

[Provisional Translation Only]

The Company provides this English translation of the original Japanese document solely for information purposes, and in the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

## Corporate Governance Report

Last Update: July 1, 2024

**DAICEL CORPORATION**

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Securities Code: 4202

<https://www.daicel.com/en/>

The corporate governance of DAICEL CORPORATION (the “Company”) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

The Company recognizes that the reinforcement of corporate governance is an important management issue to improve corporate value and fulfill the Company’s social mission and responsibility as a listed company. By clarifying the division of roles among each organization, the Company ensures mobility and institutes a management system that can promptly make decisions and implement them. As well, the Company actively incorporates external opinions into company management and improves both the transparency and fairness of management. Thus, the Company strives to maintain the soundness of its management.

#### **[The Reason not to Disclose Based on the Principles of the Corporate Governance Code]**

The Company implements all of the principles set forth in the Corporate Governance Code.

#### **[Disclosure Based on the Principles of the Corporate Governance Code] (Updated)**

##### **Principle 1-4**

(Policy Regarding Cross holdings of Shares)

We will adhere to a shareholding policy only when this principle is judged to contribute to the improvement of mid- and long-term corporate value from the perspective of strengthening business relationships, maintaining the stability of transactions with financial institutions, and maintaining or strengthening cooperative business relationships. When some stocks do not meet the purpose of our possession or are not recognized economic rationality due to changes in business environment and other factors, we will reduce the stocks in order.

When we try to reduce stocks, 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 expedite the sales of stocks after considering various conditions such as impacts on markets and financial strategy of issuers, etc.

The ratios of the balance of cross-shareholdings (including unlisted stocks) to the consolidated net assets are expected to change less than 10% based on the balance sheet records at the end of the fiscal year of March 2026. In the case of including deemed holdings of shares, the ratios of it are expected to change less than 20% at the end of the fiscal year of March 2025, and less than 15% at the end of the fiscal year of March 2026.

(Verification in Board of Directors)

We will periodically verify the appropriateness of the purpose, the quantitative and qualitative benefits arising from business transactions, and the economic rationality of the risks held of all stocks that we possess. We report the result of the verification to Board of Directors, and the content is examined carefully. As a result of these verifications, in FY2024/3 we sold all shares of the two stocks and a part share of four stocks.

(Standards Regarding the Exercise of Voting Rights Associated with Cross-shareholdings)

Regarding rights of voting related to strategic shareholdings, we determine to exercise the rights considering if the exercise of the rights do not cause serious impacts on Daicel and our Group's purposes of possession, will contribute to sustainable growth and enhance mid- and long-term corporate value of the investee company, and contribute to the common benefits of shareholders.

### **Principle 1-7**

In an effort to monitor transactions between related parties, the Company conduct a questionnaire every year to determine whether transactions have taken place between Directors, Audit & Supervisory Board Members, Executive Officers, and their close relatives and the Group; moreover, to determine whether transactions have taken place between a group whose substantial majority of voting rights were held by Directors, Audit & Supervisory Board Members, Executive Officers or their close relatives and the Group. The Management Committee confirms the importance and the nature of all transactions taking place between related parties, such as whether the amount of the transaction is large or irregular.

In addition, the Company requires the Board of Directors to deliberate and resolve conflicts of interest regarding transactions involving Directors (through resolutions of the Board of Directors and post-exit reports at every six months).

### **Supplementary Principle 2-4-1**

(1) Policy

Daicel Group has set forth our "Sustainable Management Policy" under its 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.

"People-centered Management," which values each individual, has been a key concept of our company for a long time. With our Long-term Vision started in 2020, we renewed our Human Resource Policy, for shifting our commitment towards happiness to the forefront and announced this new policy to Daicel Group employees. Also, the Company has established "Diversity, Equity and Inclusion (DE&I) Declaration", which declares the respect of diversity like women's empowerment activities, and provision of equitable opportunities. Based on the Human Resource Policy, we are taking various initiatives, such as supporting human resource development, promoting diversity, equity and inclusion, and fostering a corporate culture that meets employee's 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.

<Policy Regarding Human Resource Development>

Daicel Group supports its diverse employees to grow with a sense of presence and fulfillment. The reason of the promotion of human resource investment is that the Company hopes for each and every employee to hone his or her skills and mind, and to achieve self-actualization by taking advantage of the company's

environment and resources. 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.

<Policy Regarding Improvement of Working Environment>

To achieve the Mid-Term Management Strategy, Daicel Group will not only improve productivity, but also strongly promote “safety and quality as our priority foundations” and “work improvement to eliminate the sense of busyness at work sites.” We will make thorough investments and initiatives to ensure safety at work sites to improve work environment. Daicel Group will strengthen safety, quality and compliance for establishing solid foundation of the Company, and also provide an environment where each employee can fully utilize own strengths and realize the happiness of working.

<Diversity, Equity and Inclusion (DE&I) Declaration>

Daicel Group makes our attitude clear that it promotes “People-centered Management” that enables all our diverse employees to grow while establishing their own presence and achieving fulfillment to realize sustainable society and expand the business of Daicel Group.

Regarding “the promotion of diversity, equity and inclusion”, such as promoting women’s empowerment activities, Daicel Group conducts challenges in accordance with the “People-centered Management”. Daicel Group has enacted the Diversity, Equity and Inclusion (DE&I) Declaration on January 2024, and disclosed it on our corporate website.

(2) Ensuring Diversity

The Company hires new graduates with the goal of achieving a diversity (female/foreign national) ratio of 30% or more every year. The Company is also actively hiring mid-career professionals who have diverse work experiences. In the most recent year (FY2024/3), mid-career recruitment accounted for 55.6% of all hires.

<Promoting women to managerial positions>

The Company promotes an initiative targeted on increasing the ratio of women in management positions to at least 10% until end of March, 2026. Its ratio at the end of the fiscal year ended March 2024 is 5.6%. In October 2021, the Company introduced a “mentor system”, which directors work as mentors to develop female leaders proactively. In this way, the management team deeply engages with the development of employees.

<Promoting foreign employees to managerial positions>

The Company expects employees to be active regardless of nationality or gender. The Company has 32 foreign nationals on its rolls at the end of the fiscal year ended March 2024, and eight of them are in managerial or higher positions. Local employees account for more than half of managerial position in entire Daicel Group, supporting our Daicel Group’s management.

<Promotion of mid-career recruitment to managerial positions>

At the end of the fiscal year ended March 2024, the ratio of mid-career recruitment hired for managerial positions stands at 30.9%, reflecting our active recruiting of human resources with diverse work experiences.

<Promotion of employment of people with disabilities>

Currently, the Company’s employment rate of people with disabilities exceeds the statutory employment rate of 2.5%.As of March 1, 2024, the rate of employees with disabilities in the total workforce is 3.14%. The Company will continue to maintain employment that exceeds the statutory employment rate.

**Principle 2-6**

The Company has established the Defined Benefit Corporate Pension Plan Asset Management Committee, consisting of members from human resources, accounting and finance departments and other related divisions with adequate capacity of managing deposit of corporate pension. The Company conducts adequate initiatives in terms of personnel and management, such as implementing the monitoring of investment institutions based on the basic policy of deposit management, which we have formulated on our own.

In light of the latest trend in cross-shareholding, the market requires companies to reduce including deemed holdings of shares as well. The Company will consider implementing the necessary initiative cooperated with financial institutions to ensure stable management of pension assets as well as proceeding the reduction of stocks owned as a part of pension assets.

### **Principle 3-1**

- 1) The Company has posted its basic philosophy, long-term vision, and an outline of its Mid-Term Management Strategy on its website.
- 2) The Company posts its basic views to corporate governance on its website and describes it in the Securities Report and in Corporate Governance Report I, Article 1.
- 3) The policies and procedures for determining compensation for Directors and Audit & Supervisory Board Members are described in the Securities Report; in Corporate Governance Report II, Article 1, “Director Remuneration”; and in the convocation notice of the Annual General Meeting of Shareholders.
- 4) Regarding the appointment of management executives and nomination of the Director and Audit & Supervisory Board Member candidates, the Company requires the personnel “to agree with and inherit the Daicel Group’s Basic Philosophy, Daicel Group Code of Conduct and Ethical Standards of Daicel Group” and “to possess necessary credentials and experiences to realize mid- and long-term enhancement of the Company’s corporate value” as standards and nominates the persons with adequate personality, knowledge, motivation, ethical view and management perspective to lead the Company. As the selection and nomination, we make determinations based on the reports from the Nomination and Compensation Committee (Chairman is an Outside Director), which consists of the Outside Directors and the Representative Directors. The Outside Directors are in the majority in this committee.

Based on their evaluations, performances and so forth, the Company appoints the Executive Officers from certain target persons who possess a mid- and a long-term management view and the ability to display their leadership. As the nomination of the Director candidates, the Company considers the balance and diversity of knowledge, experience and ability as the whole Board of Directors and the scale of the Company, and finally determines at the Board of Directors. For nominating the candidates of the Audit & Supervisory Board Members, we make decisions with the agreement of the Audit & Supervisory Board, considering their knowledge, experience and abilities that enable to audit the Directors’ performance adequately, fairly and effectively, and the scale of the Company.

Furthermore, we determine the removal according to the answers of the Nomination and Compensation Committee, considering the Removal Standards mentioned below.

#### [Removal Standards]

1. In the case of actions violating laws and the article of association or antisocial actions
2. In the case of significantly damaging the Company’s corporate value by the unsatisfactory professional conduct.
3. In the case of not being recognized their credentials as the Company’s leader, such as not respecting the Daicel Group’s Basic Philosophy, Daicel Group Code of Conduct and Ethical Standards of Daicel Group.

The Daicel Group’s Basic Philosophy, Daicel Group Code of Conduct and Ethical Standards of Daicel Group can be seen the webpages listed below.

Daicel Group’s Basic Philosophy

<https://www.daicel.com/en/profile/philosophy.html>

Daicel Group Code of Conduct

<https://www.daicel.com/en/sustainability/governance/compliance/policy.html>

Ethical Standards of Daicel Group

<https://www.daicel.com/en/sustainability/governance/compliance/standard.html>

- 5) The reasons for the nomination and appointment of candidates for the positions of Director and Audit & Supervisory Board Member are presented in the convocation notice for the Annual General Meeting of Shareholders. In addition, the reasons for nomination and appointment of individual candidates for the positions of Outside Director and Outside Audit & Supervisory Board Member are presented in the Securities Report and in the Corporate Governance Report II, Article 1, “Directors” and “Audit & Supervisory Board.”

Yet the removal has not been disclosed, since it has never occurred.

### **Supplementary Principle 3-1-3**

#### <Sustainability>

We disclose our sustainable activities on the securities report and the Integrated Report (Daicel Report) and Sustainability Website. In particular, we disclosed the SDGs activities in FY2021/3, the materiality in FY2022/3. In this way, we make an effort to enrich the content of Sustainability every year.

As for climate change, we set two new targets, a 50% reduction of GHG emissions from FY2019/3 to FY2031/3 and the realization of Carbon Neutrality in FY2051/3, and we started to approach these targets to meet them. Considering the necessity to disclose information on financial risks and opportunities related to climate change, we approved the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2021. We are making an analysis of risk and opportunity and a scenario analysis in accordance with the recommendations of TCFD. And we will disclose these results gradually.

#### <Human Capital Investment>

Daicel Group commits to promote “human-centered business management” that enables all diverse employees to grow while establishing their own presence and achieving fulfillment, and upholds the Sustainable People (the happiness for workers) for supporting individual autonomous career development and self-fulfillment with high quality motivation.

We amended our personnel system for managers on FY2022/3, for non-managers on FY2023/3. The new personnel system has a course-specific promotion system. It allows employees to select their individual career development and focus on their individual strengths and expertise. For the supporting the growth of next-generation leaders, we implement the leadership development training programs for fostering candidates for managerial positions early.

Concerning the working environment, adapting to the rapidly spreading transformation of working styles that rapidly spread over the world, such as teleworking, we reformed our working system to allow people to choose to work from home, mainly depending on their life stage. We improve our office environment by developing on our current free-address working office to increase the variety of working spaces to allow employees to choose the best working place depending on their duties. We also improve our office environment to promote user-friendliness of disabled and LGBT employees.

#### <Intellectual Property Investment>

In line with the basic philosophy of “The company making lives better by co-creating value,” we aim to deliver value together, beyond the borders of industry and company, while sharing our philosophy in the business fields of health, safety/security, convenience/comfort, and the environment, where we can harness our strengths to meet social needs (Cross-Value Chain). We consistently invest our resources in intellectual properties to achieve this goal and continue to deliver value in each business field. For example, our intellectual property activity team reinforces the competitiveness of each business through acquiring and appropriately utilizing intellectual property rights. In addition, the team promotes the analysis and utilization (IP landscape) of intellectual property information as a “compass for management, business, and research” in order to properly build our business portfolio. Please refer to our corporate site link for further information. (<https://www.daicel.com/en/innovation/ip/>)

### **Supplementary Principle 4-1-1**

The Board of Directors deliberates on important issues as stipulated in laws and regulations, the Articles of Incorporation and the Board of Directors’ Regulations. Decision-making and the undertaking of other matters are entrusted to Executive Officers and to the Management Meetings, the decision-making body at the business execution level. The Board of Directors receives reports on the results of decision-making undertaken at the Management Meetings and on the content of important meetings such as the Management Meetings, Management Strategy Meetings and etc. as well as the status of business execution by Executive Officers. Through these reports, the Board of Directors oversees decision-making and business execution by the Management Meetings and Executive Officers.

### **Principle 4-9**

Regarding standards ensuring the independence of Outside Directors and Outside Audit & Supervisory Board Members from the Company, the Company has established Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members, which are presented in the convocation notice for

Annual General Meeting of Shareholders; Securities Reports; the Corporate Governance Report II, Article 1, “Independent Directors/ Audit & Supervisory Board Members”; and on the Company website.

**Supplementary Principle 4-10-1**

We have appointed six Independent Outside Directors, which constitute a majority of the Board of Directors. Each Independent Outside Director actively expresses his/her opinions and gives advice as necessary at the Board of Directors meetings, etc., from a fair and impartial perspective and from an independent and objective standpoint by utilizing his/her high level of expertise and abundant experience.

Moreover, the Company has established a “Nomination and Compensation Committee,” which currently comprises two Inside Directors (two Representative Directors) and six Outside Directors, totaling eight members. The Chairperson of the Committee is an Outside Director. The Committee has developed fair and highly transparent procedures in regard to important matters such as personnel affairs and remuneration of executives and directors.

When deciding treatment of officers at the Board of Directors meetings (appointment of director candidates, appointment and division of duties of Representative Directors, Chairperson, President, and Executive Officers who carry out business, matters related to successor development and remuneration of Directors, Audit & Supervisory Board Members, Executive Officers, etc.), we consult with the Committee in advance and receive its report.

The composition, authority, roles, etc. of the Committee are outlined in the convocation notice for the General Meeting of Shareholders and the Securities Report.

**Supplementary Principle 4-11-1**

Company policy is to ensure the members of the Board of Directors have the ability and insight to serve as Directors and have diverse knowledge, experience, and expertise. The Board of Directors is committed to maintaining the scale to make decisions promptly and efficiently while engaging in sufficient and appropriate discussions in meetings. At the present time, the Company considers 12 or fewer members as an appropriate number.

Regarding candidates nominated for the Directors, the Company makes its decisions according to the report of the Nomination and Compensation Committee, which is composed of Outside Directors, the chairperson of the Board of Directors and representative Directors, and is chaired by an Outside Director, and whose majority is Outside Directors.

The Company has registered all of our six Outside Directors as independent directors with the Tokyo Stock Exchange. All of them have a wealth of management experience in our business fields and others.

In particular, the skill matrix, which sets out the knowledge, experience and competence the candidates for Directors and Audit & Supervisory Board Members should have in light of the management strategy, is indicated in the notice of the annual general meeting of shareholders.

**Supplementary Principle 4-11-2**

Every year, we disclose the concurrent positions of Outside Directors and Outside Audit & Supervisory Board Members at other companies through the convocation notice of Annual General Meeting of Shareholders.

**Supplementary Principle 4-11-3**

In order to maintain or improve the effectiveness of the Board of Directors, the Company analyzes and evaluates the performance of the Board of Directors once a year through a self-assessment of Directors and Audit & Supervisory Board Members.

Specifically, the Company takes questionnaire surveys and individual interview with Directors and Audit & Supervisory Board Members regarding the composition of the Board of Directors; the content of its deliberations, resolutions, and reports and the like; and its operating methods. The Company analyzes and evaluates the results in order to confirm that the Board of Directors is functioning effectively. In addition, the Company uses the opinions of the Directors and Audit & Supervisory Board Members to address further discussions on the succession plans of a management team, enhancement of monitoring structure of the status of execution of management strategies, enhancement of identification of risks of individual proposal, further discussions on the ideal way to disclose information on changes of management strategies, enhancement of monitoring structures for the initiatives related to sustainability and promotion of human capital management, improvements on the timing of delivering reference materials for board meetings and

use of in-house jargon, and discussions on the ideal way to serve as chairperson of the Board of Directors thus improving the Board of Directors in a timely manner to ensure its increased effectiveness in the future.

#### **Supplementary Principle 4-14-2**

Directors and Audit & Supervisory Board Members attend external seminars and training sessions in order to acquire the knowledge necessary for the performance of their duties and work tasks in addition to updating their skills and the like. The Company bears the costs of these activities.

Moreover, newly appointed Directors and Audit & Supervisory Board Members (excluding Outside Directors and Outside Audit & Supervisory Board Members) are required to attend external seminars. The Company also provides annual compliance training for Directors, Audit & Supervisory Board Members, Executive Officers, and other senior employees (excluding external officers). The Company continues to offer opportunities for them to deepen their understanding of Daicel Group by providing introductory initiatives for the Board of Directors and conducting factory tours for Outside Directors and Outside Audit & Supervisory Board Members.

#### **Principle 5-1**

The Company-appointed General Manager of Corporate Support Headquarter is an Executive Officer responsible for IR, and the Investor Relations & Corporate Communications is responsible for IR. Financial result briefings are held each quarter for shareholders and investors. In particular, the President and Executive Officers of IR department and each segment provide shareholders and investors with explanations in financial result briefing at the first half of the fiscal year and the fiscal year ended.

In view of the Company's shareholding structure, the Company endeavors to engage in dialogue with foreign investors, visit offices of foreign investors and participate in conferences for foreign investors sponsored by securities companies. When it is difficult to attend conferences or visit investors, the Company efforts to maintain and enhance engagement in dialogue through alternative means such as telephone conferences.

The progress in communication with shareholders are disclosed on the Company's website. (<https://www.daicel.com/en/sustainability/governance/>)

#### **Actions toward Management with a Focus on Capital Costs and Stock Prices**

The Company stated the management prioritized on the Return on Invested Capital (ROIC) in our long-term vision, DAICEL VISION 4.0, and our Mid-Term Management Strategy, Accelerate 2025, the Company announced in June 2020, and set and targets of capital profitability such as Return On Equity (ROE), Return on Invested Capital (ROIC) and Return on Assets (ROA) for achievement. Also, the Company announced "Accelerate 2025 Mid-Term Management Strategy (Updated)" in May 2023, describing the progress of business management strategy and initiatives toward the latter half of the Mid-term Management Strategy.

In FY2024/3, the Company analyzed the current capital profitability, cost of capital and stock price indicator and discussed measures at the board of Directors and management meetings. The results are disclosed on the presentation material of Fiscal Year ended March 2024 Consolidated Financial Results published on May 9, 2024.

Regarding the capital profitability and cost of capital, the Company calculated the company's cost of equity and weighted average cost of capital (WACC), and confirmed that ROE, ROIC and ROA have been consistently above each value of cost of capital. Regarding stock price indicator, the Company has analyzed Price Book-value Ratio (PBR), Price Earnings Ratio (PER) and ROE, and presents our growth strategy in an easy-to-understand manner and further strengthens shareholders return as measures to improve those indicators.

While maintaining the policy of "Maintain the 32 yen per share as the lower limit and total return ration of 40% or higher" that the Company has set so far, the Company has added a new target of "dividend on equity (DOE) ratio of 4% or more" from the fiscal year ending March 2025 to achieve more stable shareholders return. The Company will continuously maintain an appropriate level of capital adequacy ratio for ensuring financial security, and further strengthen balanced shareholders return. This financial result material is disclosed on the Company's website.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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### [Status of Major Shareholders] (Updated)

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,152,000	16.37
Custody Bank of Japan, Ltd. (Trust Account)	24,707,200	8.95
Nippon Life Insurance Company	17,402,214	6.30
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	10,794,400	3.91
FUJIFILM Holdings Corporation	8,390,740	3.04
Sumitomo Mitsui Banking Corporation	6,209,176	2.25
Daicel Group Employee Shareholding Associations	6,179,190	2.24
Daicel Shareholdings Ownership Association	6,045,589	2.19
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	5,443,300	1.97
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	4,177,700	1.51

Controlling Shareholder (except for Parent Company)	---
Parent Company	None

### Supplementary Explanation (Updated)

(1) The Change in Mass Holdings Report provided for public inspection dated February 22, 2024, indicates that Silchester International Investors LLP became out of our major shareholders. Therefore, the Company submitted an extraordinary report, "Notice Concerning Change of Major Shareholder" on February 29, 2024.  
(2) Mass Holdings Report is provided for public inspection as follows. However, because the Company cannot confirm the number of shares of real property held as of March 31, 2024, these are not included in the Status of Major Shareholders table above.

#### Name

The date provided for public inspection

The number of share possession (the proportion of possession of stock certificate)

Silchester International Investors LLP

March 27, 2024

23,768 thousand shares (8.28%)

Nomura Asset Management Corporation

October 4, 2023

21,922 thousand shares (7.64%)

Nippon Life Insurance Company

April 22, 2019

17,407 thousand shares (5.24%)

Nissei Asset Management Corporation

April 22, 2019

2,786 thousand shares (0.84%)



Taiju Life Insurance Company Limited April 22, 2019 2,500 thousand shares (0.75%)
Sumitomo Mitsui Trust Bank, Limited April 4, 2024 1,792 thousand shares (0.62%)
Sumitomo Mitsui Trust Asset Management Co., Ltd. April 4, 2024 9,665 thousand shares (3.37%)
Nikko Asset management Co., Ltd. April 4, 2024 3,949 thousand shares (1.38%)
MUFG Bank, Ltd. December 5, 2022 4,335 thousand shares (1.43%)
Mitsubishi UFJ Trust and Banking Corporation December 5, 2022 9,108 thousand shares (3.01%)
Mitsubishi UFJ Kokusai Asset Management Co., Ltd. December 5, 2022 2,462 thousand shares (0.81%)
Sumitomo Mitsui DS Asset Management Co., Ltd. December 22, 2023 8,814 thousand shares (3.07%)
Sumitomo Mitsui Banking Corporation December 22, 2023 6,209 thousand shares (2.16%)
Polaris Capital Management LLC December 22, 2020 15,165 thousand shares (5.01%)

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Prime
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000 employees
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	More than 50 to less than 100

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	President & CEO
Number of Directors (Updated)	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	6
Number of Independent Directors	6

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Teisuke Kitayama	From another company					△						
Toshio Asano	From another company								△			
Takeshi Furuichi	From another company								△			
Yuriya Komatsu	From another company											
Mari Okajima	Academic											
Keita Nishiyama	From another company											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2) (Updated)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Teisuke Kitayama	○	<p>Mr. Kitayama conducted business at the Sumitomo Mitsui Banking Corporation, Company's main bank and Sumitomo Mitsui Financial Group, Inc., the parent company of Sumitomo Mitsui Banking Corporation until March 2011. This company is principal lender of Daicel, and borrowings of Daicel Group from this company account for approximately 6.3% of total consolidated assets of Daicel Group. However, as it has been approximately 10 years since Mr. Kitayama ceased to be involved in the execution of business operations at this company and Sumitomo Mitsui Financial Group, Inc., it is not expected that this will affect his independence as an Outside Director of Daicel.</p>	<p>From the insight and experience Mr. Kitayama had gained as an executive well-versed in the management of financial institutions, he has spoken out proactively regarding mainly approaches to information disclosure on sustainability, approaches to information disclosure on Mid-term management strategy, the policy of reduction in cross-shareholdings, capital efficiency by businesses, and quarterly securities report. He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of Outside Directors/Outside Audit &amp; Supervisory Board Members stipulated by the Company in [Independent Directors/Audit &amp; Supervisory Board Members]. In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Director.</p>
Toshio Asano	○	<p>Mr. Asano was an executive at Asahi Kasei Corporation until March 2016. Although Daicel sells its products to and supplies raw materials to, sales of Daicel Group to this company Group are less than 1% of consolidated net sales of Daicel Group, and Daicel Group's purchases from this company group are less than 1% of consolidated net sales of this company group, and Daicel does not expect this to affect his independence as an</p>	<p>From the insight and experience Mr. Asano had gained as an executive well-versed in the management of chemical sector, he has spoken out proactively regarding mainly the annual profit forecast, approaches to the in-house enlightenment of product safety and quality, Mid-term management strategy, approaches to understanding of capital efficiency by businesses, and reform category businesses in the business portfolio. He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of Outside Directors/Outside Audit &amp; Supervisory Board Members stipulated by the Company in [Independent Directors/Audit &amp; Supervisory Board Members].</p>

		Outside Director of Daicel.	In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Director.
Takeshi Furuichi	○	Mr. Furuichi was an executive at Nippon Life Insurance Company until July 2022. This company is a lender to Daicel and holds an insurance contract with Daicel. However, Daicel Group borrows from this company, which accounts for less than 1% of Daicel Group's consolidated total assets, and Daicel has paid to this company, which accounts for less than 1% of net premium income of this company. Therefore, Daicel does not expect above situation to affect his independence as an Outside Director.	From the insight and experience Mr. Furuichi had gained as an executive well-versed in the management of financial institutions, he has spoken out proactively regarding the Daicel Group Code of Conduct and Ethical Standards of Daicel Group, the policy of reduction in cross-shareholdings, technology development related to sustainability, reform category businesses in the business portfolio, capital management and the effect of foreign exchange rate fluctuations on Daicel Group. He meets the Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members]. In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Director.
Yuriya Komatsu	○	-----	From the insight and experience Ms. Komatsu has gained as a manager of investment companies and information and telecommunications companies in and outside Japan, She has spoken out proactively regarding Mid-term management strategy, the policy of reduction in cross-shareholdings, digital transformation strategy, capital policy, the geopolitical risks and foreign transaction. She is thus fully capable of fulfilling her supervisory duties. Moreover, she meets the Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit & Supervisory Board Members]. In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed her as an Independent Director.

Mari Okajima	○	-----	<p>From the insight and experience Ms. Okajima has gained as an academic expert who conducts various research on customer satisfaction and social issues such as SDGs, she has spoken out proactively regarding digital transformation strategy, the progress of capital investment, the result of employee engagement survey, the product quality maintenance, productivity improvement, and approaches to the promotion of the use of whistleblower system.</p> <p>She is thus fully capable of fulfilling her supervisory duties. Moreover, she meets the Standards for Independence of Outside Directors/Outside Audit &amp; Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit &amp; Supervisory Board Members].</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed her as an Independent Director.</p>
Keita Nishiyama	○	-----	<p>From the insight and experience Mr. Nishiyama has gained at the Ministry of Economy, Trade and Industry about economic and industrial policies and IT policies cultivated through his duties, and his abundant knowledge as a manager of electric power companies and investment companies, he has spoken out proactively regarding the project of capital investment, the progress of portfolio management in Mid-term management strategy, the evaluation of the result of capital investment, the relationship between DAICEL Production Innovation and inventory management, and approaches to the financial result presentation materials.</p> <p>He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of Outside Directors/Outside Audit &amp; Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit &amp; Supervisory Board Members].</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus</p>

			appointed him as an Independent Director.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	8	8
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	6	6
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation (Updated)

Nomination and Compensation Committee is established as bodies that report on the nomination of Directors and Executive Officers and make recommendations on their compensation, under the consultation of the chairperson of the Board of Directors or the Audit & Supervisory Board.

As of June 21, 2024, the members of the committee are as follows:

- Chairperson: Toshio Asano, Outside Director
- Member: Teisuke Kitayama, Outside Director
- Member: Takeshi Furuichi, Outside Director
- Member: Komatsu Yuriya, Outside Director
- Member: Mari Okajima, Outside Director
- Member: Keita Nishiyama, Outside Director
- Member: Yoshimi Ogawa, Representative Director, President and CEO
- Member: Kotaro Sugimoto, Representative Director

Nomination Committees and Compensation Committees were held whenever there is an issue to be discussed concerning the personnel and compensation of officers. In FY2024/3, Nomination Committees and Compensation Committees were held nine times to discuss the appointment of officers and division of duties, the amount of individual compensation for each Director and the performance-based bonus, and submit reports to Board of Directors.

[Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members regularly receive reports from the Company's internal auditing divisions and the External Auditor. In addition, they collaborate on an "as-needed" basis through exchanges of information and opinions when undertaking company audits.

**Collaboration with External Auditor**

In order to strengthen cooperation with the External Auditor, the Audit & Supervisory Board Members hold meetings about 10 times a year and exchange audit plans with External Auditor. Audit & Supervisory Board Members receives an explanation from External Auditor regarding the status of the establishment of a system to ensure that duties are performed properly (Article 131 of the Ordinance on Accounting of Companies), and receives quarterly reports on the implementation of accounting audits and reports on the status of internal control audits. In addition, Audit & Supervisory Board Members discuss key audit matters with External Auditor. Audit & Supervisory Board Members provide the External Auditor with explanations of the status of audits conducted by the Audit & Supervisory Board Members.

Audit & Supervisory Board Members consent to audit compensation decisions of the External Auditor. Moreover, they make the decision on whether to reappoint the External Auditor.

**Collaboration with the Auditing Office**

About every three months the Auditing Office reports to Audit & Supervisory Board Members with respect to the status of internal audits, particularly the status of improvement and evaluation of internal controls related to financial reporting. In addition, Audit & Supervisory Board Members effort to receive information as needed from the Auditing Office.

**Collaboration with the Safety and Quality Auditing Division in Assessment Headquarters**

The **Safety and Quality Auditing** in Assessment Headquarters regularly report to Audit & Supervisory Board Members regarding the status of progress on initiatives related to safety and quality management within the Group.

**Collaboration status with the Corporate Compliance Program Division**

Audit & Supervisory Board Members conduct regular meetings with the Corporate Compliance Program Division and receive reports regarding the status of whistle-blowing every quarters. In addition, Standing Audit & Supervisory Board Members participate in top management reviews and corporate compliance officer training.

**Relationship with the Internal Control Division**

Audit & Supervisory Board Members attend Board of Directors meetings and receive reports from the officers in charge of internal control as appropriate, and also provide commentary and opinions as necessary. Audit & Supervisory Board Members also attend the Internal Control Council and receive reports on the status of activities from the Internal Control Division as appropriate and hold hearings with the Internal Control Division and report it to the Audit & Supervisory Board meetings.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

**Outside Audit & Supervisory Board Member's Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Junichi Mizuo	Academic													
Hideo Makuta	Lawyer										△			
Hisae Kitayama	CPA													



- \* Categories for “Relationship with the Company”
  - \* ”○” when the director presently falls or has recently fallen under the category;  
“△” when the director fell under the category in the past
  - \* “●” when a close relative of the director presently falls or has recently fallen under the category;  
“▲” when a close relative of the director fell under the category in the past
- a. Executive of the Company or its subsidiary
  - b. Non-executive director or accounting advisor of the Company or its subsidiaries
  - c. Non-executive director or executive of a parent company of the Company
  - d. Audit & Supervisory Board Member of a parent company of the Company
  - e. Executive of a fellow subsidiary company of the Company
  - f. A party whose major client or supplier is the Company or an executive thereof
  - g. Major client or supplier of the Company or an executive thereof
  - h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
  - i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
  - j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
  - k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
  - l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
  - m. Others

Outside Audit & Supervisory Board Member’s Relationship with the Company (2) (Updated)

Name	Designation as Independent Audit & Supervisory Board Members	Supplementary Explanation of the Relationship	Reasons of Appointment
Junichi Mizuo	○	-----	<p>Mr. Mizuo fulfills his auditing function by proactively speaking from a fair and equitable standpoint from an expert viewpoint, based on his high-level expertise and experience as a researcher in areas such as CSR, corporate governance, and management ethics, regarding important decisions in the Board of Directors and the formulation of audit policies and other resolutions and consultations in the Audit &amp; Supervisory Board. He has spoken out proactively regarding the in-house enlightenment of Daicel Group Code of Conduct and Ethical Standards of Daicel Group, approaches to the operation of whistleblowing system, approaches to the public disclosure of the initiatives of diversity promotion, approaches to the internal communication, and in-house announcement about the purpose of organization reform.</p> <p>He is thus fully capable of fulfilling his supervisory duties. Moreover, he meets the Standards for Independence of</p>

			<p>Outside Directors/ Outside Audit &amp; Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit &amp; Supervisory Board Members].</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Audit &amp; Supervisory Board Member.</p>
Hideo Makuta	○	<p>Until February 2023, Mr. Makuta was a lawyer of Nagashima Ohno &amp; Tsunematsu legal office which Daicel receive legal advice. Daicel has paid to this company, which accounts for less than 2% of net sales of this company. Therefore, Daicel does not expect above situation to affect his independence as an Outside Director.</p>	<p>Mr. Makuta fulfills his auditing function by proactively speaking from a fair and impartial standpoint, based on his advanced expertise and insight as a lawyer, as well as his experience in corporate legal affairs, when making important decisions on the Board of Directors and in formulating audit policies and other resolutions and consultations on the Audit &amp; Supervisory Board. He has spoken out proactively regarding Daicel Group Code of Conduct and Ethical Standards of Daicel Group, the relationship between the price of raw material and the selling price, the initiative of sustainability, and the management of geopolitical risks, approaches to the report system of product safety and quality.</p> <p>He meets the Standards for Independence of Outside Directors/Outside Audit &amp; Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit &amp; Supervisory Board Members].</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed him as an Independent Audit &amp; Supervisory Board Member.</p>
Hisae Kitayama	○	-----	<p>Ms. Kitayama fulfills her auditing function by proactively speaking from a fair and equitable standpoint from an expert standpoint, based on her expert knowledge, insight and experience as an accountant regarding important decisions in the Board of Directors and the formulation of audit policies and other resolutions and consultations in the Audit &amp; Supervisory Board. She has spoken out proactively regarding the business performance of foreign subsidiaries, Mid-term management strategy, the policy of reduction in cross-</p>

		<p>shareholdings, approaches to the initiative of sustainability, and approaches to the report system of product safety and quality.</p> <p>Thus, she fully carries out her audit responsibilities and meets the Standards for Independence of Outside Directors/ Outside Audit &amp; Supervisory Board Members stipulated by the Company in [Independent Directors/ Audit &amp; Supervisory Board Members].</p> <p>In light of these facts, the Company has determined that no possibility of a conflict of interest exists with regard to general shareholders and has thus appointed her as an Independent Audit &amp; Supervisory Board Member.</p>
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**[Independent Directors/ Audit & Supervisory Board Members]**

Number of Independent Directors/ Audit & Supervisory Board Members	9
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**Matters relating to Independent Directors/ Audit & Supervisory Board Members**

<p>The Company's Standards for Independence of Outside Directors/ Outside Audit &amp; Supervisory Board Members is as follows.</p> <p>The independence of Outside Directors/Outside Audit &amp; Supervisory Board Members of the Company refers to such a person being independent from the Company's management without falling under any of the following:</p> <ol style="list-style-type: none"> <li>1. A person executing the business, etc. ("Executing Person") of the Company (*1) and its affiliates (hereinafter, "the Group") and their relatives, etc. (*2);</li> <li>2. A party for which the Group is a principal business partner (*3) or an Executing Person thereof;</li> <li>3. A principal business partner of the Group (*4) or an Executing Person thereof;</li> <li>4. A major shareholder of the Company (*5) or an Executing Person thereof;</li> <li>5. A director and other Executing Person of an organization (*6) that has received a certain amount or more of donations or subsidies from the Group;</li> <li>6. A consultant, certified public accountant or other accounting professional, or lawyer or other legal professional who has received a substantial amount of monetary compensation or other consideration other than director/corporate auditor compensation from the Group (*7) (if the party receiving such consideration is a corporation, association or other entity, a person belonging to the said entity or a person who has belonged to the said entity in the past three years).</li> </ol> <p>(*1) An Executing Person refers to those who conduct business operations or conducted business operations within the past three years, including directors (excluding Outside Directors), executive officers and employees.</p> <p>(*2) Relatives refer to relatives within the second degree of kinship of those who conduct important business operations, including directors (excluding Outside Directors), executive officers and division managers.</p> <p>(*3) A party for which the Group is a principal business partner refers to a business partner group (which means entities that belong to the consolidated group to which the direct business partner belongs; the same shall apply hereinafter) that supplies products and services to the Group, where the business partner group's trading amount with the Group exceeds 2% of the consolidated sales of the business partner group in the any of the recent past three fiscal year.</p> <p>(*4) A principal business partner of the Group refers to those who fall under either of the following:</p> <ol style="list-style-type: none"> <li>(1) A business partner group to whom the Group supplies products and services, where the Group's trading amount with such group exceeds 2% of the Group's consolidated sales in the any of the recent past three fiscal years.</li> </ol>
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<p>(2) A financial institution group (which means entities that belong to the consolidated group to which the direct lender belongs) from which the Group has borrowed funds, where the total amount of the Group's borrowings from the financial institution group exceeds 2% of the Group's consolidated total assets at the end of the any of the recent past three fiscal year.</p> <p>(*5) A major shareholder of the Company refers to those who directly or indirectly hold voting interests of 10% or more.</p> <p>(*6) An organization that has received a certain amount or more of donations or subsidies from the Group refers to public interest incorporated foundations, public interest incorporated associations, non-profit organizations, etc. which receive donations or subsidies of over 10 million yen per year within any of the past three years from the Group.</p> <p>(*7) A consultant, certified public accountant or other accounting professional, or lawyer or other legal professional who has received a substantial amount of monetary compensation or other consideration other than director/corporate auditor compensation from the Group refers to those who received such consideration other than Director/ Audit &amp; Supervisory Member compensation of over 10 million yen from the Group in any of the recent past three fiscal year or those who belong to an entity which receives such consideration from the Group in amount exceeding 2% of the said entity's consolidated sales or gross income.</p> <p>The Company has designated all Outside Directors /Outside Audit &amp; Supervisory Board Members meetings the qualifications for Independent Directors / Audit &amp; Supervisory Board Members as Independent Directors / Audit &amp; Supervisory Board Members.</p>
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**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration / Other
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Supplementary Explanation
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The Company has decided to introduce performance-based bonuses as a short-term incentive. It will, therefore, pay bonuses in accordance with the accomplishment of performance indicators designated by the Board of Directors as of July 2018.

From July 2018 onward, the Company has also introduced a Restricted Stock Compensation System as a mid- and long-term incentive for Directors (excluding Outside Directors), Executive Officers (excluding those serving concurrently as Director) and Subordinate Directors, aiming to step up value-sharing with shareholders and motivate them to contribute more to the improvement in corporate value in the mid- and long-term. Details of this Stock Compensation Scheme are disclosed in the Securities Registration Statement.

Recipients of Stock Options	-----
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Supplementary Explanation
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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	Partial Individual Disclosure
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Supplementary Explanation (Updated)
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Amounts of compensation, etc., for Directors and Audit & Supervisory Board Members of the Company for FY2024/3 are as follows:

1. Total Amount of Compensation, etc., Per Executive Category, Total Amount of Compensation, etc., by Type and Number of Executives

- Directors (excluding Outside Directors) four persons, 368 million yen (including monthly compensation of 192 million yen, performance-based bonus of 120 million yen and stock compensation of 55 million yen)
- Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members) three persons, 72 million yen (monthly compensation only)
- Outside Director: eight persons, 79 million yen (monthly compensation only)
- Outside Audit & Supervisory Board Members: three persons, 39 million yen (monthly compensation only)

Notes:

- (1) The above figures include two Directors and an Audit & Supervisory Board Member who retired at the conclusion of the 157th Ordinary General Meeting of Shareholders held on June 23, 2023.
- (2) A resolution of the 158th Ordinary General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Directors to a maximum of 640 million yen annually (including for Outside Directors to a maximum of 140 million yen). Moreover, the number of Directors at the resolution is eleven (including six Outside Directors). Especially, a resolution of the 152th Ordinary General Meeting of Shareholders held on June 22, 2018, held the amount of restricted stock compensation for Directors (excluding Outside Directors) to a maximum of 100 million yen annually. Moreover, the number of Directors at the resolution is eight (including four Outside Directors).
- (3) A resolution of the 158th Ordinary General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Audit & Supervisory Board Members to a maximum of 130 million yen annually. Moreover, the number of Audit & Supervisory Board Members at the resolution is five (including three Outside Audit & Supervisory Board Members).
- (4) The amount of stock compensation (non-monetary compensation) above is the amount recorded as an expense during the current fiscal year out of the amount of compensation paid to the directors as restricted stock compensation.

2. Total amount of remuneration, etc. for persons whose total remuneration, etc. is 100 million yen or more  
Yoshimi Ogawa, 141 million yen (including monthly compensation of 70 million yen, performance-based bonus of 51 million yen and stock compensation of 19 million yen)

Note: The amount of stock compensation (non-monetary compensation) above is the amount recorded as an expense during the current fiscal year out of the amount of compensation paid to the directors as restricted stock compensation.

Policy on Determining Remuneration Amounts and Calculation Methods (Updated)
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Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

##### 1. Approach regarding Compensation

- (1) Compensation of Directors and Audit & Supervisory Board Members shall be determined by Board of Directors' resolution for Directors, and Audit & Supervisory Board Members' discussion for Audit & Supervisory Board Members, within the scope of the total amount of compensation etc. approved by the general meeting of shareholders.
- (2) Compensation of Directors shall consist of monthly compensations, performance-based bonuses and stock compensation. Their compensation system shall be closely linked with the Company's performance and reflect their duties. Currently, the ratio of monthly compensation, performance-linked bonus and stock compensation for Directors (excluding Outside Directors) is approximately 55: 30: 15, and this ratio varies according to position. Compensation of Audit & Supervisory Board Members shall consist of monthly compensations, and their compensation system shall reflect their duties.
- (3) To ensure transparency and fairness with regard to compensation, the Company will establish opportunities for the exchange of opinions at the Nomination and Compensation Committee, which is an advisory body, and the Board of Directors.
- (4) Bonuses and stock compensations will not be paid to Outside Directors and Outside Audit & Supervisory Board Members.

##### 2. Method of calculating monthly compensation

In principle, the monthly compensation of Directors and Audit & Supervisory Board Members is a fixed amount paid in accordance with internal rules that are determined by the Directors' duties and job titles in business execution and as to whether or not the Audit & Supervisory Board Members are full-time. Regarding monthly compensation, the Company has revised the compensation to an appropriate and fair level reflective of its business performance, accomplishment of mid- and long-term business plans, and social situation, among other factors.

3. Method of calculating performance-based bonuses

Directors' bonuses will be more closely linked to the Company's business performance: they will be based on the degree of achievement against performance indicators determined by the Board of Directors to enhance the share of value with shareholders and motivate Directors to contribute more than ever to improving business performance. Currently, we use net sales and operating income as indicators, as they most clearly reflect the Company's key data, such as business growth, market expansion, and earning power in the core business. After considering the value of each indicator with a weight of 50%, the amount to be paid is determined by multiplying the base amount for each Director's position by the payment rate based on the achievement level against each indicator and variable in the range of 0 to 200%. The payment rate based on the achievement level against each indicator is calculated based on the table at the end of this document.

The target indicator values fixed for the current fiscal year are 572 billion yen in net sales and 53 billion yen in operating income. In comparison, the actual results achieved by the Company are 558.1 billion yen in net sales and 62.4 billion yen in operating income.

From July 2020, the final amounts for performance-based bonuses have been determined by adjusting the amount calculated as above within a range of plus or minus 20% based on the evaluation of each Director (conducted from the perspectives of how the sustainable management policy is implemented and the Mid-Term Management Strategy is achieved.)

4. Regarding stock-based compensations

The Company introduced Restricted Stock Compensation System to step up value-sharing with shareholders and motivate Directors to contribute more to mid- 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.

5. The name of the person who has the authority to make decisions on the policy, the content of authority, and the scope of discretion

The compensation policy for officers has been determined by a resolution of Board of Directors for directors, and by discussions of Auditors for Auditors, based on the deliberations of and reports from the Nomination and Compensation Committee. The amount of monthly remuneration, performance-linked bonus and stock remuneration for each Director is determined by resolution of Board of Directors, and the amount of monthly remuneration for each Audit & Supervisory Board Member is determined by consultation of Audit & Supervisory Board.

6. Nomination and Compensation Committee

To ensure transparency, validity and objectivity, the amount of compensation of Directors and Audit & Supervisory Board Members is determined in accordance with the report by the Nomination and Compensation Committee (chaired by an Outside Director), the majority of which is represented by Outside Directors. When the Committee is consulted by the Chairperson of the Board of Directors or the Chairperson of Audit & Supervisory Board with respect to remuneration of Directors or Audit & Supervisory Board Members, the Committee will deliberate on the matter and report to Board of Directors or Audit & Supervisory Board.

7. Details of activities of Board of Directors and Nomination and Compensation Committee in the process of determining the amount of remuneration for officers for the most recent fiscal year

With regard to the determination of the amount of remuneration for officers for the most recent fiscal year, Nomination and Compensation Committee met three times to thoroughly discuss the revision of the compensation policy and the specific amount of remuneration for each officer. After that, Board of Directors meetings was held five times, and deliberated from various viewpoints, based on the committee's

recommendations, and decided on the remuneration policy and specific remuneration amount for each Director.

**[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]**

The Board of Directors (with the attendance of Audit & Supervisory Board Members) also provides a summary of the agenda of all the conference bodies described in the securities report to Outside Directors in each instance.

With regard to particularly important decisions, an officer or a person in charge provides details of the project to the Outside Directors in advance and endeavors to provide sufficient information so that the Board of Directors can make appropriate decisions.

In the event an Outside Director or Outside Audit & Supervisory Board Member is absent from the Board of Directors, the minutes of the Board of Directors are sent to the absent member and an officer later explains any important issues.

**[Retired presidents/CEOs holding advisory positions]**

Information on retired presidents/CEOs holding advisory positions (Updated)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Daisuke Ogawa	Honorary advisor	1. External activities such as maintaining business relationships with customers 2. Advice based on knowledge and experience on the Company's business	part time, with no compensation	June 20, 2014	1 year
Misao Fudaba	Honorary advisor	1. External activities such as maintaining business relationships with customers 2. Advice based on knowledge and experience on the Company's business	full time, with no compensation	June 22, 2022	1 year

Number of retired presidents/CEOs holding advisory positions	2
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Others (Updated)

The Honorary advisor does not attend any meeting body including the Board of Directors. In addition, the Honorary advisor is not involved in any decision on management and business execution.

The appointment of Honorary advisors and its remuneration are decided by the Board of Directors upon the receipt of recommendation issued at the Nomination and Compensation Committee, which is accounted for a majority by Outside Directors and whose chairperson is served by an Outside Director.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)

### Basic Policy on Corporate Governance

Based on our Basic Philosophy: “The company making lives better by co-creating value.”, the Company recognizes that the strengthening of corporate governance is an important management issue to contribute to the various stakeholders for their benefit through improving corporate value.

The Company establishes a management system with efficiency and mobility and institutes that can promptly adapt to the changes in business environment. As well, ensuring both the transparency and legitimacy of management. Thus, the Company strives to maintain the corporate governance system with high effectiveness to improve corporate value continuously.

### Corporate Governance System

#### •Organizational Form

Daicel is the Company with an Audit & Supervisory Board.

#### •Overview of the Corporate Governance System

The Company appoints Outside Directors to apply their expertise by providing opinions and advice. The Outside Directors account for the majority of the Board of Directors of the Company. The Company expects the Outside Directors to strengthen the appropriateness of the decisions made by its Board of Directors and the supervision of the execution of Director duties. On the other hand, the Company has adopted an Executive Officer system. The adoption of this system has enabled the Company to clearly separate its decision-making, supervisory, and business execution functions. Such a clear division of roles has allowed the Company to bolster its business management structure so that it has the mobility and institutes that can promptly adapt to the changes in the business environment. The company strives to improve our corporate value continuously in reasonable consideration of stakeholders.

The following is an outline of the organization of the Company under the current system.

### [Supervisory Body]

#### 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 five 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. Also, all of outside Directors are independent. The details about them are indicated in the part titled “Outside Directors’ Relationship with the Company (1)” in “1. Organizational Composition and Operation.” 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 in line with the regulations for the Board of Directors. 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 members are as follows:

Yoshimi Ogawa, Representative Director, President and CEO  
Kotaro Sugimoto, Representative Director and Senior Managing Executive Officer  
Yasuhiro Sakaki, Director and Senior Managing Executive Officer  
Toshio Shiwaku, Director and Senior Managing Executive Officer  
Naotaka Kawaguchi, Director and Senior Managing Executive Officer  
Teisuke Kitayama, Outside Director  
Toshio Asano, Outside Director  
Takeshi Furuichi, Outside Director  
Yuriya Komatsu, Outside Director  
Mari Okajima, Outside Director  
Keita Nishiyama, Outside Director  
Mikio Yagi, Standing Audit & Supervisory Board Member  
Kenichi Yamada, Standing Audit & Supervisory Board Member  
Junichi Mizuo, Outside Audit & Supervisory Board Member  
Hideo Makuta, Outside Audit & Supervisory Board Member  
Hisae Kitayama, Outside Audit & Supervisory Board Member

In addition to the regular meetings of the Board of Directors which are held once a month in principle based on an annual schedule, special meetings of the Board of Directors are also held as needed. In FY2024/3, meetings of the regular Board of Directors were held 15 times to discuss management strategy, sustainability issues, settlement of accounts and budgets, reorganization, nomination and remuneration, investor relation, corporate governance, large-scale capital investment, M & A, compliance issues and other issues.

#### **Audit & Supervisory Board Members and Audit & Supervisory Board**

Daicel currently has five Audit & Supervisory Board Members, three of whom have been appointed from outside the Company. The Audit & Supervisory Board holds meetings to report, deliberate on, and make decisions on important issues relating to the Company's audits. In addition, Standing Audit & Supervisory Board Members are required to attend meetings of the Management Meetings, the Management Strategy Meetings, the Corporate Planning Meetings, the Risk Management Committee and other important bodies, which thereby enables them to audit the overall management of corporate affairs.

Audit & Supervisory Board Members regularly receive reports from the Company's internal auditing divisions and External Auditors. They collaborate through the exchange of information and opinions on an as-needed basis. Regarding the specific circumstances of their cooperation, this is described in "Collaboration Status of Corporate Auditors, External Auditor, and the Internal Audit Division."

The Company has entered into a liability limitation agreement with its three Outside Audit & Supervisory Board Members. All three Outside Audit & Supervisory Board Members have been designated as Independent Audit & Supervisory Board Members.

Mr. Junichi Mizuo, Outside Audit & Supervisory Board Member, has a high degree of specialized knowledge and experience as a researcher in CSR, corporate governance and business ethics.

Mr. Hideo Makuta, Outside Audit & Supervisory Board Member, has been a prosecutor of the Supreme Public Prosecutor's Office and a member of the Fair-Trade Commission, and has a high degree of specialized knowledge and insight as a lawyer.

Ms. Hisae Kitayama, Outside Audit & Supervisory Board Member, is a certified public accountant, and has knowledge of finance and accounting.

Both Mr. Hisanori Imanaka, Standing Audit & Supervisory Board Member, and Mr. Mikio Yagi, Standing Audit & Supervisory Board Member, have been responsible for the departments that are directly involved in the management of the Company and has a wide range of knowledge and insight regarding the overall management of the Group.

The Company has also established the Office of the Audit & Supervisory Board as an organization to support audits by Audit & Supervisory Board Members. The Office of Audit & Supervisory Board has its own dedicated staff and is independent from the business divisions.

### **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, the Chairperson 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 members are as follows.

Yoshimi Ogawa, Representative Director, President and CEO  
Kotaro Sugimoto, Representative Director and Senior Managing Executive Officer  
Teisuke Kitayama, Outside Director  
Toshio Asano, Outside Director  
Takeshi Furuichi, Outside Director  
Yuriya Komatsu, Outside Director  
Mari Okajima, Outside Director  
Keita Nishiyama, Outside Director

### **[Execution of Duties]**

#### **Executive Officers**

The Company has adopted an Executive Officer System. This system has enabled the Company to isolate its decision-making, supervisory structure, and, consequently, its corporate activities in a clear manner through reinforcing the system of business execution by prompt decision-making for active corporate management.

Currently, this system comprises 21 Executive Officers (four of whom serve concurrently as Directors).

The Executive Officers include the officers in charge of SBU (Strategic Business Unit), heads of SBU, heads of sites, heads of corporate divisions, and the presidents of Group Companies, who administer corporate affairs.

Each Executive Officer is given definite authorities in line with the regulation approval processes (the regulation of administrative authority). The Executive Officers seek to make decisions promptly, taking business opportunities appropriately. In addition, the company is committed to developing human resources with a sense of independence and responsibility who deserve board members by delegating authority to promote the Mid-Term Management Strategy and Long-Term Vision. For example, the executive officers appointed by the President and CEO serve as chairs of some committees. On the other hand, important subjects of all the execution of duties are reported in the Board of Directors meetings every month in line with the regulations of the Board of Directors. The Directors and Audit & Supervisory Board Members indicate and advise that the execution of duties conducted by executive officers is controlled by the supervision of the Board of Directors.

#### **Management Meetings**

Daicel has established the Management Meetings as a body to deliberate on and make decisions about prior to its President & CEO implementing the basic corporate management policies formulated by the Board of Directors. The Management Meetings consists of the President & CEO, Directors (excluding Outside Directors) and the Executive Officers selected by the President & CEO as its members. The Management Meetings convene, in principle, twice a month. Also, two Standing Audit & Supervisory Board Members attend the meetings and they can express their opinions appropriately in case of necessity.

The processes and results of the meetings are reported at the Board of Directors' meetings every month in line with the regulations of the Board of Directors. The Board of Directors and Audit & Supervisory Board Members indicate and advise that the execution of duties conducted by executive officers is controlled by the supervision of the Board of Directors.

#### **Daicel Group Administration Meetings**

The management team receives reports on the current situation and management issues from the heads of SBU, and the presidents of Group Companies. Subsidiary, Daicel Group Administration Meetings have been established to assess the status of each business and provide support and problem resolution as needed. In principle, it convenes twice a year.

#### **Auditing Office**

The Auditing Office has been established to provide an internal audit function; it conducts regular internal audits of each business division and Group Company.

The Auditing Office has 10 officers. To ensure rational and effective audits in the Daicel Group at home and abroad, we established internal control divisions in major group subsidiaries. We implement audits to ensure the fairness of our businesses and share information among the Daicel Group in line with a common regulation on Internal Control in the Daicel Group.

Furthermore, The Company strives to reinforce cooperating with Directors and Audit & Supervisory Board Members. The Company establishes dual reporting line to report the audit results implemented according to the rules of the Auditing Office to the Board of Directors and Audit & Supervisory Board directly and periodically from the Auditing Office.

#### **Liability Limitation Agreement**

The Company stipulates that it can make a liability limitation agreement with the Directors (except for Directors with executive offices) and Audit & Supervisory Board Members to invite appropriate and capable officers and allow them to fulfill the expected role of theirs on the exercise of their office.

The Company has entered into a liability limitation agreement with the Outside Directors and Outside Audit & Supervisory Board Members. The details of this agreement are as follows:

- In assuming liability for the damages stipulated in Article 423 Paragraph 1 of the Companies Act, the individual in question shall be liable for such damages to the extent of ¥15 million or the minimum liability amount set forth in Article 425 Paragraph 1 of the Companies Act, whichever is higher.
- The above liability limitation applies only in cases where the individual in question has performed the duties resulting in the liability in good faith and in the absence of gross negligence.

#### **Indemnification Agreements**

The Company has entered into an indemnification agreement stipulated in Article 430-2 Paragraph 1 of the Companies Act with the officers as follows:

Directors: Mr. Yoshimi Ogawa, Mr. Kotaro Sugimoto, Mr. Yasuhiro Sakaki, Mr. Toshio Shiwaku, Mr. Naotaka Kawaguchi, Mr. Teisuke Kitayama, Mr. Toshio Asano, Mr. Takeshi Furuichi, Ms. Yuriya Komatsu, Ms. Mari Okajima and Mr. Keita Nishiyama

Audit & Supervisory Board Members: Mr. Mikio Yagi, Mr. Kenichi Yamada, Mr. Junichi Mizuo, Mr. Hideo Makuta and Ms. Hisae Kitayama

The purpose of this agreement is to provide incentives for proper execution of duties by offering indemnification agreements to the Directors and the Audit & Supervisory Board Members (the insured) within the range necessary from the viewpoint of maintaining and improving our corporate value. This agreement stipulates that the Company indemnifies costs under Item 1 of the same paragraph and losses under Item 2 of the same paragraph within the scope stipulated by laws and regulations.

It requires a resolution of the Board of Directors in advance in the case of indemnity for losses under Item 2 of the same paragraph. This is because the fairness of duties executed by the insured persons should not be ruined by these indemnification agreements.

#### **Directors and Officers Liability Insurance Contract**

The Company has entered into a contract for Directors' and Officers' Liability Insurance with an insurance company, as stipulated in Article 430-3 Paragraph 1 of the Companies Act. This insurance contract covers damages that may arise from the insured director assuming liability for the execution of his or her duties or receiving claims related to the pursuit of such liability.

However, there are certain exclusions, such as no coverage for damages arising from a criminal act of the insured or an action taken by the insured with the knowledge that it was in violation of laws and regulations. This insurance contract is insured within the Board of Directors, the Audit & Supervisory Board Members and Executive Officers, all of whom do not pay its premium.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company has established a corporate framework under which the Board of Directors makes management decisions in an efficient manner and fulfills supervisory functions, and Audit & Supervisory Board accomplishes auditing and supervisory functions. Such a framework has enabled the Company to continue reinforcing its corporate governance.

Within the scope presented in the Report by the Financial System Council's Study Group on the Internationalization of Japanese Financial and Capital Markets (released on June 17, 2009), the Company has recognized that the current status of Daicel falls within the scope of "Cooperation with the Election of Outside Directors and the Audit & Supervisory Board."

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights (Updated)

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends notification about 28 days prior to the date of the General Meeting of Shareholders. In the FY2024/3, the 158th Annual General Meeting of Shareholders was held on June 21, 2024, and the Notice of Convocation was sent on May 24, 2024.
Scheduling AGMs Avoiding the Peak Day	158th Annual General Meeting of Shareholders was held on June 21, 2024.
Allowing Electronic Exercise of Voting Rights	As of the Company's 150th Annual General Meeting of Shareholders held on June 17, 2016, voting rights could be exercised via the Internet. In addition, from the 154th Ordinary General Meeting of Shareholders held on June 19, 2020, the Company has introduced "smart exercise" that allows shareholders to log in to the voting website by reading the QR code
Participation in Electronic Voting Platform	Beginning with the Company's 150th Annual General Meeting of Shareholders held on June 17, 2016, voting rights could be exercised with the Voting Rights Exercise Form provided by ICJ, Inc.
Providing Convocation Notice in English	An English-language translation of the convocation notice (a condensed version of a convocation notice and reference document) was posted on the Tokyo Stock Exchange and on the Company's websites.
Other	Beginning with the 150th Annual General Meeting of Shareholders held on June 17, 2016, the notice of convocation was posted on the websites of the Tokyo Stock Exchange and the Company before the scheduled mailing date for the notice.

#### 2. IR Activities (Updated)

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company website ( <a href="https://www.daicel.com/en/">https://www.daicel.com/en/</a> ) displays the policy on information disclosure stipulated in the Information Disclosure Regulations, specifically, that information be disclosed (1) voluntarily and proactively, (2) with continuity and consistency, (3) quickly and in a timely manner, (4) accurately and in a useful and easy-to-understand manner, and (5) while ensuring fair information disclosure by the Company.
Regular Investor Briefings for Analysts and Institutional Investors	The President & CEO held a briefing session on the financial results for the first half of the fiscal year ended March 31, 2024 on November 6, 2023, and a briefing session on the financial results for the fiscal year ended March 31, 2024 and Mid-Term Management strategy on May 13, 2024. And for the release of the first quarter and third quarter results of the fiscal year ended March 31, 2023, a conference call was held by the department in charge of IR. In addition, the Company held Life Science business briefings by general managers of department on December 7, 2023.
Posting of IR Materials on Website	The Company posts its integrated reports (Daicel Report), shareholder correspondence, Mid-Term Management Strategy business plan briefing materials, and other documents on its website ( <a href="https://www.daicel.com/en/ir/">https://www.daicel.com/en/ir/</a> ).
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor Relations and Public Relations as its dedicated IR department.

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Daicel Group stipulate respect for stakeholders' viewpoints in the Daicel Group Code of Conduct and the Ethical Standards of Daicel Group Ethical Standards of Daicel Group, which embodies that idea. The Daicel Group Code of Conduct and the Ethical Standards of Daicel Group are also posted on the Company website. ( <a href="https://www.daicel.com/en/sustainability/governance/compliance/policy.html">https://www.daicel.com/en/sustainability/governance/compliance/policy.html</a> )
Implementation of Environmental Activities, CSR Activities etc.	To remain an entity that makes people happy by co-creating values represented in its basic principle, Daicel Group established a Sustainable Management Policy to guide us in achieving sustainable development of the global environment, people's lives, and our Group. To materialize this management policy, we have reaffirmed the basic code of conduct for all officers and employees in the Group and established the Daicel Group Code of Conduct, a set of behavioral guidelines that every one of us must always keep in mind and practice in all we do, and the Ethical Standards of Daicel Group, which contains universally applicable norms in all areas of corporate activity as a prerequisite for surviving in an increasingly diverse global community. Based on these principles, with safety, quality, and compliance as our top priorities, we seek to achieve a sustainable society and expand the Group's business through our integrity, steady efforts, and reforms. Sustainable Management Policy <ul style="list-style-type: none"> <li>· We create provide people with new values to achieve better quality of life</li> <li>· We construct a circular process with all our stakeholders to make harmonious coexistence with the environment</li> <li>· We promote "human-centered business management" that enables to grow while establishing their own presence and achieving fulfillment.</li> </ul> Details of the Company's initiatives are disclosed in the Daicel Report (Integrated Report) and on the Company website ( <a href="https://www.daicel.com/en">https://www.daicel.com/en</a> ) in detail. Daicel Reports (Annual reports) are also available on the Company website.
Development of Policies on Information Provision to Stakeholders	According to the Information Disclosure Regulations, information is to be disclosed (1) voluntarily and proactively, (2) with continuity and consistency, (3) quickly and in a timely manner, (4) accurately and in a useful and easy-to-understand manner, and (5) while ensuring fair information disclosure by the Company.
Others	Health and Productivity Management Convinced that employees' health and well-being at work are crucial for ensuring each employee's happiness while achieving continuous development within the Company, we launched the Daicel Group Health Management Declaration in 2018. Our Employee Wellness Promotion Center opened as an organization dedicated to health management. In cooperation with the Central and Local Healthcare Committees composed of members from labor and management and the health insurance association, occupational health staff (such as industrial physicians and public health nurses), psychiatrists, and other experts, we have developed a system to implement measures to promote mental and physical health for each employee at four levels: on a company-wide basis, by office, by workplace, and by individual. In addition, sporting and other events are organized to promote the physical and mental health of people, including our employees and their families, our business partners, and local community members.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development (Updated)

The Company's Basic Policy for Structuring Internal Control System is outlined below.

#### 1. System for ensuring that the Directors and employees of the Company and Group Companies (the "Daicel Group") execute their duties in compliance with laws and regulations and the Company's Articles of Incorporation

- a. In addition to complying with laws and regulations, the Company will respect the social norms and broad ethical standards required of companies, seek to practice fair and appropriate management, formulate Daicel Group Code of Conduct based on the Basic Philosophy and Sustainable Management Policy, to reaffirm the basic principle of conduct for all of officers and employees in Daicel Group, who must always be conscious and put into practice at all circumstances. Furthermore, the Company will formulate Ethical Standards of Daicel Group as a norm of being universally applied to all area of business activities to set a requisite for continuously existing in a diversified global society. The Company will confirm their status of implementation.
- b. We will promote the implementation of compliance within the Daicel Group on the initiative of a Corporate Compliance Program Division.
- c. The Corporate Compliance Program Division provides compliance education and enlightenment to raise awareness of Directors and employees of the Daicel Group in keeping with Management Regulations on Corporate Compliance. Additionally, the Division will establish the activity plans of each division and Group companies, track the results of these plans and report them to the Board of the Directors every year.
- d. The Corporate Compliance Program Division periodically conducts interviews with Group Companies in an effort to monitor the status of compliance among these companies.
- e. Should a serious compliance issue be discovered, such as a serious violation of laws and regulations, Directors and employees of the Daicel Group would immediately report to the Corporate Compliance Program Division. This report is based on the Corporate Compliance Management Regulations that stipulate the Internal Whistle-blowing System. In accordance with the report, the officer in charge of the Corporate Compliance Program Division will investigate and take necessary measures in consultation with the President & CEO.
- f. According to a whistle-blowing system which is determined by the Corporate Compliance Management Regulations and placed both inside and outside the Company, the company will adjust a system to detect violations of laws and regulations in the Daicel Group at an early stage and ensure that whistle-blowers do not suffer any negative consequences.
- g. In order to ensure the reliability of financial reporting, the Company will comply with relevant laws and regulations. In addition, the company will establish and implement the necessary systems for the fulfillment of legislation.
- h. The Daicel Group will adopt a firm stance against anti-social forces, stipulate in the Ethical Standards of Daicel Group that absolutely no such relationships are formed and ensure that this policy is fully disseminated to all employees. The Company will also implement the establishment and enforcement of a mechanism for eliminating any contact with anti-social forces by collecting and compiling relevant information.

#### 2. System for preserving and managing information related to the execution of duties by Directors

- a. The Company will properly manage and preserve the following important documents (including records on electronic media) related to the duties of Directors and maintain these documents in a readable form:
  - i. Minutes of General Meeting of Shareholders
  - ii. Minutes of Board of Directors
  - iii. Financial documents
  - iv. Other important documents related to the execution of duties
- b. In keeping with the various regulations applicable to information management, the Company will properly manage information by type.
- c. In keeping with the various regulations applicable to document management, the Company will properly manage and preserve the documents specified in 2a. above and other documents, including minutes of various other conferences, and important documents from each department.

**3. Regulations and other systems concerning risk management in the Daicel Group**

- a. Through the activities of a Risk Management Committee, the company will maintain and improve a system capable of appropriate responses to risks to the Daicel Group's corporate activities.
- b. The Company will establish and implement various regulations related to risk management in the Daicel Group.
- c. The Risk Management Committee will conduct annual surveys and evaluations of the state of risk management by the Daicel Group with respect to the various risk management regulations, report to the Management Meetings and other conferences, and other aspects and will discuss the required response measures. It will also report the results of its work to the Board of Directors.
- d. We will establish, maintain, and improve a reporting system for use in times of crisis and mechanisms that can respond promptly and appropriately, such as setting the Daicel Group's policies in the event of a disaster or accident.
- e. The Daicel Group will formulate a business continuity plan and endeavor to maintain business continuity promptly in the aftermath of a disaster.

**4. System for ensuring efficient execution of duties by the Directors of the Daicel Group**

- a. We will clearly separate the management decision-making and supervisory functions from the Company's business execution functions of our management system by adopting an Executive Officer System. We will also reinforce corporate management through promptly executing our businesses in response to changes in the business environment. The Board of Directors will make decisions on important matters concerning management and supervise the execution of duties by Directors and Executive Officers.
- b. The Company will appoint multiple Outside Directors to ensure the appropriateness of the Board of Directors' decision-making. Of these, Directors with high independence are specified as so-called Independent Directors.
- c. The Board of Directors will receive the report from the Nomination and Compensation Committee that is chaired by an Outside Director, to name candidates for the Directors, to select Chairperson, President and Executive Officers who execute business operations, and to decide the segregation of duties of the Directors.
- d. The Board of Directors determines the scope of division of duties of the Executive Officers who will execute business operations, and the Directors supervise the execution of efficient operations based on the division-of-business rules that determine the segregation of duties for each important division.
- e. The Company will promote clarification of authority and decision-making procedures for organizations of the Daicel Group and improve the efficiency of execution of duties.
- f. In accordance with the basic philosophy of the Daicel Group, the Company will formulate long-term goals and establish a Mid-Term Management Strategy that sets forth the objectives and targets to be achieved and, through budget management in each fiscal year, will aim to streamline its management toward their steady achievement.
- g. The Company will review the adequacy of the organization and the division of duties as appropriate and will endeavor to conduct business efficiently by organizing projects for the entire Company or issues that extend across the Group.
- h. The Company will regularly convene meetings in the Daicel Group (Daicel Group Administration Meetings), where the Directors and the Executive Officers who execute business operations, including the President and representatives of key Group Companies attend and share management issues and important information.

**5. System to ensure the appropriateness of operations in the Daicel Group**

- a. Daicel will endeavor to ensure the effectiveness of the internal control within the entire Group, through the activities of the Internal Control Council, as a body to grasp the status of the entire Group accurately and discuss the policies related to internal control.
- b. In order to strengthen Group management, the Company will appropriately implement Group corporate management regulations that set out procedures of important decision-making among Group Companies and reporting of management status, and identify the divisions responsible for Group Companies. In addition, the Company will endeavor to monitor the conditions and risks facing the Daicel Group through the communication or reporting based on these regulations.



- c. Based on the Ethical Standards of Daicel Group established as an ethical code of conduct for the entire Group, the Daicel Group will seek to cultivate a sense of ethics and compliance in the Group.
- d. The Daicel Group will ensure thorough information management through standardization of the system infrastructure and ensure the effectiveness of internal control.
- e. The Auditing Office will work with the Safety and Quality Auditing in Assessment Headquarters, the Corporate Compliance Program Division, the Audit & Supervisory Board Members, and the External Auditors to ensure the proper operation of the Daicel Group through audits.

**6. Matters related to employees in cases where the Audit & Supervisory Board Member requests the employees to assist with duties, matters concerning the independence of employees from the Directors, and the matters about the effectiveness of instructions to employees of the Audit & Supervisory Board Members.**

- a. The Company will immediately allocate suitable persons if members of the Audit & Supervisory Board request an increase in the members of the Office of Audit & Supervisory Board, which is established as an organization to support the duties of Audit & Supervisory Board Members.
- b. The Company will obtain prior approval of the Audit & Supervisory Board Members concerning decisions on matters concerning personnel authorities such as appointments, transfers, evaluations and promotion of members of the Office of Audit & Supervisory Board.
- c. A member of the Office of Audit & Supervisory Board will be under the command of Audit & Supervisory Board Members.

**7. Systems for enabling Directors and employees of the Daicel Group to report to the Audit & Supervisory Board Members and for ensuring that audits by the Audit & Supervisory Board Members are conducted effectively**

- a. The President & CEO and Directors who execute business shall report on the status of business execution as needed at important meetings to the Audit & Supervisory Board Members.
- b. Discussing with the Audit & Supervisory Board Members, the President & CEO will establish a system for reporting to the Audit & Supervisory Board Members, including establishing the rule of items to be reported to the Audit & Supervisory Board Members, and Directors and employees will immediately notify the Audit & Supervisory Board Members of any facts they discover that have potential to cause significant damage to the Company.
- c. The President & CEO will receive the presentation for the basic audit plan for the fiscal year specified by the Audit & Supervisory Board, work to improve the system so that audits of each division and Group Company can be implemented effectively in cooperation with the Auditing Office.
- d. Through periodic meetings with the Audit & Supervisory Board Members, the Auditing Office, the Safety and Quality Auditing in Assessment Headquarters, the Corporate Compliance Program Division will exchange opinions and report on the status of the Daicel Group as determined during the course of business.
- e. The Company will establish a system in which the Audit & Supervisory Board Members can confirm reports from Group Companies based on various regulations concerning management of Group Companies.
- f. The Company will establish a system through which the Audit & Supervisory Board Members can confirm the expenses required for the performance of their duties, formulate a budget, and review and redeem the content based on requests from the Audit & Supervisory Board Members.
- g. The Corporate Compliance Program Division will periodically report to the Audit & Supervisory Board Members on the status of internal reporting through a whistle-blowing system with internal and external channels.
- h. Regarding reporting to the Audit & Supervisory Board Members, the Company will ensure that informants do not suffer any negative consequences due to the reporting actions. This is based on the Corporate Compliance Management Regulations that stipulate the Internal Whistle-blowing System.

The Company conducted surveys and evaluated the effectiveness of specific activities for each item in the Basic Policy for Structuring the Internal Control System described above. From the results, the Internal Control Council has confirmed the operational status of the basic policy and reported it to the Board of Directors. The following is an outline of the operational status of the basic policy, and the Company has confirmed that the operational status of the basic policy for the current business year is appropriate.

**Compliance**

- Formulation of a corporate compliance fiscal year initiatives plan for each department and Group Company, implementation of the plan, and reporting of the results to the Board of Directors
- Provision of corporate compliance training for executives and other employees and other training related to compliance
- Dissemination of helpline
- Company's internal whistle-blowing system through helpline works well
- Evaluation of internal controls on financial reporting, and reporting to the Board of Directors

**Information Management**

- Reports statutory disclosure to Information Disclosure Committee, confirmation process practice
- Appropriate document storage based on document management regulations

**Risk Management**

- Review of the risk management status of each department and each Group Company through reporting activities and issuance of a report to the Board of Directors on the management status and risk management at all
- Implementation of comprehensive disaster response drills
- Formulation of business continuity plan and confirmation of the operation status

**Efficiency of Execution of Duties**

- Implementation of resolutions of the Board of Directors and reporting to the Board of Directors according to board regulations
- Provision of advice to the Nomination and Compensation Committee on nominations and compensation and receipt of the report by this committee
- Implementation of effectiveness evaluation of the Board of Directors
- Implementation of various decisions concerning the execution of duties based on consensus

**Appropriateness of Operations in the Group**

- Surveying specific activities of the Group related to the Basic Policy for Structuring the Internal Control System and monitoring the operational status of the policy
- Involvement in important decision-making activity of Group Companies according to various regulations concerning management of Group Companies, and business management through operation status reports
- Maintenance of core systems in Group Companies
- Implementation of audit based on the safety and quality auditing regulation

**Auditing System for the Audit & Supervisory Board Members and Effectiveness of Audits**

- Confirmation of the independence of members of the Office of Audit & Supervisory Board
- Conducting meetings with the CEO
- Implementation of budget controls and burden of expenses by the Company as necessary
- Implementation of audits based on the Audit & Supervisory Board Audit Plan

**2. Basic Views on Eliminating Anti-Social Forces**

The Company's basic approach to the elimination of anti-social forces and its state of development are outlined below.

As stipulated in the Basic Policy for Structuring the Internal Control System, the Company has adopted the Ethical Standards of Daicel Group and has worked to disseminate it as its basic approach to eliminating contacts with anti-social forces as follows:

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

The Company has gathered and compiled information and has developed a mechanism to eliminate anti-social forces.

In addition, the Company has established a specialized department to deal with anti-social forces, responding to cases where there are approaches from anti-social forces, and maintaining close contact with police, lawyers, regional companies, and other specialized external organizations. Thus, the Company has compiled

information on useful countermeasures applicable to anti-social forces and has made Directors and employees thoroughly aware of them.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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#### Supplementary Explanation

The Company had adopted of the takeover defense measures since 2006, however the Company abolished it which expired at annual general meeting of shareholders on June 19, 2020.

The Company ensures the common interests of shareholders and improves corporate value by focusing on the steady implementation of the new long-term vision and Mid-Term Management Strategy that start in FY2021/3, regardless of whether the company has takeover defense measures. The Company will request any person who makes or intends to carry out a large-scale purchase of the Company's shares to provide necessary and sufficient information so that shareholders can properly judge the pros and cons of the large-scale purchase. In addition, the Company will disclose the opinion of the Board of Directors and take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations in order to secure the information and time necessary for the consideration of shareholders.

### 2. Other Matters Concerning to Corporate Governance System

The status of the Company's internal system related to the timely disclosure of Company information is outlined below.

#### 1. Basic Approach and Policy in Relation to Information Disclosure

The Company stipulates in the Ethical Standards of Daicel Group that "the Company discloses accurate corporate information, taking into consideration the interests of various stakeholders, including shareholders, in a timely, appropriate, and fair manner." and "insider trading is prohibited, and the Company handles crucial undisclosed information in the utmost responsible and appropriate manner."

In addition, under the Company's Information Disclosure Regulations, the Company remains committed to disclosing Company information (1) voluntarily and proactively, (2) with continuity and consistency, (3) quickly and in a timely manner, (4) accurately and in a useful and easy-to-understand manner, and (5) while ensuring fair information disclosure by the Company.

The Company publish the Ethical Standards of Daicel Group and its Information Disclosure Regulations on its intranet, and takes steps to disseminate this information extensively through in-house training and the like.

#### 2. Information Disclosure System

##### (1) Summaries of Financial Results and Securities Reports and the Like (Information on settlement of accounts)

With respect to account settlement information, the Accounting & Finance Group and the Investor Relations & Corporate Communications jointly compile the financial statements using source materials submitted by the respective department heads and presidents of Group Companies.

In preparing securities reports and the like, in addition to undergoing audits by the External Auditor for the financial statements created by the above, the Company also reflects the opinions of the Audit & Supervisory Board Members on other matters.

The details of information disclosure regarding summaries of financial results are decided by the Information Disclosure Committee under the chairmanship of the President & CEO. The Officer in charge of the Corporate Support Headquarter reports to the Board of Directors. The Company then immediately discloses such financial reports following deliberation.

Following deliberation by the Information Disclosure Committee, the Management Confirmation Form is submitted to the External Auditor. After the audit report is received from the External Auditor, the Company submits the Securities Report and the like within the deadline for submission following the approval of the President & CEO.

**(2) Information on Corporate Decisions**

Regarding material information arising from the decisions of the Company's Board of Directors (or Management Meetings) and decisions of the executive bodies of Group Companies, Information can be grasped in advance by registering matters to be discussed at various meeting bodies held in accordance with the Company's Rules for Approval or Management Regulations for Group Corporate Management in advance. Following sufficient deliberation by each meeting body, the Officer of the Corporate Support Headquarter and the Investor Relations & Corporate Communications will determine whether the information is material and subject to timely disclosure under Securities Listing Regulations ("timely disclosure regulations, etc.").

When determining whether information is material, the Information Disclosure Committee will determine whether to disclose and will deliberate on the content, timing, method, etc., of information disclosure.

With regard to material information being considered for disclosure, the Company will promptly disclose that information after the Board of Directors and executive bodies have come to a decision on the matter.

**(3) Information on Occurrences**

With regard to facts relevant to occurrences at the Company or Group Companies that may be considered material information, the President & CEO, representative Director, officers in charge of relevant departments, and the officer in charge of the Corporate Support Headquarter will disclose such information immediately after the occurrence or their becoming aware of it according to the terms of the Risk Response Rules, PL Accident Response Regulations, and Regulations on Insider Trading.

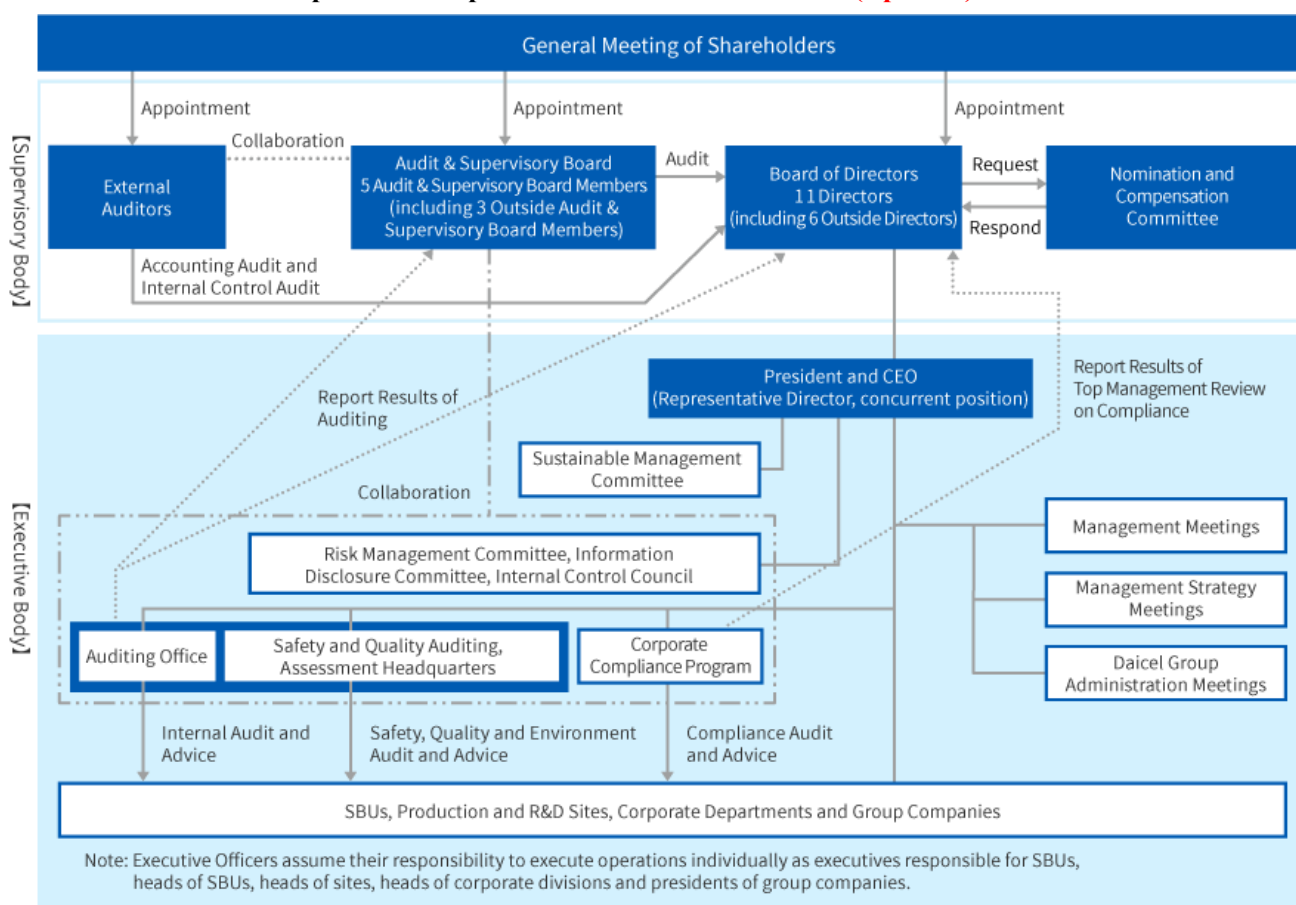
The officer in charge of the Corporate Support Headquarter and the Investor Relations & Corporate Communications will confirm whether a particular case can be classified as material information subject to timely disclosure rules.

If, after due consideration, the information is deemed useful to investors and falls under the category of material information, the Information Disclosure Committee will deliberate on the matter, determine the need for disclosure, and promptly disclose it.

**3. Management of Material Information**

With respect to the handling of material information prior to timely disclosure, the Officer of the Corporate Support Headquarter, as the administrator, will limit the transmission of such material information according to the Regulations on Insider Trading. In addition to establishing this supervisory method, the Company prohibits the sale and purchase of shares and the like prior to the public disclosure of the material information by the executives and employees possessing this information. The Company is taking steps to prevent insider trading by executives and employees through in-house training and other initiatives intended to raise awareness of the details of its Regulations on Insider Trading.

**【Reference】 Daicel Corporation Corporate Governance Framework (Updated)**



**【Reference】 The Coefficients of Payments Rate for Calculating Performance-based Bonuses**

Indicator	Weight	Target achievement rate	Coefficient
Net sales	50%	120% or more	200%
		More than 100% but less than 120%	*1
		100%	100%
		More than 80% but less than 100%	*2
		80% or less	0%
Operating income	50%	120% or more	200%
		More than 100% but less than 120%	*1
		100%	100%
		More than 80% but less than 100%	*2
		80% or less	0%

**Notes**

\*1: Decide the coefficient within the range of 101% to 199% in proportion to the achievement ratio of the actual value to the target value.

\*2: Decide the coefficient within the range of 1% to 99% in proportion to the achievement ratio of the actual value to the target value.