but were held remotely due to COVID-19.

Listening sessions are held to ascertain the current state of each organization's compliance activities, and if necessary, the relevant divisions participate and offer advice on corporate compliance programs. These exchanges of views also serve, incidentally, as a type of internal audit, and in addition to the state of corporate compliance activities, the Corporate Compliance Program Division also checks the status of compliance violations (including violations of competition laws and prevention of corrupt practices, such as payments to public employees), as well as the contents of reports received through the whistleblower system established at each Group company and the responses to such reports. In the event that the Corporate Compliance Program Division identifies any issues that may significantly impact corporate management, it will confirm the facts and promptly report to the corporate compliance officer and the Standing Audit & Supervisory Board members to discuss how to respond.

In addition, the Corporate Compliance Program Division submits a periodic report about four times a year to the Board of Directors. This report summarizes the reports received and consultations undertaken through each Group company's Compliance Help Line, which were set up to identify and adjust for management risks at an early stage, as well as the status of response and results.

> Compliance Help Line System (Whistleblower System)

Corporate Compliance Program Promotion System



Legal Compliance System

Daicel has established the Legal Compliance System, through which supervisory divisions in charge of ensuring compliance with different laws manage information on the latest legal developments. We seek to ensure thorough legal compliance under the system by having 13 corporate departments, including the Legal Group, take responsibility as the designated legal compliance divisions, and provide them with information on revisions to laws, regulations, and guidelines as well as educational materials. This information is also provided to domestic Group companies. When new laws and regulations are established, the Legal Group temporarily takes on the role of a legal compliance division to confirm their details and other important matters before designating the appropriate legal compliance division.

Initiatives Pursued by Daicel's Committees

To address specific compliance issues, such as export management and the protection of personal information, Daicel has established individual committees in accordance with each set of relevant rules and regulations. These committees maintain and promote compliance.

■ Committees (Excerpt)

Committees	Regulations	Frequency of Meetings	Members	Purpose
Risk Management Committee	Risk Management Regulations	Once per year	Chairman: Senior Managing Executive Officer Members: Heads of corporate support departments	To discuss and approve issues and countermeasures related to promoting risk management of the entire Group
Information Disclosure Committee	Regulations on Information Disclosure	As needed	Chairman: President. and CEO Vice Chairman: Senior Managing Executive Officer Members: Management and heads of other related divisions	To discuss and determine the concrete details, schedule, and methods of information disclosure and to discuss information that may be required for future disclosure from the perspective of crisis management

Committees	Regulations	Frequency of Meetings	Members	Purpose
Export Controls Committee	Regulations on Export Controls	Once per year	Chairman: Senior Managing Executive Officer Members: General Manager of Production Management Headquarters Deputy General Manager of Corporate Planning & Strategy Headquarters Head of Responsible Care Division, Safety and Quality Assurance Headquarters Head of Corporate Compliance Program Head of Legal Group	To establish and thoroughly integrate an internal management system across the Company to ensure there are no illegal export activities or provision of goods and technologies under security traderelated laws and regulations for maintaining international peace and security
Personal Information Protection Committee	Regulations on Personal Information Protection	As needed	Chairman: Senior Managing Executive Officer Members: Head of Corporate Compliance Program Head of Personnel Group Head of Digital Strategy Division Head of Investor Relations & Corporate Communications Head of Legal Group Head of Administration & Secretary Group	To ensure the proper handling of personal information based on the relevant laws and regulations such as the Act on the Protection of Personal Information

Fair Business Practices

In the Ethical Standards of Daicel Group it states, which includes the statement "We practice fair business and competition. We do not participate in unfair or anti-competitive business practices, including collusion, cartels, and bid rigging," we provide concrete rules that also include "Compliance with contract terms and customer requirements," "Responsible Procurement," and "Proper relationships with politics." All Daicel Group employees are required to act in line with the word and spirit of this policy and live up to the code in their day-to-day operations. In FY2023/3, there were no reports of anticompetitive behavior, serious violations of laws or regulations governing corruption, bribery or other illegal activities, or fines or monetary penalties.

> ESG Data Compliance

Compliance with Antitrust Laws

In its business activities, the Daicel Group seeks to maintain free and fair competition through compliance with the Antimonopoly Act (the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade), the Subcontract Act (the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors) as well as laws, regulations, and guidelines on anticompetitive behavior stipulated by each country. Daicel has formulated our own compliance manual for the Antimonopoly Act, the "DOs & DON'Ts" practical guide on U.S. antimonopoly law, and a practical guide on EU antimonopoly law. We concurrently work to raise employee awareness through rank-based group training and e-learning. For employees who are to be transferred outside of Japan, we educate them on local laws and regulations as well as other important issues.

We provide education that caters to the needs of each company by organizing e-learning for the prevention of anticompetitive behavior for officers and employees at domestic Group companies, as mentioned above, while also providing English language educational materials and confirmation tests for overseas Group companies.

> Education and Training Programs

Prevention of Bribery and Corruption

The Daicel Group has signed the United Nations Global Compact and is determined to prevent all forms of corruption, including bribery*1. Regardless of where we operate, domestically or overseas, we strictly forbid engagement in any actions that may be perceived as bribery, and we maintain highly transparent relationships with politicians, governments (public servants), business partners, and all other stakeholders. As stipulated in the Ethical Standards of Daicel Group, we prohibit the giving and accepting of gifts, meals, and entertainment to or from business partners, except when it is deemed to be within the scope of sound business practices and social norms and is approved each time by the relevant division head. In addition, each organization conducts a periodic inventory of risks involved in business activities, including corruption and bribery*2.

Daicel educates its employees on preventing corruption through rank-based group training and e-learning. For employees who are to be transferred outside of Japan, we provide training on the Prevention of Bribery of Foreign Public Officials under the Unfair Competition Prevention Act, and precautions regarding local laws and regulations, including the extraterritorial reach of the US Foreign Corrupt Practices Act. We provide education catered to the needs of each company by organizing the above-mentioned e-learning for the prevention of anti-competitive practices for domestic Group company officers and employees, while providing English-language educational materials and confirmation tests for overseas Group companies.

The Corporate Compliance Program Division conducts hearings at each organization about entertaining public employees, based on payment records, and reports the results to the Top Management Review for corporate compliance*³.

Furthermore, the internal whistleblowing system also covers corruption and bribery, and suspicious cases are investigated and properly addressed under the system.

- *1 As of June 2023, we are currently formulating the Daicel Group Basic Policy on Corruption Prevention.
- *2 No serious risks concerning corruption or bribery were discovered at any organization in FY2023/3.
- *3 No prohibited expenditures were made in FY2023/3.

> Joining the United Nations Global Compact

Information Management

In the Ethical Standards of Daicel Group it states, "We commit to the safeguarding of our company's and third parties' confidential information, including personal data, by maintaining an effective information security system. We adhere to privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared." Accordingly, we practice proper and appropriate information management by formulating the Information Management Regulations as a basic guide for handling information.

In addition to defining the responsibilities of officers and employees in managing information, the regulations define the roles played by the heads of SBUs, corporate departments, plants, and sites with regard to constructing and managing the information management system of their respective areas of responsibility as the person responsible for information management.

We have formulated the Confidential Information Management Regulations to maintain the confidentiality of and appropriately manage such information, while preventing leaks. The regulations lay out the basics of handling confidential information associated with Daicel's business activities, including technical, sales, management and personal information, and they are being implemented at each organization under the leadership of the person responsible for information management.

- > Personal Data Protection Policy
- > Basic Policy on the Proper Handling of Specific Personal Information, etc.
- > Information Security

Tax Policy

Regardless of where we conduct business, the Daicel Group strives not only to comply with applicable laws and regulations, social norms, and internal regulations but also to act with social decency to earn the trust of society. When dealing with tax matters, we will thoroughly investigate tax risks associated with international business transactions, including transfer pricing, to ensure that our tax payments are made in a legally compliant and appropriate manner.

Priority Objectives and Results of Corporate Compliance Activities

Based on issues identified in FY2022/3, we set the Group-wide priority objectives for FY2023/3 as follows.

FY2023/3 Priority Objectives of the Daicel Group's Corporate Compliance Activities

- (1) Detect workplace problems at an early stage to "nip them in the bud"
 To get the word out quickly, it is important for team members to be mindful of the "bad news first" axiom, but the "supervisor's approach," which involves talking to team members and directly observing how they work, is also important. The Group encourages all personnel to take deliberate, concrete actions.
- (2) Creation of workplaces where all members can "Visualize, Voice, Listen and Respond" Much importance has been attached to "psychological safety" in recent years around the world. Creating environments where everyone in the organization can feel free to express their thoughts and feelings to anyone prevents misconduct and fraud while also improving productivity. This year the Group once again worked to establish and practice "psychological safety" as a keyword translated to meet Daicel's unique characteristics.

Issues identified during FY2022/3 are largely due to "being slow to respond" and "inadequately communicating potential problems." The fundamental principle of preventing these kinds of compliance violations has been given continued attention since FY2021/3 as the two above-mentioned objectives.

The goal of (2) above is to achieve workplaces wherein all members:

- 1. Understand and communicate job details, progress, and issues among one another (visualize)
- 2. Express their views openly (voice)
- **3.** Listen to others' views (listen and respond)

The Corporate Compliance Program Division has once again explained the purport and background of this concept to all organizations.

In turn, these organizations have each created action plans. The Corporate Compliance Program Division has kept track of each organization's plan of progress and held discussions about matters such as issues unique to each organization and company, and has provided support in conducting CAPD for their activities.

Summary of Activities in FY2023/3

In the three years since the start of FY2021/3, the Group has continually pursued these two objectives and has routinely conducted activities pursuant to the Daicel Group's Corporate Compliance Activities. We believe these concepts are essential for creating a healthy organizational culture and that we have a long way to go until they become fully entrenched. In FY2024/3, we will continue to pursue these objectives as we conduct Corporate Compliance Activities.

Priority Objectives for FY2024/3

To achieve our mission of "preventing any and all compliance violations," we are asking every organization to keep "necessity" and "adequacy" in mind as they establish and work toward goals for corporate compliance activities that are directly tied to the Group's mission and business. In light of the importance of psychological safety in these endeavors, we have set the same goals as usual.

FY2024/3 Priority Objectives of the Daicel Group's Corporate Compliance Activities

- Detect workplace problems at an early stage to nip them in the bud
 (Bad News Fast & First)
- (2) Creation of workplaces where all members can "Visualize, Voice, Listen and Respond"

Initiatives for the Daicel Group Compliance Awareness Month

In addition to the initiatives planned by each workplace, we also designated every August and September as the Daicel Group Compliance Awareness Month. In FY2023/3, we carried out the following activities according to the Priority Objectives of the Daicel Group's Corporate Compliance Activities.

1.Small Group Discussions

We created a number of cases requiring the attention of all Group employees, and the participants held discussions in small groups. We examined issues that require our attention by linking them to the Daicel Group Conduct Policy and discussing the causes of their occurrence, countermeasures, and similar experiences to recognize and share diverse opinions while also developing an understanding of how important it is for us to "Voice" and "Listen and Respond."

(1) Case involving the acquisition of unauthorized authentication

Case objective: To gain an understanding of improper practices concerning third-party authorization related to the Group's products

(2) Case involving neglect of safety rules

Case objective: Understand what kinds of problems that neglecting safety rules can lead to

(3) Case involving working long hours

Case objective: Figure out the proper working hours on their own to personally achieve a good work-life balance

(4) Case involving disingenuous actions (harassment)

Case objective: Think about how unconscious bias contributes to the causes and environmental factors behind an incident occurring when "visualize, voice, listen and respond" are not practiced

2. Educational Sessions

E-learning courses for subjects that include those indicated below are provided to all Daicel Group employees every year, including contract employees and temporary workers. In FY2023/3, this course was held at 100% of all Daicel Group companies and 9,338 personnel (73.4% of all personnel) took part in the courses.

- (1) An overview of compliance, including laws about fair business practices, and prevention of corruption, such as the Antitrust Law and the Unfair Competition Prevention Act
- (2) Priority Objectives of the Daicel Group's Corporate Compliance Activities in FY2023/3.
- (3) The Daicel Group Conduct Policy
- (4) The Compliance Help Line System (Whistleblower System)
- * There are currently 12,716 personnel in the Daicel Group, including contract employees and temporary workers (as of March 2023)

3. Senryu* Contest

We encouraged our Daicel Group employees in Japan to submit their own senryu poem on compliance and then selected and awarded excellent examples for prizes from 446 submissions. The contest provided employees with an outstanding opportunity to reflect on compliance.

* Senryu is a humorous seventeen-syllable poem.

Education and Training Programs

Daicel systematically provides corporate compliance training tailored to each position and role for new graduate recruits, recently promoted employees, managers, directors, presidents of domestic Group companies, employees posted to companies outside Japan, and others. The Corporate Compliance Program Division also organizes seminars on compliance-related themes in response to requests from individual divisions and Group companies.

Along with the group training mentioned below, as in FY2022/3, compliance-related study materials that include news, group discussions, comics, and quizzes were made available every month on the Group's intranet. This is being done to facilitate a greater utilization of these materials at workplaces in Japan and overseas. We have also created the Handbook for Practicing the Daicel Code of Conduct as a supplementary guide to better understanding the Code of Conduct, and revise the handbook as needed.

> Handbook for Practicing the Daicel Code of Conduct (Only in Japanese) [PDF: 1.6MB]

■ Group Training Programs in FY2023/3

Name	Target	Content	Number of Participants
Training C1/C2/E3/E5 (former "newly appointed midlevel staffs")		General course on corporate compliance	76
		(lectures and group discussions on topics including prevention of corruption and anticompetitive measures, concept for	142
C3/C4/E7/E9 (former "newly appointed senior staffs")	harassment, harassment prevention and response measures, and obligation to	219	
	Newly appointed managers misconduct)	report on recognized misconduct)	76
Engineering Compliance Training	Employees enrolled in our engineer development program	General course on engineering compliance (lectures and group discussions)	46

^{*} Please see the "Overview of Training Programs in Place" for more information on the new human resources system for non-managers.

Training for Using the Help Line

This practical training session prepares personnel to use the Groups' help lines by having them make simulated reports based on a fictional case study. This training is aimed at enabling employees to make internal reports without hesitation when the need arises. A total of 84 people participated from Group companies in FY2023/3.

Other Training Programs in FY2023/3

Name	Target	Content
Training for Expatriate Employees	Employees posted outside of Japan	Competition law, bribery, discrimination, harassment, and prevention of misconduct
Training for Directors	Daicel directors and presidents of Group companies in Japan	Organizational management to prevent harassment Effective communication in workplaces

Respect for Intellectual Property Rights

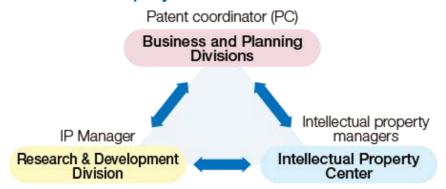
Basic Approach to Intellectual Property

Based on Section 1 — viii ("Protection of Intellectual Property") in the Daicel Group Ethical Standards), the Daicel Group respects the intellectual property rights held by third parties, and also recognizes that the intellectual property rights held by the Company (patent rights, utility model rights, trademark rights, design rights, etc.) are important assets, and strives to maintain and protect them.

Internal System Related to Intellectual Property

Under the slogan of "Proactive IP," the Intellectual Property Center is engaged in activities for strengthening Daicel Group's businesses by effectively using intellectual property through collaboration among the Business and Planning Divisions, the Research & Development Division, and the Intellectual Property Center.

Internal System for Intellectual Property



By area of technology, development theme, business domain, and Group company

Daicel Group companies have approximately 35 intellectual property activity teams for each area of concern. Focusing on different themes, the teams are involved in the certification of inventions, decision-making on whether to file a patent application for an invention or keep it as confidential know-how, patenting, judgments on the necessity of patent maintenance, patent exploitation, examination and avoidance of a possible infringement of other companies' patents, and the response to patent litigation.

Initiatives on Intellectual Property Management

Applying Patent Analysis to Operational Systems

Under the process of developing new businesses or products, Daicel conducts an analysis and confirmation of patents using our proprietary system, the Patent Analysis and Confirmation System (PACS). Through this process, we confirm that our products do not infringe on any third party intellectual property rights and ensure efficient and reliable promotion of the new technological developments that drive the success of the Company.

Educational System for In-house Engineers

Collaborating with the Intellectual Property Center and Human Resources Division, we seek to enhance engineers' literacy about intellectual property through the human resource development programs.

Specific Examples of Activities Related to Intellectual Property

As a Partner of WIPO Green

As a partner of WIPO Green (run by the World Intellectual Property Organization), the Daicel Group develops environment-related products and technologies and contributes to building a sustainable society, as mentioned in the Sustainable Development Goals (SDGs).

- > Participation in WIPO GREEN (press release)(Only in Japanese)
- > Details on Activities Related to Intellectual Property

Compliance Help Line System (Whistleblower System)

In line with the objectives of the Whistleblower Protection System, the Company has set up several help lines through which employees can report and receive consultations anonymously or otherwise about issues that include violations of the Ethical Standards of Daicel Group. Intended to help prevent wrongdoing and misconduct and to identify these problems early, these help lines can be accessed 24/7 in any language spoken in the areas in which Daicel Group companies are located.

Compliance Help Line

The Company's Compliance Help Line allows personnel to report and receive consultation when problems cannot be properly solved by going through one's supervisor.

We also have an external help line for reporting and receiving consultation through external organizations. Accessible by all Group companies in Japan, these help lines make it easy for personnel to report and receive consultation. We have established and publicly disclosed rules to protect those reporting or requesting consultation through the Compliance Help Line, including ① protecting personal information and privacy, ② prohibiting retaliation for having reported or sought consultation, and ③ informing of survey results.

Other Help Lines

There is also a help line for officers and employees at Group companies in Japan and abroad to report to and seek consultation from Daicel, as well as a Web-based help lines service accessible to both internal and external personnel. These services provide a means to report and seek consultation for a greater number of stakeholders that include customers, suppliers, partner company employees, retirees, and community residents.

Responding to Reports and Requests for Consultation

When necessary, the Corporate Compliance Program Division responds to and follows up on reports and requests for consultation, which includes confirming facts about and investigating reports received through the Compliance Help Line, as well as resolving confirmed problems and establishing measures to prevent their recurrence. Although reports and requests for consultation received from Group companies are generally handled by that company, each case is reported to the Corporate Compliance Program Division, which provides support when needed. Reports and requests for consultation received via email or the Web are also forwarded to Standing Audit & Supervisory Board Members.

Furthermore, the Corporate Compliance Program Division makes regular reports (about four times a year) at Board of Directors meetings that include the number of reports and requests for consultation received through all help lines, as well as an overview of each case and the status or results of their handling.

Along with regularly informing all organizations of these reporting and consultation services, the Group raises broad awareness of these services through rank-based training and e-learning courses offered during Daicel Group Compliance Awareness Month.

In FY2023/3, there were no reports or requests for consultation that materially impacted the Company's management.

- *1 The Compliance Help Line was initially registered under the Japan Consumer Affairs Agency's Whistleblower Compliance
 Management System (based on self-declaration of conformity) in July 2020. This registration was renewed in July 2021 but expired in
 July 2022 following a February 1, 2022, announcement by the Consumer Affairs Agency that it was suspending the system.
- *2 For ②, companies are required to check with those making reports or seeking consultations to confirm that those individuals have not met with unfavorable treatment for such reporting or consultations, and to take all necessary measures according to the circumstances.

Target user:

All employees in Daicel Group and all stakeholders, including those overseas (e.g., customers, suppliers, partner company employees, retirees, and community residents)

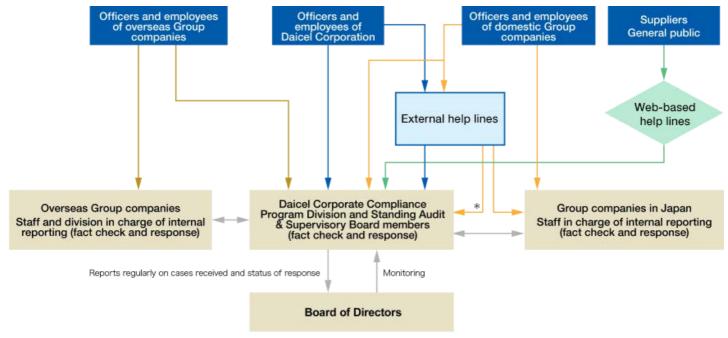
Reporting content:

Matters that may be in violation of the Ethical Standards of Daicel Group (Illegal acts, anticompetitive behavior, corruption, bribery, human rights violations, harassment, employment environment, environmental pollution, and other compliance violations)

Contact point:

- (1) Contact points at Daicel Corporation
- (2) Contact points at each Group company
- (3) External contact points (consigned to specialized external institutions)
- (4) Contact points on the corporate website

Process Flow of Compliance Help Line System (Whistleblower System)



^{*}Whistleblower can also report directly to Daicel without notifying the Group company.

■ Number of Reports and Consultations

(Reported cases including those which were not confirmed as fact)

Content	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Disruptive behaviors	18	17	24	35
Harassment, etc.	16	13	19	20
Dissatisfaction for the Company	16	22	4	16
Other	1	2	3	5
Total	51	54	50	76

^{*} The total number of cases indicates those reported to the Corporate Compliance Program Division from individuals across the Group.

<u>Registration with the Consumer Affairs Agency's certification program for whistleblowing compliance management systems (self-adaptation declaration registration system) (only in Japanese)</u>

Sustainability / Governance

Risk Management

Basic Approach

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

Risk Management System

Initiatives of the Risk Management Committee

Daicel established the Risk Management Committee in 2006 to coordinate and promote the risk management for Daicel Corporation and its Group companies. Chaired by the corporate compliance officer and comprising the heads of each corporate support division as members, the committee meets once a year for a regular meeting and convenes extraordinary meetings as needed.

Each organization submits risk activity reports to the committee. At the regular meeting, the committee reviews the progress of risk-related measures based on those reports, and an inventory of potential risks, and it provides advice and support as necessary. Risks requiring a company-wide response are addressed by setting up projects and implementing other measures. Given the changes in business environment and social circumstances surrounding the Daicel Group, some risks considered to require closer scrutiny are designated as focus points, and each organization confirms and reviews their measures against these risks.

The committee reports on its discussions about the focus points, the status of countermeasures addressing risks that could have a major impact on the Daicel Group's management, the risk management policy for the coming fiscal year, the status of business continuity plans (BCP), and other key issues during the Management Meetings and Board of Directors Meetings at the end of each fiscal year.

Initiatives of the Daicel's Corporate Divisions and the Group Companies

Risk management conducted by each organization constitutes the backbone of these efforts for the Daicel Group as a whole.

Each organization implements its risk management in accordance with the following procedures.

- 1. Identify and categorize risks that could have a major impact on the ability to achieve its business targets (Check)
- 2. Categorize risks into three stages according to their frequency and degree of impact and identify risks requiring a priority response (Check)
- 3. Consider the best possible countermeasures for preventing the risks from materializing and for minimizing damage in the event they materialize and formulate plans (improve the content of the countermeasures based on consultation with the managers in charge of risk management of each corporate support division of Daicel) (Act/Plan)
- **4.** Implement countermeasures (Do)
- 5. Re-evaluate the risks (Check) and reconsider countermeasures based on the results (Act)

Each organization follows a check-act-plan-do (CAPD) cycle* from 1 through 5 by registering the risks and countermeasures into an intranet database and updating the status of implementation, leading to more appropriate countermeasures. At the end of each fiscal year, they prepare a risk activity report which is submitted to the Risk Management Committee to provide updates on their risk inventory, including the status of implementation, newly identified risks, and the results of their review of the focus points.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Targeted Risk Categories

1.	Risks related to business strategy	10.	Risks related to group management / control
2.	Risks related to production technology, production equipment and utilities	11.	Risks related to legal and corporate compliance
3.	Risks related to construction and repair (including safety, quality, purchasing, etc.)	12.	Risks related to employment, human resources and employee fraud / crime
4.	Risks related to stable supply of products	13.	Risks related to finance / investment, credit, finance, and accounting
5.	Risks related to intellectual property	14.	Risks related to public relations and inappropriate information use
6.	Risks related to purchasing and procurement	15.	Risks related to antisocial groups and social communities
7.	Risks related to quality management and product liability	16.	Risks related to climate change
8.	Risks related to responsible care (including environmental problems), accidents, and disasters	17.	Risks related to human rights
9.	Risks related to information systems / networks and information security		

Focus Points for FY2023/3

In FY2023/3, a serious problem of "inappropriate conduct related to third party certification" by a Group company was found. Regarding this, the Group established an expert investigation committee. Based on the recommendations of this committee, and considering "risks related to quality compliance" to be of the utmost importance in risk management, the Group made concerted efforts to implement comprehensive checks for similar incidents and strengthen measures to prevent recurrence.

In FY2023/3, we also focused on the impact of risks related to economic security and other geopolitical issues on business and strategy. In addition to gathering information from outside experts, business units led efforts to identify the impact on each business.

However, changes in the external environment are becoming increasingly dramatic and a diverse range of previously unforeseen risks are emerging. To carry out proper risk management under such conditions, the Risk Management Committee believes it is necessary to conduct a radical review of the risk management system and the content of our initiatives, and has begun discussions toward this end.

Risk Assessments of Critical Cases

When deliberating on capital investments or investments and loan projects important to management strategy, Daicel extensively considers the risk inventory and countermeasures during the Management Meetings and other gatherings. Under the total assessment system we have established, we take every possible precaution in terms of the environment and health and safety by comprehensively* assessing all business activities and diverse risks in advance.

* This covers new plans in all business activities, including research and development, production, consumption, and disposal.

> Total Environmental, Health and Safety Assessment System

Information Security

The Daicel Group takes information security measures relevant to the IT systems of the entire Daicel Group, in accordance with the Information Systems Security Policy.

> Information Security

Strengthening BCP Management

The Daicel Group formulates and manages business continuity plans (BCPs) to minimize damage and decreases in operational capability in the event of emergencies, such as major disasters or a pandemic caused by a new virus, as well as to maintain business operations or at least ensure the early resumption of business operations.

The Group organizes BCPs in three concrete stages, from "Preparedness" (BCP I) to "Initial Contingency Response" (BCP II) and "Resumption of Operations" (BCP III).

BCP I : Development of infrastructure for software and hardware

Anti-seismic reinforcement, measures against liquefaction and inundation, system redundancy (operational and information systems), secure methods of telecommunications and information gathering, reviews of stockpiled materials including spare equipment and supplies, safe storage of raw materials and products, measures for crime prevention and security, and other initiatives.

BCP II: Initial response to contingencies

Systematic repetition of drills for fast and effective decision-making and action; preparation and revision of procedural documents and manuals used in the event of emergencies and contingencies.

BCP III: Systematic planning for recovery of all operations

Assessment of damage at plants, suppliers, and customer locations toward formulating and executing optimal plans for the resumption of operations.

In addition, the Daicel Group has prepared "BCP for Individual Products" summarizing plans and information required to maintain or resume business operations for individual products or product groups as part of BCP III. It has also provided "Guidelines for formulating BCP" to stipulate the approach, procedures, and basic flow to maintaining or resuming business operations. Each business unit applies the guidelines to enable a faster and more appropriate response in the event of a disaster or damage.

We review the overall plan when appropriate to build an even more effective BCP.

In FY2023/3, we implemented the following initiatives.

Initiatives for FY2023/3

Preparedness (BCPI)	Consider preventive measures by implementing risk assessments and follow- up measures in the form of crisis assessments* subject to the processes with self-reactive substances. In preparation for material procurement risks, procure long lead-time components needed for the maintenance of proper inventory levels	
Initial Contingency Response (BCPII)	 Review disaster risks, such as tidal waves and tsunamis, using hazard maps for each region in the Plan for a Resilient Japan The planned installation of remote monitoring cameras and remote firefighting equipment Enhance the information sharing system among sites as part of the company-wide disaster preparedness system built in response to COVID-19 Innovation Park, Tokyo headquarters, and Osaka headquarters conduct company-wide disaster response training 	
Resumption of Operations (BCPIII)	Prepare BCPs for each product	

^{*} An assessment of response measures to prevent further damage or secondary accidents anticipating the occurrence of an accident

<u>> Emergency response system for large-scale disasters and disaster prevention drills (Process Safety and Disaster Prevention)</u>

Response to Risks That Have Materialized

When risks materialize, the division responsible for the relevant risk category leads the response in line with the Emergency Risk Management Guidelines. The regulations designate the division responsible for each risk category as well as the divisions that will cooperate in the response. We also have the Disaster Response Rules based on the regulations and follow these rules in the event of an accident or disaster.

> Process Safety and Disaster Prevention

Sustainability / Governance

Information Security

Basic Policies

The Daicel Group has established an Information Systems Security Policy as a master guideline for information security.

Article 1 (Principles and Purpose)

All employees of the Daicel Group will seek to maintain information system security in accordance with the Information Systems Security Policy and related regulations.

Article 2 (Rules)

Employees of the Daicel Group will comply with the following rules.

Information system assets are defined as all information system equipment, facilities, software, and information under the management of the Daicel Group.

- Exercise appropriate management to prevent damage, theft, information leakage, and tampering with regard to information system assets.
- Maintain public trust in the Daicel Group by using information system assets appropriately.
- Ensure the smooth execution of operations by using information system assets appropriately.
- Avoid causing damage both inside and outside the Daicel Group as a result of inappropriate use of information system assets, information leakage, or tampering.

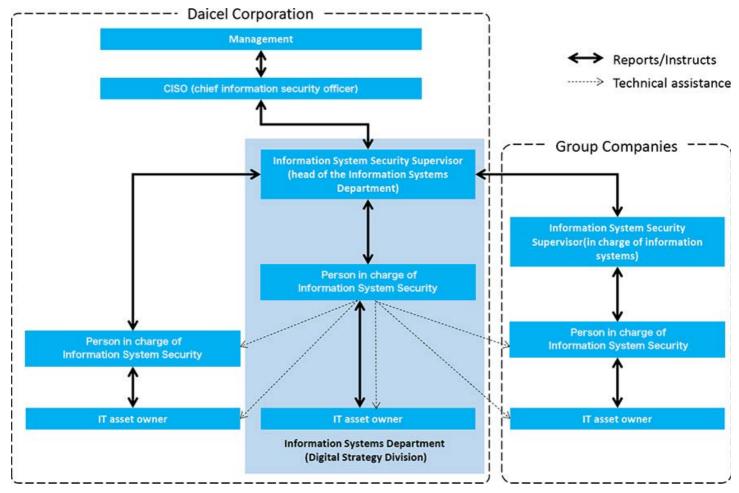
Revised March 12, 2014

System for Maintaining Information Security and Responding to Security Incidents

To ensure compliance with our Information Systems Security Policy, Daicel has established a system for maintaining information security and responding to security incidents by appointing a supervisor or person in charge in every Daicel department and Group company under the chief information security officer (CISO).

An information security control team has been set up in the Information System Department to execute tasks such as managing normal information security operations and direct instructions/supports to the departments and IT asset owner faced with security incidents.

System for Maintaining Information Security and Responding to Security Incidents



Information System User Rules have been established that stipulate information security rules to be observed when using systems. In an effort to maintain information security by all IT asset owners and users of information systems, the rules on information security and contact points to be applied in the event of system anomalies have been compiled in a handbook that is distributed to all employees, and the consequences for rule violations have been described in the Disciplinary Action Policy.

For overall information management matters not limited to the use of information systems, proper management is conducted according to the Information Management Regulations and Confidential Information Management Regulations.

> Information Management

Countermeasure Policies

As we manage more information system assets, including enhancements to the teleworking environment for realizing diverse work styles and the introduction of AI and IoT technologies for raising productivity, we face an increasing number of sophisticated cyberattacks and other such factors that may cause information security incidents. Daicel is implementing the following measures to maintain the status of compliance with the rules laid out in our Basic Policies amid continuously changing internal and external circumstances.

- Prevention, detection, and recovery of incidents
- Revision based on the CAPD cycle*
- * Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Prevention, Detection, and the Recovery of Incidents

In parallel with measures for preventing incidents, we also seek to minimize damage by providing speedy detection and recovery of incidents, based on the philosophy of defense in depth. We are also taking gradual steps to implement measures in response to changes in communication channels and methods of information sharing, such as direct access to the cloud services from home and other remote workplaces.

Prevention and Detection of Problems and Recovery of Operations

Stage	Main Measures
Prevention	 Install firewalls to separate mutual access points between office networks, control networks, and external networks Reject unauthorized communications and illegal communications that have been identified Measures to improve our multifactor authentication for system logins Prevent operations via private devices and unauthorized cloud services Prevent information leakage caused by the loss of devices that are taken outside the Company Obtain information from relevant institutions Provide information to employees and periodically conduct education and training (drills designed to respond to targeted attacks and other training)
Detection	 EDR* software usage and 24/7 monitoring and error reporting of unauthorized communications via special vendors * Endpoint Detection and Response Implement long-term storage of logs of critical systems and automatically detect anomalies Establish contact points to address anomalies, loss of devices, and other emergencies
Recovery	 Respond in accordance with the system for maintaining information security Regularly back up critical servers Contract with a specialized vendor to receive support for incident responses

As in our response to information security incidents, we respond to natural disasters that may cause large-scale system suspensions by designating recovery targets for each system in accordance with their relative importance, and we take action to achieve those targets. These measures include reviewing the location and facilities of contracted data centers as well as efforts based on system design such as replication and operational design.

> Strengthening BCP Management for Areas Other than Information Systems

Revision Based on the CAPD Cycle*

To prevent any loss in the effectiveness of measures due to outdated content and inappropriate operation, we regularly undergo internal and external checks and incorporate the resulting instructions and issues when planning and implementing the measures.

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

CAPD Cycle

- Undergo third-party assessment of the status of measures and vulnerabilities
- Report to management on the status of implementation and plans for reinforcing measures
- Conduct internal audits by the Internal Audit Division
- Academic CSIRT* desktop exercises
- Review of measures and response to problems

Check

- Review plans based on instructions and issues pointed out during the assessments
- Formulate plans to address issues identified during the review process
- Incorporation of CSIRT exercise results
- Consider additional responses to address changes in the external environment

Action

Do

- Implement security measures
- Respond to notifications and queries resulting from monitoring
- Provide information to employees and conduct education and training
- Response to the incidents

Plan

- Confirm the status of implementation
- Formulate details of additional measures and plan the timing of implementation (including discontinuing or cutting back on current measures)
- Formulate education and training plans

Status of Compliance with the Basic Policies

In FY2023/3, there were no information or cyber security violations of regulations by Daicel Group employees, including violations that would impact the Group's business.

^{*} Computer Security Incident Response Team

Sustainability

Responsible Care Activities

To practice the spirit of Responsible Care (RC), the Daicel Group established the Daicel Group Basic Policies for Responsible Care and is promoting across-the-board RC activities in the Daicel Group to contribute to the sustainable development of society.

Daicel Group's Responsible Care

RC activities are undertaken by businesses that engage in the manufacture or handling of chemicals to preserve the environment and ensure health and safety at every stage of their operations, from product development, manufacture, distribution, and use to disposal. With chemical manufacturers around the world taking part in these efforts on a voluntary basis, the disclosure of results and dialogues with society are also positioned as key RC activities. Recognizing RC activities as one of the important social responsibilities of the Daicel Group, the RC Council, operating directly under Daicel's president and CEO, commits to promoting the activities.

On February 21, 1995, the Daicel Group established its Basic Policies for Responsible Care (RC) based on "The Guiding Principles for the Improvement of Environmental, Health, and Safety Conditions" of the Japan Chemical Industry Association (JCIA) and supplemented the items on the preservation of biodiversity on April 1, 2011. Subsequently, the Basic Policies for Responsible Care were updated in response to the revision of JCIA's guiding principles on April 5, 2017. The Basic Policies were revised with the approval of the President and CEO.

Daicel Group's Basic Policies for Responsible Care

- 1. In accordance with management policy, we will comply with laws and regulations and strive to safeguard the environment, health, and safety. For this purpose, we share specific implementation plans among all employees and put them into action.
- 2. We will strive to continually improve environmental, health, and safety performance and the security of facilities as well as processes and technologies throughout the entire chemical lifecycle, from development to disposal, and inform society of the results of such efforts.
- 3. We will further reduce our consumption of resources and energy and strive to reduce, reuse, and recycle waste.
- **4.** We will protect the environment and people's health and safety by driving continual improvement in chemical product safety and stewardship throughout the supply chain.
- **5.** We will practice risk-based chemical management throughout the entire chemical lifecycle, from development and production to use, consumption, and disposal and strive to strengthen our chemical management systems by continual improvement.
- **6.** We will influence the employees and the value chain stakeholders to promote the safe management of chemicals within their own operations.
- 7. We will strengthen our stakeholder relationships by understanding and responding to stakeholders' concerns and expectations about safer operations and products as well as openly communicating about our performance and products.
- **8.** We will put the Daicel Group's overall efforts into continually improving initiatives for the environment, health, and safety in order to meet stakeholders' expectations.
- **9.** We will contribute to the sustainable development of society by developing and providing unique and innovative technologies and other solutions.
- **10.** We will promote biodiversity-friendly activities in order to pass on the wealth of nature to future generations.

Revised April 5, 2017

Promotion System for Responsible Care

In accordance with the Responsible Care Promotion Rules, the Daicel Group is implementing RC activities on the following fronts: occupational health and safety, process safety and disaster prevention, environmental preservation, chemical and product safety, distribution safety, and communication with society. The Daicel Group promotes these activities under the RC Council, which meets on a regular basis.

The RC Council is chaired by the officer in charge of the Assessment Headquarters and is appointed to oversee RC by the President and CEO, who bears ultimate responsibility for RC activities. The council comprises the representative of the Daicel Workers' Union Executive Committee and heads of administrative divisions appointed by the chairperson as well as the Responsible Care Division (RC Division) of the Assessment Headquarters, which serves as the secretariat for the council.

As of April 1, 2023, we have completed corporate reorganization aimed at strengthening our business infrastructure, which prioritizes safety, quality, and compliance. More information about the new organization can be found <u>here</u>.

* Activities undertaken in FY2023/3 that are noted on this page were carried out under the prior organizational structure.

Promotion System for Responsible Care



Roles of the Responsible Care Council

In addition to formulating basic policies, the RC Council receives reports on RC activities from each business site of the Daicel Group at the end of the fiscal year and in turn reports to the Planning Meetings attended by management to propose targets and action plans for the next fiscal year, which are subsequently approved at the Management Meetings. The RC Council reports the status of the initiatives at the Management Meetings and conducts RC audits in accordance with the Rules on Responsible Care Audits.

■ Roles of the Responsible Care Council

Roles		Details			
1.	Formulation of basic policies and targets	Formulate the Basic Policies for Responsible Care and set targets for the entire Group to steadfastly promote RC activities.			
2.	Development of implementation systems	Consider the necessary revisions to implementation systems to ensure effective operation of the CAPD* cycle, including setting targets, formulating implementation plans, and implementing and assessing the results of implementation.			
3.	Deliberation and drafting of long- and medium-term plans	The council determines RC related issues for the long-term plan and drafts for the RC medium-term plan by deliberating and deciding on important issues related to the entire Group and reviewing proposals submitted by the RC Division.			
4.	Planning and drafting of annual implementation plans	The council deliberates and decides on policies concerning important issues related to the Daicel Group. Following approval by the council, the issues are discussed at the Planning Meetings, and the council then receives approval by the Management Meetings.			
5.	Monitoring and advising on the status of implementation	 (1) The council provides advice and guidance to the RC Division to effectively promote its activities. (2) The council provides appropriate advice and guidance for practical operations on educational training and document management and public relation related to RC issues as needed. 			
6.	Assessment of RC audit results	RC audits			
7.	Establishment, amendment, and abolition of regulations	The council provides advice and guidance as necessary on the status of efforts for the organized development of important rules and regulations related to facilitating the promotion of RC activities and codification based on relevant management regulations.			
8.	Commendation of good deeds and contributions to RC activities	The council commends good deeds and contributions to RC activities.			

* Instead of a Plan, Do, Check, and Act (PDCA) cycle, the most widely known approach to continuous improvement, Daicel 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.

Responsible Care Audits

A group comprising the general manager of the Assessment Headquarters, representatives of each business unit of the RC Council, and the RC Division is responsible for conducting RC audits in accordance with the Rules on Responsible Care Audits. All Daicel's business sites and Fuji Plant of Polyplastics Co., Ltd. are subject to an annual RC audit, while other Group companies undergo an RC audit once every three years. RC audits are conducted each year under a theme that focuses on a common Groupwide issue, and along with an assessment of the theme, the audits also confirm the progress of the RC implementation plan and examine issues linked to achieving the plan. Findings from RC audits are reflected in targets and plans for the following fiscal year, thereby supporting continuous improvement.

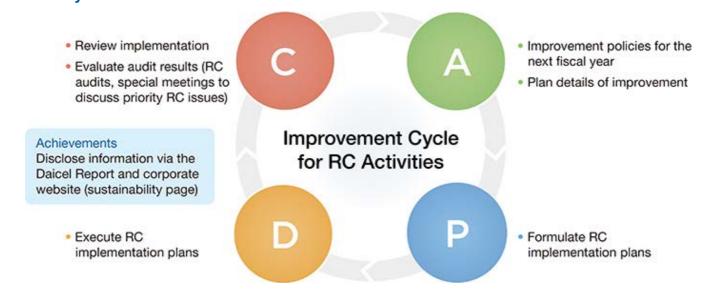
In FY2023/3, seven domestic business sites of Daicel Corporation, as well as Fuji Plant of Polyplastics Co., Ltd., Iwaki Plant of Dainichi Chemical, Nagano Plant of DM Novafoam Ltd., and Daicel Logistics Service Co., Ltd., underwent either in-person or remote audits. The RC audits served to identify important issues in the RC implementation plan, assessed progress toward addressing issues, including static electricity countermeasures illuminated at Special Meetings to Discuss Priority RC Issues, and examined efforts to reduce PRTR and VOC emissions.

Special Meetings to Discuss Priority Responsible Care Issues

Representatives of the RC Division periodically tour Daicel and domestic Group-company business sites, where they hold special meetings to discuss priority RC issues. To help promote RC activities across the Group, the meetings aim to confirm progress in RC implementation plans at each business site, assess countermeasures in place to prevent problems in terms of occupational health and safety, as well as process safety and disaster prevention, and discuss the status of the initiatives to address environmental concerns.

In FY2023/3, meetings were held either in-person or remotely at seven domestic business sites of Daicel Corporation, as well as Fuji Plant of Polyplastics Co., Ltd. Iwaki Plant of Dainichi Chemical; Daicel Logistics Service Co., Ltd. Kansai Logistics Center Amagasaki Business Office; Okayama, Nagano, and Aomori plants of DM Novafoam Ltd.; and the Isesaki Plant of Daicel Pack Systems Ltd.

CAPD Cycle



Promotion of Responsible Care Activities

Periodic Exchange Meetings for Supervisors of Environmental and Safety Divisions across the Group

The RC Division and individuals charged with supervising the Environment and Safety Divisions at Daicel's business sites and Fuji Plant of Polyplastics Co., Ltd. regularly meet remotely for Safe Environment Managers Meetings.

At the eight meetings held in FY2023/3, participants exchanged information and discussed RC-related issues, such as occupational health and safety, process safety and disaster prevention, and environmental preservation, as well as the revised Industrial Safety and Health Act and other regulations.

Daicel Group Responsible Care Promotion Conference

RC activities are important initiatives for implementing the Sustainability Management Policy. The Daicel Group holds a Responsible Care Promotion Conference at the start of each fiscal year to ensure that employees maintain a high level of awareness as they engage in RC activities. The conference is attended by members of Daicel management, heads of SBUs, heads of in-house companies, presidents of Group companies, a representative of the Daicel Workers' Union, and representatives of each business unit. During the conference, the President and CEO, the chairperson, and the vice chairperson of the RC Council deliver presentations to announce, spread, and promote understanding of the annual RC activity policies and RC implementation plans.

In FY2023/3, the conference was held remotely from the Tokyo head office with the President and CEO, the chairperson, and the vice chairperson of the RC Council speaking on ensuring safety and quality. In addition, the general managers of the Harima and Ohtake plants gave talks on safety initiatives being undertaken at the sites, and the manager of the RC Division gave a statement on the RC implementation plan.

In FY2024/3, the Responsible Care Promotion Conference was renamed the Daicel Group Sustainability Promotion Conference, as part of an effort to achieve sustainable management predicated on safety, quality, and compliance, collectively the company's keystone. Participation in the two-part conference has been expanded to include key promotional departments and Corporate Sustainability Division leaders. During the first part, talks were given by the President and CEO, the chairperson and the vice chairperson of the RC Council, and the managers of the Safety and Quality Assurance Headquarters, the Corporate Compliance Program, and the Corporate Sustainability. The second part saw Hideo Makuta, one of the outside audit and supervisory board members, speak on the "UL problem" and sustainability. Around 110 people took part either in-person or remotely in FY2024/3.



Responsible Care Activity Good Conduct and Contributions Awards

Each year, the RC Council recognizes good deeds and contributions to RC activities. An award was presented to the Division Manager of the Plant No. 1 SS Production Division Inflator Production Group at Daicel Safety Systems Inc. (DSS) in FY2023/3.

Award recipients prevented problems from arising during an incident involving a collapsed utility pole inside a factory during a typhoon, ensuring worker safety, and achieving stable factory operations.

While the awards are normally held during the conference, FY2023/3 saw them held at award recipients' business sites due to COVID-19.

Internal Training and Education

So that all Daicel Group employees can understand the importance of RC activities and take action, we provide relevant in-house training and education.

> Support for Human Resource Development

Total Environmental, Health, and Safety Assessment System

Total Environmental, Health, and Safety Assessment System

The Daicel Group operates a Total Environmental, Health, and Safety Assessment System (Total EHS Assessment System) as a means for evaluating risk in its business activities.

The Total EHS Assessment System assesses the launching of new products in all business activities, including research and development, production, consumption, and disposal, as well as plans for modifying existing processes and equipment (new plans). Led by the general manager of the Assessment Headquarters, the Total EHS Assessment System is a mechanism for conducting advance assessments of a diversity of risks across all business activities, covering everything from the environment to health and safety.

Overview of the Total Environmental, Health and Safety Assessment System

- 1. The system evaluates the new plan based on prescribed standards for eight items: legal compliance, chemical safety, environmental preservation, occupational health and safety, operational safety at facilities, product safety, distribution safety and safety of production outsourcing, and purchasing and sales.
- 2. A new plan indicates all new changes that include the establishment and modification of facilities as well as changes in matters related to manufacturing, etc.
- 3. The system defines two types of assessment: Corporate Total EHS Assessment, which covers new plans that may cause a significant impact on management, and Division Total EHS Assessment, undertaken by each division. After evaluating new plans based on their scale and risk with an overall assessment rank (I and II), the Group determines items subject to assessment and designates individuals to serve as assessment executors and final evaluators in accordance with the overall assessment rank.
- With regard to the adoption of a new process and/or increased production volumes, we carry out a Technical Assessment and Equipment Design Assessment, underscoring the importance of design specifications for technologies and facilities. After discussing the results of these assessments, a Corporate Total EHS Assessment is undertaken.

To achieve the aims of our medium-term strategies, in FY2023/3 we examined the mechanisms of our Total EHS Assessment System with the goals of improving the precision and decision-making speed of new plans formulated throughout the company. As part of this effort, we expanded the range of business site and SBU responsibilities, narrowed the scope of Corporate Total EHS Assessments for cases that could have a material impact on people's lives or our business, and established Advisory Sessions to better utilize knowledge and technologies throughout the company. Alongside this new development, we also revised the Total EHS Assessment Rules and the underlying rules and regulations, as well as appendices and checklists for the rules, and we launched the new system in January 2023. The total number of Corporate Total EHS Assessments stands at 1,112, which includes assessments of new plans from overseas production sites.

Product Safety Assessments

For safety system-related products in categories such as pharmaceuticals, foods, cosmetics, healthcare equipment, and automotive products, the Daicel Group is enhancing its product risk assessments of product safety to ensure that it always provides customers with safe and reliable products. In FY2016/3, the Group began conducting Product Crisis Assessments, which identify and monitor product safety-related risks and review response systems for handling crises. Furthermore, in addition to conducting product safety-risk assessments internally, since FY2018/3 the Group has been holding Product Safety Advisory Meetings chaired by outside experts, to conduct assessments from an even more expert perspective.

In FY2023/3, there were no major product safety accidents that impacted the bodily health, lives, or property of our customers.

Proposal of New Projects

 New projects encompassing business activities from planning and R&D to product development, use, and disposal

Ranking of New Projects

 Priority ranking of inspection system reflecting the priority rank of the new project

Rank I: New project that may have a material impact on management

Rank II: All other projects other than Rank I

Inspection for Assessing Technological and Facility Aspects

Inspection for technical assessment

- Confirmation of basic processes
- Response to abnormal reactions

Inspection for the facility assessment

- Verification of performance specifications and materials
- Confirmation of maintenance system

Inspection for Total EHS Assessment

Inspection for Corporate Total EHS Assessment

 Evaluation by the Corporate Total EHS Assessment Evaluation Committee, comprising experts from Daicel Group

Approval of the Total EHS Assessment

Examples of New Projects

- New product launches
- New businesses
- Establishment, expansion, and change of facilities
- Changes in matters related to manufacturing (raw materials, processes, etc.)
- New contracts, changes at distributors, customers, and sales applications
- Acquisition and transfer of properties and equipment
- New contracts and changes in manufacturing outsourcing, purchasing, and sales
- New or changes in waste management

■ Breakdown of Total EHS Assessment System

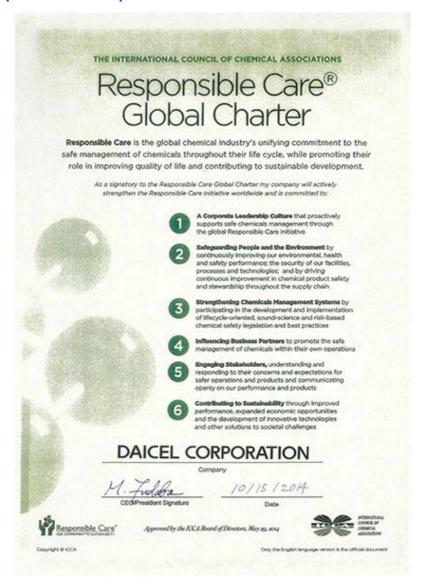
Categories of the Total EHS Assessment System			
Legal Compliance	Evaluate compliance with laws and regulations and with individual agreements between business sites and relevant government organs		
Chemical Substances Safety	Evaluate hazards posed by all chemical substances handled		
Environmental Preservation	Evaluate environmental preservation activities		
Occupational Health and Safety	Evaluate compliance in the context of preventing occupational accidents		
Operational Safety at Facilities	 Evaluate the risk of explosion and fire from the facility standpoint Assess the results of other evaluations and fitness of relevant facilities 		
Product Safety	Evaluate products for risk of causing health damage		
Distribution Safety	Evaluate distribution safety		
Safety of Production Outsourcing, Purchasing, and Sales	Evaluate from the perspectives of the environment, safety, and prevention of health problems		

Responsible Care Global Charter

The International Council of Chemical Associations (ICCA), an international RC activity organization, put in place the Responsible Care Global Charter in 2005 with the aim of promoting sustainable development within the chemical industry while contributing to society as a whole through RC activities. Since it is in complete agreement with the goals and principles of the charter, Daicel became a signatory in 2008.

In order to more specifically detail the issues requiring attention with respect to the management of chemical product safety, improvements in the quality of life through the delivery and use of chemical products, and contributions to sustainable development in an easier to understand manner, the ICCA revised the charter in 2014. That same year, Daicel declared its support of the revised version of the Responsible Care Global Charter and confirmed its participation as an ongoing signatory again.

■ Declaration of Support for the Responsible Care Global Charter



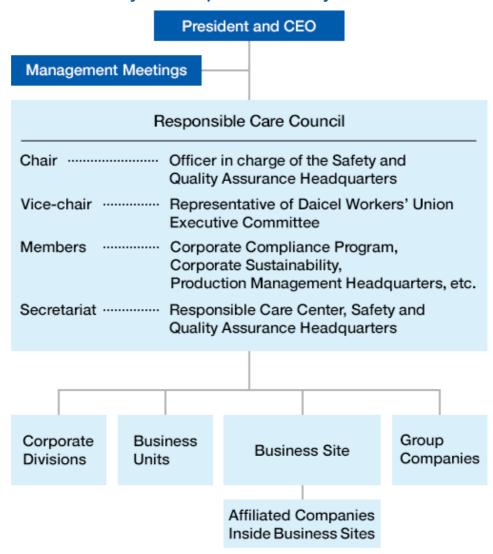
Corporate Reorganization Aimed at Strengthening our Business Infrastructure, which Prioritizes Safety, Quality, and Compliance

As of April 1, 2023, we have completed corporate reorganization aimed at strengthening our business infrastructure, which prioritizes safety, quality, and compliance.

Along with progressively dissolving the Quality Management Division and RC Division of the Assessment Headquarters, we established the Safety and Quality Auditing Division. The Safety and Quality Auditing Division will handle all operations involving auditing and education regarding safety and quality, which includes RC audits.

We also created the Safety and Quality Assurance Headquarters. The headquarters consists of the Responsible Care Center and the Quality Assurance Center and will manage and carry out all RC, quality assurance, and quality management operations. The officer in charge of the headquarters will serve as the chairperson of the RC Council and the manager of the Total EHS Assessment System and will oversee RC activities and Total EHS Assessment System initiatives.

Responsible Care Promotion System in April 2023 and Beyond



Websites of Each Responsible Care Activity

Responsible Care Management System > Responsible Care Activities **Environmental Preservation** > Environmental Management > Response to Climate Change > Reduction and Recycling of Industrial Waste > Emission Management of Chemical Substances > Water Resource Preservation > Air Environment Management > Preserving Biodiversity **Process Safety and Disaster Prevention** > Process Safety and Disaster Prevention **Occupational Health and Safety** > Occupational Health and Safety **Chemical and Product Safety** > Chemical and Product Safety **Distribution Safety** > Distribution Safety **Communication with Society**

> Contribution to Local Communities and Society

Sustainability

Dialogue between Outside Director and Outside Audit & Supervisory Board Member

Dialogue between Outside Director and Outside Audit & Supervisory Board Member

Impact and Speed Necessary to Achieve Mid-Term Goals



Under our Long-Term Vision and Mid-Term Management Strategy, Daicel aims to both solve social issues and achieve corporate growth.

Outside Director and Outside Audit & Supervisory Board Member with different backgrounds discussed issues and the ideas necessary for the Daicel Group to increase corporate value.



Hideo Makuta

Outside Audit &
Supervisory Board
Member
Attorney at Law, Ginza
Chuo Law Office



Yuriya Komatsu

Outside Director
Member of the
Nomination and
Compensation
Committee
Director of IA Partners,
Inc.

Daicel from Each Standpoint

Komatsu: I have had experience with brokerage firms and institutional investors, and since that time I have had a favorable impression of Daicel. As I have gotten to know Daicel from the inside since assuming my position in June 2022, I have come to appreciate the Company's approach to value co-creation involving not only itself but also its partners, its steady linkage between contribution to the creation of a circular society and its own growth, and its efforts to incorporate this into its Mid-Term Management Strategy.

Makuta: I became an Outside Audit & Supervisory Board Member in June 2020, and I feel that Daicel's business has become more transparent since the reorganization in April of the same year, which transformed the Company from a product-out to a market-oriented business structure. Before assuming this position, I imagined an upstream materials manufacturer and a group of engineers who were steadily and diligently engaged in manufacturing. In reality, however, we also handle products close to consumers, such as functional food materials and LCD protective films for smartphones. Now, my impression has changed to that of a group of engineers who are trying to break out of their shells by taking on new business ventures outside the boundaries of materials.

Komatsu: In terms of the attitude of the management team, as evidenced by the phrase "value co-creation" in its Basic Philosophy, the Company is unique by the fact that it is not self-reliant, as is often the case, but rather open to partnerships and does not insist on leading. The management of Daicel is rational and flexible in their decisions, saying things like, "It is faster if we work together," or "Taking costs into account, an alliance promises more benefits than an acquisition," and I feel that they are not averse to adopting new things and changes.

Evaluation of and Expectations for the Long-Term Vision, and Daicel's "Human Resources" to Carry It Out

Komatsu: As mentioned above, the Company's Long-Term Vision and Mid-Term Management Strategy are excellent in linking the concept of sustainability with its own growth strategy, but I was particularly impressed by the biomass value chain concept. Since 70% of Japan's land area is forested, if this concept is realized and circulation happens in a manner that guarantees profitability, Japan's topography itself will become an international competitive advantage. Furthermore, changes in forests can help solve some of Japan's major problems, such as revitalizing local economies. This competitive advantage will be sustained as the cycle repeats itself and the forests become more and more dynamic. I think this is a revolutionary concept in the sense that it is not a one-off town revitalization, but can continuously stimulate the local economy and can be an effective solution for regional development in Japan.

Makuta: Since the Long-Term Vision and Mid-Term Management Strategy are highly abstract, it is important to incorporate these into the business in a concrete manner, leveraging the strengths cultivated in the past. I believe that DAICEL Production Innovation is one of Daicel's strengths. We have a proven track record and have recently established the Alpowered Autonomous Production System. The ability to develop our business based on a system that we have created through our ongoing pursuit of manufacturing efficiency and standardization is a major asset. That is why we are very excited about the challenge of microfluidic devices, which will directly lead to a completely new way of production.

Komatsu: How to incorporate a seemingly esoteric strategy into a business depends on the extent to which the vision is instilled in employees and made a personal matter. Last year, the presentations made by employees at DAICON (Daicel Group Business Contest) included a variety of proposals ranging from socially beneficial to those directly related to the Daicel Group's business. Of course, there were some points raised by the directors regarding feasibility and contribution to profitability, but I was impressed by the initiative and ability of many employees to make proposals.

Makuta: At the Board of Directors, product representatives also explained marine biodegradable plastics made from cellulose acetate. It was clear that the people in charge are taking pride in their efforts to solve the problem of environmental destruction caused by microplastics.

Komatsu: When I visited the nanodiamond production facility, I remember that the person in charge was very enthusiastic and cheerful, eager to take on new challenges and contribute to society. It remains to be seen whether the new products under development at Daicel will be launched within an appropriate time frame and grow into a major business, but from the glimpses we can see of these seeds, the vision has apparently spread among all employees.

Challenges in Realizing the Mid-Term Management Strategy

Komatsu: The updated Mid-Term Management Strategy covers the necessary elements of the strategy, such as improving profitability and revising the financial strategy. Even as a highlight, there are limits to raising the top line only by improving existing businesses, so the fact that new products are incorporated into the plan and the future is explained and easy to visualize is highly appreciated from an Investor Relations perspective.

Meanwhile, as we enter the middle of the Mid-Term Management Strategy period and the difficulty level of its execution menu increases, it is a critical issue whether we can get through the rough stage without delay and whether we can properly manage the risk of delay. If the Company implements what it has set forth even as the difficulty of successful measures increases markedly, and the achievement of management indicators and KPIs becomes apparent, the Company's reputation in the stock market will also improve. To this end, we would like to see more back-and-forth exchanges at Board meetings on what needs to be completed by when, whether it can be accomplished more quickly, and what bottlenecks exist if there is a risk of delay. In addition, we would like to monitor and push progress forward.

Makuta: In addition to explanations of individual products, if employees could report to the Board of Directors on the overall progress, including the time line to implementation, issues leading up to it, and countermeasures, we would be able to see the path to the realization of the Mid-Term Management Strategy. We value evidence because we are a group of serious engineers, and we strive to perfect our products and technologies, but we also need to proceed with speed so that we can showcase technological advances and promote the impact of our products and technologies. I hope that we can carry through with our Mid-Term Management Strategy through a cycle of implementing one or two new business seeds in the real world in order to involve as many employees as possible, creating an impact, and then allowing the employees themselves to feel the progress.

Komatsu: With regard to management's commitment to the realization of the Mid-Term Management Strategy, I would first suggest that ROE should be included as an indicator for performancebased bonuses. Shareholders judge the management quality of a company based on two factors. One is performance, and the other is shareholder value, or in other words, it is whether the Company is committed to increasing corporate value. Since ROE is not only an indicator of asset efficiency, but also of long-term growth potential, the current system may be perceived to lack management's commitment to increasing corporate value. Employee commitment is also important. While improving ROE is important for shareholders and investors, we consider ROIC to be a key indicator. I suggest incorporating evaluation criteria that contribute to the realization of the Mid-Term Management Strategy, such as including KPIs that lead to ROIC improvement in employee evaluations.

Reviewing Large Investment Projects from a Governance Perspective

Komatsu: Regarding the acquisition of Polyplastics as a wholly owned subsidiary, I heard at the time that the stock market was very critical of the investment amount, but as a manufacturing company, I think it is most important to make an M&A transaction a success from a long-term perspective.

Makuta: I also believe that this was integral to the Daicel Group's growth strategy in the long run. We feel that the current business environment is becoming increasingly unstable geopolitically, with Russia's invasion of Ukraine and the U.S.-China conflict. If the Company had not decided to make it a wholly owned subsidiary, it is highly likely that it would not have been able to make the decision to invest in its overseas locations in a flexible manner. As a result, we believe that this investment decision was the right one in terms of expanding businesses that we positioned as growth drivers in our portfolio management.

Komatsu: On the other hand, I feel that progress reporting at Board meetings is inadequate for large investment projects. For acquisitions and large investment projects, it is preferable to report regularly with a list. In general, business plans at the time of the investment or acquisition decision will deviate after three to six months, so individual measures should be considered. Also, if several projects differ from the plan, we would like to make a holistic decision on whether to continue after checking the overall situation and considering asset efficiency.

Management with Safety, Quality, and Compliance as the Priority Foundations

Makuta: The Daicel Group includes an extremely serious group of engineers, and they are very dedicated to avoiding anything that could cause accidents with their products or violate laws and regulations. At the same time, through the investigation of inappropriate actions related to third-party certification, I felt that there was a lack of sensitivity regarding matters outside the scope of the law. I also recommended at the Board of Directors that in order for the Company to continue its business, it should be more conscious of quality and compliance, keep its promises to consumers and customers in a broad sense, including contractual quality requirements, and be more sensitive to the expectations of society. To prevent recurrence in the future, it is important to create a system to remember the lessons learned from the past by conducting training programs so that not only executives but also employees share this awareness.

Komatsu: My concern was precisely this point: there seemed to be a gap between management's sense of crisis and preparedness and the employees' perception of the situation. Board members and employees reporting to the Board are aware of the crisis, but accidents and quality problems still occur repeatedly. We can eliminate compliance violations through the system, but there are limits, and ultimately it depends on the mindset of management and all employees. I believe that President and CEO, Ogawa, has taken this into consideration and has renewed the Daicel Group Code of Conduct and Ethical Standards of Daicel Group, as well as updated the Mid-Term Management Strategy.

Makuta: Daicel has held safety, quality, and compliance as the priority foundations of its business since the days when ESG was not even mentioned, so the Company has an affinity for ESG. I believe this has its roots in the desire to keep past accidents and scandals from fading away. I believe that this issue has reminded us that, in addition to our responsibility to society, it is essential for us to be aware of safety, quality, and compliance in order for our own company to survive.

To Support Growth by Leveraging Our Experience and Expertise

Komatsu: For a long time, I have been on the receiving end of Investor Relations briefings in the capital markets to evaluate companies. I would like to actively make recommendations on what constitutes accountability and management quality for shareholders. I am also involved in M&As, JVs, and restructuring, and would like to support growth with appropriate comments and suggestions.

Another thing I want to actively promote is diversity. I would like to see more female managers and, more importantly, more female executive officers and directors. There is diversity among women; some want to focus on work-life balance, while others want to work tirelessly. I think the challenge is to establish a system and evaluation method that gives women the autonomy to choose either one, but I would like to start with a dialogue with our employees, drawing on my past experience.

Makuta: My mission as an Audit & Supervisory Board Member is to use my legal expertise to watch for legal violations and to assist the Board of Directors in taking necessary risks. Without appropriate risk-taking, challenging goals cannot be achieved. I would like to support the achievement of our goals through overseeing whether there was sufficient discussion, including the credibility of documents, to ensure that the Board of Directors did not over- or under-discuss the issues in order to reach a decision.

Value Creation Process

Under its Basic Philosophy and priority foundations of corporate activity (safety, quality, and compliance), the Daicel Group will continue to contribute to the happiness of people and society by expanding the scope of value co-creation based on its Sustainable Management Policy.

Trends in Social Change Evolution of digital technologies (IoT, AI) Global population growth and ongoing aging of society Pursuit of safety and security Response to climate change, prevention of environmental pollution Depletion of resources and effective use of resources Global social change, diverse values Uncertain world situation

Addressing social issues, and providing people with new values to achieve better quality of life

Basic Philosophy

The company making lives better by co-creating value

Goals

Daicel will contribute to building a circular society and achieve both a sustainable society and the growth of our Group

OUTPUT/OUTCOME

(FY2023/3 results)

Financial Outcome in Value Creation

Sustainable Product

Providing happiness through our

Implementation of

"People-Centered Management"

Total return ratio

538.0 billion yen

47.5 billion ven

79.1 billion yen

5.3%

51.7%



274

DAICEL GROUP SUSTAINABILITY REPORT 2023

Smart Safety Materials Engineering Plastics Exploring Possibilities with Technology for Melting Wood **Sustainable Process** Daicel Group's Challenge to Achieve Carbon Neutral Sustainable People

^{*} Figures for FY2022/3 are for Daicel on a non-consolidated basis, but for FY2023/3 the boundary has been expanded to include the number of patents and trademarks owned by the Daicel Group.

Sustainability

Harima Plant Human Development Center



Harima Plant Human Development Center

Purpose and Overview of the Human Development Center

The Safety Strategic Business Unit (Safety SBU) has developed expertise in pyrotechnic devices over many years. The company is applying this expertise in the development, manufacture, and sales of products such as inflators for automobile airbags and micro gas generators for seatbelt pretensioners (PGG), and it is conducting its business operations on a global scale.

Safety SBU's manufacturing style is "assembly-based," which is very different from "process-based" chemical manufacturing, so the Daicel Safety Systems (DSS) Human Development Center was established as a facility specialized

in the development of human resources for assembly-based manufacturing. It was renamed to the Human Development Center in 2018. It will play an integral role in developing the human resources who drive the growth of the Safety Systems business to keep pace with its globally expanding operations.





Harima Plant Human Development Center



"Human will shift to creative work" by role-sharing between human, machine and manufacturing systems



who can work any processes in any lines, "Multi-skilled Worker". who can analyze data and take actions for improvement in view of QCD, "Kaizen-oriented Foreman".

who can realize "high quality and efficiency", "Improvement-driven Staff". The Kanji characters used in the Japanese name signify the following intentions:

- (1) Collaborate across organizational and regional boundaries and grow together
- (2) All employees regardless of rank help each other to reach new heights together
- (3) Provide learning opportunities for those who provide training and those who receive training

The Human Development Center is engaged in human resources development and focuses on the following four missions based on our belief that the growth and potential of our human resources supports the growth of the company.

- (1) DSS Human Resource Development Specialized in Manufacturing Skills
- (2) Manufacturing Training for Technology Development in the Safety Systems Division
- (3) Safety Training at Harima Plant
- (4) Global Development of Engineers

Human Resource Development for DSS-Style Manufacturing

DSS manufactures inflators for automobile airbags at its Harima Plant in Japan. Under its motto, "Safety and Quality," the company strives to strengthen and grow its manufacturing capabilities while basing its activities on these goals: 1) building an automated assembly line for highly efficient manufacturing; 2) develop multi-skilled workers for a flexible production line; and 3) leverage the latest IoT technology for an integrated management system. The company is therefore focused on developing human resources who contribute to achieving these goals.

The Human Development Center has established its own structure for educational programs, including (1) position-specific programs, such as training for new employees, operators, supervisors, and leaders, (2) specialized programs encompassing manufacturing knowledge and skills specific to each job type, and (3) development of certification or qualification systems for specialized or key processes. The educational programs cover the knowledge and skills required for manufacturing processes, including standard procedures based on TPS (Toyota Production System), IE (Industrial Engineering), statistical quality control, problem-solving skills, and equipment maintenance. Trainees acquire this knowledge and related knowledge and skills through not only classroom lectures but also hands-on experience.

Enrollees in Training Programs (Person Days)

FY	2021/3	2022/3	2023/3
(1) General Training	1,182	323	523
(2) Specialized Training	878	1,344	685
(3) Qualification	17	2	8

We have four specialized rooms for these lectures: Assembly Dojo, Maintenance Dojo, Safety Dojo, and Quality Dojo. We use the term "Dojo" to encourage participants to view these facilities as places where they can deepen self-awareness and develop the discipline necessary for independently acquiring and practicing the targeted skills.

Assembly Dojo

This dojo provides training for inflator assemblies and also develops trainers for this process.

In order to guarantee safety, quality, and operability, new employees and contractors receive training here using simulation devices as part of their onboarding process. This ensures they have the standard level of knowledge and skills before engaging in production line operations. In addition, the space is equipped with various simulation devices, each tailored for specific product types and procedures. The devices are used to develop multi-skilled workers and contribute toward maintaining a flexible production line. The dojo also provides training and certifications for operator trainers as well as certifications for critical roles, such as visual inspectors, among other roles.



A practical application lecture using simulation devices at the Assembly Dojo

Maintenance Dojo

The focus in this dojo is on the knowledge and skills required for facility maintenance.

Trainees are provided basic knowledge about electrical and mechanical engineering as well as practical application lectures on machining processes such as drilling and tapping, electrical wiring, soldering, and sequence programs. Two types of training are conducted. The Line-Keeper Development Program (six months) is intended to train key maintenance persons for the manufacturing division, and the Machine-Keeper Development Program (four days) helps trainees develop their daily maintenance knowledge and gives them troubleshooting skills for common problems. In the final phases of the Line-Keeper Development Program, trainees create end-to-end processes from scratch, i.e., assembling a training device from component parts, create a sequence program for the device, and confirm its operation. Through these exercises, they learn about the focus areas for adjusting devices and acquire the practical skills for maintaining them.

In addition, trainees also go through other exercises, such as troubleshooting for intentionally introduced failures in simulation devices and teaching X-Y robots and multiple axis robots. Through these exercises, the dojo passes on the knowledge and skills to the next generation and improves facility maintenance competency.



The Maintenance Dojo training using electric components kits



Assembling a training device during Maintenance Dojo training

Safety Dojo

The focus here is on safety, and training at the dojo is part of the site training for the Harima Plant in order to prevent occupational accidents. The Safety Dojo works toward the following goals: 1) provide a place dedicated to helping trainees learn from past incidents and gain self-discipline; 2) give trainees opportunities to become accustomed to factory rules and regulations; and 3) enable trainees to cultivate their awareness and an accurate understanding of safety.

The dojo consists of two areas: where materials and photos of past occupational accidents at Harima plant are exhibited, and a training area with simulators and where trainees attend lectures.

There are five zones in the training area: 1) the factory rule zone, where trainees get accustomed to factory rules such as those related to customary greetings, dress codes, and pointing-and-calling procedures; 2) the basic behavior zone, and the 3) operation zone and 4) practice zone, where trainees learn safety basics for production activities and gain experience; and 5) the safety pledge zone, where trainees chant the safety slogan.

Safety Dojo activities are available to approximately 1,200 people, including everyone at the Plant and Group employees.

■ Enrollees in the Safety Dojo (Person Days)

FY	2021/3	2022/3	2023/3
Safety Dojo Training	3,820	3,609	3,440



Safety Dojo "History of Safety" area

Since Harima Plant handles explosives, the dojo is equipped with devices that simulate explosions caused by static electricity. Trainees learn about the risks of these situations and the importance of removing electrostatic charges. The dojo is also equipped with devices that simulate entanglements, residual air pressure, and ascending or descending stairs. During the sessions, trainees are divided into 77 teams, each consisting of about 20 people, and each team is led by an instructor. Rather than trying to explain difficult concepts with words alone, the dojo curriculum is focused on having trainees experience risks with games-based activities, hands-on experiences, and the use of simulators.

The goal in this dojo is to cultivate at Harima Plant what we refer to as a "safety-first work culture" with all of the workers. We try to achieve that by having each employee diligently conduct basic manufacturing activities, such as customary greetings, pointing and calling procedures, and 3S (Seiri "Sorting," Seiton "Setting-in-Order," and Seisou "Shining")

activities which are designed to trigger changes in their behavior. Repeated practice ultimately makes these habits the

standard and leads to a workplace free from occupational accidents.



Practicing a pointing-and-calling procedure at a pedestrian crossing during a Safety Dojo training session

Quality Dojo

Here, trainees learn the importance of and concepts behind maintaining quality in order to deliver safe and reliable products to all customers. Because the products we make help protect lives, this training is a reconfirmation that even one defective product among a million is 100% defective for our customers. Videos are also used to communicate past serious defects, explore the state of mind of the employees who actually dealt with the problem at the time, and what those employees would like to emphasize to their colleagues today. The aim is to impart the magnitude of the impact that serious defects have. Additionally, we use group discussions to educate employees on what is necessary to prevent problems from occurring or from reaching customers so it becomes second nature to them. Quality Dojo training is also provided to all employees working at Harima Plant.



At a Quality Dojo group discussion on past issues

Global Engineer Development

Besides Japan, the Safety Strategic Business Unit operates five manufacturing sites in four other countries (the U.S., China, Thailand, and Poland). In addition to each location's own training and development programs, the Human Development Center trains and certifies trainers specialized in critical roles and develops special skills to ensure that the same level of safety and quality are being incorporated into manufacturing practices worldwide. As of March 2023, there are 25 certified trainers across the globe, and each one trains and certifies new trainers locally at the various business sites.

We also opened four dojos, one each for safety, quality, maintenance, and assembly, at Daicel Safety Systems (Jiangsu) Co., Ltd. (DSSC) in China and Daicel Safety Systems (Thailand) Co., Ltd. (DSST) in Thailand to provide training. We conduct training and development programs tailored to local cultures and the scale of each business site based on our relentless pursuit of safety and quality and we instill Daicel's Monozukuri spirit.



Training and Certification Program for Trainers

Sustainability

Native Forests for Life Initiative

What Are Native Forests for Life?

The pioneering figure in "Native Forests for Life" was the late Dr. Akira Miyawaki, who strove to recreate local natural forests through his tree planting method. His efforts were centered on the vegetation belonging to a region's natural environment, its potential natural vegetation. By using the unique Miyawaki method of planting mixed species of trees, forests appropriate to the region are preserved and lead to protection from earthquakes, floods, and other natural disasters. We believe that Dr. Miyawaki's Native Forests for Life initiative leads to personal growth on the part of both the people who plan and administer the tree planting ceremonies and the participants who learn as they plant trees, so the participation of local residents, including children, is an important feature of this tree planting method.

The Daicel Group's Objectives in the Native Forests for Life Initiative



In March 2016, Daicel Corporation launched its Native Forests for Life Committee, chaired by the company's president. The aims of this initiative are as follows:

(1) Restoring natural vegetation through mixed planting

Natural forests consist of a wide variety of tree species. Like one of these forests, we aim to become stronger personally and organizationally, with each staff member playing a role and supporting each other through forest development activities.

(2) Strengthening cooperation with local communities

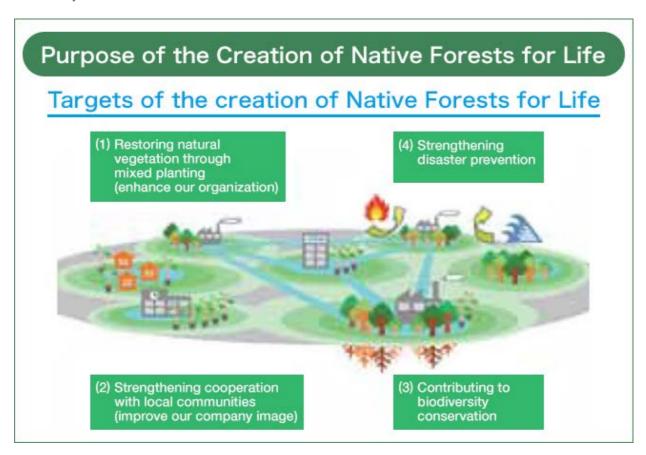
Through tree planting activities, we build ties with people in neighboring communities and help them understand our manufacturing activities and business operations by interacting with them.

(3) Contributing to biodiversity conservation

We contribute to a low-carbon society and strive to preserve the natural environment.

(4) Strengthening disaster prevention

We create forests that will, in turn, prevent fires from spreading, mitigate the fallout of natural disasters, and reduce noise from human activity.



Native Forests for Life Tree Planting Ceremony

Daicel's first tree planting ceremony was held at Harima Plant on April 9, 2016, and other plants have followed by holding their own tree planting ceremonies. Not only Daicel Group employees but also their families, employees of our partner companies, and local residents take part in planting trees, making these ceremonies opportunities for interactions between Daicel and local communities. In November 2019, we held tree planting ceremonies at Aboshi Plant, Hirohata Plant, and Innovation Park to commemorate our 100th anniversary, with about 1,500 participants planting 10,300 seedlings.

■ Past Tree Planting Ceremonies

Business site	Date	Location of tree planting	Number of trees planted	Number of species	Number of participants
Kanzaki Plant	March 25, 2023*	Site adjacent parking lot	700	1	200
Ohtake Plant	May 31, 2022*	Planned office site	300	5	38
Harima Plant	May 27, 2021*	No.7 Gunpowder Magazine South	52	36	20
Harima Plant	March 30, 2021*	Around the No.3 parking lot	1,682	36	61
Harima Plant	April 28, 2020*	South of the No.1 Workshop, near the road to the Functional Testing Center	1,890	36	55
Himeji Area (Aboshi Plant Hirohata Plant Innovation Park)	November 2, 2019	Shiohama (along the border of the parking lot)	10,300	36	1,500
Harima Plant	March 29, 2019	North property border	1,399	36	138
Daicel Chemical (China)	March 10, 2019	Changxing Island, Shanghai	13	1	25
Harima Plant	December 21, 2018	East property border	1,410	36	183
Ohtake Plant	April 14, 2018	Areas surrounding the office building site	2,000	36	517
Harima Plant	March 19, 2018	Nanodiamond Testing Center	456	27	117
Arai Plant	September 30, 2017	Areas surrounding the truck gate	1,272	30	335
Harima Plant	April 9, 2016	Areas surrounding parking lot No.1	2,052	36	543

^{*} Tree planting activities since April 2020 have been limited to employees of the Daicel Group, with thorough COVID-19 prevention measures in places, including social distancing and mask wearing.







At Kanzaki Plant Tree Planting Ceremony on March 25, 2023

Sustainability

Editorial Policy

The Daicel Group aspires to realize its Basic Philosophy of becoming "The company making lives better by co-creating value," and it continues to conduct its businesses with a view to both improving social sustainability and enhancing medium- to long-term corporate value.

Our sustainability website provides our various stakeholders with a comprehensive array of detailed non-financial information, including the Daicel Group's concept of sustainability and sustainability efforts made in the current fiscal year. We also archive PDF copies from the sustainability site in October every year as Daicel Group's Sustainability Reports for that fiscal year.

We also encourage all stakeholders to read Daicel Report, which provides a concise accounting of our approaches and efforts toward improving the Daicel Group's medium- to long-term corporate value.

In the editing of both the Group's reports and website, attention is given to ensuring information disclosure on our approaches is presented in a logical and easy-to-follow format.

Sustainability Website

This website provides a comprehensive range of information on sustainability, including detailed data. We reference certain guidelines such as the GRI's Sustainability Reporting Standards (GRI Standards) when disclosing information.

> Sustainability Website

Sustainability Report (PDF)

Sustainability Report is a PDF document that presents information from annual reports that have been released on our sustainability website.

> Sustainability Report

ESG Data

ESG Data contains more detailed numerical data on the environment, society, and governance.

> ESG Data

> Corporate Governance Report

Daicel Report (Integrated Report)

Aimed at providing our shareholders, investors, and many other stakeholders with a better understanding of the Daicel Group and a tool for communication, this report is a concise consolidation of financial and non-financial information that is highly relevant to our medium- to long-term value creation story.

> Daicel Report (Integrated Report)

Reporting Period

FY2023/3 (April 2022 to March 2023)

Notes:

- The reporting period for environmental and occupational health and safety data for overseas Group companies is from January through December 2022, except for the environmental data for overseas subsidiaries of Polyplastics Co., Ltd.
- The period for reporting financial information for FY2023/3 was April 2022 to March 2023.

Entities within the Scope of Reporting

The Daicel Group comprises Daicel and 75 Group companies. The reporting organization is based on the Daicel Group, and other cases are noted in the text.

The following terms are used on our website.

- Daicel Group / The Group: Daicel Corporation and its subsidiaries
- Daicel / The Company: Daicel Corporation
- Group companies: Subsidiaries of Daicel Corporation

The following terms are used in the report on environmental and occupational health and safety.

- Daicel Group / The Group: Business sites of Daicel Corporation and its subsidiaries
- Daicel's business sites: Daicel Corporation's plants and research institutes as well as domestic Group companies operating on the premises of Daicel's business sites
- Domestic Group companies: Business sites of the domestic Group companies operating outside the premises of Daicel's business sites
- Overseas Group companies: Business sites of Daicel's overseas Group companies

The scope of the Group companies for reporting varies depending on the content of the initiatives. Refer to the following websites for more details.

- > Scope of Reporting for Human Resources and Governance Data
- > Scope of Data Calculation for Environmental and Occupational Safety Performance

Dates of Website Update and Publication of the Report

Sustainability section of our website: Updated annually

October 2023 (next update: October 2024 / last update: October 2022)

* We also update the website as necessary.

Daicel Report 2023: Issued annually

October 2023 (next edition: October 2024 / previous edition: October 2022)

Guidelines Used for Reference

Sustainability section of our website

GRI Sustainability Reporting Standards 2016 / 2018 / 2019 / 2020

Daicel Report 2023

- IFRS International Integrated Reporting Framework
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI)
- GRI Sustainability Reporting Standards 2016 / 2018 / 2019 / 2020



Independent Assurance Statement

September 26, 2023

Mr. Yoshimi Ogawa President and CEO Daicel Corporation

1. Purpose

We, Sustainability Accounting Co., Ltd., have been engaged by Daicel Corporation (thereinafter "the Company") to provide limited assurance on greenhouse gas (GHG) emissions of the Company's business sites in FY2023/3, which are 1,553 thousand t-CO_{2e} (Scope1), 37 thousand t-CO_{2e} (Scope2 Market-Based) and 1,177 thousand t-CO₂ (Scope3 Categories 1,2,3,4,5,6 and 7). The purpose of this process is to express our conclusion on whether the GHG emissions were calculated in accordance with the Company's standards. The Company's management is responsible for calculating the GHG emissions. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

2. Procedures Performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and 3410 (ISAE3410). The key procedures we carried out included:

- · Interviewing the Company's responsible personnel to understand the Company's standards
- · Reviewing the Company's standards
- · Onsite inspection of business sites
- Performing cross-checks on a sample basis and performing a recalculation to determine whether the GHG emissions were calculated in accordance with the Company's standards.

3. Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the GHG emissions have not been calculated in all material respects in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.

Takashi Fukushima

Representative Director

Sustainability Accounting Co., Ltd.

Sustainability

Participation in Initiatives and External Recognition

Participation in Initiatives

Sustainable Development Goals (SDGs)

The SDGs* are common goals of the international community proposed under the 2030 Agenda for Sustainable Development, which was unanimously adopted by member countries during a United Nations summit meeting held in September 2015. The SDGs consist of 17 goals and 169 targets aimed at creating a sustainable and better world by 2030, and participants have pledged to realize a society that leaves no one behind.

* Sustainable Development Goals

SUSTAINABLE GALS DEVELOPMENT GALS





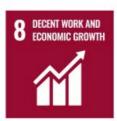
































- > Sustainability Promotion
- > What Are the SDGs? (Ministry of Foreign Affairs, Japan)

United Nations Global Compact

In this voluntary initiative, companies and organizations participate in the creation of a global framework for realizing sustainable growth by demonstrating responsible and creative leadership as good members of society.

Under the Global Compact, companies are required to embrace and support essential values in the fields of human rights, labor, the environment, and anti-corruption, and put their own plans into practice.

In April 2020, the Daicel Group signed the Global Compact, endorsing the initiative's objective of addressing global issues as responsible corporate citizens.

Furthermore, relevant divisions have been participating in each subcommittee of the Global Compact Network Japan (GCNJ) since FY2022/3 to collect and share information with the purpose of further infusing the Global Compact within the company.



- > Daicel Group Initiatives for the 10 Principles of the UN Global Compact
- > UN Global Compact
- > Sustainability Promotion

Responsible Care Activities

In the chemical industry, each company that handles chemical substances engages in activities for preserving the environment and ensuring health and safety at every stage of operations, from product development and manufacturing to distribution, use, final consumption, recycling, and disposal, as well as disclosing the results of their activities, holding dialogues and communicating with society. These activities are called Responsible Care (RC) activities.

Daicel is a member of the Japan Chemical Industry Association (JCIA). Based on the Basic Policy of JCIA on Environment, Health, and Safety, we carry out RC activities in accordance with the Basic Policies on Responsible Care implemented February 21, 1995 (revised April 5, 2017).



- > Company Signatories to the Responsible Care Global Charter
- > Japan Chemical Industry Association: What Is Responsible Care?
- > Responsible Care Activities
- > Responsible Care Global Charter

TFCD Endorsement and Participation in the TCFD Consortium

Consortium, which consists of companies and financial institutions that support the TCFD recommendations.

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by a global organization, the Financial Stability Board (FSB), at the behest of the G20 to consider how to disclose climate-related information and what actions financial institutions should take. TFCD's final report, published in June 2017, recommended and encouraged corporations around the world to identify and disclose the impacts of climate change on their finances.

In November 2021, the Daicel Group endorsed these TCFD recommendations. We are also a member of the TCFD



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> TCFD Consortium

Participation in the Ministry of Economy, Trade and Industry's Green Transformation (GX) League Basic Concept

The GX League was established by the Ministry of Economy, Trade and Industry (METI) as a forum for companies actively engaged with green transformations that aim to realize sustainable growth in society now and in the future. The league is a collaborative effort among companies with similar green initiatives together with the government and academia. Daicel Corporation joined the GX League in May 2023 with the aim of realizing a carbon neutral society through collaboration between industry, the government, and academia.



> METI's GX League Basic Concept

Japan BioPlastics Association (JBPA)

JBPA is a private organization that was established in 1989 to promote the use of bioplastics (the common name for biodegradable plastics and biomass plastics), a new material that plays an important role in realizing a recycling-based society, and to establish testing and evaluation systems.

> Japan BioPlastics Association (JBPA)

Japan Clean Ocean Material Alliance (CLOMA)

This platform was set up with the aim of addressing the emerging concerns regarding marine plastic waste by seeking sustainable use of plastic products, as well as developing, introducing, and popularizing alternative products that will lead to waste reduction. The alliance plans and promotes activities across industries for the business community as a whole, and it seeks sustainable development through materials in a united effort between the public and private sectors. Daicel Corporation has participated in CLOMA since November 2019.



- > Japan Clean Ocean Material Alliance (CLOMA)
- > Collaborations with Industry Organizations and Local Governments

GREEN SEA Setouchi Hiroshima Platform (GSHIP)

GSHIP was established under the leadership of Hiroshima Prefecture in response to marine pollution from the runoff of plastic waste, which has become a global problem.

GSHIP has pledged to reduce plastic waste flowing into the Seto Inland Sea to zero by 2050 and promotes a diversity of activities to achieve this goal, including to reduce single-use plastics and developing plastic alternatives, preventing discharge of plastics into the marine environment, and carrying out beach cleanups, publicity and educational activities. Daicel Corporation has participated in GSHIP since June 2021.



- > GREEN SEA Setouchi Hiroshima Platform (GSHIP) (Only in Japanese)
- > Collaboration with industry associations and local governments

Partner of WIPO Green

WIPO Green is a database and network that was established by the World Intellectual Property Organization (WIPO) in 2013 to promote the transfer of environmental technologies. Under this system, intellectual property holders register their environment-related patents and prospective users register their needs, and those that match are free to negotiate with each other about using the patents. In this way, registered patents can gain international recognition and the discovery of effective uses can be expected.

Daicel Corporation has been a partner in WIPO Green since April 15, 2020.



> Partner of WIPO Green	>	<u>Partner</u>	of WIP	O Green	L
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> Participating as a partner in WIPO Green, an international framework for environment-related technology exchange

> Participating as a WIPO Green partner

#Here We Go 203030 Challenge Initiatives for 30% of Executives to be Women

This is an initiative that was announced by Keidanren (Japan Business Federation) in November 2020 to promote active participation in the workplace by a diverse range of people by 2030. "The NEW Growth Strategy" focuses on diversity and inclusion as the key drivers for achieving sustainable growth and upholds the goal of raising the ratio of female executives to 30% or more by 2030.

Daicel Corporation endorsed this initiative on April 5, 2021.



- > Endorsement of Keidanren's "Challenge Initiatives for 30% of Executives to be Women by 2030" (#Here We Go 203030)
- > The Keidanren "Challenge Initiatives for 30% of Executives to be Women by 2030"

Other Initiatives Supported by Daicel

> Keidanren (Japan Business Federation)

External Recognition

ESG Indices

MSCI or its affiliates

Selected as a Constituent of the MSCI Japan ESG Select Leaders Index

Morgan Stanley Capital International (MSCI) publishes the MSCI Japan ESG Select Leaders Index, a stock index composed of companies with relatively high ESG (environmental, social, and governance) ratings according to their industry.

Daicel Corporation has been a constituent of the index since July 2017 in recognition of its various initiatives.

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

> MSCI Japan ESG Select Leaders Index (Only in Japanese)

Selected as a Constituent of the MSCI Japan Empowering Women Index (WIN)

Based on data disclosed under the Act on Promotion of Women's Participation and Advancement in the Workplace, MSCI has also published the MSCI Japan Empowering Women Index (WIN), which comprises companies that excel in promoting gender diversity within their sectors. Daicel Corporation has been a constituent of WIN since June 2019, based on its multifaceted gender diversity score.

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

> MSCI Japan Empowering Women Index (WIN) (Only in Japanese)	
> Selected as a Constituent of the MSCI Japan Empowering Women Index (WIN) (Only in Japanese)	

* The inclusion of Daicel Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Daicel Corporation by MSCI or any of its affiliates.

The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of

Selected as a Constituent of the FTSE4Good Index Series

The FTSE4Good Index Series, created by FTSE Russell, is designed to measure the performance of companies that excel in ESG (environmental, social, and governance) responsiveness. In June 2022, Daicel Corporation was selected as a constituent of the index.



> FTSE4Good Index Series

- > Selected as a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan Index Series, which are leading ESG investment indices (Only in Japanese)
- ٤
- * FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daicel Corporation has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Selected as a Constituent of the FTSE Blossom Japan Index

The FTSE Blossom Japan Index, created by FTSE Russell, is designed to measure the performance of Japanese companies with high ESG (environmental, social, and governance) ratings.

The index is calibrated in line with the composition of the Japanese equity market to ensure that the companies included in the index are not biased towards any industry sectors. In June 2022, Daicel Corporation was selected as a constituent of the index.



FTSE Blossom Japan Index

- > FTSE Blossom Japan Index Series
- Selected as a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan Index Series, which are leading ESG investment indices (Only in Japanese)

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* FTSE Russell confirms that Daicel Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong environmental, social, and governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

Selected as a Constituent of the FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index, created by FTSE Russell, is designed as a sector-neutral benchmark that reflects the relative performance of companies demonstrating strong environmental, social, and governance (ESG) practices. To promote the transition to a low-carbon economy, index inclusion is granted only to those whose TPI* Management Quality Score reflects a strong commitment to reducing such emissions.

In April 2022, Daicel Corporation was selected as a constituent of the index.

* Transition Pathway Initiative (TPI) is a global initiative that was established under the leadership of asset owners in the UK in 2017 to assess companies' readiness to transition to a low-carbon economy and support their efforts to address climate change.



Relative Index

> FTSE Blossom Japan Index Series

* FTSE Russell confirms that Daicel Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index.

The FTSE Blossom Japan Sector Relative Index Series are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Selected as a Constituent of the S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index determines the weight of companies in the TOPIX index based on the environmental information they disclose and their carbon efficiency (carbon emissions per unit of revenue). In September 2018, Daicel Corporation was selected as a constituent for this index.



> S&P/JPX Carbon Efficient Index

Daicel Selected as a Constituents of the Morningstar Japan ex-REIT Gender Diversity Tilt Index

The Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J) is an ESG index of Japanese domestic equities published by Morningstar and Equileap with an emphasis on gender diversity initiatives that are embedded in corporate culture and that ensure equal opportunities for employees. In April 2023, Daicel was selected as a constituent for this index.

> Morningstar Japan ex-REIT Gender Diversity Tilt Index

Awarded the Silver Medal from EcoVadis (Sustainability Rating) for Our Sustainability Efforts

EcoVadis is an organization that rates companies based on the information they publish pertaining to the environment, labor, human rights, ethics, and their use of sustainable materials, as well as their related strategies and initiatives. It provides well-trusted ratings by analyzing corporate data with regard to each company's industry, size, and location. The silver medal is given to the top 25% of all companies rated by EcoVadis.



> EcoVadis 🔲

Certified as a "White 500" Organization under the 2023 Certified Health and Productivity Management Outstanding Organizations Recognition Program

The name of this program is a comprehensive term for large enterprises that are certified annually as organizations engaging in excellent health and productivity management in collaboration with insurers.

Companies are certified under the framework, jointly led by Japan's Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi, to recognize organizations that are practicing particularly excellent health and productivity management.



- > Recognized for the Fourth Consecutive Year as a "White 500" Organization under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program
- > METI: Certified Health & Productivity Management Organization Recognition Program

Eruboshi Three-Star Certification

The Ministry of Health, Labour and Welfare's Eruboshi certification recognizes companies that have formulated and submitted a general action plan as a business owner and that meet certain requirements, such as excellence in implementing initiatives for female participation and advancement. The highest level of Eruboshi certification is three stars, which is given to companies that meet all five criteria (including the ratio of managers to employees and work hours), and the ministry annually discloses those achievements on its database of companies that promotes women's careers. Daicel Corporation earned its three-star certification in September 2020.



- > Received the Eruboshi Three-Star Certification from the Ministry of Health, Labour and Welfare
- <u>Ministry of Health, Labour and Welfare: Eruboshi Certification of Outstanding Enterprises (only in Japanese)</u>

"Leading Company for Women's Active Participation" Certification from Osaka City

Osaka City certifies companies and organizations that actively create workplace environments that are friendly to women under its "Leading Company for Women's Active Participation" program. In accordance with certain standards this program certifies companies that are proactively working to create a workplace in which women can work comfortably. The aim is to gain social recognition for these companies and spread their initiatives broadly.

Since November 2019, Daicel Corporation has held the highest level of certification (three stars). We shall continue to strive to be a company where each and every employee, regardless of gender, nationality or disability, can continue to work while expressing their individuality and making the most of their abilities.



- > Certified as a "Leading Company for Women's Advancement" from Osaka City
- > Plaza for Supporting "Brilliant Women—To the Future... Lady... Go!" (Only in Japanese)

Certified as a "DX-Certified Operator" by Ministry of Economy, Trade and Industry

The DX Certification is based on the Act on Facilitation of Information Processing. The national certification initiative certifies companies that are recognized as ready to promote digital transformation and meet the basic requirements specified in the "Digital Governance Code."

This is a document that summarizes what action business managers are required to take to accommodate how society is being transformed by digital technology.

Daicel Corporation earned this certification in October 2023 as a "DX-certified operator."



Certified as a "DX-certified operator" by Minist	<u>ry of Economy, Trade and Inc</u>	<u>łustry (Only in Japanese)</u>
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> DX certification initiative (Ministry of Economy, Trade and Industry) (Only in Japanese)

Sustainability / List of Data Collection Boundaries

Scope of Reporting for Human Resources and Governance Data

The report covers the initiatives of Daicel Group companies and those of other companies as noted.

The scope of the reporting for Group companies varies depending on the content of the initiatives. Data concerning human resources and governance that are included in this report are as follows:

- (1) Initiatives reported in Creating Attractive Workplaces (except (2) and Initiatives of Occupational Health and Safety)
 - * For the scope of reporting for Initiatives of Occupational Health and Safety, please see "Scope of Data Calculation for Environmental and Occupational Safety Performance."
- (2) Initiatives of the Healthcare Committee reported in the Initiatives to Help Employees Maintain Mental and Physical Health, under Creating Attractive Workplaces
- (3) Initiatives reported in Corporate Compliance

Daicel Corporation

Company Name	Reç	gion	(1)	(2)	(3)
DAICEL CORPORATION	Domestic	Tokyo	0	0	0

Consolidated Companies (As of March 31, 2023)

Company Name	Region		(1)	(2)	(3)
Polyplastics Co., Ltd.	Domestic	Tokyo	0	0	0
PTM Holdings, Inc.	Domestic	Tokyo	-	-	-
P Holdings, Inc.	Domestic	Tokyo	-	-	-
Daicel Miraizu Ltd.	Domestic	Tokyo	0	0	0
Daicel Pack Systems Ltd.	Domestic	Tokyo	0	0	0
Kyodo Sakusan Co., Ltd.	Domestic	Tokyo	0	-	0
Daicen Membrane-Systems Ltd.	Domestic	Tokyo	0	0	0

Company Name	Region		(1)	(2)	(3)
PI-CRYSTAL, Inc.	Domestic	Chiba	-	-	-
Daicel Pyrotechnics Ltd.	Domestic	Gunma	0	-	0
Dainichi Chemical Co., Ltd.	Domestic	Fukushima	0	-	0
Daicel Arai Chemical Ltd.	Domestic	Niigata	0	0	0
DM Novafoam Ltd.	Domestic	Nagano	0	-	0
PolyplaServise Co., Ltd.	Domestic	Shizuoka	0	-	0
Daicel Beyond Ltd.	Domestic	Kyoto	0	0	0
Kyoei Shokusan Co., Ltd.	Domestic	Osaka	0	-	0
Daicel Logistics Service Co., Ltd.	Domestic	Osaka	0	0	0
Daicel Value Coating Ltd.	Domestic	Hyogo	0	0	0
Daicel Safety Systems Inc.	Domestic	Hyogo	0	0	0
Daicel Aboshi Sangyo Co., Ltd.	Domestic	Hyogo	0	0	0
Daicel Ohtake Sangyo Co., Ltd.	Domestic	Hiroshima	0	0	0
Daicel Safety Systems (Jiangsu) Co., Ltd.	East Asia	Jiangsu	0	-	0
Daicel Safety Technologies (Jiangsu) Co., Ltd.	East Asia	Jiangsu	0	-	0
PTM Engineering Plastics (Nantong) Co., Ltd.	East Asia	Jiangsu	0	-	0
Polyplastics (Nantong) Ltd.	East Asia	Jiangsu	0	-	0
DP Engineering Plastics (Nantong) Co., Ltd	East Asia	Jiangsu	0	-	0
Daicel Nanning Food Ingredients Co., Ltd.	East Asia	Guangxi Zhuang Autonomous Region	0	-	0
Daicel Chiral Technologies (China) Co., Ltd.	East Asia	Shanghai	0	-	0
Polyplastics Trading (Shanghai) Ltd.	East Asia	Shanghai	0	-	0
Polyplastics (Shanghai) Ltd.	East Asia	Shanghai	0	-	0

Company Name	Region		(1)	(2)	(3)
Shanghai Daicel Polymers, Ltd.	East Asia	Shanghai	0	-	0
Daicel Trading (Shanghai) Ltd.	East Asia	Shanghai	0	-	0
Daicel (China) Investment Co., Ltd.	East Asia	Shanghai	0	-	0
Polyplastics China Ltd.	East Asia	Hong Kong	0	-	0
Daicel Miraizu (Hong Kong) Ltd.	East Asia	Hong Kong	0	-	0
Polyplastics Taiwan Co., Ltd.	East Asia	Taipei	0	-	0
Daicel Micro Optics Co. Ltd.	East Asia	Hsinchu	0	-	0
Polyplastics Korea Ltd.	East Asia	Seoul	0	-	0
Polyplastics Marketing (T) Ltd.	South and Southeast Asia	Bangkok	0	-	0
Daicel Miraizu (Thailand) Co., Ltd.	South and Southeast Asia	Bangkok	0	-	0
Daicel Safety Systems (Thailand) Co., Ltd.	South and Southeast Asia	Prachinburi	0	-	0
Polyplastics Asia Pacific Singapore Pte. Ltd.	South and Southeast Asia	Singapore	0	-	0
Polyplastics Marketing (India) Private Limited	South and Southeast Asia	Maharashtra	0	-	0
Daicel (Asia) Pte. Ltd.	South and Southeast Asia	Singapore	0	-	0
Polyplastics Asia Pacific Sdn. Bhd.	South and Southeast Asia	Kuala Lumpur	0	-	0
Daicel Safety Systems India Pvt. Ltd.	South and Southeast Asia	Haryana	0	-	0
Daicel Chiral Technologies (India) Pvt. Ltd.	South and Southeast Asia	Telangana	0	-	0

Company Name	Reg	Region		(2)	(3)
Daicel Safety Systems Americas, Inc.	North and Central America	Arizona	0	-	0
Daicel America Holdings, Inc.	North and Central America	California	0	-	0
Daicel ChemTech, Inc.	North and Central America	New Jersey	0	-	0
Chiral Technologies, Inc.	North and Central America	Pennsylvania	0	-	0
Daicel Arbor Biosciences (official name: Biodiscovery LLC)	North and Central America	Michigan	0	-	0
Polyplastics USA, Inc.	North and Central America	Michigan	0	-	0
Polyplastics Marketing Mexico, S.A. de C.V.	North and Central America	Mexico City	0	-	0
Polyplastics Europe GmbH	Europe	Hessen	0	_	0
Topas Advanced Polymers GmbH	Europe	Hessen	0	-	0
Daicel (Europa) GmbH	Europe	Hessen	0	-	0
LCP Leuna Carboxylation Plant GmbH	Europe	Sachsen-Anhalt	0	-	0
Daicel Safety Systems Europe Sp. z o. o.	Europe	Województwo dolnośląskie	0	-	0
Chiral Technologies Europe S.A.S.	Europe	Bas-Rhin	0	-	0

Other Affiliated Companies (As of March 31, 2023)

Company Name	Reç	gion	(1)	(2)	(3)
Polyplastics-Evonik Corporation	Domestic	Tokyo	0	0	0
Daicel-ALLNEX Ltd.	Domestic	Tokyo	0	0	0
Kyoudou Polymer Co., Ltd.	Domestic	Tokyo	-	-	-

Company Name	Region		(1)	(2)	(3)
Toyo Styrene Co., Ltd.	Domestic	Tokyo	-	-	-
Toyoshina Film Co., Ltd.	Domestic	Nagano	-	-	-
Toyama Filter Tow Co., Ltd.	Domestic	Toyama	-	-	-
Hirohata Terminal Company Ltd.	Domestic	Hyogo	_	_	-
Hayashi Shipping, Co. Ltd	Domestic	Hyogo	-	-	-
Ningbo Da-An Chemical Industries Co., Ltd.	East Asia	Zhejiang	-	-	-
Xi'an Huida Chemical Industries Co., Ltd.	East Asia	Shaanxi	-	-	-
Shanghai Da-Shen Cellulose Plastics Co., Ltd.	East Asia	Shanghai	-	-	-
Daicel Safety Systems Korea, Inc.	East Asia	Gyeongsangbuk-do	-	-	-
Special Devices (Thailand) Co., Ltd.	South and Southeast Asia	Saraburi	-	-	-
Daicel Safety Technologies (Thailand) Co., Ltd.	South and Southeast Asia	Prachinburi	-	-	-
Advanced Monomers Pvt. Ltd.	South and Southeast Asia	Maharashtra	-	-	-
Chrom Tech Ltd.	Europe	Buckinghamshire	-	_	-

Sustainability / List of Data Collection Boundaries

Scope of Data Calculation for Environmental and Occupational Safety Performance

Scope of Data Calculation for Environmental and Occupational Safety Performance (in random order)

Daicel's Business Sites

Daicel's Business Sites (plants and research institutes)

 Daicel Corporation (Arai Plant, Kanzaki Plant, Himeji Production Sector/Hirohata Plant, Himeji Production Sector/Aboshi Plant, Harima Plant, Ohtake Plant, Innovation Park)

Group Companies in Japan

Business sites of domestic Group companies operating on or outside of Daicel Corporation's business sites (plants and research institutes)

- Daicel Safety Systems Inc.
- DM Novafoam Ltd. (Aomori Plant, Nagano Plant, Okayama Plant)
- Dainichi Chemical Co., Ltd. (Iwaki Plant)
- Daicel Pyrotechnics Ltd. (Takasaki Plant, Gunma Giant Shooting Practice Range)
- Daicel Pack Systems Ltd. (Isesaki Plant)
- Polyplastics Co., Ltd. (Fuji Plant, R&D Center Fuji, Technical Solution Center Fuji)
- Daicel Logistics Service Co., Ltd. (Kanto Logistics Center Chiba Business Office, Kanto Logistics Center Atsugi
 Business Office, Kansai Logistics Center Yokkaichi Business Office, Kansai Logistics Center Amagasaki Business
 Office, Arai Plant*, Himeji Production Sector/Aboshi Plant*, Ohtake Plant*, Harima Plant*)
- Daicel Value Coating Ltd. (Kanzaki Plant)*
- Daicel Miraizu Ltd. (Kanzaki Plant, Himeji Production Sector/Aboshi Plant, Himeji Production Sector/Hirohata Plant)*
- Toyo Styrene Co., Ltd. (Himeji Production Sector/Hirohata Plant)*
- Polyplastics-Evonik Corporation (Himeji Production Sector/Aboshi Plant)*
- Daicen Membrane-Systems Ltd. (Himeji Production Sector/Aboshi Plant)*
- Kyodo Sakusan Co., Ltd. (Himeji Production Sector/Aboshi Plant)*
- Daicel Aboshi Sangyo Co., Ltd. (Himeji Production Sector/Aboshi Plant)*
- Daicel Arai Chemical Ltd. (Arai Plant)*

- Daicel Ohtake Sangyo Co., Ltd. (Ohtake Plant)*
- Pi-Crystal, Inc.
- Daicel Beyond Ltd. (Kameoka Plant)
- * It is considered a Daicel business site for data calculation purposes as the company is located on the premises of a Daicel business site.

Group Companies Overseas

Business sites of overseas Group companies (plants and research institutes)

(East Asia)

- Daicel Safety Systems (Jiangsu) Co., Ltd.
- PTM Engineering Plastics (Nantong) Co., Ltd.
- Polyplastics (Nantong) Ltd.
- Shanghai Daicel Polymers, Ltd.
- Daicel Chiral Technologies (China) Co., Ltd.
- Daicel Nanning Food Ingredients Co., Ltd.
- Polyplastics Taiwan Co., Ltd.

(Southeast Asia / South Asia)

- Polyplastics Asia Pacific Sdn. Bhd.
- Daicel Safety Systems (Thailand) Co., Ltd. (provinces of Prachinburi and Saraburi)
- Daicel Chiral Technologies (India) Pvt. Ltd.

(North America)

- Daicel Safety Systems Americas, Inc. (in the states of Kentucky and Arizona)
- Chiral Technologies, Inc.
- Daicel Arbor Biosciences (officially Biodiscovery LLC)

(Europe)

- Chiral Technologies Europe S.A.S.
- LCP Leuna Carboxylation Plant GmbH
- Topas Advanced Polymers GmbH
- Lomapharm GmbH
- Daicel Safety Systems Europe Sp. z o. o.

GRI Content Index

Daicel Group has reported in accordance with the GRI Standards in reporting its sustainability initiatives.

The sections relevant to each GRI content are as follows.

Statement of use	Daicel Corporation has reported in accordance with the GRI content index for the period from April 2022 to
Statement of use	March 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	

11. Fauradelle: 2024			
1: Foundation 2021	24		
2: General Disclosures 20			
. The organization and it			
D	isclosure 2-1	Organizational details	Corporate Data
			Business Locations & Group Companies
D	isclosure 2-2	Entities included in the organization's	Editorial Policy
		sustainability reporting	Business Locations & Group Companies
			List of Data Collection Boundaries (Scope of
			Reporting for Human Resources and
			Governance Data, Scope of Data Calculation
			for Environmental and Occupational Safety
			Performance)
			P94 Securities Report (Only in Japanese)
D	isclosure 2-3	Reporting period, frequency and contact point	Editorial Policy
			Securities Report (Only in Japanese)
			(indicated on the front cover)
			Contact Us
D	isclosure 2-4	Restatements of information	
D	isclosure 2-5	External assurance	Independent Assurance Statement
Activities and workers			·
D	isclosure 2-6	Activities, value chain and other business	P05-06, P129 Securities Report (Only in
		relationships	Japanese)
			Sustainable Procurement
D	isclosure 2-7	Employees	ESG Data
	isclosure 2-8	Workers who are not employees	ESG Data
Governance	130103410 2 0	Workers who are not employees	256 2444
	isclosure 2-9	Covernance structure and composition	Corporato Covernance
	disclosure 2-9	Governance structure and composition	Corporate Governance
			Sustainability Management
			Directors & Senior Management
			ESG Data
D	isclosure 2-10	Nomination and selection of the highest	Corporate Governance
		governance body	Notice of the Result of the Excise of Voting
			Results at The 157th General Meeting of
			Shareholders
			Standards for Independence of Outside
			Directors/Outside Audit & Supervisory Boar
			Members
D	isclosure 2-11	Chair of the highest governance body	Corporate Governance Report
			Corporate Governance
D	isclosure 2-12	Role of the highest governance body in	Materiality
		overseeing the management of impacts	Sustainability Management
D	isclosure 2-13	Delegation of responsibility for managing	Sustainability Management
		impacts	
D	isclosure 2-14	Role of the highest governance body in	
		sustainability reporting	
D	isclosure 2-15	Conflicts of interest	Corporate Governance Report
			<u> </u>
D	isclosure 2-16	Communication of critical concerns	Corporate Compliance

	Disclosure 2-17	Collective knowledge of the highest governance body	Corporate Compliance Corporate Governance
	Disclosure 2-18	Evaluation of the performance of the highest	Corporate Governance
	Disclosure 2-19	governance body Remuneration policies	Corporate Governance
	Disclosure 2-19	Process to determine remuneration	Corporate Governance Corporate Governance
	Disclosure 2-21	Annual total compensation ratio	ESG Data
4. Strategy, policies an		, amada cocar compensación ració	250 Bata
3771	Disclosure 2-22	Statement on sustainable development strategy	Message from the President and CEO
	Disclosure 2-23	Policy commitments	Policy List Respect for Human Rights
	Disclosure 2-24	Embedding policy commitments	Materiality Respect for Human Rights Corporate Compliance
	Disclosure 2-25	Processes to remediate negative impacts	Enhancing Product Quality Respect for Human Rights Corporate Compliance
	Disclosure 2-26	Mechanisms for seeking advice and raising concerns	Corporate Compliance Respect for Human Rights
	Disclosure 2-27	Compliance with laws and regulations	Misconduct related to third-party certification for the products of our group company* Enhancing Product Quality Environmental Management ESG Data
	Disclosure 2-28	Membership association	KEIDANREN (Japan Business Federation) Japan Chemical Industry Association Participation in Initiatives and External Recognition
5. Stakeholder engage	ment		r teeegtee.
	Disclosure 2-29	Approach to stakeholder engagement	Sustainability Management
	Disclosure 2-30	Collective bargaining agreements	ESG Data
GRI 3: Material Topics 202	1		
 Guidance to determi Disclosures on mate 	•		
	Disclosure 3-1	Process to determine material topics	Materiality
	Disclosure 3-2	List of material topics	Materiality
	Disclosure 3-3	Management of material topics	Respect for Human Rights Materiality Policy List Emission Management of Chemical
			Substances Environmental Management and Prevention of Air Pollution
conomic			
GRI 201: Economic Perform	nanca 2016		
		B: 1	0 111 15 11111
	201-1	Direct economic value generated and	Consolidated Financial Highlights
		Direct economic value generated and distributed Financial implications and other risks and opportunities due to climate change	Consolidated Financial Highlights Securities Report (Only in Japanese) Response to Climate Change In FY2023/3, we have currently conducted a scenario analysis for our Engineering Plastics Business (POLYPLASTICS CO., LTD.) Going forward, we will conduct scenario analysis in turn and consolidating the risks and opportunities of climate change for the Group.

201-3	Defined benefit plan obligations and other retirement plans	P117 Securities Report (Only in Japanese)
201-4	Financial assistance received from government	P121 Securities Report (Only in Japanese)
016		The second of th
202-1	Ratios of standard entry level wage by gender	Recruitment Data (Only in Japanese)
	, , , , , , , , , , , , , , , , , , , ,	Foster a Corporate Culture That Meets
		Employee Needs
202-2	Proportion of senior management hired from	
	the local community	
Impacts 2016		
203-1	Infrastructure investments and services	
	supported	
203-2	Significant indirect economic impacts	
ices 2016		
204-1	Proportion of spending on local suppliers	
16		
205-1	Operations assessed for risks related to	Corporate Compliance
	corruption	
205-2	Communication and training about anti-	Corporate Compliance
	corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions	Corporate Compliance
	taken	
ehavior 2016		
206-1	Legal actions for anti-competitive behavior,	Corporate Compliance
	anti-trust, and monopoly practices	There were no applicable instances.
207-1		Corporate Compliance
	<u> </u>	
207-3		
207-4	Country-by-country reporting	
301-1	Materials used by weight or volume	Environmental Management ESG Data
301-2	Recycled input materials used	
	· · · · · · · · · · · · · · · · · · ·	
302 3		
302-1	Energy consumption within the organization	Environmental Management
	3, '	Response to Climate Change
		ESG Data
302-2	Energy consumption outside of the	
	organization	
302-3	Energy intensity	Response to Climate Change
		ESG Data
302-4	Reduction of energy consumption	Response to Climate Change
	•	ESG Data
302-5	Reductions in energy requirements of products	
-	and services	
		ı
s 2018		
s 2018 303-1	Interactions with water as a shared resource	Water Resource Preservation
303-1		
	Management of water discharge-related	Water Resource Preservation Water Resource Preservation
303-1		
	202-2 Impacts 2016 203-1 203-2 ices 2016 204-1 16 205-1 205-2 205-3 ehavior 2016 207-1 207-2 207-3 207-4 301-1 301-2 301-3 302-1	202-1 Ratios of standard entry level wage by gender compared to local minimum wage 202-2 Proportion of senior management hired from the local community Impacts 2016 203-1 Infrastructure investments and services supported 203-2 Significant indirect economic impacts in indir

	303-4	Water discharge	Water Resource Preservation ESG Data
	303-5	Water consumption	Water Resource Preservation ESG Data
GRI 304: Biodiversity 2016			
	304-1	Operational sites owned, leased, managed in,	
		or adjacent to, protected areas and areas of	
		high biodiversity value outside protected areas	
	304-2	Significant impacts of activities, products and services on biodiversity	
	304-3	Habitats protected or restored	Preserving Biodiversity
			Native Forests for Life Initiative
	304-4	IUCN Red List species and national conservation list species with habitats in areas	
		affected by operations	
GRI 305: Emissions 2016			
	305-1	Direct (Scope 1) GHG emissions	Response to Climate Change ESG Data
	305-2	Energy indirect (Scope 2) GHG emissions	Response to Climate Change
			ESG Data
	305-3	Other indirect (Scope 3) GHG emissions	Response to Climate Change ESG Data
	305-4	GHG emissions intensity	Response to Climate Change
	305-5	Reduction of GHG emissions	Response to Climate Change ESG Data
	305-6	Emissions of ozone-depleting substances (ODS)	ESG Data
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx),	Environmental Management
		and other significant air emissions	Emission Management of Chemical
			Substances
			Environmental Management and Prevention of
			Air Pollution ESG Data
GRI 306: Waste 2020			
	306-1	Waste generation and significant waste-related impacts	Reduction and Recycling of Industrial Waste
	306-2	Management of significant waste-related impacts	Reduction and Recycling of Industrial Waste
	306-3	Waste generated	ESG Data
	306-4	Waste diverted from disposal	ESG Data
	306-5	Waste directed to disposal	ESG Data
GRI 308: Supplier Environn	nental Assessment 2	2016	
	308-1	New suppliers that were screened using environmental criteria	Sustainable Procurement
	308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Procurement
Social			
GRI 401: Employment 2010	6		
221 2	401-1	New employee hires and employee turnover	ESG Data
	401-2	Benefits provided to full-time employees that	Foster a Corporate Culture That Meets
		are not provided to temporary or part-time	Employee Needs
		employees	
	401-3	Parental leave	ESG Data
GRI 402: Labor/Manageme	nt Relations 2016		
	402-1	Minimum notice periods regarding operational changes	

GRI 403: Occupational Hea	lth and Safety 2018		
	403-1	Occupational health and safety management	Responsible Care Activities
		system	Occupational Health and Safety
	403-2	Hazard identification, risk assessment, and	Responsible Care Activities
		incident investigation	Occupational Health and Safety
			Initiatives to Help Employees Maintain Mental
			and Physical Health
	403-3	Occupational health services	Occupational Health and Safety
	403-4	Worker participation, consultation, and	Occupational Health and Safety
	705-4	communication on occupational health and	Occupational Health and Safety
		safety	
	403-5	Worker training on occupational health and	Support for Human Resource Development
	403-5	·	, ,
		safety	Occupational Health and Safety
	402.6	Due weaking of weather health	Harima Plant Human Development Center
	403-6	Promotion of worker health	Initiatives to Help Employees Maintain Mental and Physical Health
			Foster a Corporate Culture That Meets
			Employee Needs
	403-7	Prevention and mitigation of occupational	Occupational Health and Safety
		health and safety impacts directly linked by business relationships	
	403-8	Workers covered by an occupational health and	Responsible Care Activities
		safety management system	Occupational Health and Safety
	403-9	Work-related injuries	Materiality
			Occupational Health and Safety ESG Data
	403-10	Work-related ill health	Occupational Health and Safety ESG Data
GRI 404: Training and Educ	cation 2016		2000
	404-1	Average hours of training per year per employee	ESG Data
	404-2	Programs for upgrading employee skills and transition assistance programs	Support for Human Resource Development
	404-3	Percentage of employees receiving regular	Support for Human Resource Development
		performance and career development reviews	Support for Harrian Resource Development
GRI 405: Diversity and Equ	 al Opportunity 2016	<u> </u>	1
GKI 403. DIVEISILY AND EQU			Corporato Covernance
	405-1	Diversity of governance bodies and employees	Corporate Governance P66-68 Securities Report (Only in Japanese) ESG Data
	405-2	Ratio of basic salary and remuneration of	
		women to men	
GRI 406: Non-discriminatio	on 2016		
	406-1	Incidents of discrimination and corrective	
CDI 407, Eroodom of Asses	ciption and Callecting	actions taken	I
GRI 407: Freedom of Assoc			T
	407-1	Operations and suppliers in which the right to	
		freedom of association and collective	
ODT 400 CHILL 1		bargaining may be at risk	
GRI 408: Child Labor 2016			I
	408-1	Operations and suppliers at significant risk for incidents of child labor	
GRI 409: Forced or Compu	lsory Labor 2016		
	409-1	Operations and suppliers at significant risk for	
		incidents of forced or compulsory labor	
GRI 410: Security Practices	s 2016	• •	1
	410-1	Security personnel trained in human rights	
		policies or procedures	
		F 5 1. 5 1. 5 1. 5 1. 5 1. 5 1. 5 1. 5 1	1

	411-1	Incidents of violations involving rights of	
		indigenous peoples	
GRI 413: Local Communiti	es 2016	. 3	I
	413-1	Operations with local community engagement,	Contribution to Local Communities and
		impact assessments, and development	Society
		programs	,
	413-2	Operations with significant actual and potential	
		negative impacts on local communities	
GRI 414: Supplier Social A	ssessment 2016		
	414-1	New suppliers that were screened using social criteria	Sustainable Procurement
	414-2	Negative social impacts in the supply chain and	Sustainable Procurement
		actions taken	
GRI 415: Public Policy 201	6		
	415-1	Political contributions	ESG Data
GRI 416: Customer Health	and Safety 201	6	
	416-1	Assessment of the health and safety impacts of	Enhancing Product Quality
		product and service categories	
	416-2	Incidents of non-compliance concerning the	There were no instances of fines or penaltie
		health and safety impacts of products and	relating to any regulatory violation.
		services	
GRI 417: Marketing and La	abeling 2016		
	417-1	Requirements for product and service	Chemical and Product Safety
		information and labeling	
	417-2	Incidents of non-compliance concerning	Misconduct related to third-party certification
		product and service information and labeling	for the products of our group company*
			Enhancing Product Quality
	417-3	Incidents of non-compliance concerning	There were no applicable instances by Daice
		marketing communications	Corporation.
GRI 418: Customer Privac	y 2016		
	418-1	Substantiated complaints concerning breaches	There were no applicable instances by Daice
		of customer privacy and losses of customer	Corporation.

^{*} Our group's Daicel Miraizu Ltd., was found to have acted improperly in connection with the certification by Underwriters Laboratories Limited Liability Company (hereinafter, UL), a third-party safety science organization in the United States, for some resin products sold by Daicel Miraizu Ltd. We announced it on July 11, 2022, and we established an investigative committee consisting of our independent Outside Audit & Supervisory Board Members and outside experts who have no stakes in our company, and entrusted them with the investigation of such acts. Then, on December 16, 2022, we received from this committee an investigation report with the investigation results including the facts about these acts and their causal analysis, and the results of the verification of the current quality compliance system. The results of the investigation by the committee will be taken seriously by the entire Group, all officers and employees of the Group will once again go back to the basics of "manufacturing" and do their utmost to restore trust and prevent recurrence.