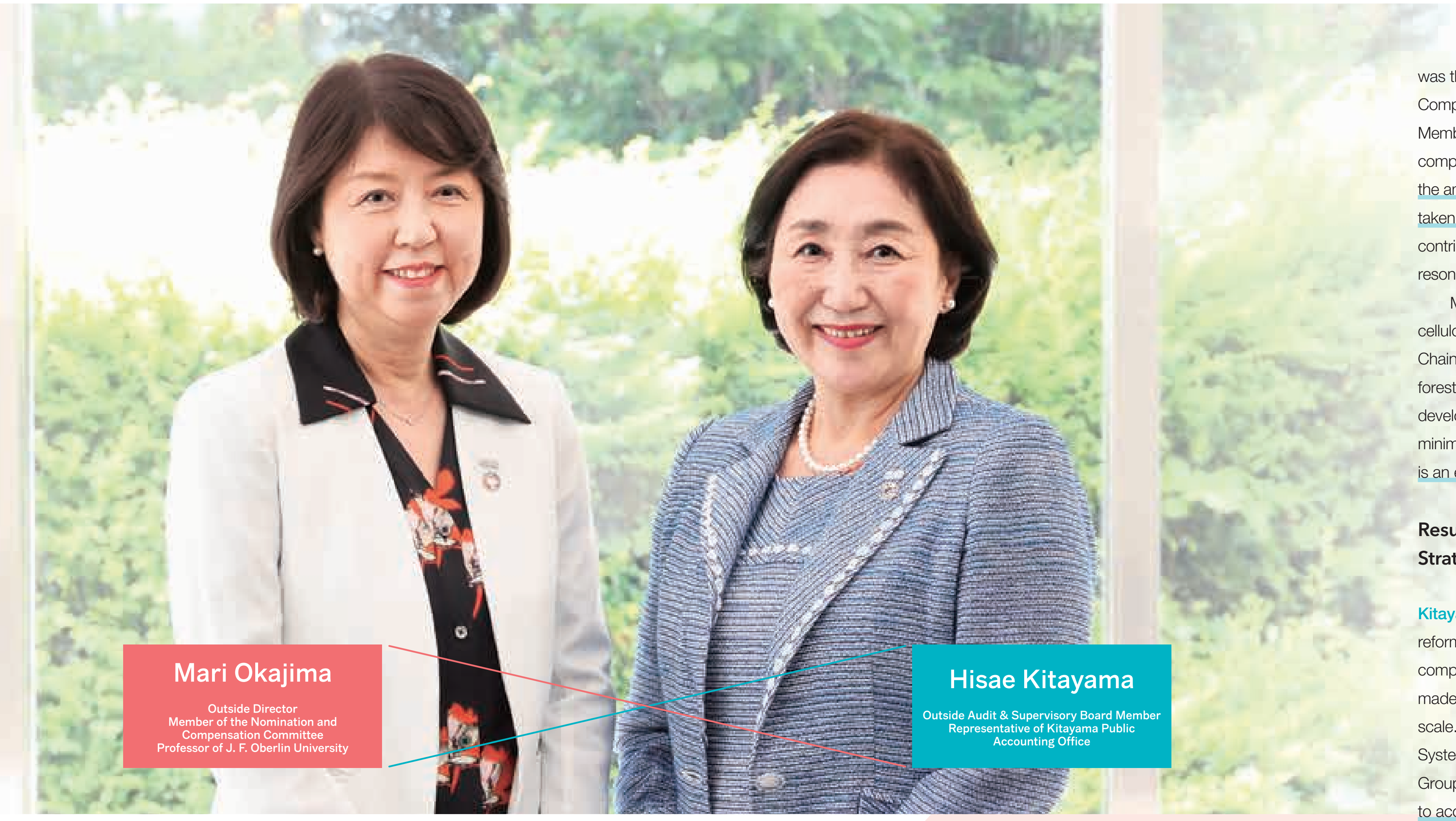
GOVERNANCE

Contents

Dialogue Between Outside Director and Outside Audit & Supervisory Board Member



Accelerating diversity and strengthening governance with a sense of urgency and balance between offense and defense

As we enter the final year of the Mid-Term Management Strategy "Accelerate 2025" and are in the process of formulating the next Mid-Term Management Strategy toward FY2031/3, what is required of the Daicel Group to strike a balance between contributing to a sustainable society and achieving corporate growth?
We asked an Outside Director and an Outside Audit & Supervisory Board Member speaking from an objective stance and diverse perspectives, to discuss the Daicel Group's challenges and pathways to solutions.

Daicel seen from each perspective

Okajima Throughout my career, which includes working for an airline and currently teaching at a university, I have had few opportunities to interact with chemical manufacturers, and I first learned about Daicel through a TV commercial. I thought it seemed like a company taking on the challenge of innovative and interesting things, but I didn't fully understand its operations. Looking into it, I came to see it as a very aggressive company that, despite being a company with a history of more than 100 years, has developed initiatives like DAICEL Production Innovation. After becoming an Outside Director and visiting manufacturing sites, I have come to see Daicel as a group comprising honest engineers with an open mind, capable of implementing innovative initiatives such as the virtual company concept and partnerships with various external organizations. I now find Daicel a company that can combine rationality with flexible thinking and a long-term perspective on the future of society.

Kitayama When I worked at an audit firm, I audited several companies in the chemical industry as a CPA, and at that time my image of Daicel was that of a rigid company. However, the more I learned about the Company through my role as an Outside Audit & Supervisory Board Member, the more surprised I was by many things. While many companies now tout sustainability and ESG, Daicel was early to embrace the ambition of growing itself through building a circular society, and has taken on that challenge boldly. In addition, the Daicel Group's vision of contributing to a sustainable society while growing together with society resonated with me and I also thought such vision fits the times.

Moreover, as a pioneer in producing chemicals from plant-derived cellulose, Daicel is promoting such concepts as the Biomass Value Chain Concept, which aims to revitalize regional economies by recycling forests as an alternative to petroleum-based raw materials, and is developing groundbreaking technologies like a microfluidic device that minimizes the size of large-scale plants. Seeing all this, I feel that Daicel is an energetic company capable of driving innovation.

Results and challenges of the Mid-Term Management Strategy "Accelerate 2025"

Kitayama The biggest highlight of the past five years was the structural reform through business selection and concentration, which led to the complete acquisition of Polyplastics in FY2021/3. By doing so, we made engineering plastics a core business and expanded the business scale. Furthermore, we are expanding the Autonomous Production System, an evolution of the DAICEL Production Innovation, across the Group, and in R&D, are forming task forces on promising technologies to accelerate commercialization.

On the other hand, we have also decided to withdraw from certain businesses after carefully assessing the business environment. From the perspective of an Audit & Supervisory Board Member, I believe that in order to streamline and accelerate the mechanisms and processes for achieving medium-term targets, it is necessary to strengthen the function of regularly monitoring the progress and risk management of each business with a sense of urgency. FY2026/3 will be an important year for identifying various issues and linking them to the next Mid-Term Management Strategy, so I hope that active discussions will be held within the Company and at the Board of Directors.

Okajima In the first half of the Mid-Term Management Strategy, we shifted to a market-driven approach from a product-driven one amid the COVID-19 pandemic, and carried out organizational reforms based on the shift. As Ms. Kitayama mentioned, we implemented drastic measures, such as turning the Engineering Plastics Business into our core business. I believe that FY2031/3 will be a turning point. Since we have been actively sowing the seeds for future growth, I think it is necessary to accelerate the creation of new businesses and the action to monetize them. Under the strong leadership of President and CEO Sakaki, who is responsible for monetization, I believe the Company will continue to take on various challenges. However, in implementing reforms, it is important to engage with employees carefully and work together as one team to achieve the goals for FY2031/3.

In addition to strategy, I am also concerned about measures to improve Daicel's PER (price-to-earnings ratio) and PBR (price-to-book ratio), which are of high interest among officers. Despite generating reasonable profits, the Company is not recognized for its growth potential in the stock market, with its PER remaining only about half the industry average. While I believe that the Company should be evaluated more highly based on shareholder returns and ROE, I also think it is important to carefully and clearly communicate the future potential and growth prospects of the business.

Kitayama The corporate website features numerous initiatives aimed at driving innovation in the industry, such as cross-value chain initiatives to transform supply chains and plans for microfluidic device implementation. However, the focus is primarily on qualitative discussions, and it is unclear whether these initiatives can be realized in the near future or what impact they will have on performance. I'd like to see that such quantitative benefits be included and told as an innovative story toward the future, and believe that the way of communicating it is crucial.

Daicel is a company that started with biomass and the business, shaped over its long history, is closely associated with ESG and sustainability. A value-creation story in which advancing the Company's growth strategy makes society and people better off is presumably easy to understand.

Okajima As Ms. Kitayama just mentioned, the essence of corporate sustainability efforts is to advance them within its core business, not as a separate initiative. In that sense, it is only natural that the sustainability and corporate growth are integrated, and Daicel's commitment to making this the core of its business activities is highly commendable. As a chemical manufacturer that has been a pioneer in environmental initiatives even before terms like SDGs were in use, we hope Daicel will become a leader in development of environmentally conscious technologies.

Accelerating the active participation of women with a focus on providing opportunities

Okajima Daicel announced its "Diversity, Equity & Inclusion (DE&I) Declaration" in FY2024/3. I believe that being a company where everyone can work comfortably is the essence of DE&I in the corporate world. I also believe that the most important factor in advancing this is strong commitment from top management. In fact, Daicel has been actively conducting employee training on these topics, and such efforts have started to produce results. For example, the percentage of female managers is gradually increasing, and the rate of male employees taking paternity leave is also rising. However, I find the current pace not sufficient and our challenge is now to accelerate the pace. Actually, given Daicel's small gender pay gap, it can be inferred that the placement of human resources is relatively unbiased. However, even though there should be equal opportunities, the percentage of female managers has not risen to a sufficient level, and there are probably issues at the promotion and advancement stages. We have conducted unconscious bias surveys to identify unconscious prejudices and assumptions, and there are signs of progress in raising awareness.

However, it is even more important that everyone understands how such initiatives contribute to improving corporate performance and corporate value and continues to implement them. In addition, it takes time to develop leaders, not just female leaders. It is also necessary to give women opportunities to grow by gaining experience in solving problems in responsible positions at an early stage.

Kitayama I agree. Equity is fundamentally about opportunity; given that other companies in the same industry already have female directors and executive officers, Daicel too should intentionally promote women to higher positions. Promotion changes the world they see and expands what they can achieve. From my perspective, there are several women who I think are well-suited for the role, so I would like to see women become division heads, general managers, and even officer candidates at an early stage.

Okajima Positions really shape people. The natural way to proceed may be to wait for them to gain experience and grow as people, but that takes too much time. I believe there is significant value in boldly promoting human resources and taking on challenging initiatives with a greater sense of urgency.

In the meantime, there is also the issue of women's motivation. Recently, there seems to be an increasing number of young people, regardless of gender, who do not want to become managers. However, when considering diversity, there's no need to insist on role models specific to women. What matters is presenting examples of managers that anyone would aspire to become, and there should be no distinction based on gender.

Kitayama As the workplace environment improves and flexible working styles become more widespread, it is true that role models do not need to be women. If people, regardless of gender, accumulate successful experiences as managers, they will want to take on even greater challenges. I hope that more and more people will think this way and that the Company will become more vibrant.

Strengthening well-balanced governance between offense and defense

Okajima I feel that the Board of Directors provides solid input and engages in transparent discussions. However, I think it can be difficult for only internal personnel to put the brakes on ongoing investment projects or proposals. When projects are proceeded only internally, people who have objections may get swallowed up by stronger players. At the Board of Directors, there have been comments that this is precisely why it's necessary to seek objective opinions at an early stage from outside the Company. Furthermore, the causes and background of issues such as problems or delays in plans are frequently discussed. When an abnormality occurs and the same thing happens repeatedly in projects that were previously progressing smoothly, it is important to consider the possibility that there may be changes in corporate culture or work environment and that such changes may have caused the abnormality. Such matters are hard to notice from inside alone. This is where governance must function and what matters is how quickly we can recognize the signs and address them before they escalate. In addition, when problems arise, the frontline is usually doing its utmost. So it is important to analyze challenges from multiple perspectives, including whether there was undue burden on the frontline. These considerations should also be incorporated into the approach to governance.

Kitayama At Daicel, even if internal discussions on investment projects or new businesses have proceeded according to a set plan, there are cases where the Board of Directors actively discusses them and decides to review them again. In that sense, I think I can recognize Daicel as a company that is able to stop and think. However, when it comes to new businesses, although we receive explanations about production technology and cost reduction when starting, I sometimes question whether the project team and the SBU (strategic business unit) are working together on the project by incorporating investment recovery plans with due consideration given to future changes in the market environment. Therefore, in addition to regular monitoring, if things are not going well, the Board of Directors should promptly consider countermeasures and make decisions based on strict withdrawal criteria before losses expand. Putting such a framework in place constitutes defensive governance. However, defense alone won't bring growth, so the Board of Directors must assess the extent to which risks are hedged for innovative technological developments and investment projects before pushing them forward. I believe that strengthening a well-balanced governance between offense and defense is essential.

Linkage between compensation for Directors and ROIC

Okajima Regarding compensation for Directors, Daicel has traditionally used net sales and operating income as performance-linked indicators, but starting in FY2026/3, we have replaced operating income with EBITDA, an internationally recognized evaluation indicator, and added ROIC. With similar momentum seen in the stock market and Outside Directors also calling for the consideration of appropriate indicators, the Nomination and Compensation Committee made the decision. ROIC is believed to directly reflect corporate value and the soundness of management, and is also an indicator that Daicel emphasizes. Therefore, I think linking it to compensation for Directors is appropriate for us to achieve our Mid-Term Management Strategy. However, while EBITDA indicates profitability from a short- to medium-term perspective, ROIC focuses on capital efficiency over the medium to long term. Therefore, there are aspects that are difficult to improve in the short term, and the calculation method is somewhat complex. It is important to first deepen understanding within the Company and to explain it clearly and carefully to stakeholders.

Kitayama ROIC should ideally be compared with WACC (weighted average cost of capital) for each business to assess the spread (range, difference) between the two, and as the next step, we need to deepen the management of ROIC by business segment from the company-wide ROIC, and shift toward portfolio review and performance evaluation. Eventually, I'd like to see a system that also links to individual target-setting and incorporates indicators from an ESG perspective, such as environmental assessments and employee satisfaction surveys.

Working together from our respective positions to support sound management

Okajima As an Outside Officer, I believe it is important to take an overview of management while also looking at things from a field perspective, that is, with a magnifying glass, and I think I can make use of my corporate working experience in this regard. In terms of diversity initiatives, I will actively promote the advancement of women, who are considered the largest minority group. Daicel, which promotes people-centered management, is a company that exists because of its people and its operations, and no matter how much DX and AI advance, that remains our starting point and foundation. I would like to continue exchanges and dialogue with employees to help create an environment where everyone can maximize their abilities.

Kitayama As a certified public accountant, I will focus on whether management is conscious of capital costs, capital profitability (ROIC, etc.), and stock prices in order to achieve sustainable growth and enhance corporate value. I will also monitor whether the business portfolio and the allocation of management resources are appropriate. In terms of M&A, for example, I will oversee not only accounting treatment but also how the business will be shaped by the deal, the business plan, goodwill assessment, and the post-acquisition management structure. Fortunately, I am invited by Standing Audit & Supervisory Board Members to participate in interviews in the field, so I will actively visit the workplace, communicate with employees, and share the information I gathered with Outside Directors. Through meetings of the Board of Directors and meetings among Outside Officers I will continue to work closely with the Board of Directors and Audit & Supervisory Board Members to provide oversight and advice aimed at ensuring sound management.

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of the end of June 2025)

Directors

Yoshimi Ogawa

Chairperson of the Board, Member of the Nomination and Compensation Committee, Responsible for Institute of Human-oriented Management, Executive Consultant of Polyplastics Co., Ltd.

April 1983	Joined the Company
April 2002	Head of Business Process Innovation
June 2006	Executive Officer, Vice President of Aerospace & Defense Systems/Safety Systems Company
June 2009	Head of Production Technology
June 2011	Director
June 2013	Managing Executive Officer
June 2017	Senior Managing Executive Officer
June 2019	Representative Director, President and CEO
April 2025	Chairperson of the Board (incumbent)

Toshio Shiwaku

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

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

Yasuhiro Sakaki

Representative Director, President and CEO, Member of the Nomination and Compensation Committee, Responsible for Corporate Planning & Strategy Office, and Responsible for Healthcare SBU

April 1984	Joined the Company
June 2012	Head of Organic Chemical Products Company
June 2014	Executive Officer
June 2016	President of Aerospace & Defense Systems/Safety Systems Company
June 2017	Managing Executive Officer
June 2019	Senior Managing Executive Officer
June 2020	Director
April 2025	Representative Director, President and CEO (incumbent)

Naotaka Kawaguchi

Director, Senior Managing Executive Officer, General Manager of Production Management Headquarters, Responsible for Engineering Center, Responsible for Safety and Quality Assurance Headquarters, and Responsible for Safety SBU

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

Kotaro Sugimoto

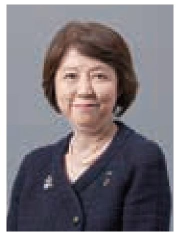
Representative Director, Senior Managing Executive Officer, Member of the Nomination and Compensation Committee, General Manager of Corporate Support Headquarters, Responsible for Corporate Compliance Program Division, Responsible for Corporate Sustainability, Responsible for Digital Strategy Center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

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

Teisuke Kitayama*

Outside Director, Member of the Nomination and Compensation Committee

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



Mari Okajima*

Outside Director, Member of the Nomination and Compensation Committee

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

Toshio Asano*

Outside Director, Chairperson of the Nomination and Compensation Committee

April 2010	President & Representative Director, Presidential Executive Officer of Asahi Kasei Pharma Corporation
April 2014	Presidential Executive Officer of Asahi Kasei Corporation
June 2014	President & Representative Director and Presidential Executive Officer of Asahi Kasei Corporation
April 2016	Director and Standing Advisor of Asahi Kasei Corporation
June 2016	Standing Advisor of Asahi Kasei Corporation
June 2019	Director of Daicel Corporation (incumbent)
June 2022	Advisor of Asahi Kasei Corporation
June 2024	Special Advisor to Asahi Kasei Corporation (incumbent)

Keita Nishiyama*

Outside Director, Member of the Nomination and Compensation Committee

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

Yuriya Komatsu*

Outside Director, Member of the Nomination and Compensation Committee

April 1988	Assistant Portfolio Manager of Credit Suisse Trust and Banking Co., Ltd.
April 1990	Senior Analyst of SPARX Asset Management Co., Ltd. (currently SPARX Group Co., Ltd.)
May 1996	Senior Research Analyst of The Dreyfus Corporation
December 1999	Vice President of Fiduciary Trust Company International
September 2000	Partner of INTELLASSET, INC.
November 2004	Partner of Worldeye Capital Inc.
June 2006	Vice President of Olympus Capital Holdings Asia
July 2010	Managing Director of Daiwa Quantum Capital Limited
October 2014	Member of the Board of KADOKAWA DWANGO Corporation (currently KADOKAWA Corporation), Member of the Board of DWANGO Co., Ltd.
June 2022	Director of Daicel Corporation (incumbent)
January 2023	Director of IA Partners Inc.

Seiji Kito*

Outside Director, Member of the Nomination and Compensation Committee

March 2022	Representative Director and Executive Vice President of Nippon Life Insurance Company
March 2023	Director of Nippon Life Insurance Company
June 2023	Chief Director of Tokyo Opera City Cultural Foundation (incumbent) Chief Director of Nissay Culture Foundation (incumbent)
June 2025	Director of Daicel Corporation (incumbent)

Standing Audit & Supervisory Board Members

Mikio Yagi

Outside Audit & Supervisory Board Members

Junichi Mizuo*

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

Hideo Makuta*

Attorney at Law, Ginza Chuo Law Office

Hisae Kitayama*

Certified Public Accountant,
Representative of Kitayama Public Accounting Office

Senior Managing Executive Officers

Takashi Miyamoto

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

Managing Executive Officers

Yoichi Nemoto

Deputy General Manager, Corporate Support Headquarters
Division Manager, Group Governance and Financial Coordination
Responsible for SCM Headquarters

Seiji Sakano

Head of Life Sciences SBU

Hiroshi Iwase

Head of Smart SBU
President, Daicel Beyond Ltd.

Kazuya Kurosawa

Head of Material SBU
President of Toyama Filter Tow Co., Ltd.

* Independent Director or Independent Audit & Supervisory Board Member

Executive Officers

Hitoshi Hayashi

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

Seiji Yamakado

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

Nobuhiko Ikeda

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

Takaharu Takikawa

Head of Engineering Center

Masahiko Hirokawa

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

Ryohei Yamada

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

Eiichi Ryobo

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

Yosuke Omae

Plant General Manager, Harima Plant
Division Manager of Global Technical Control, Safety SBU

Corporate Governance

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

Changes in Corporate Governance Enhancement

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

Corporate Governance Framework

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

Corporate Governance
https://www.daicel.com/en/sustainability/governance/

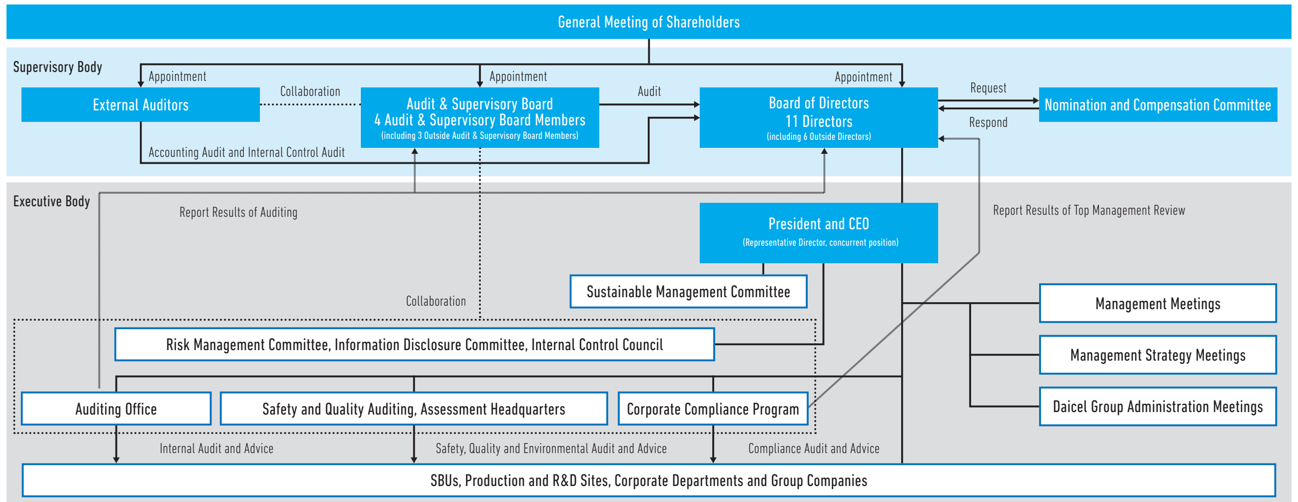
Corporate Governance Report (As of June 26, 2025)
https://www.daicel.com/en/sustainability/pdf/governance/cg_report_20250626.pdf

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

Outline of Corporate Governance Framework (As of the end of June 2025)

Item	Content
Type of organizational structure	Company with Audit & Supervisory Board
Chairperson of the Board of Directors	Chairperson of the Board
Number of Directors	11 (including 2 female Directors)
Number of Outside Directors	6 (all 6 are independent Directors)
Number of Audit & Supervisory Board Members	4 (including 1 female Director)
Number of Outside Audit & Supervisory Board Members	3 (all 3 are independent Audit & Supervisory Board Members)
Number of Executive Officers	17 (including 4 officers concurrently serving as Directors)
Number of Board of Director meetings held in FY2025/3 (Average attendance rate of Outside Directors/Outside Audit & Supervisory Board Members)	16 (100%/100%)
Number of Audit & Supervisory Board meetings held in FY2025/3 (Average attendance rate of Outside Audit & Supervisory Board Members)	15 (100%)
Term of office for Directors	1 year
Term of office for Audit & Supervisory Board Members	4 years
Average term in office for Directors	4.3 years
Average term in office for Audit & Supervisory Board Members	3.6 years
External Auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework (As of the end of June 2025)



(Note) Executive Officers bear their responsibility to execute operations individually as executives responsible for SBUs, heads of SBUs, heads of sites, heads of corporate departments or presidents of Group companies.

[Board of Directors]

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

Number of Resolutions, Discussions, and Reports by the Board of Directors (FY2025/3)

Resolution and Report Classification	Number of Topics under Discussion
Management strategy, sustainability, governance, IR, individual matters	58
Accounting and finance	45
HR and remuneration	37
Risk management, corporate compliance and corporate ethics	8
Audit & Supervisory Board Members, External Auditors and internal audits	5
Total	153

[Audit & Supervisory Board]

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

Major Activities of Audit & Supervisory Board Members

Dialogue with Executive Officers such as the President and CEO	The Audit & Supervisory Board Members are provided opportunities for dialogue with the President and CEO, senior managing executive officers, managing executive officers, etc. to ascertain the management situation and concerns, and when necessary, issues are raised and suggestions are made.
Attending important meetings	Besides the Board of Directors meeting, the Standing Audit & Supervisory Board Members attend other important meetings such as management meetings, planning meetings, management strategy meetings, Internal Control Council meetings, grasp a wide range of information and state their opinions as and when necessary.
Audit and site visit	The Standing Audit & Supervisory Board Members take a lead in conducting site visits at offices, Group companies and other units in Japan and overseas. During the visits, they receive explanations of the status of business execution, ask questions, and state opinions based on their expert knowledge. In FY2025/3, we conducted audits of 20 internal departments, on-site audits at 7 business sites, and on-site audits at 27 Group companies.
Collaboration with internal audit departments and External Auditors	The Audit & Supervisory Board Members hold regular meetings with the Auditing Office, Corporate Compliance Program Division, and Safety and Quality Auditing, Assessment Headquarters, which are internal audit departments, and receive reports on the implementation status of plans and activities. They hold meetings with the External Auditors about ten times a year and receive timely reports on the status of execution of duties and the results of audits, and they also exchange necessary information and opinions through discussions on major audit matters.

[Nomination and Compensation Committee]

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

Composition of the Board of Directors and Audit & Supervisory Board (As of the end of June 2025)

male female

Position		Name	Responsibilities, Key Background, etc.	Sex	Term of Office	Independent Director or Independent Audit & Supervisory Board Member	Business Execution	Board of Directors (Attendance Rate)	Audit & Supervisory Board (Attendance Rate)	Nomination and Compensation Committee (Attendance Rate)	Primary Areas of Knowledge and Experience (Skill Matrix)*: Corporate Management	Global Management	Marketing and Business Planning	Technology and R&D	Finance and Accounting	Legal Affairs, Intellectual Property and Risk Management	DX	Sustainability: Environment	Sustainability: DE&I
Directors	Inside	Yoshimi Ogawa	Chairperson of the Board, Chairperson of the Board of Directors, Member of the Nomination and Compensation Committee, Responsible for Institute of Human-oriented Management, Executive Consultant of Polyplastics Co., Ltd.	male	14 years		●	● (100%)		● (100%)	●	●		●			●	●	
		Yasuhiro Sakaki	President and CEO, President, Member of the Nomination and Compensation Committee, Responsible for Corporate Planning & Strategy Office and Healthcare SBU	male	5 years		●	● (100%)		● (—)	●	●	●			●		●	
		Kotaro Sugimoto	Representative Director, Senior Managing Executive Officer, Member of the Nomination and Compensation Committee, General Manager of Corporate Support Headquarters, Responsible for Corporate Compliance Program Division, Corporate Sustainability, Digital Strategy Center, and Material SBU	male	6 years		●	● (100%)		● (100%)	●	●			●	●			●
		Toshio Shiwaku	Director, Senior Managing Executive Officer, General Manager of Assessment Headquarters, General Manager of R&D Headquarters, and Responsible for Intellectual Property Center	male	1 year		●	● (100%)			●	●	●	●		●			
		Naotaka Kawaguchi	Director, Senior Managing Executive Officer, General Manager of Production Management Headquarters, Responsible for Engineering Center, Safety and Quality Assurance Headquarters, and Safety SBU	male	1 year		●	● (100%)			●	●		●			●	●	
	Outside	Teisuke Kitayama	Outside Director Member of the Nomination and Compensation Committee Honorary Advisor of Sumitomo Mitsui Banking Corporation	male	7 years	●		● (100%)		● (100%)	●	●			●	●		●	
		Toshio Asano	Outside Director Chairperson of the Nomination and Compensation Committee Special Advisor of Asahi Kasei Corporation	male	6 years	●		● (100%)		● (100%)	●	●		●				●	
		Yuriya Komatsu	Outside Director Member of the Nomination and Compensation Committee Former Director of IA Partners Inc.	female	3 years	●		● (100%)		● (100%)	●	●			●	●			●
		Mari Okajima	Outside Director Member of the Nomination and Compensation Committee Professor at J. F. Oberlin University Former Deputy General Manager of Cabin Attendants Division of Japan Airlines Co., Ltd.	female	2 years	●		● (100%)		● (100%)			●		●				●
		Keita Nishiyama	Outside Director Member of the Nomination and Compensation Committee Representative Director at Nishiyama Research Institute, Inc. Former Director-General of Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry	male	2 years	●		● (100%)		● (100%)	●					●	●	●	
		Seiji Kito (New Appointment)	Outside Director Member of the Nomination and Compensation Committee Former Representative Director and Executive Vice President of Nippon Life Insurance Company	male	-	●		● (—)		● (—)	●				●	●	●		●
Audit & Supervisory Board Members	Inside	Mikio Yagi	Standing Audit & Supervisory Board Member	male	2 years			● (100%)	● (100%)		●	●	●			●			●
	Outside	Junichi Mizuo	Outside Audit & Supervisory Board Member Representative Director and Chairperson of the Japan Compliance & Governance Institute, Honorary Professor of Surugadai University	male	7 years	●		● (100%)	● (100%)							●		●	●
		Hideo Makuta	Outside Audit & Supervisory Board Member Attorney at Law, Ginza Chuo Law Office	male	5 years	●		● (100%)	● (100%)						●	●			●
		Hisae Kitayama	Outside Audit & Supervisory Board Member Certified Public Accountant, Representative of Kitayama Public Accounting Office	female	3 years	●		● (100%)	● (100%)						●	●			●

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

Effectiveness Evaluation of the Board of Directors

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

FY2025/3 Initiatives Based on the FY2024/3 Effectiveness Evaluation

In view of the Effectiveness Evaluation of FY2024/3, in FY2025/3 we spent more time reporting on the status of execution of management strategies, matters related to return on capital and stock prices, and the status of initiatives related to sustainability and human capital in order to further enhance discussions at the Board of Directors. We also focused on explaining individual proposals linked to portfolio management.

Summary of the Evaluation Process and Results

Evaluation Process	Questionnaires were distributed to all Directors and Audit & Supervisory Board Members, and individual interviews were conducted based on their responses to further investigate the issues. These results were then compiled and analyzed by the Secretariat and reported to and discussed by the Board of Directors.
Main Evaluation Item	•Composition of the Board of Directors •Details of deliberations, resolutions, reports, etc. •Method of operation of the Board of Directors
Overview of Evaluation Results	Members of the Board of Directors engaged in productive discussions with Outside Directors and Outside Audit & Supervisory Board Members who actively offered their opinions, and we were able to confirm that the effectiveness of the board is generally satisfactory. On the other hand, it was confirmed that there are issues to be discussed for further improvement of effectiveness. The main issues raised are as follows: (1) Board composition issues •Further discussions on the process of appointing senior management (2) Board deliberation issues •Further enhancement of reports on promoting human capital management •Further discussions on promoting group governance (3) Board operation issues •Further consideration to the provision of information that contributes to appropriate judgment (technical terms, in-house terminology, etc.) •Discussions on the role of the Chairperson of the Board of Directors
Action To Be Taken	We will discuss the above issues at the Board of Directors meeting for FY2026/3 and confirm our commitment to continue addressing them in order to further enhance effectiveness.

Appointment and Nomination Procedures for Directors and Senior Management

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

Compensation for Directors and Audit & Supervisory Board Members

1. Basic Policy

(1) Compensation of Directors and Audit & Supervisory Board Members shall be determined by Board of Directors' resolution for Directors, and Audit & Supervisory Board Members' discussion for Audit & Supervisory Board Members within the scope of the total amount of compensation, etc., approved by the General Meeting of Shareholders.

(2) Compensation of Directors shall consist of monthly compensation, performance-based bonuses, and stock compensation, which will generally be paid according at a 55:30:15 ratio that is subject to change according to one's position. This rule does not apply to Outside Directors, who shall be paid only a monthly compensation. The compensation of Audit & Supervisory Board Members shall consist solely of monthly compensation.

(3) To ensure objectivity, transparency, and validity regarding compensation, the Board of Directors makes its decision following deliberations based on recommendations made by the Nomination and Compensation Committee.

2. Basic Policy on Compensation

(1) Monthly Compensation

In principle, the monthly compensation of Directors and Audit & Supervisory Board Members is a fixed amount paid in accordance with internal rules that are determined by the Directors' duties and job titles in business execution and as to whether or not the Audit & Supervisory Board Members are full-time.

Regarding monthly compensation, the Company has revised the compensation to an appropriate and fair level reflective of its business performance, accomplishment of medium- to long-term business plans, and social situation, among other factors.

(2) Performance-Based Bonuses

Performance-based bonuses of Directors are paid in accordance with the accomplishment of performance indicators designated by the Board of Directors. Currently, net sales, EBITDA, and ROIC are used. The basic amount of the performance-based bonus is calculated by multiplying the rank-based amount with a payment rate that fluctuates between 0% and 200%, depending on the level of accomplishment of the performance indicators. The payout rates linked to the weight and achievement rate of each indicator are calculated as shown in the table below.

The Coefficients of Payment Rate for Calculating Performance-Based Bonuses

Indicator	Weight	Target Achievement Rate	Coefficient
Consolidated net sales	40%	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%
EBITDA	40%	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%
ROIC	20%	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%

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

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

(3) Restricted Stock Compensation System

Daicel introduced Restricted Stock Compensation System to step up value-sharing with shareholders and motivate Directors to contribute more to medium- to long-term improvement in corporate value. The stocks cannot be transferred for a period of 30 years, and the Board of Directors decides on an amount for each eligible individual, which is then divided by the stock price at a certain point to calculate the number of shares to be awarded.

Total Compensation for Directors and Audit & Supervisory Board Members (FY2025/3)

Category	Number of Recipients	Amount (Annual)			
		Cash Compensation		Stock-Based Compensation	Total
		Monthly Compensation	Performance-Based Bonuses		
Directors (Outside Directors)	12 (6)	304 million yen (79 million yen)	79 million yen (-)	67 million yen (-)	451 million yen (79 million yen)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	6 (3)	111 million yen (39 million yen)	-	-	111 million yen (39 million yen)
Total	18	415 million yen	79 million yen	67 million yen	563 million yen

* A resolution of the 158th Annual General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Directors to a maximum of 640 million yen annually (including compensation for Outside Directors to a maximum of 140 million yen annually).
* A resolution of the 158th Annual General Meeting of Shareholders held on June 21, 2024, held the amount of compensation for Audit & Supervisory Board Members to a maximum of 130 million yen annually.

Corporate Compliance / Risk Management

Corporate Compliance

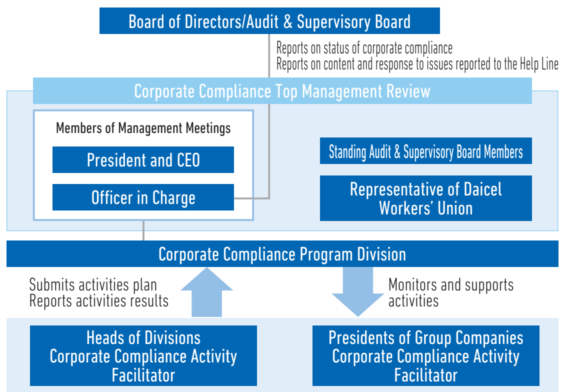
One of the foundations for sustainable management is corporate compliance. Each department and Group company (hereinafter "each organization") of the Company formulates action plans based on the Daicel Group Code of Conduct and Ethical Standards of Daicel Group, and under the same sense of values, we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

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

Promotion System

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

Corporate Compliance Program Promotion System



Fair Business Practices

The Group stipulates its compliance with fair transactions in the Ethical Standards of Daicel Group and has formulated the Daicel Group Basic Policies on Anti-Corruption and Compliance with Competition Law. We promote fair business practices by thoroughly implementing rules on approval of expenses for entertainment and gifts to public servants and business partners and offering employee education through e-learning and hierarchical training. In FY2025/3, there were no violations in anti-corruption laws and regulations, including those related to anti-competitive conduct, bribery, and conflicts of interest, with no fines or administrative monetary penalties.

Compliance Help Line System (Whistleblower System)

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

Overview of the Compliance Help Line System of Our Group

Target users	All employees in the Daicel Group and all stakeholders (e.g., customers, suppliers, partner company employees, retirees, and community residents)
Reporting content	Matters that may be in violation of the Ethical Standards of Daicel Group (Illegal acts, anticompetitive behavior, corruption, bribery, human rights violations, harassment, employment environment, environmental pollution, and other compliance violations)
Features	Anyone can report anonymously. Matters concerning Group companies can be reported to the Daicel help line as well as to Group company help lines

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

	FY2023/3	FY2024/3	FY2025/3
Identified disruptive behaviors	35	50	70
Harassment, etc.	20	30	42
Dissatisfaction with the Company	16	21	4
Others	5	1	10
Total	76	102	126

Corporate Compliance
https://www.daicel.com/en/sustainability/governance/compliance.html

Risk Management

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

Overview of Risk Management

In the Daicel Group, all departments and Group companies (hereinafter "each organization") seek to improve risk management by carrying out the CAPD cycle[*1] as a part of their business operations. Each organization identifies risks that could have a major impact on its ability to achieve business targets and classifies them into risk categories (Check), considers and establishes countermeasures for preventing the risks from materializing and for minimizing damage in the event they materialize (Act, Plan), implements countermeasures (Do), reevaluates the risks after a certain period of time (Check), and reconsiders countermeasures based on the results (Act).

In addition, Daicel has established the Risk Management Committee, which coordinates and promotes the risk management for each organization. The committee reviews the progress of risk-related measures for each organization, and it provides advice and support as necessary. Risks requiring a Company-wide response are addressed by setting up projects and implementing other measures. Moreover, to promote risk management more effectively, we renewed the committee's structure in April 2024, including increasing the number of the secretariat's members. In the future, we will strengthen discussions and exchanges of opinions with each organization, obtain information from internal and external experts and disseminate it within the company, and also consider methods for conducting an inventory of potential risks and the introduction of management tools. The committee reports on its discussions about progress on countermeasures addressing risks that could have a major impact on the management of the Group, the status of Business Continuity Plans (BCPs), and other key issues during the Management Meeting and Board of Directors Meeting at the end of each fiscal year.

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

Targeted Risk Categories

1. Risks related to business strategy
2. Risks related to production technology, production equipment and utilities
3. Risks related to construction and repair (including safety, quality, purchasing, etc.)
4. Risks related to stable supply of products
5. Risks related to intellectual property
6. Risks related to purchasing and procurement
7. Risks related to quality management and product liability
8. Risks related to responsible care (including environmental problems), accidents, and disasters
9. Risks related to information systems / networks and information security
10. Risks related to group management / control
11. Risks related to legal and corporate compliance
12. Risks related to employment, human resources and employee fraud / crime
13. Risks related to finance / investment, credit, finance, and accounting
14. Risks related to public relations and inappropriate information use
15. Risks related to antisocial groups and social communities
16. Risks related to climate change
17. Risks related to human rights

Strengthening BCP Management

The Daicel Group formulates and manages business continuity plans (BCPs) to minimize damage in the event of emergencies, such as major disasters or a pandemic caused by a new virus, as well as to maintain business operations or at least ensure the early resumption of business operations. The BCPs are revised as necessary.

The Group organizes BCPs in all three stages from "Preparedness" (BCP I) to "Initial Contingency Response" (BCP II) and "Resumption of Operations" (BCP III). We plan and prepare measures to limit any decline in performance associated with a disaster or incurred damage and to quickly resume business.

The following measures were taken to strengthen our BCPs in FY2025/3.

Preparedness (BCPⅠ)	•Consider and implement preventive measures through risk assessments, and post-measures through crisis assessments[*2] for processes dealing with self-reactive substances •In preparation for material procurement risks, procure long lead-time components needed for the maintenance of proper inventory levels
Initial Contingency Response (BCPⅡ)	•The planned installation of remote monitoring cameras and remote firefighting equipment •Review the information sharing system among sites in the company-wide disaster preparedness system •Review and consider disaster preparedness measures for wide-area disasters •Conduct disaster drills at each site, and confirm the operation of the company-wide information sharing system
Resumption of Operations (BCPⅢ)	•Prepare "BCP for Individual Products"[*3] •Start considering a review of the systematization and operation mechanisms for the business continuity plan related to our Group's procurement, production, and sales through a company-wide project

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

Risk Management
https://www.daicel.com/en/sustainability/governance/risk-management.html