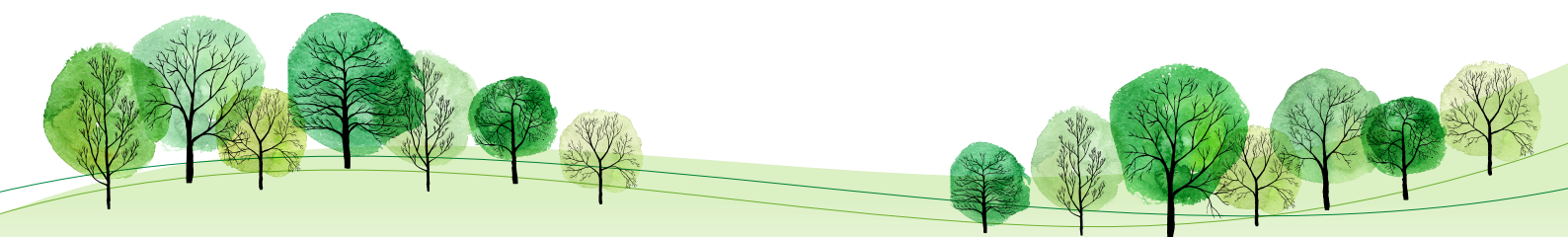


DAICEL GROUP SUSTAINABILITY REPORT 2022

Sustainable Value Together



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Sustainability

With “technology for melting wood”
we will contribute to building a circular society
where ecology and economy are aligned

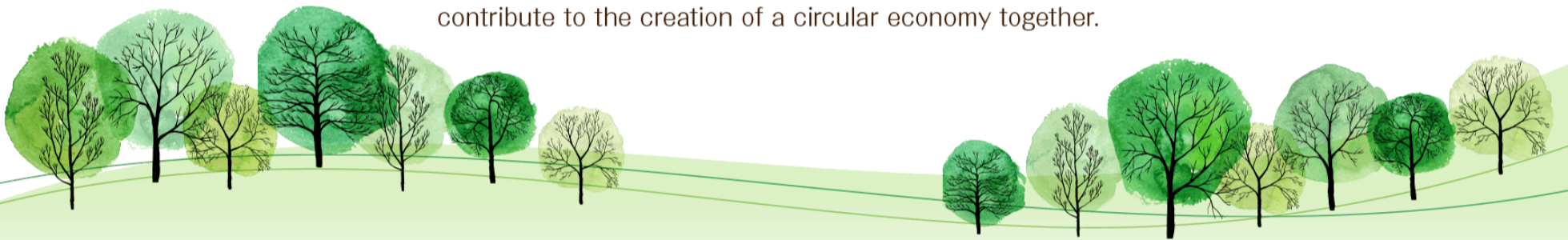


President and CEO,
Daicel Corporation

Y. Ogawa

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

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



Daicel Group Sustainability



Message from the
President and CEO



Sustainability
Management



Materiality



Environmental Report



Social Report



Governance



Responsible Care Activities



ESG Data



Sustainability Library

Sustainability Related Articles



Daicel's Monozukuri Manufacturing



Cellulose Acetate




Preventive Measure against COVID-19


> Policy List 


> Editorial Policy 

> Independent Assurance Statement 

> Participation in Initiatives and External Recognition 

> Scope of Reporting for Human Resources Data 

> Scope of Data Calculation for Environmental and Occupational Safety Performance 

> Status of Environmental Management System Certification 

> Status of Quality Management System Certification 

> GRI Standards Content Index 

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



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Message from the President and CEO



Since its foundation more than 100 years ago,
when the term “SDGs” or “sustainable” had not yet been used with today’s meaning,
Daicel has been committed to an essentially similar concept.
As a pioneer in biomass chemistry that has always handled wood resources,
we are contributing to building a circular society with partners that share our aspirations.

After securing a foothold, major transformations have begun

FY2022/3 was the first year of our “Accelerate 2025” Mid-Term Management Strategy, in which we embarked toward major changes. We, as a group, have made a good start by changing our organizational structure to a customer-in approach, retreating from unprofitable products, relocating and consolidating production sites, and making other major changes in the way we work and our work content. Consequently, our FY2022/3 results showed a year-to-year increase in both sales and profit, thanks to record-high sales and profits achieved by Polyplastics Co., Ltd. (Polyplastics), which became our wholly owned subsidiary in FY2021/3 as well as to cost reductions and sales expansions in existing businesses. Numerically we have returned to pre-pandemic levels, and we are making steady progress, as evidenced by the improvement in our management indicators.

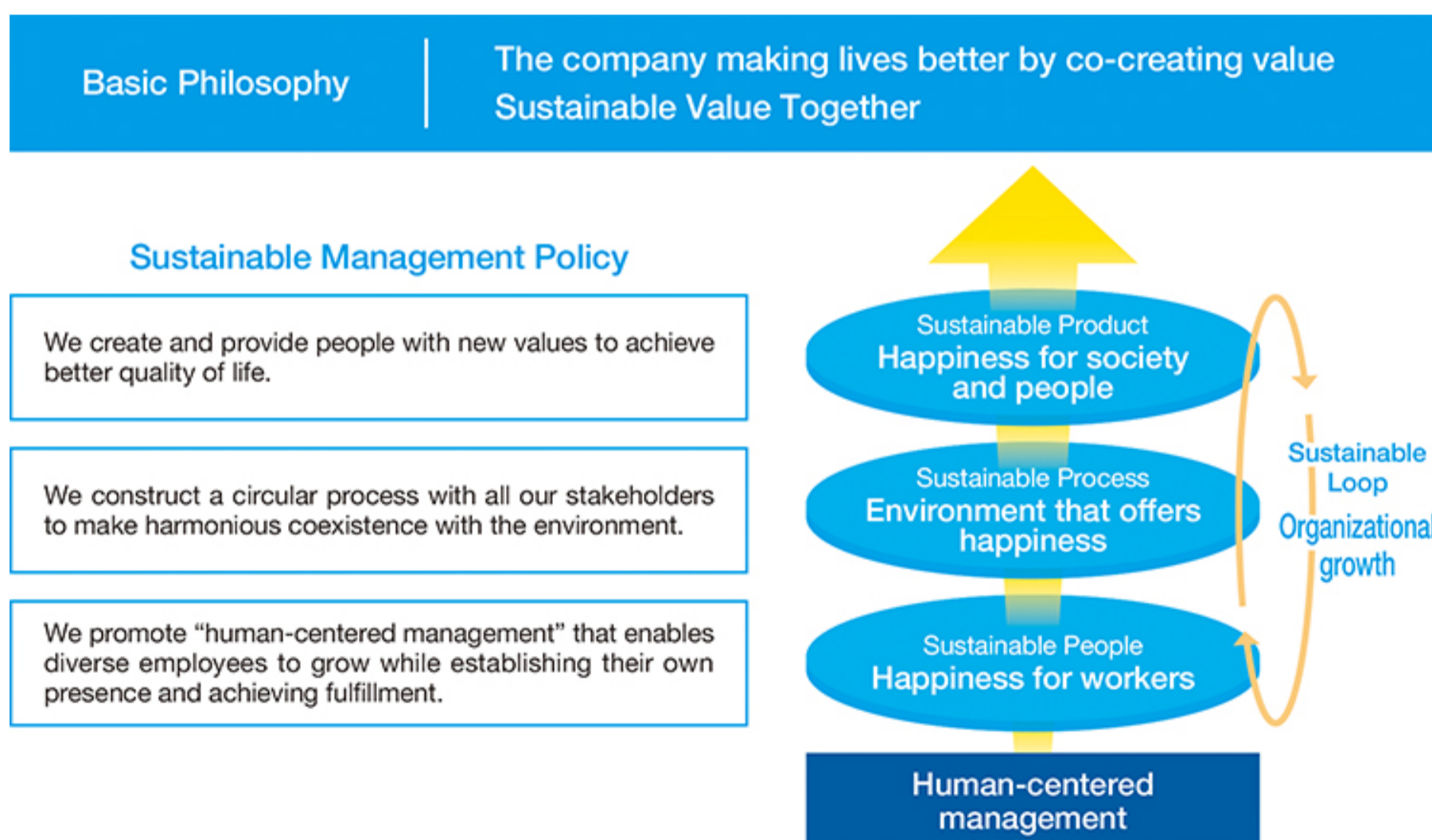
One of the high lights of FY2022/3 was Daicel Group’s Business Contest (DAICON), which was planned and carried out by our younger employees. DAICON aims at providing an opportunity for employees to present their ideas openly to management and hone their power to produce something out of nothing. This is important since the ability to create a new business model is essential for developing new technologies and products into a business. The theme of the first contest was to identify internal issues, following our culture of uncovering problems based on a CAPD cycle, rather than a PDCA cycle. Some members of management expressed their concern that employees might hesitate to point out negative aspects of the Company in front of management. However, I thought that even if it did not work, we could change our minds and try again. As a result, 51 teams participated and we were able to listen to voices from the frontline, including home truths, and discuss them with outside directors. I also see signs that a major transformation is progressing well as shown by changes in the awareness and behaviors of employees. For example, younger employees now inform me directly of the suggestions that come out of study sessions they hold of their own initiative.

In the face of these uncertain circumstances, due in part to the COVID-19 pandemic and the situation in Ukraine, I believe it is important not to shrink back when we think, make decisions, and take appropriate risks that will lead to our growth. We will continue our efforts to transform ourselves together with the approximately 11,000 employees of our Group working all over the world.

Daicel's abiding spirit since its foundation

In FY2020/3 we established the Sustainability Management Policy. As a materials manufacturer, we believe it is not enough for Daicel to contribute to society by simply making good products; the manufacturing process itself must be sustainable. Products made by people (employees) with a sense of fulfillment will bring happiness to everyone and society as a whole. Moreover, the products should be made through a process both people and environmentally-friendly. We are convinced this will create a sense of pride and confidence among workers and create new value. By achieving Sustainable Products, Sustainable Processes, and Sustainable People, we will create a sustainable society and further the growth of our Group. Thus, our Fourth Long-Term Vision and Mid-Term Management Strategy set a goal to make Daicel's unique contribution to building a circular society, replacing the existing mass-consumption society.

Daicel's spirit of sustainability for the entire society has been consistent since its foundation in 1919. In those days, the special procurement boom caused by the First World War led to a proliferation of celluloid manufactures in Japan, resulting in excessive competition in the industry and overcutting of camphor trees, the raw material for celluloid. Concerned about that situation, eight leading manufacturers merged to reorganize the industry, giving birth to Daicel. Since its inception, we have been committed to the proper management of raw material resources as well as to the promotion of new materials for the world by supporting processors and creating markets together. Our interest has always been not only in our own profits, but also in coexistence and co-prosperity with all our stakeholders, including the natural environment, through a win-win relationship in manufacturing. Even before the terms "SDGs" and "sustainable" gained their current definition, Daicel has long embraced this spirit.

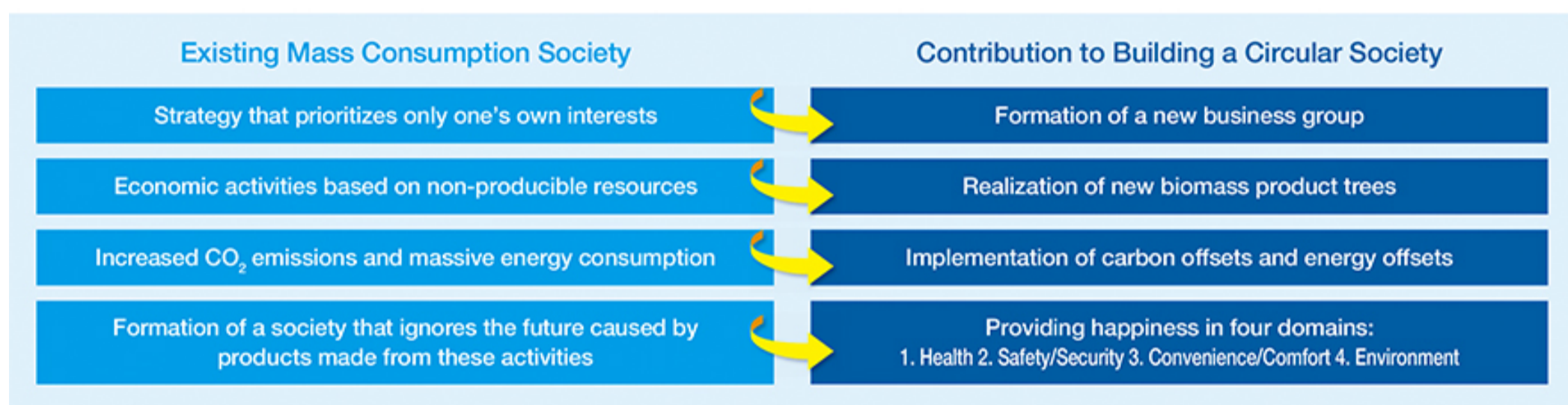


Daicel's unique contribution to building a circular society

Daicel is a pioneer in naturally derived chemical products that has always handled wood resources. Moreover, when we participated in a national project named C1 Chemistry, which aimed to break away from over-reliance on oil during the 1970s energy crisis, we were the first to synthesize non-petroleum-based organic compounds from one-carbon compounds such as carbon monoxide and methanol. Currently, methanol-based products account for 50% of our sales of chemicals. We are proud to be a chemical company capable of switching to biomass products by converting raw materials into bio methanol.

In order to give rise to Daicel's unique contribution to building a circular society, our Mid-Term Management Strategy has the goal of the formation of new biomass product trees.

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



The key to transforming society is our technology for melting wood

Cellulose, which represents one of Daicel's strengths, is a naturally derived biomass material. However, the process of separating cellulose from pulp consumes an enormous amount of energy, which creates a challenge. Solving this problem by creating an innovative production method is our mission.

The key to realizing new biomass product trees is a technology for melting wood. The reason why petroleum resin is preferred over wood-derived celluloid is that liquid petroleum is more soluble and produces a variety of reactants more easily than solid wood. Moreover, the manufacturing process that uses hard-to-melt wood as raw material is energy-intensive. In order to move away from over-reliance on oil and generate a circular society, we must create a technology for melting wood while reducing energy load and costs. We are conducting joint research with Kanazawa University and Kyoto University to develop a technology that melts wood using less energy. Once this method is established, new biomass product groups will be created in a wide range of fields. This will make it possible for biomass products to replace or complement petrochemical products.

Beyond that, we propose the Biomass Value Chain concept, which uses our technology for melting wood to make efficient use of wood, revive the forestry industry, restore Japan's original natural vegetation or deciduous broadleaf forests on the sites where trees have been logged, reduce the risk of landslides through the forest's water retention capacity, and allow the decaying leaves to circulate nutrients to river basins and the ocean. This concept is aimed at producing a sustainable ecosystem and society for Japan, where forests still now cover approximately 70% of its land.

Furthermore, by melting down and recycling wastes generated in agriculture and fisheries, we will be able to build a new sustainable industrial ecosystem in which primary and secondary industries work together. Once we can dissolve various biomass materials, we would like to create and publish complete data on solvent formulation and solubility to develop a new environmental business model. We believe that this will stimulate the emergence of diverse biomass products worldwide, and thus help all society be less dependent on petroleum.

To fulfill this concept, in April 2022, we formed a new internal organization that strengthens collaboration between industry, academia, and government. This fall, we plan to open a new research institute at Kanazawa University through our financial contribution. Located at a highly public national university, the institute is expected to be used for joint research between various companies and research institutions.

Seeking technological innovation through the application of technology for melting wood

The microfluidic device plant, which applies our melting technology to a chemical plant, is a manufacturing method that fundamentally overturns the concept of the chemical industry. Previously it has been considered heavy, bulky and energy intensive. To realize this, we have completed a pilot plant through joint research with the University of Tokyo and National Tsing Hua University in Taiwan. The combination of our technology for melting wood, along with the chemical plant unit operations developed through DAICEL Production Innovation, enables the precise mixing, reaction, and purification in ultra-fine channels drawn on a glass chip as small as a business card. By increasing the number of glass chips, we can create an extremely compact, lean, environmentally-friendly and innovative chemical plant with an annual production capacity over several tons. Our final goal is to achieve sustainable manufacturing that produces only the quantities a customer needs and only when they require it in their factory. We plan to implement the microfluidic system in our plants in Japan during FY2025/3.

To achieve carbon neutrality, we need to become carbon negative by converting CO₂ into chemical raw materials through reduction reactions. We are conducting joint research with Kanazawa University on the possibility of enhancing the effectiveness of this technology by combining diamond synthesis and electrochemical technologies. It is certainly possible to protect the ecology and grow the economy at the same time. Otherwise, the sustainability of corporations and society would never be achieved. With confidence and pride in process innovation, which is our forte, we will fully demonstrate our presence as a chemical company.

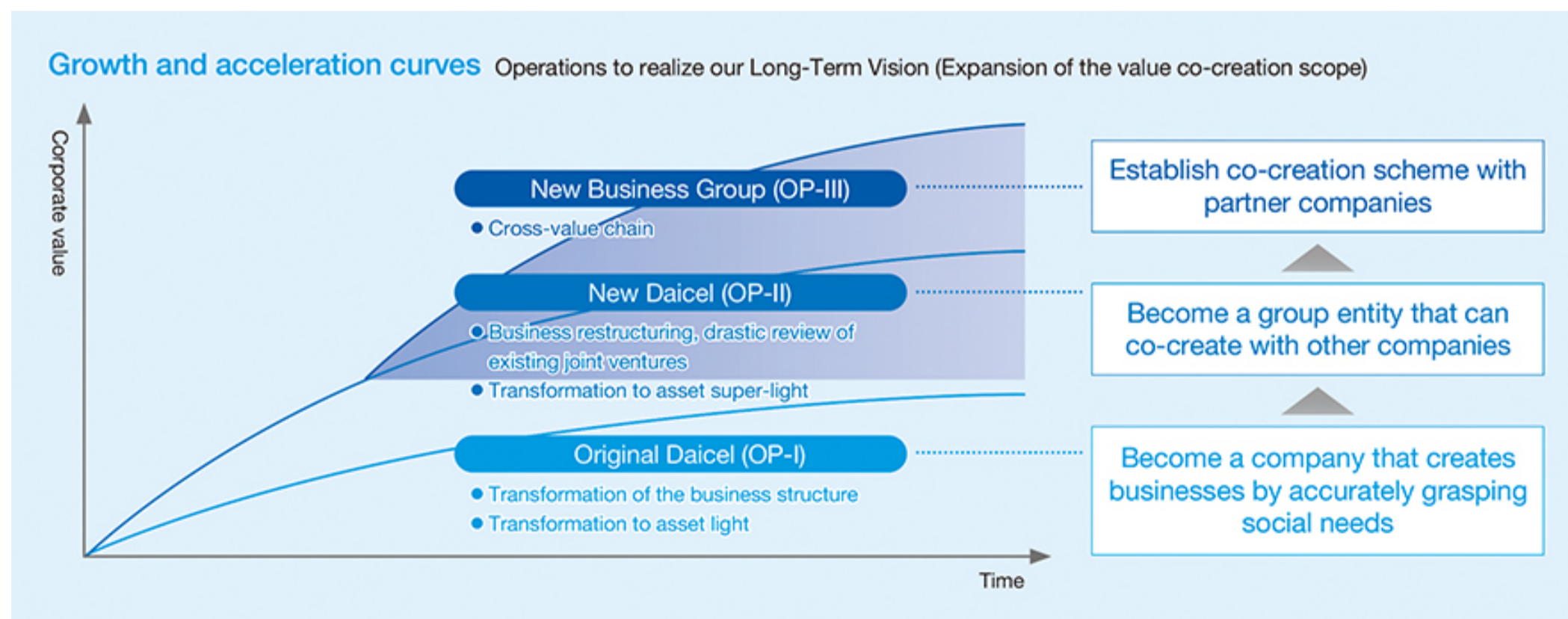


Accelerating growth by co-creating value chain

In my early 30s, I was involved in the production of organic synthetic products at the Ohtake Plant. Since we are a B to B intermediate material manufacturer, we cannot reach the final product without connecting a considerable number of supply chains. While it was difficult to get a sense of whether we were creating valuable products for our customers, it was a great pleasure for me when a customer at that time told me, "We have created such and such a final product. From there, not only our developers but also our manufacturing engineers and factory operators began to visit our customers, and this also led to a real sense of manufacturing and achievement for us.

This experience made me want to form more of a win-win relationship between us and our suppliers who engage in previous and subsequent manufacturing processes. One of the reasons for creating the DAICEL Production Innovation was to remove the barriers between different departments and different plants that remained in Daicel at the time, and to share information in order to create an environment that enabled us to mobilize all available resources. After the internal reform, the next step is to collaborate with suppliers and business partners in previous and subsequent processes. By expanding this effort further throughout the supply chain, we will be able to form a more beneficial value chain that links everyone from the raw material providers to end customers.

Although we are a medium-sized chemical company, we have unique technologies and unique talent. In order to make the best use of these resources to contribute more to society and demonstrate the significance of our existence, it is essential for us to actively disclose information, visit our customers, and add value to our supply chain. Each of our measures to contribute to building a circular society is significant in scale and cannot be accomplished by us alone. Co-creation with customers, as well as our supply chain, universities, research institutes, government agencies, and industry peers is indispensable. Our Long-Term Vision seeks to create greater value by transcending the conventional concept of company and forming a value co-creation entity with partners who share our aspirations.



Our current initiatives to create a bright future

Our Mid-Term Management Strategy targets 500 billion-yen sales by FY2026/3, but we are considering revising this upward because achievement of this goal is already in our sight. Despite external factors, many investment projects for the mid-term strategic period are in the pipeline. We will not misjudge the timing to invest.

In FY2023/3, we will continue to implement a thoroughly asset-light strategy by identifying appropriate inventories and investment amounts, while at the same time, we will reduce costs rigorously, regarding Material business as our foundation business as the demand for chemicals is steady. In the Safety business, we are proceeding with structural reforms such as relocation and consolidation of production sites and integration of product models, while building a new base in the growing market of India. In the Smart business, we are developing functional films with newly acquired coating technology, and plastic lenses for sensing, which are expected to grow rapidly. We are also investing to increase production of electric solvents and resist materials to meet strong demand. In the Medical/Healthcare business, we will strengthen our global development and sales capabilities with the aim of operating a new plant for our core products, as well as transforming the life science field into an SBU. A series of investments to increase production are underway in the Engineering Plastics business, which continues to be in full production. We will boost profitability by maximizing the advantages of the acquisition of Polyplastics as our wholly owned subsidiary in FY2021/3.

Human-centered management

We believe that the value of a company's existence is to promote the happiness of everyone involved in every area of our business, including products, the manufacturing process, and working people. Thus, our sustainable management policy is also based on human-centered management. It is people (employees) who fulfill our Long-Term Vision and Mid-Term Management Strategy and uphold our sustainable growth. We are striving to be a group of professionals who are self-reliant amid a diverse range of career options. This fiscal year we reviewed our personnel system and changed it to a multiple-track job grade system. The previous single-track grading system was based on equality in theory, but in reality, it screened employees and divided them into different tracks in some cases. We cannot say that this valued people in the way they deserved. We must become a company where employees proactively think what they want, act, and achieve fulfillment. By respecting the freedom of each employee and delegating authority to them, we strive to be an autonomous and self-driven organization that can respond to the market and customers quickly and flexibly. For this purpose, we have prepared as many career options as possible for employees to make the most of themselves, such as permission to have a side job and offer a job posting system, in addition to the multitrack career planning. I believe that a professional is a person who makes their own choices and fulfills the responsibility that comes with it. An organization that attracts such professionals is more interesting for the workers and stronger as a company. Through our working style that respects diversity and encourages each employee to take on challenges with vigor, we will contribute to the realization of a sustainable society.

Yoshimi Ogawa
President and CEO, Daicel Corporation

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

The company making lives better by co-creating value

Sustainable Value Together

Co-creating value ●●●

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

Sustainability Management

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

Sustainable Management Policy

Sustainable Management Policy

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

Enacted July 5, 2020

■ Conceptual Diagram of Sustainable Management Policy



Sustainable Management System

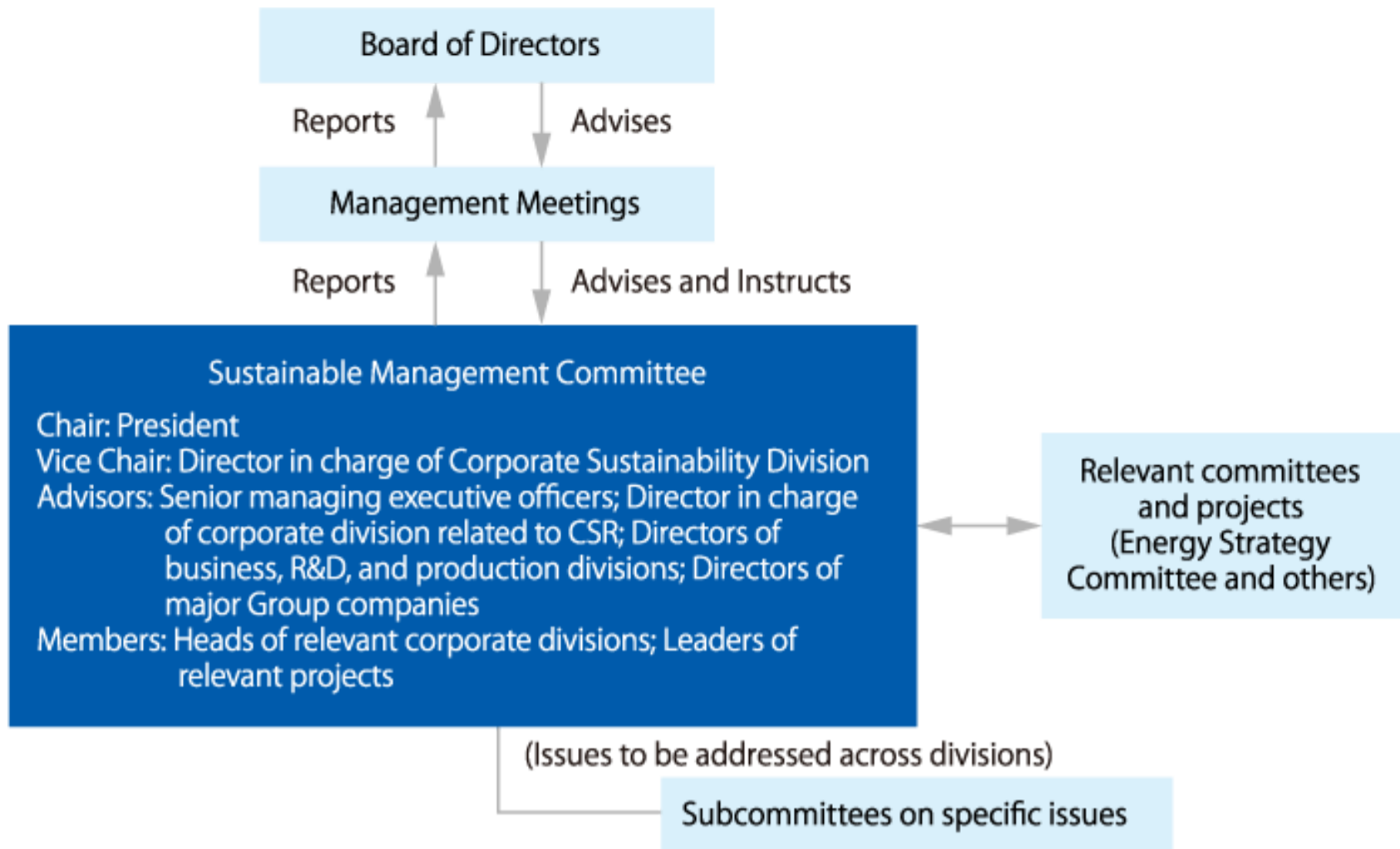
In FY2021/3 the Daicel Group established the Sustainable Management Committee, chaired by the president and mainly comprising the heads of CSR-related divisions as members to engage in management-level discussions on the important agenda of promoting a circular society and Daicel's response to climate change. We also seek to raise the level of our CSR actions on issues including human rights, work environment, corporate ethics, sustainable procurement, and information disclosure through the activities of subcommittees on specific issues. Daicel will continue to address issues related to sustainability group-wide.

To further promote our contribution to developing a circular society, which is our mission under the Accelerate 2025-II Mid-Term Management Strategy revised in February 2021, in addition to existing members, including directors responsible for CSR-related divisions, all senior managing executive officers, directors responsible for business, R&D and production divisions, and directors of major Group companies began participating as advisors from FY2022/3 to accelerate our contribution to achieving sustainability through our businesses and innovation.

In June 2021, the Daicel Group identified its key sustainability issues, or materiality, to bolster its efforts for the Mid-Term Management Strategy and the CSR foundation. The Sustainable Management Committee will designate a KPI for each item and periodically evaluate progress to maintain a CAPD cycle.

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

■ Diagram of the Sustainable Management System



Joining the United Nations Global Compact

In order to promote responsible corporate management, the Daicel Group established and has been abiding by the Daicel Groups Conduct Policy, the Daicel Code of Conduct, and the Basic Policies on Responsible Care for some time. Daicel Corporation signed the United Nations Global Compact in April 2020 to support its intention to resolve global issues as a responsible corporate citizen.

The Global Compact upholds the Ten Principles in the areas of human rights, labor, the environment, and anti-corruption. In 2021, the Daicel Group formulated a new personnel policy based on those principles. It has been verifying the compatibility of existing documents, such as the Conduct Policy, the Code of Conduct, and the Basic Policies on Responsible Care, with the principles of the United Nations Global Compact. To encourage a greater understanding of the principles throughout the Company, relevant divisions of Daicel have joined the subcommittees organized by the Global Compact Network Japan from FY2022/3 to collect and share information.

➤ [Ten Principles of the United Nations Global Compact and the Daicel Group's Initiatives](#) 

➤ [Global Compact](#) 



Initiatives for Achieving the SDGs Toward Realizing a Sustainable Society

The Sustainable Development Goals (SDGs) were adopted at the UN Sustainable Development Summit in 2015 as international goals aimed at creating a sustainable world that is better than today by 2030. Based on the pledge that no one will be left behind, the SDGs consist of 169 targets and 17 goals in areas including climate change, poverty, and gender equality, and enterprises are required to pursue initiatives to achieve the goals.

The Daicel Group believes its corporate mission is to recognize social issues and contribute to realizing a society characterized by sustainable products and business processes and to achieving the SDGs while creating new value for society.

Beginning in FY2021/3, we instituted programs to make these concepts an integral part of the Company, such as Ambassador activities and position-based training, and to make them part of every employee's mindset. We intend to expand these programs in FY2022/3 in order to deepen employees' understanding.

Furthermore, in order to take specific steps toward contributing to the construction of a circular society, as laid out in our Mid-Term Management Strategy, we formulated the important issue of materiality and are proceeding with setting the relevant key performance indicators (KPI). Setting these KPI will make each division's contribution to the SDGs and sustainability visible. We also intend to create a certification system for evaluating how well our products contribute to sustainability.

[> Identifying Key Sustainability Issues \(Materiality\)](#)

Initiatives Aimed at Spreading an Understanding of the SDGs

We believe that it is of utmost importance that each and every employee understands the SDGs, connects them to his or her own work, and acts with this in mind in order to contribute to their achievement. To this end, we are implementing various initiatives led by the Corporate Sustainability to promote awareness of the SDGs.

SDGs Ambassador Activities

The SDGs Ambassadors initiative was established by the Daicel Group in FY2021/3 as a community of self-motivated volunteers that cross the boundaries of worksites, job types and positions in order to promote awareness throughout the Group. In this, the third year of the program, a total of 125 employees (74 in FY2021/3, 108 in FY2022/3), including those at Group companies and assigned overseas, participated in monthly online Ambassadors' Networking Event (nine times in FY2022/3) to engage in a mutual exchange across worksites. Basic lectures and team activities helped participants learn about the SDGs and deepen and broaden their understanding. The 13 SDG ambassadors, who are passionate about the SDGs among them, have set the penetration of the SDGs as a business goal as key persons and are working on further internal penetration at their sites and departments. Furthermore, in February 2022, the Ambassadors held online meetings with SDG key persons at other companies and in other industries to exchange views, leading to the use of "SDG" as a key word.

Examples of Activities by SDGs Ambassadors

Ohtake Plant

Under a new plan initiated in FY 2023/3, the SDG Ambassadors and the labor union at the Ohtake Plant put together tag teams and held an event in which participants learned about the SDGs through GOMI-SUPO*, quizzes, and coffee gatherings while learning how operations at their plant is linked to the SDGs. It is an enjoyable way to exchange ideas.

* Teams competed against each other in the type and amount of trash they picked up within a time limit. This competition combined eco-friendly activities with sports, and was held at a beach cleanup near the plant.



DM Novafoam Ltd.

The SDGs were the key concept at the One Novafoam Initiative, which DM Novafoam Ltd. initiated as a joint program at three plants (the Nagano Plant, the Okayama Plant, and the Aomori Plant). In addition, the Pink Mask Program, implemented at a local junior high school to introduce consideration of gender equality, has been extended to the Company as part of lively interactions with the local community.



Excerpt from the Hokushin Local (December 24, 2021 issue)

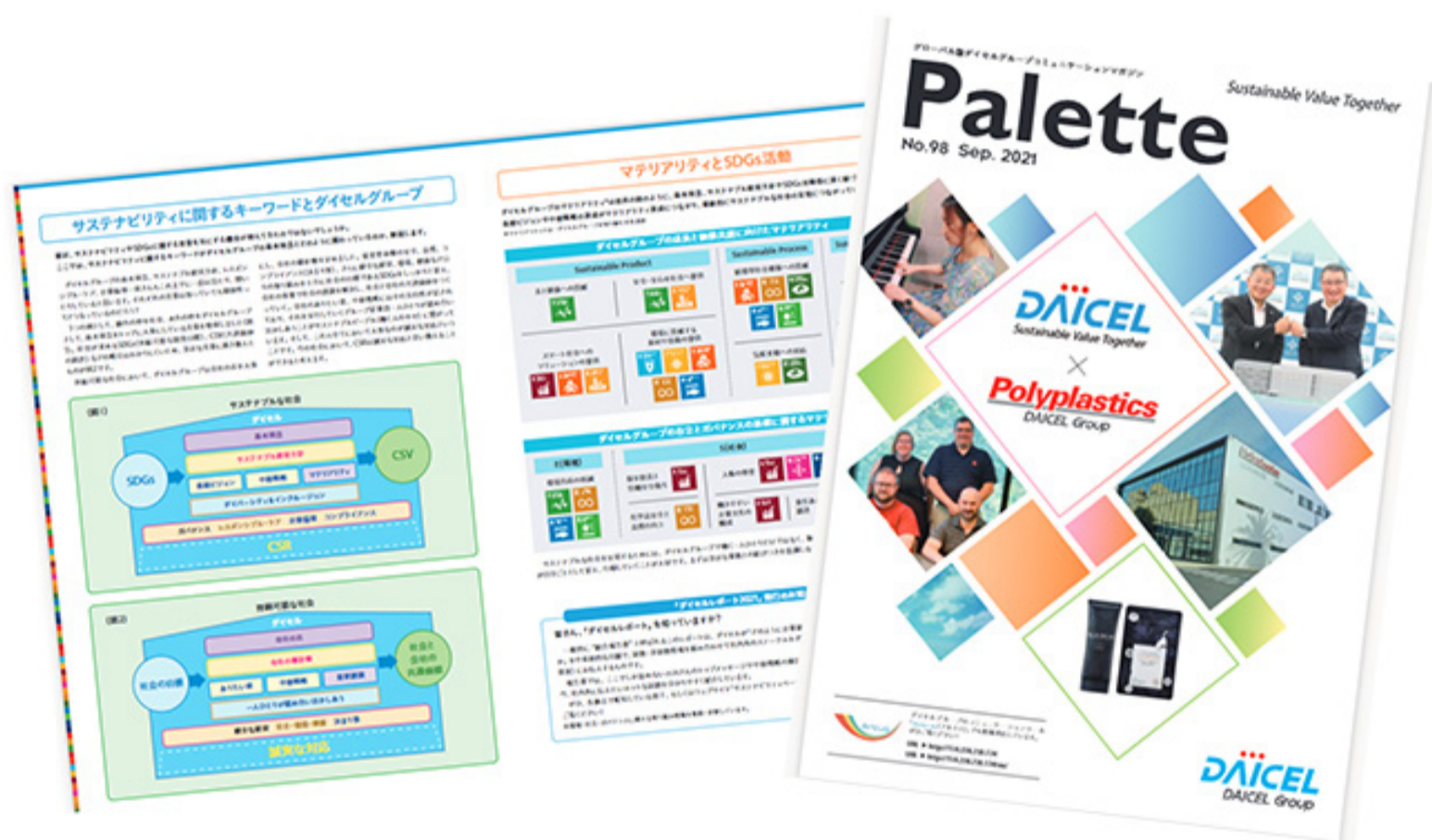
Team Activities by Goal

Members who were interested in SDGs 17 gathered, divided themselves into teams for each goal, determined which themes to concentrate on, and carried out activities. Diverse members across affiliations and offices delved deeply into the goals through experiences and discussions that were accessible to them. They reported their results at an online Ambassadors' Networking Event in March 2022.



Internal Dissemination Activities

We continued our efforts from FY2021/3 in FY2022/3 by disseminating information on the SDGs and activities by SDGs Ambassadors through our Company newsletter Palette and the Arcus intranet. In addition, at the request of each division, members of the Corporate Sustainability translated key words from European languages into Japanese, and gave lectures at study sessions and Site RC conventions that conveyed the key words in an easy-to-understand manner. (results: FY2022/3: four study sessions and four lectures were attended by more than 1,300 employees).



Group-wide Online Event (Sustainable Week)

Continuing from the event held in FY2021/3, a Group-wide event called "Daicel Group Sustainable Week" was held with mainly online participation from November 8 to 12, 2021. A variety of events were offered under the catchphrase "Connect sustainability with your everyday life and find your own way to achieve it," which included a message from the president, a presentation called "My SDGs," dialogues and quizzes prepared by the diversity promotion project "Wellbee," and a live event by SDG personality Nana Takamatsu. About 1,100 employees from the entire Group participated in these events. The special website on our internet had been accessed more than 5,000 times.

小河さんとたかまつななさんトークショー



An Online Dialogue Between Nana Takamatsu and President Ogawa

Position-based Training

In FY2022/3, we conducted rank-based training for every employee who has been promoted, in addition to trainings for new recruits and newly appointed managers. Joining with CSR-related divisions, such as Corporate Compliance and Responsible Care, we held sessions centered on the concept of sustainability. In consideration of the ongoing COVID-19 pandemic, we held the sessions in hybrid form, partly face-to-face and partly online, implementing practical training programs that included group discussions (with about 300 participants). Additionally, we will strive to foster future leaders of sustainable management through a systematic training program for employees. The program will continue from the time they join the company to when they are assigned to a managerial post.

SDGs Survey

To assess the results of dissemination activities, we conducted our third SDGs Awareness Survey in February 2022. We sent a questionnaire to 5,839 employees, including those at Group companies in Japan (response rate: 77%) and found that over 80% of the respondents were aware of the SDGs (an increase over the figure of 60% from the previous year), which confirmed that the concepts of the SDGs are being disseminated. In FY2023/3, we will strive to increase employees' understanding of the SDGs and strive to implement them through our operations. We will also expand this program to our overseas business sites.

Stakeholder Engagement

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

Stakeholder	Details	Main Methods of Communication
Customers	Corporate customers and general consumers to whom we provide our products and solutions	Dissemination of information via the corporate website and other media Contact points Organization of exhibitions and participation in exhibitions
Shareholders and Investors	Shareholders, individual and institutional investors	Annual General Meeting of Shareholders Financial Results Announcement Business briefings One-on-one interviews Participate in conferences for overseas investors Individual visits to overseas investors Small meetings Facility tours Dissemination and disclosure of information via the Daicel Report and corporate website Contact points
Suppliers	Suppliers and subcontractors of raw materials, fuel, and parts, etc.	Daily business transactions Responsible care promotion activities Contact points CSR Procurement Survey
Employees	All of the Daicel Group's employees	Various training seminars and educational training Central Healthcare Committee and Workplace Healthcare Committees Group newsletter and intranet Signing of the Labor-Management Charter with the labor union Compliance Help Line

Stakeholder	Details	Main Methods of Communication
Local Communities	Locations of the Daicel Group' s offices and plants	Voluntary activities Friendship events with local residents Participation in local events
Industry and Academia	Partner companies, universities and research institutions with whom the Daicel Group conducts joint research and development	Joint research and development Participation in projects

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

[> Sustainable Management Policy](#)

[> Mid-term Management Strategy Accelerate 2025](#)

Background and Approach to Identifying Our Materiality

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

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

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

Process of Identifying Materiality



STEP 1 Extract social issues

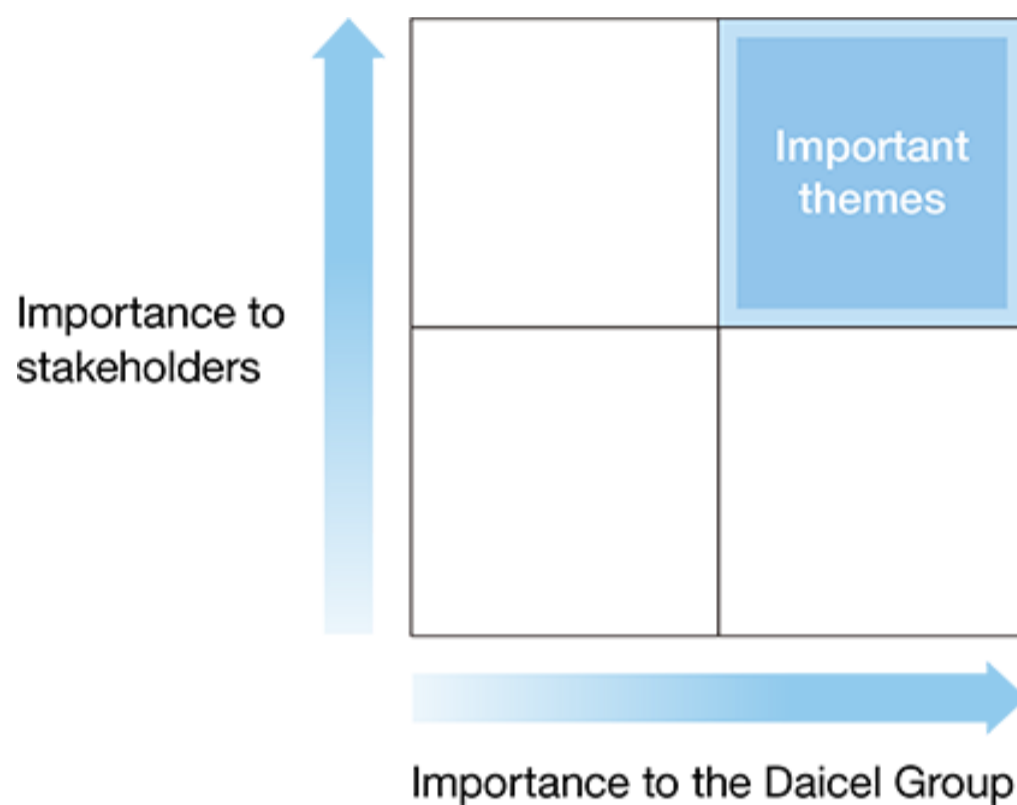
We referenced international guidelines, SDGs, the principles of the United Nations Global Compact and guidelines published by industry organizations to extract social issues that the Daicel Group should address.

STEP 2 Prioritize

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

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

■ Materiality Map



STEP 3 Confirm validity


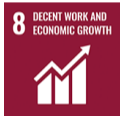









The Corporate Sustainability and other relevant divisions discussed the validity of important themes identified through Steps 1 and 2. The results were reported and approved at the Management Meetings and subsequently endorsed by the Board of Directors.

STEP 4 Formulate materiality and KPIs








By going through Steps 1 to 3, we identified 15 material issues. We designate a KPI for each as needed, and also periodically evaluate progress to maintain a CAPD cycle. We will review our materiality in response to future changes in society and our business.

Materiality and Key Achievements


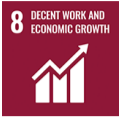


Materiality aimed at achieving growth of the Daicel Group and value co-creation

Classifications	Materiality	Main Initiatives in FY2022/3	Relevant SDGs
Sustainable Product	Contribute to beauty and health	<ul style="list-style-type: none"> Through industry-academia collaboration, accelerated the development of naturally derived products, aiming to enhance peoples' well-being Succeed in the world's first industrial production of Urolithin A Established the Life Sciences Business Division to strengthen our medical products business using proprietary technologies Provided a new drug delivery device for COVID-19 vaccine development 	
	Contribute to the Smart Society	<ul style="list-style-type: none"> Accelerated the development of high-performance materials for semiconductors and other electronics applications, and was chosen for leading research under the "Post 5G Information and Telecommunication Systems Infrastructure Enhancement Research and Development Project" of NEDO Established the Advanced Materials & Packaging Institute and moved from the basic research phase to the development phase 	  
	Provide safety and security for society	<ul style="list-style-type: none"> Launched brands of new energy systems One Time Energy™ and DAISI™ and stepped up the development of products to accommodate the shift towards automation and electrification Improved gas generant combustibility and developed a new gas generant manufacturing process 	 
	Provide environmentally friendly materials and technology	<ul style="list-style-type: none"> Carried out a project for a new cellulose acetate business and advanced the environmentally-friendly materials business Obtained "OK biodegradable MARINE" certification for CAFBLO™, a highly biodegradable cellulose acetate Obtained certification for COC as a recyclable high density polyethylene (Polyplastics USA) 	    







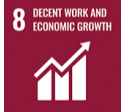


Materiality aimed at achieving growth of the Daicel Group and value co-creation

Classifications	Materiality	Main Initiatives in FY2022/3	Relevant SDGs
Sustainable Process	Contribute to the development of a circular society.	<ul style="list-style-type: none"> Established the Biomass Innovation Center and strengthened our high-performance materials research and development capabilities using biomass Carried out joint research with Kyoto University and Kanazawa University In October 2022, will open a facility at Kanazawa University to research biomass utilization and technologies toward carbon neutral 	    
	Respond to climate change	<ul style="list-style-type: none"> Scope 1 and 2 GHG emission reduction rates (compared to FY2019/3) FY2022/3 results: 1% Targets: FY2026/3 37% FY2031/3: 50% FY2051/3: Achieve carbon neutrality (Scope 1, 2, 3) The increase in GHG emissions caused by higher production volume prompted by a recovery of demand was offset by energy-saving efforts that included increasing our usage of steam and electricity, putting emissions on par with FY2019/3 	 

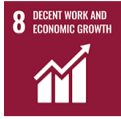


Materiality aimed at achieving growth of the Daicel Group and value co-creation

Classifications	Materiality	Main Initiatives in FY2022/3	Relevant SDGs
Sustainable People	Promote diversity and inclusion	<ul style="list-style-type: none"> Ratio of women in management position*¹ FY2022/3 results: 4.3% Target: FY2026/3 10% or above Ratio of persons with disabilities that have been with the company at least three years*¹ (1 - persons with disabilities that left the company in less than three years after joining / total number of employed persons with disabilities) × 100 FY2022/3 results: 97.2% Target: Keep at 95% or above Held training and other internal events with the theme of “Design Your Own Career” as part of the “Wellbee” diversity promotion project Published an action plan for the second phase (FY2022/3 to FY2026/3) of Japan’s Act on Promotion of Women’s Participation and Advancement in the Workplace 	 
	Support personal growth	<ul style="list-style-type: none"> Revised the human resources systems for managers in April 2021 and for non-managers in April 2022; employees now can choose their career more independently. Implemented the Career Challenge System to enable employees to challenge themselves in new ways toward achieving a career plan of their own devising Held age-specific career training aimed at helping employees in their early 50s lead fulfilling personal and professional lives by enabling them to plan their own future careers 	 

Materiality related to the foundation for the Daicel Group's continuity and governance

Classifications	Materiality	Main Initiatives in FY2022/3	Relevant SDGs
Environment	Reduce environmental impact	<ul style="list-style-type: none"> Industrial waste recycling rate*² FY2022/3 results: 97.7% Target: FY2026/3 99% or above 	   
Social	Ensure process safety and disaster prevention, occupational health and safety	<ul style="list-style-type: none"> Serious occupational accidents*¹ FY2022/3 results: 0 Target: Keep at 0 Serious process safety incidents*¹ FY2022/3 results: 0 Target: Keep at 0 Held safety training based on past incidents (occupational accidents and process safety incidents)*¹ FY2022/3 results: 100% Target: Keep at 100% 	
	Ensure chemical safety and Enhance product quality	<ul style="list-style-type: none"> RC-related regulation audit rate*¹ FY2022/3 results (1st year of 5-year plan): 21% Target: FY2026/3 100% Rate of initial response to customer complaints within 24 hours*¹ FY2022/3 results: 63% Target: FY2026/3 100% Conducted General Operability Studies*⁴ for quality and usage rates, used online sensors and soft sensors for quality checking, and worked toward completing the integrated quality management system 	
	Respect human rights	<ul style="list-style-type: none"> Implementation rate of human rights due diligence for Daicel Group companies for FY2020/3 to FY2022/3: 64.9% Group companies in Japan: conducted in 16/18 companies*³ Group companies overseas: conducted in 21/39 companies*³ Proposed plan for conducting human rights due diligence for suppliers 	  

Materiality related to the foundation for the Daicel Group's continuity and governance

Classifications	Materiality	Main Initiatives in FY2022/3	Relevant SDGs
Social	Foster a corporate culture that meets employee needs	<ul style="list-style-type: none"> ● Annual continuous paid leave acquisition rate*¹ (a five-day holiday taken once per year) FY2022/3 results: Held a “Thanks Holiday” (employees take a five-day holiday) pilot for certain organizations Target: FY2026/3 100% ● Increased number of holidays for shift workers as an initiative to shorten working hours ● Established the Employee Wellness Promotion Center to improve health management throughout the Group 	
	Promote sustainable procurement	<ul style="list-style-type: none"> ● Sustainable procurement rate (the percentage of suppliers meeting Daicel's standards, based on the results of SAQs conducted for major Daicel Group suppliers) FY2022/3 results: 72% Target: FY2024/3 100% ● Held interviews with major suppliers on SAQ results, identified issues, and provided support for making improvements 	
Governance	Strengthen foundation for Group governance and Compliance	<ul style="list-style-type: none"> ● To enhance effective management oversight functions, a third-party organization held discussions on conducting effective evaluations at the Board of Directors meeting; evaluations to be done in FY2023/3 ● Rate at which legal checks are made and response measures taken for material matters requiring executive decision FY2022/3 results: 100% Target: Keep at 100% ● Issues reported to the Help Line FY2022/3 results: 50 ● Percentage of employees who know how to use the Help Line system and can contact the Help Line when they discover compliance violations*² (= percentage of employees who have taken Help Line reporting training) FY2022/3 results: 8.5% Target: FY2026/3 100% 	

*1 Daicel

*2 Daicel and Group companies in Japan

*3 Figures represent the number of candidate companies for human rights due diligence (as of March 2022)

*4 Daicel's original method of standardizing plant operations.

Environmental Management

Basic Approach

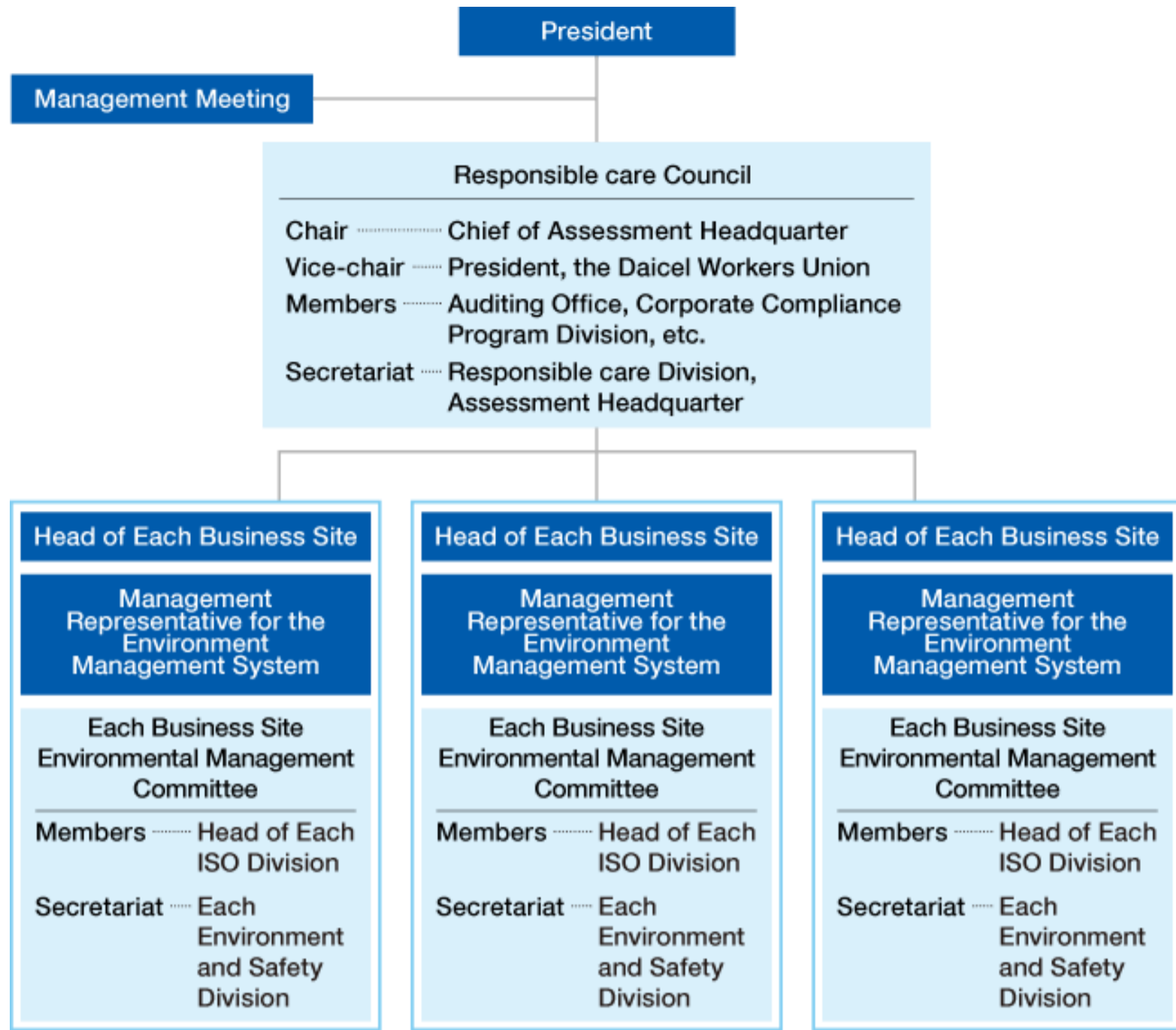
The Daicel Group seeks to fulfill its role in realizing a circular society by engaging in Group-wide activities for the environmental protection by making effective use of limited resources in its manufacturing process to minimize the Group's environmental impact. In accordance with [the Daicel Group Basic Policies for Responsible Care](#), we pursue initiatives under the specific themes of addressing climate change, reducing and recycling waste, reducing emissions of chemical substances, preserving water resources, preventing air pollution, and preserving biodiversity. Daicel's business sites and Group companies execute their environmental management systems such as ISO 14001 and regularly report their progress while engaging in continuous dialogue with our stakeholders.

Promotion System

The Daicel Group has established an environmental management system under promotion system for responsible care ("RC") to implement energy-saving measures, reduce CO₂ emissions, waste and the environmental impact on air and water quality, and preserve water resources and biodiversity. In each of these initiatives, we strive to protect the environment through continuous improvements by applying a CAPD cycle through which we revise our plans based on the results of the certification audits for ISO 14001 as well as internal and RC audits and formulate and execute new plans.

We summarize the results of our efforts in an environmental annual report and inform them of the results to the Management Meetings and to the Board of Directors.

■ Promotion System for Environmental Management



➤ [Promotion System for Responsible Care](#)

➤ [Response to Climate Change](#)

➤ [Reduction and Recycling of Industrial Waste](#)

➤ [Emission Management of Chemical Substances](#)

➤ [Water Resource Preservation](#)

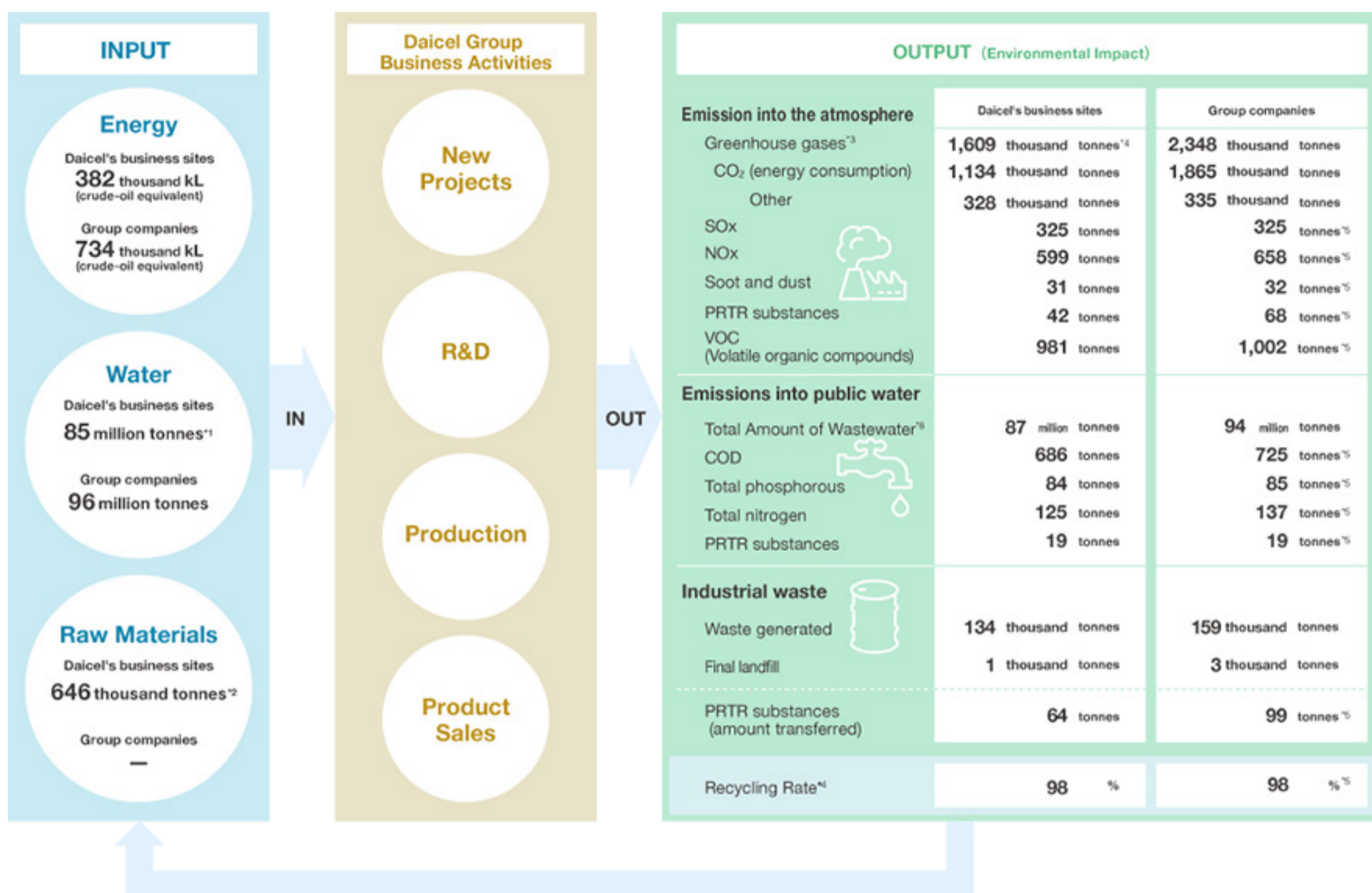
➤ [Environmental Management and Prevention of Air Pollution](#)

➤ [Preserving Biodiversity](#)

Environmental Impact of Business Activities

The environmental impact of the Daicel Group's business activities (material balance) in FY2022/3 is shown below.

Environmental Impact in FY2022/3



*1 Includes 33 million tonnes of seawater for cooling.

*2 Renewable materials; 127 thousand tonnes. Non-renewable materials; 519 thousand tonnes.

*3 Includes CH₄, N₂O, HFC, PFC, SF₆, and NF₃, aside from CO₂.

*4 Includes the headquarters, etc.

*5 Daicel's business sites and domestic Group companies.

*6 Includes byproduct water from manufacturing.

> ESG Data [Environmental Performance Data](#)

Internal Environmental Audits

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

Education and Training on the Environment

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

Status of Compliance with Environmental Regulations

In FY2022/3, there were no serious violations of environmental regulations at Daicel nor were there any litigations involving fines for violations of the law, punitive measures, or compensation for environmental damages.

Status of Environmental Management System Certification

Environmental management system certification has been obtained by 85% and 63% of Daicel Group's production sites in Japan and overseas, respectively. Please refer to the following link on the current status of environmental management system certification.

[> Status of Environmental Management System Certification](#)

Response to Climate Change

Basic Approach

The Daicel Group designated its medium- to long-term targets for reducing GHG emissions under its [Basic Policies on Responsible Care](#) with the goal of realizing a carbon neutral society. We will seek to reduce GHG emissions for the Group and throughout our cross-value chain following a fundamental review of our production processes. The entire Group will also embrace new technologies and renewable energy while switching fuels and optimizing energy consumption.

Medium and Long-term Reduction Target for GHG Emissions

Medium and Long-term Reduction Target for GHG Emissions

- FY2051/3: Achieve carbon neutrality*¹
- FY2031/3: 50% reduction in GHG emissions (compared to FY2019/3)*²
- FY2026/3: 37% reduction in GHG emissions (compared to FY2019/3)*²

*1 Applicable to the Daicel Group's Scopes 1, 2, and 3 emissions

*2 Applicable to the Daicel Group's Scopes 1 and 2 emissions

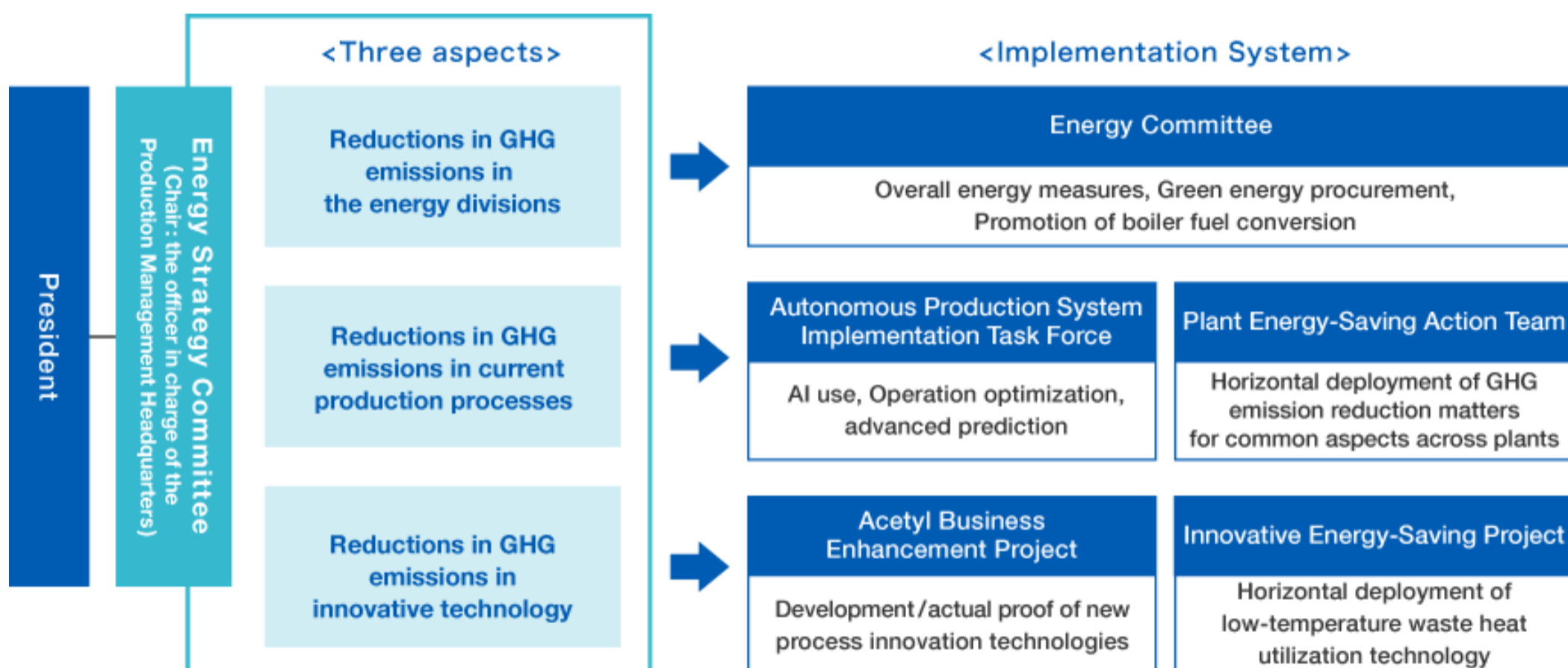
To achieve carbon neutrality by FY2051/3, we designated a medium-term target of reducing GHG emissions by 50%, compared to FY2019/3 levels, by FY2031/3. We decided on this target after referencing the level of reductions required to maintain the global rise in temperature below 1.5°C from Pre-Industrial Revolution levels, as laid out by the Paris Agreement, and to adhere to the framework of the Science Based Targets initiative (SBTi). To achieve this medium-term target, we will further develop the energy-saving initiatives we have been undertaking, for GHG emission reductions.

Promotion System for GHG Emission Reductions

To bolster our Group-wide initiatives for saving energy and reducing GHG emissions, we expanded the scope of the Energy Saving Committee in July 2020 by establishing the Energy Strategy Committee, which reports directly to the president and CEO. The Energy Strategy Committee is chaired by the officer in charge of the Production Management Headquarters, with membership comprising the heads of our production, energy, and other corporate departments in Japan. The committee will promote and manage energy savings and also construct a circular process for the entire Group that is in harmony with the global environment from the three aspects of reductions in GHG emissions in the energy divisions, reductions in GHG emissions in current production processes, and reductions in GHG emissions in innovative technology for achieving the Group's overall target.

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

■ Structure of the Energy Strategy Committee



Initiatives for Reducing GHG Emissions

Reducing GHG Emissions

In FY2022/3, GHG emissions for the Daicel Group as a whole increased by 229 thousand t-CO₂ to 2,348 thousand t-CO₂ (up 11% year-on-year). This is broken down into 1,790 thousand t-CO₂ (up 7% year-on-year) in GHG emissions at Daicel's business sites and domestic Group companies, and 558 thousand t-CO₂ (up 26% year-on-year) in GHG emissions at overseas Group companies.

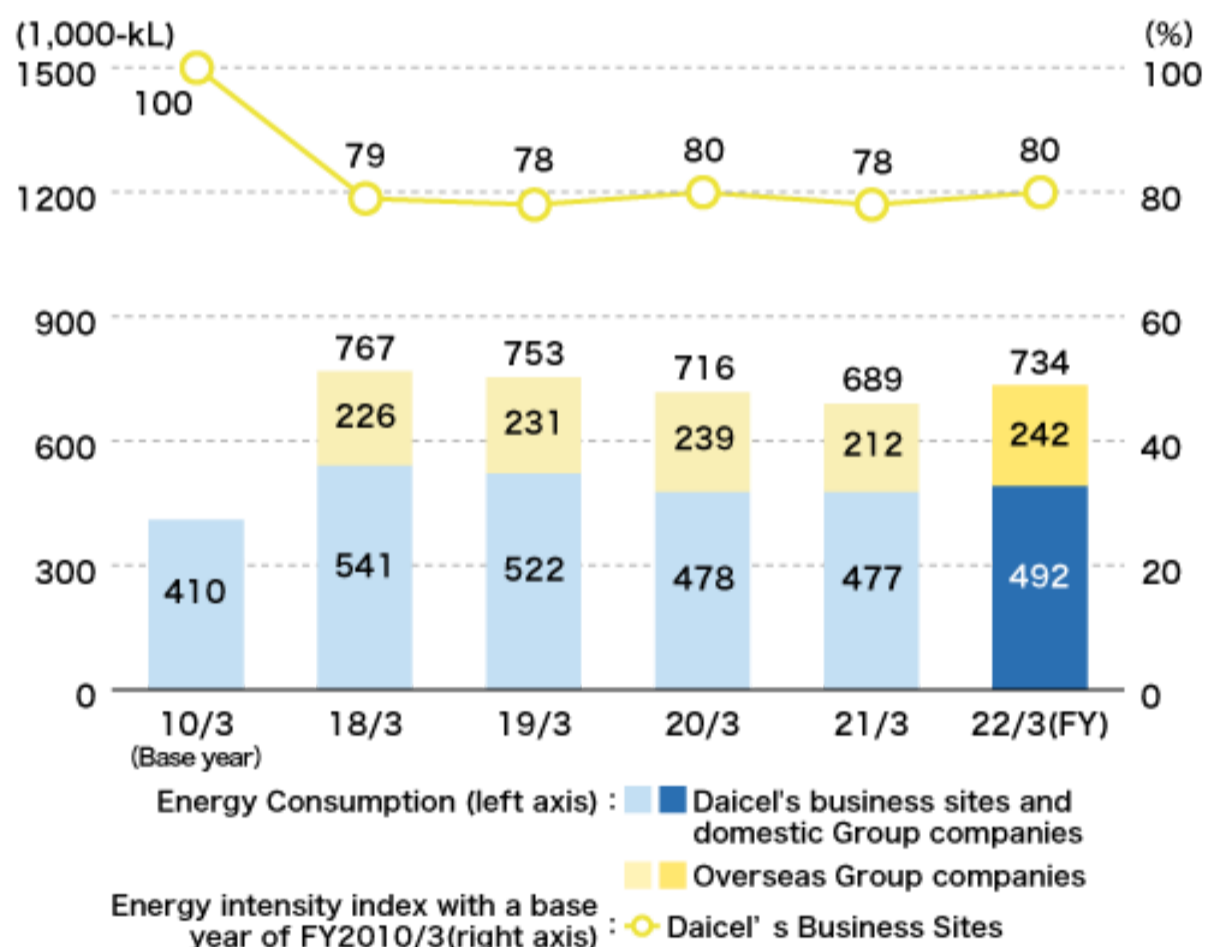
Energy consumption has a major impact on GHG emissions. In FY2022/3, energy consumption for the Daicel Group increased 7%, to 734 thousand kL in crude-oil equivalent.

In FY2022/3, energy-derived CO₂ emissions for Daicel's business sites (including the head offices) increased to 1,134 thousand t-CO₂ (up 7% year-on-year).

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

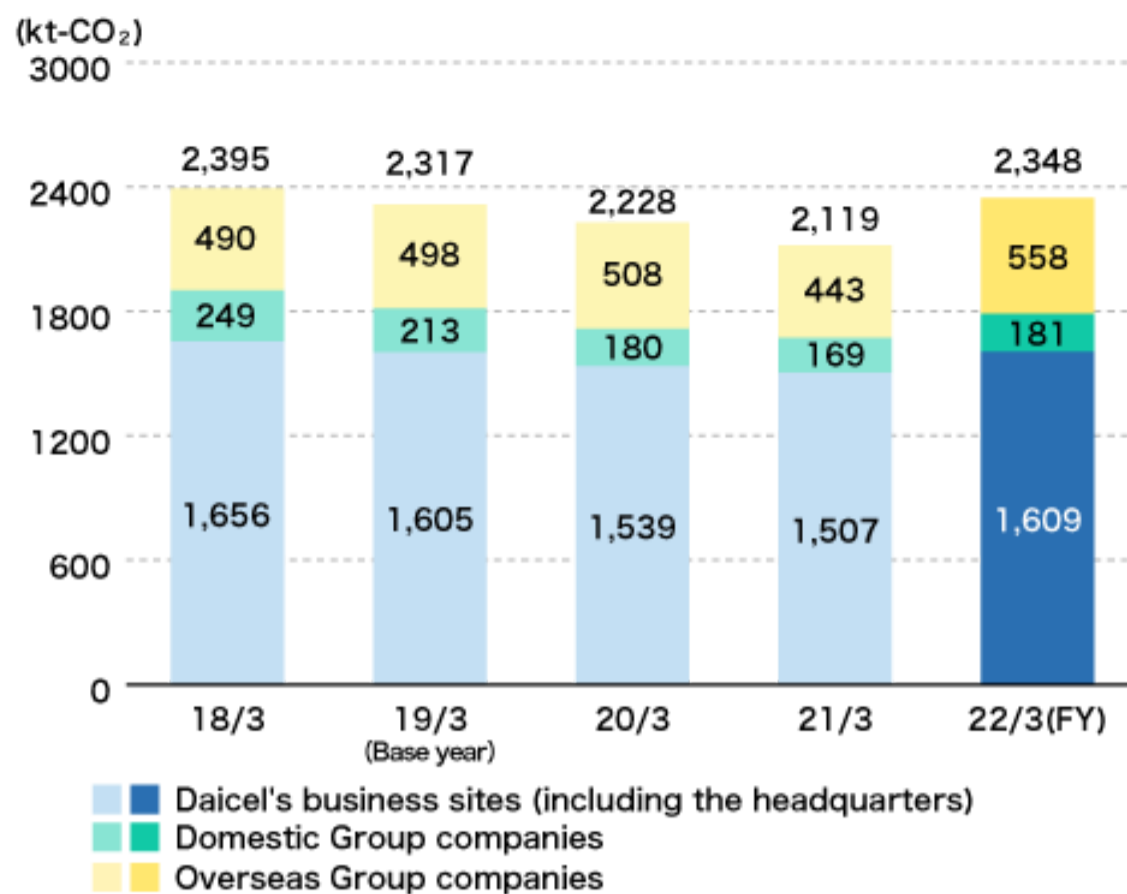
> ESG Data [Response to Climate Change](#)

Energy Consumption



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

■ GHG Emissions (Scope1,2)



Reducing CO₂ Emissions across Daicel's Supply Chain

We believe that we must reduce GHG emissions not only by the Daicel Group but also by its suppliers, and we have been working to identify and reduce the volume of GHG emissions across the entire value chain in accordance with the GHG Protocol, the world's most widely used standards, since FY2021/3. Emissions of CO₂, CH₄, N₂O, SF₆, and NF₃ are calculated according to the emissions coefficients established in the Act on Promotion of Global Warming Countermeasures.

■ GHG Emissions by Scope in FY2022/3

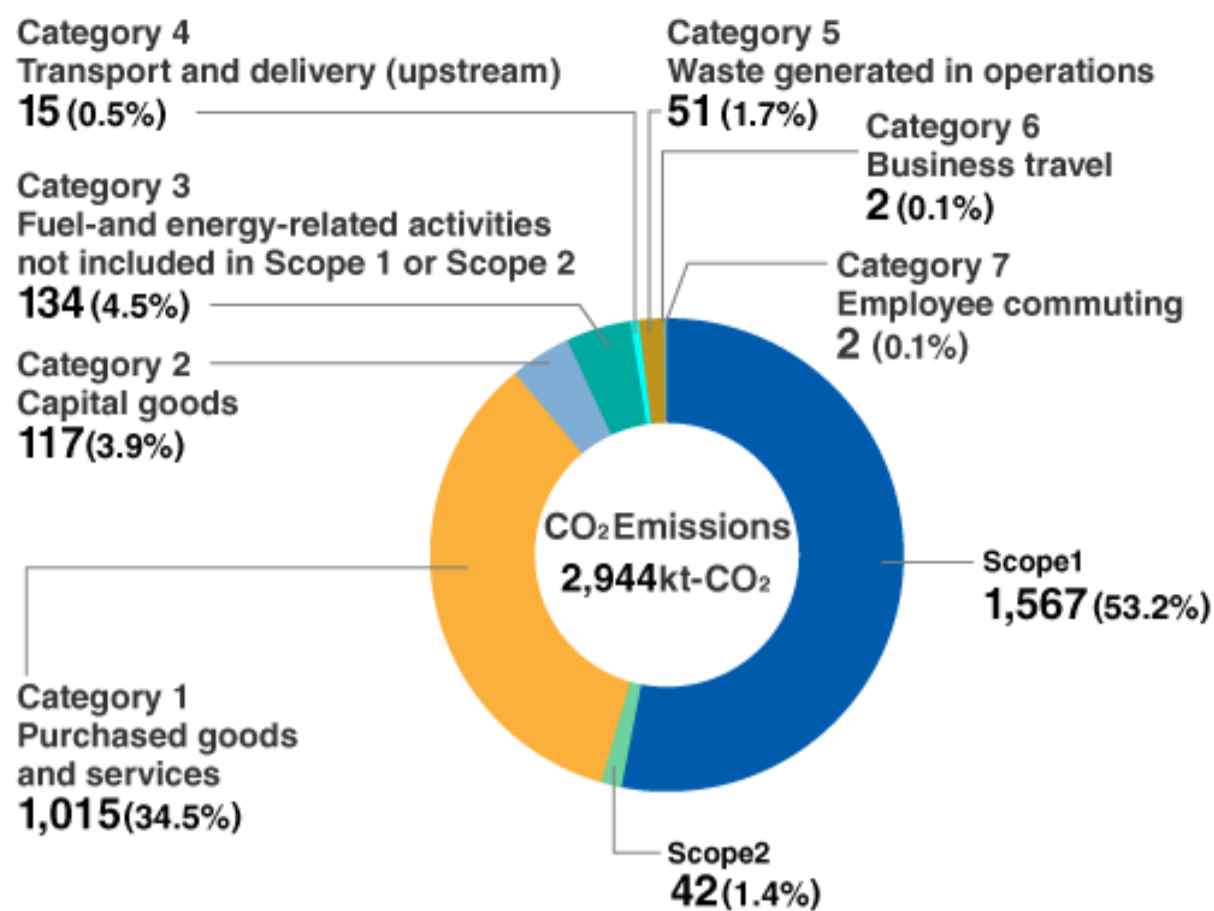
Categories		Emissions (thousand t-CO ₂)	
Scope 1* ¹	Direct GHG emissions	1,567	
Scope 2* ¹	Electricity indirect GHG emissions	42	
Sum of Scope 1,2* ¹		1,609	
Scope 3	Other indirect GHG emissions	1,335	
	Category 1* ²	Purchased goods and services	1,015
	Category 2* ³	Capital goods	117
	Category 3* ²	Energy-related activities outside Scope 1 and 2	134
	Category 4* ²	Transportation and distribution (upstream)	15
	Category 5* ²	Waste generated in operations	51
	Category 6* ⁴	Employee business travel	2
	Category 7* ⁴	Employee commuting	2
Sum of Scope 1,2,3		2,944	

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

*2 Daicel's business sites

*3 Daicel Group

*4 Daicel's business sites and domestic Group companies



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

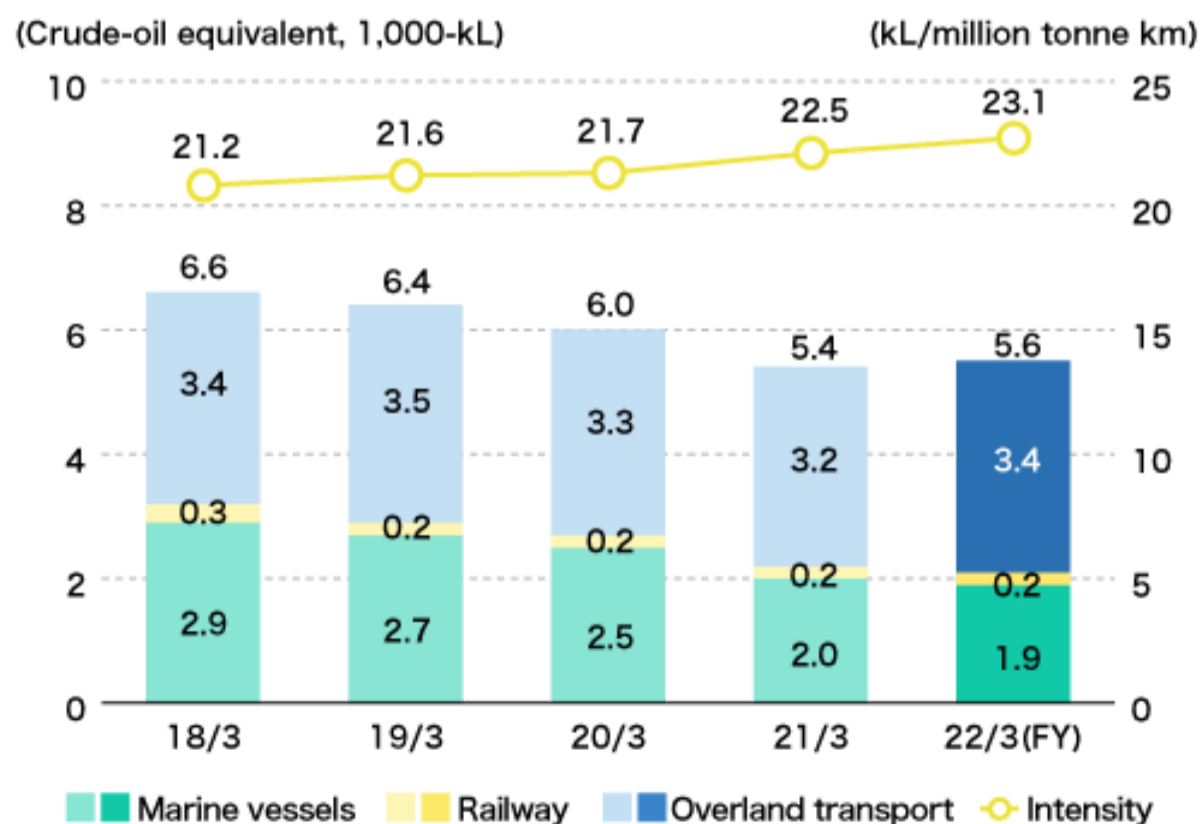
Initiatives to Reduce the Environmental Impact of Logistics Operations

The Daicel Group is striving to curb energy consumption associated with product transportation through initiatives that include promoting a modal shift*¹ and container round use*². As for conserving energy in logistics in FY2022/3, even though energy use in marine shipping decreased, specific energy consumption overall worsened by 0.6 points.

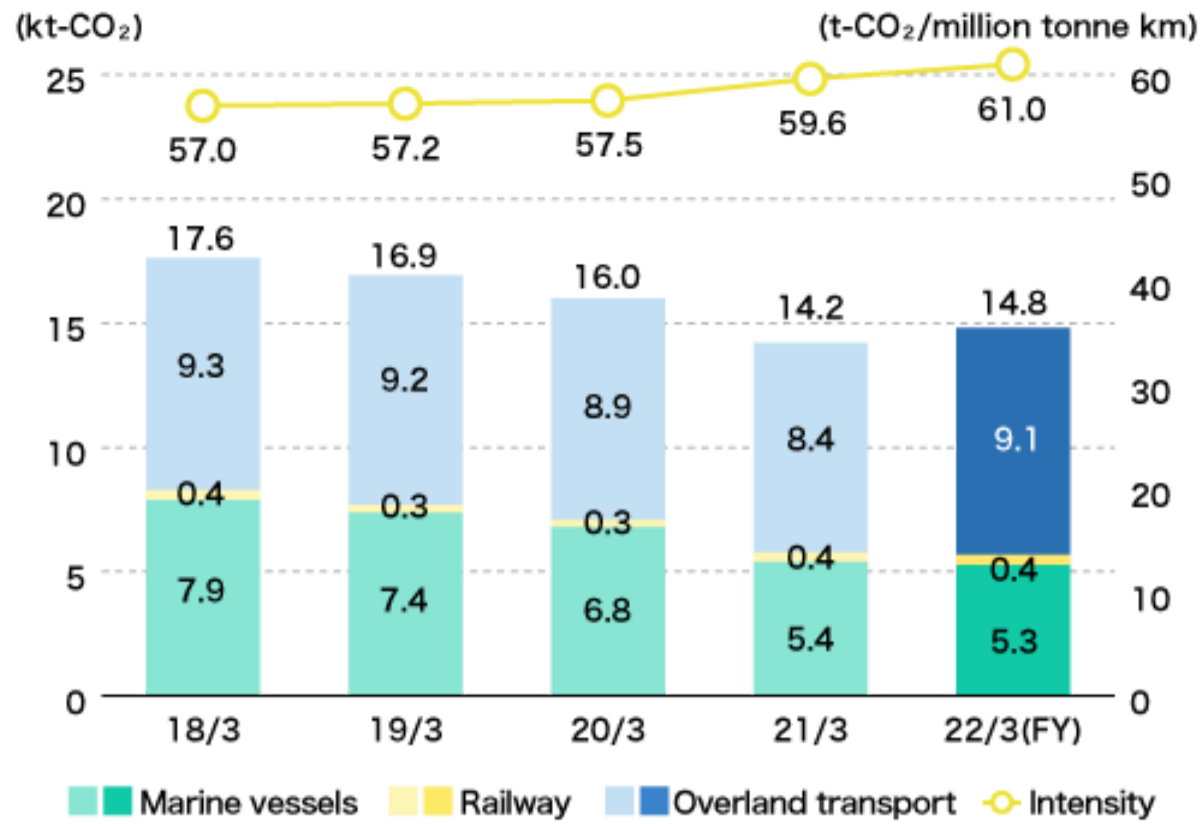
*¹ Modal shift: Freight transport methods shifted from truck-based transportation to more environmentally friendly methods such as marine and railway transportation.

*² Round use: The practice of reusing devanned import containers for exports.

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



CO₂Emissions/Intensity (The Daicel's business sites and domestic Group companies)



Reduction in Transport CO₂ Emissions by Modal Shift

Daicel Logistics Service switched its logistics between the main ports of imports and exports and Daicel's plants from road to sea transport in 2007 to reduce CO₂ emissions generated in logistics. Currently, approximately 8,000 containers are transported by sea every year. With this modal shift, the company has successfully achieved a 70% reduction in CO₂ emissions compared to road transport.

* Calculated on the basis of 40-foot containers.

Promoting Container Round Use

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

[> Daicel Logistics Service Modal Shift and Round Use \(Japanese text only\)](#) 

Reducing GHG Emissions from Three Angles

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

Optimizing Energy Savings in Production Processes

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

[> Process Innovation](#)

Introduction of the Energy Operation Optimization System

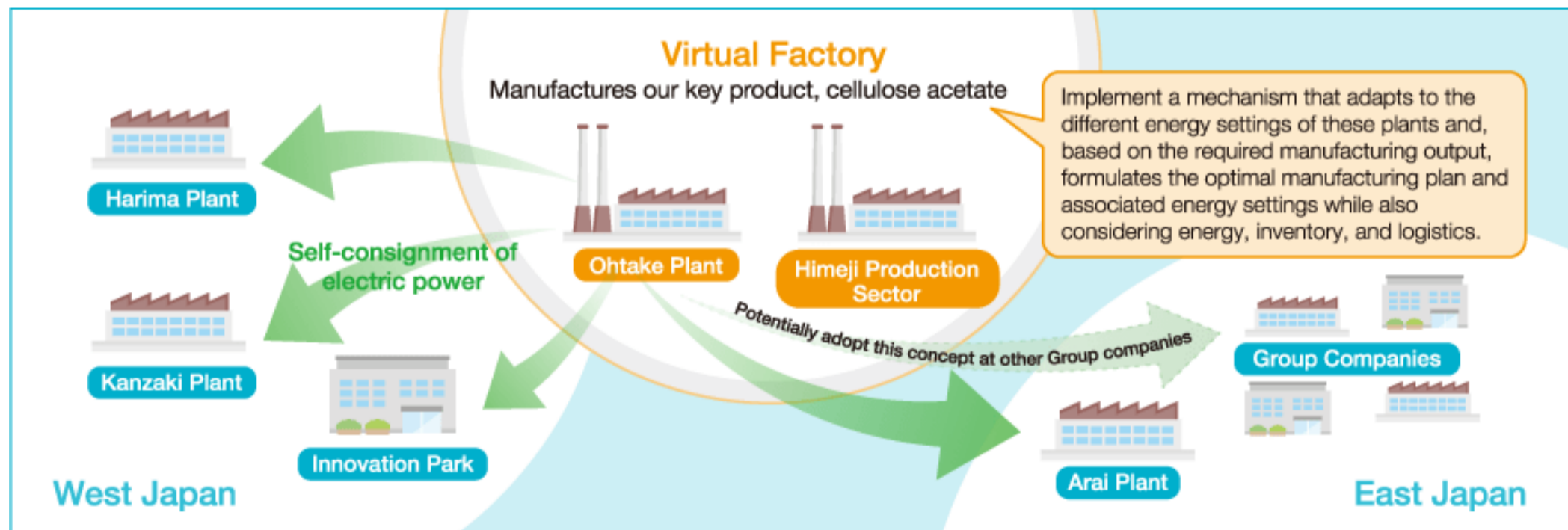
In order to manage our energy consumption in accordance with the optimal manufacturing plan, we have introduced the Energy Operation Optimization System. This provides online monitoring and controls over the actual operational settings based on the optimal settings as calculated by simulation, and it is used by the Himeji Production Sector and Ohtake Plant.

Leveraging the Self-Consignment System

As part of optimizing energy supply and demand, in June 2018 the Ohtake Plant started sending excess generated electricity to other worksites in West Japan using the self-consignment system. It began sending electricity to the Arai Plant in East Japan in May 2020 and to the Fuji Plant of Polyplastics Co., Ltd. in April 2021.

Looking ahead, we expect to further extend the system to other Group companies toward achieving zero purchased electricity at the Group level.

■ The Self-Consignment System



Reducing GHG Emissions in the Energy Department

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

■ Energy-saving and GHG Reduction Measures at Each Plant

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

Reduce Fossil Fuel Use

The Ohtake Plant seeks to reduce its use of fossil fuel use by using a mix of coal and scrap tires as fuel for its boilers.

[> Using Tire Derived Fuel to Reduce Fossil Fuel Use](#)

Innovative Technologies Aimed at Reducing GHG Emissions

The Daicel Group looks well beyond efforts to improve and refine its technologies when putting in place energy-saving measures. It also works to comprehensively review its production processes and develop new technologies to reduce its GHG emissions. R&D costs for environmental load reduction in FY2022/3 were ¥161 million.

Distillation processes tend to account for around 40% of general energy consumption in the chemicals industry. This is also true for Daicel's operations. As a result, uncovering energy-saving technologies in distillation processes will go a long way toward reducing energy consumption. The distillation process utilizes high-temperature thermal energy while, on the other hand, generating large volumes of low-temperature exhaust heat energy, which is released unused. With this in mind, a truly beneficial energy-saving technology for the distillation process must be developed with a focus on the effective recovery and reuse of low-temperature exhaust heat energy as well as a reduction of high-temperature thermal energy use.

The Daicel Group has launched an innovative energy-saving technology project and has been promoting cross-sectional activities throughout every level of the Company. As a result, these efforts have led to the creation of a modified Petlyuk process and vapor recompression (VRC) technology to reduce the energy consumption of distillation towers. Although Petlyuk and VRC technologies have been used for other applications, Daicel is the first in the world to verify their use in chemical plants.

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

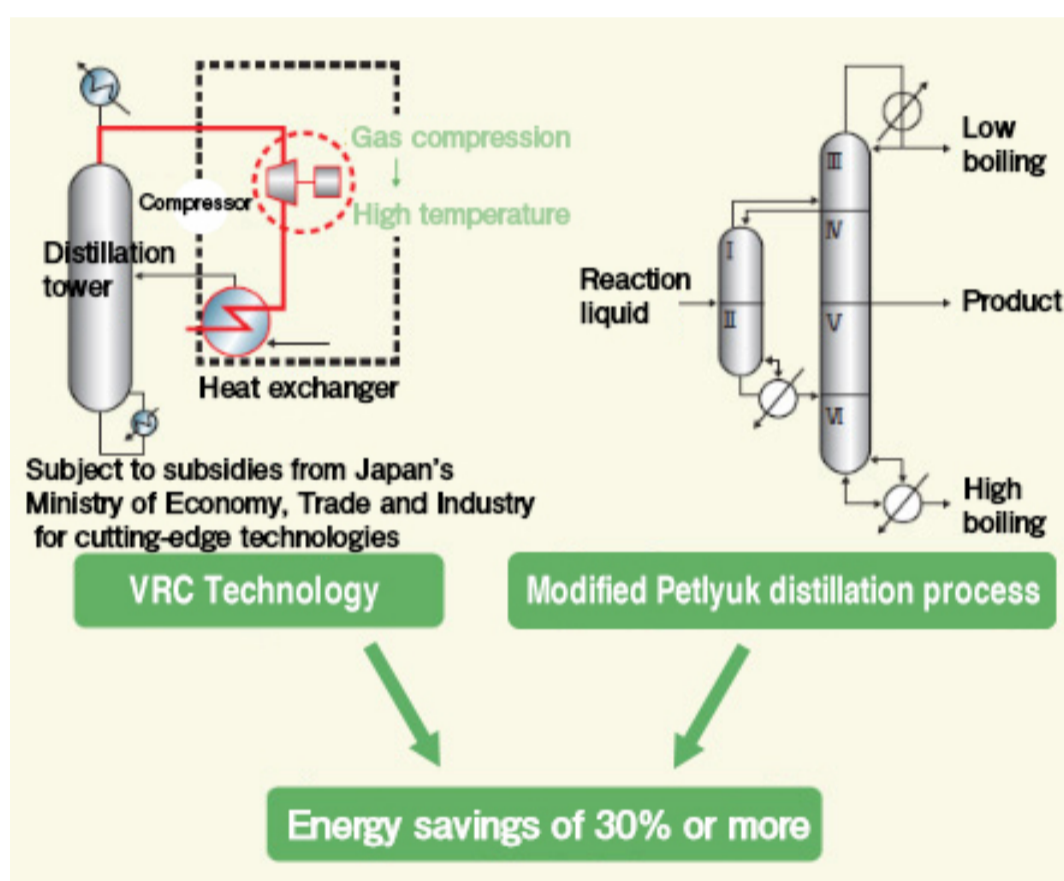
Enhancing Our Current Technologies

• Modified Petlyuk distillation process

Petlyuk distillation, and its practical application as a dividing-wall column (DWC), is widely recognized as an energy-saving technology. However, the introduction of a DWC has been limited to the complete replacement of distillation towers. Unable to use existing facilities, a DWC initiative entails massive amounts of capital expenditure. By refining Petlyuk technology, Daicel developed a new process technology that allows for application through improvements to distillation towers. Since 2014, the technology has been applied at the Arai Plant and the Company's acetic anhydride manufacturing facilities.

• Vapor Recompression (VRC) Technology

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



New Technologies that Adapt to Environmental Change

● Membrane Separation Technology

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

● New Reaction Technology

We developed an innovative process, which leverages a newly developed reaction technology with a new catalyst. This is installed at the Aboshi Plant's 1,3-BG facility, which will be completed in September 2020. We expect that energy consumption will be reduced by approximately 20% compared to that of conventional technologies.

● New Wastewater Treatment Technology (Anaerobic Wastewater Treatment Technology)

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

● Appropriate Production Technology with Microfluid Devices

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

*1 micrometer= 0.001 mm

Reduction and Recycling of Industrial Waste

Basic Approach

The Daicel Group follows its [Basic Policies for Responsible Care](#) to implement a variety of initiatives for reducing environmental impact, including preservation of water resources, environmental management of air pollution, reductions in emissions and appropriate management of chemical substances. With regard to waste reduction and recycling, we are further promoting the 3Rs to reduce the amount of waste. This includes efforts to save resources, reuse, and recycle as we strive to realize a circular society and circular economy.

Toward Achieving Our Medium-Term Targets

As our Medium-term target for the period ending FY2026/3, we are focusing on (1) raising the recycling rate at Daicel's business sites and domestic Group companies to 99% or higher and (2) achieving zero emissions at Daicel's business sites and domestic Group companies. To improve our recycling rate, we will continue to apply the 3Rs to industrial waste by promoting the effective use of resources and reducing the amount of waste incinerated without energy recovery. In regard to achieving zero emissions, we will work on enhancing our recycling rate for plastic waste and organic sludge.

■ Medium-term Targets for Waste Disposal

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

* Includes valuables

Promotion System

[Promotion System for Responsible Care](#)

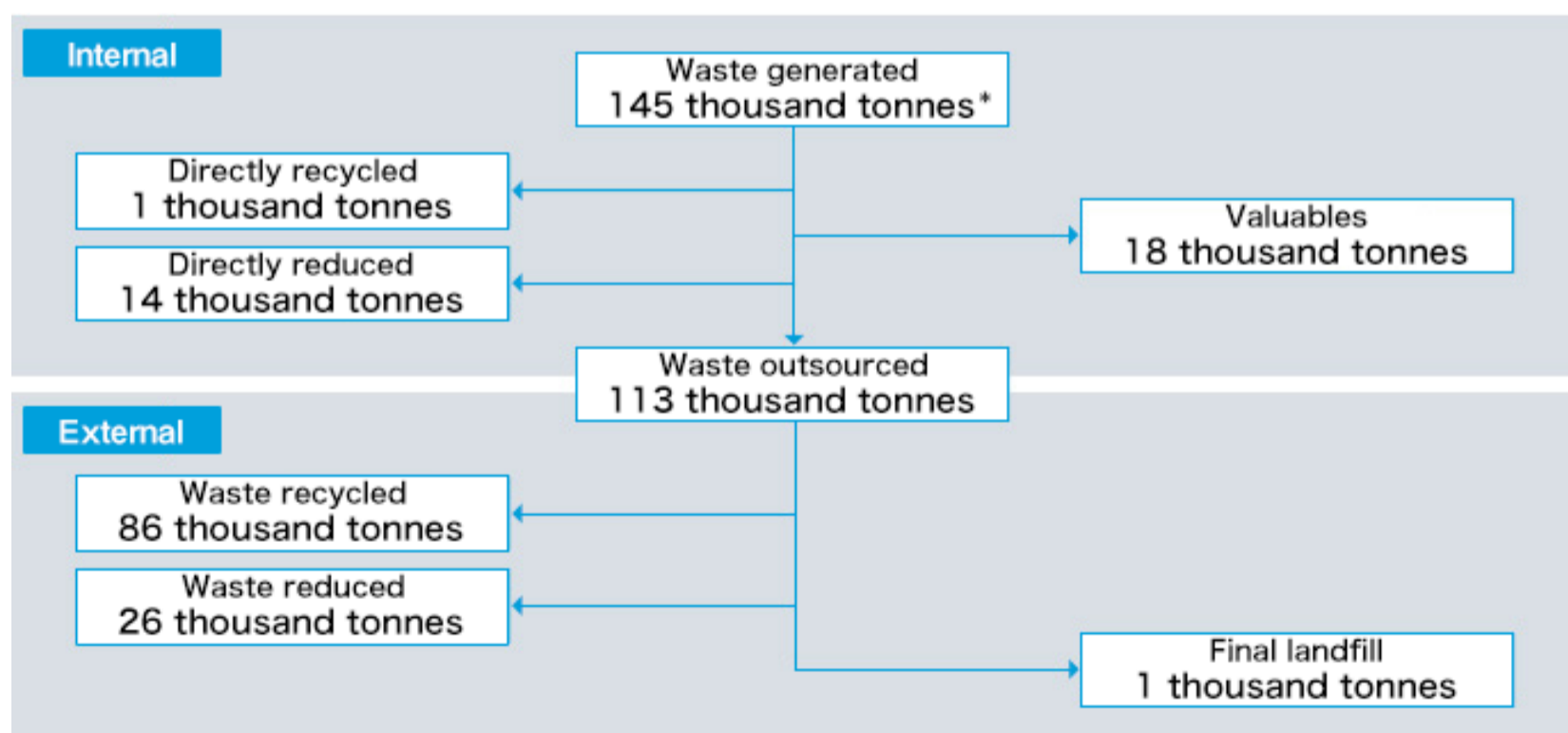
Initiatives to Reduce Industrial Waste

The Daicel Group manufactures a variety of chemical products, and waste is generated in the manufacturing processes. Examples include waste in the form of cinders and particulates from the burning of solid fuels for energy production, waste liquids not needed for manufacturing processes, cleaning fluids, remnants, defective products, and decommissioned equipment. The Daicel Group intends to cut down the amount of waste by promoting initiatives centered on the 3Rs: reducing the use of resources and reusing and recycling resources. In particular, we are taking a proactive approach to recycling cinders and particulates that account for about half the waste produced in Japan. In this way we are striving to achieve zero emissions status.

In FY2022/3, the amount of industrial waste generated by Daicel's business sites and the domestic Group companies increased by 9% compared to the previous fiscal year to 145 thousand tonnes as plant removal work peaked, and production of some products was adjusted. The recycling rate was unchanged year-on-year at 98%. The amount of landfill waste fell 12% from the previous fiscal year to 1.3 thousand tonnes.

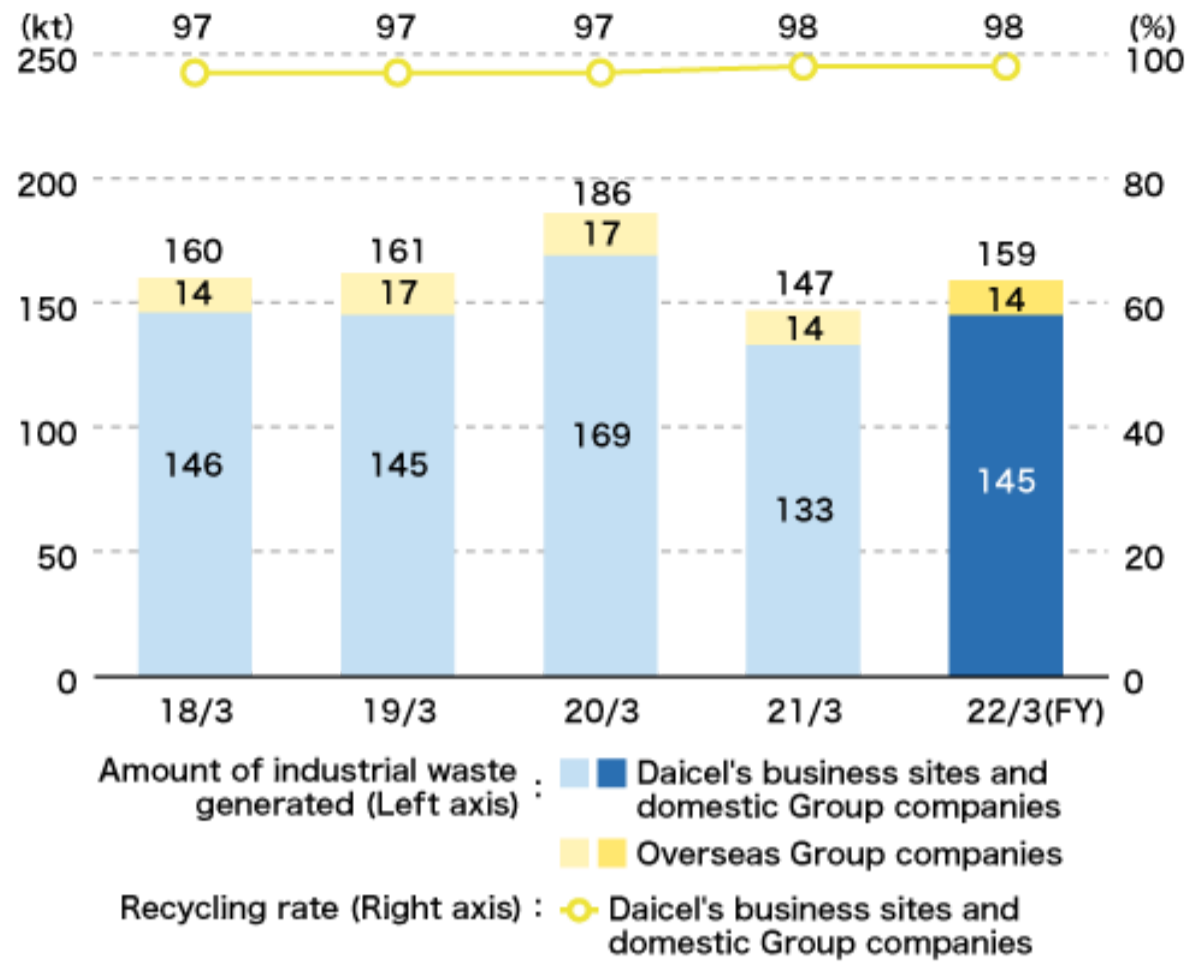
In FY2022/3, the landfill rate for Daicel's business sites and domestic Group companies was 0.9%, so that we achieved our target of zero emissions. As a company involved in businesses that create industrial waste, we ensure that all our waste is properly disposed of by checking permits, disposal methods, and other details of the contracted industrial disposal companies at their sites. In the coming year, we will continue to work on waste recycling and reduction.

Industrial Waste Reduction and Recycling Flow in FY2022/3 (Daicel's Business Sites and Domestic Group Companies)

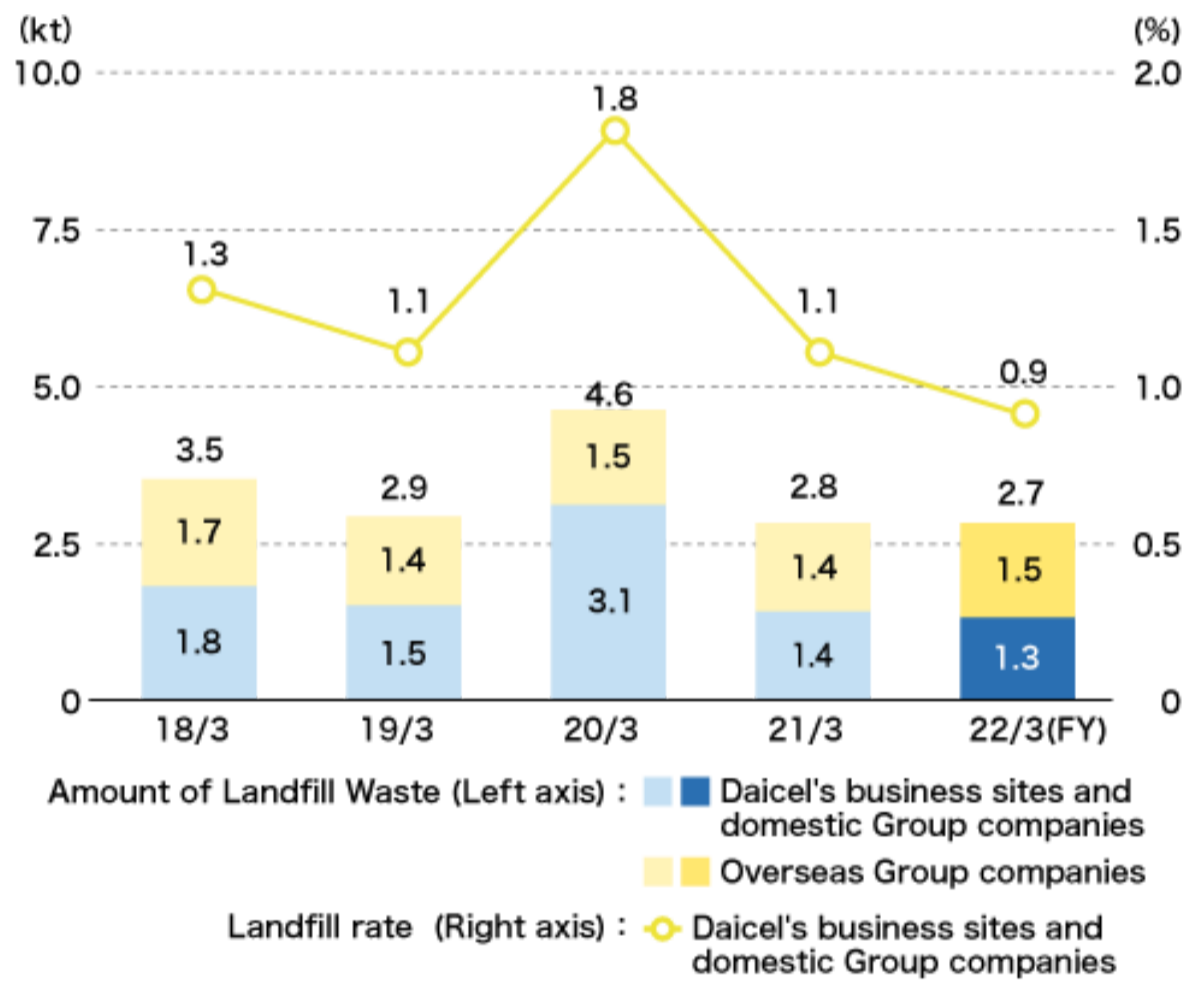


* Non-hazardous waste: 125 thousand tonnes, Hazardous waste (waste oil, waste alkali, waste acid): 20 thousand tonnes

■ Amount of Industrial Waste Generated and Recycling Rate



■ Amount of Landfill Waste and Landfill Rate



Promoting the 3Rs

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

■ Major 3R Initiatives

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



Using Tire Derived Fuel to Reduce Fossil Fuel Use

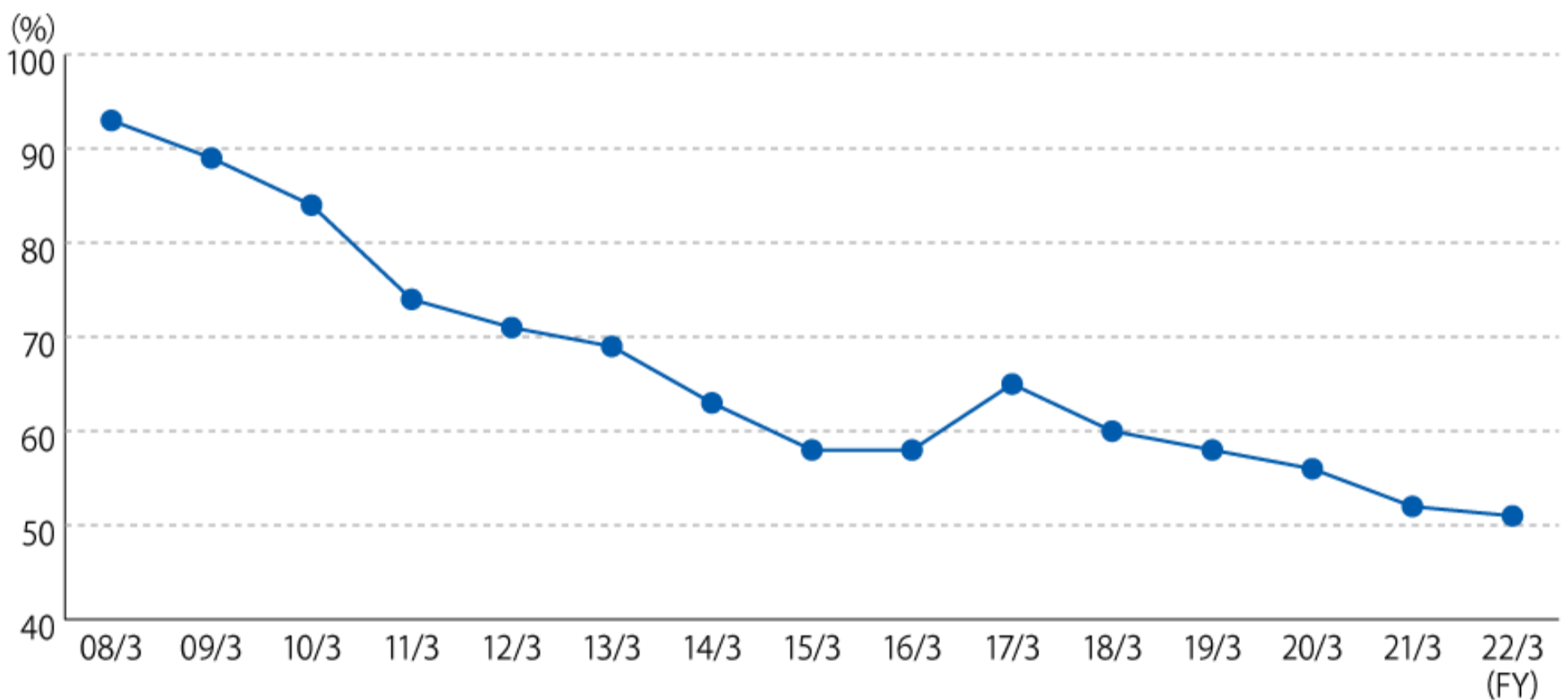
In Japan, roughly 100 million scrap tires, or about one million tonnes, are generated each year, placing a considerable load on the environment. On the other hand, 30% of scrap tires consists of biomass, including natural rubber, making them a superb energy fuel.

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

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

In FY2022/3, we sought to improve the quality control of scrap tires and achieved a co-firing rate of 51%. Going forward, we will continue to reinforce our recycling efforts to bring about a sustainable society.

■ Fossil Fuel(Coal) Usage Rate at the Ohtake Plant



Initiatives Addressing Marine Plastic Waste

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

[> Initiatives Addressing Marine Plastic Waste](#)

Emission Management of Chemical Substances

Basic Approach

The Daicel Group monitors the emissions and transfers of chemical substances, including those regulated under the Pollutant Release and Transfer Register (PRTR), and volatile organic compounds VOCs to promote reductions in emissions. It also practices appropriate management of chemical substances in accordance with [the Daicel Group Basic Policies for Responsible Care](#).

Promotion System

[> Promotion System for Responsible Care](#)

Reducing PRTR Substance Emissions

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

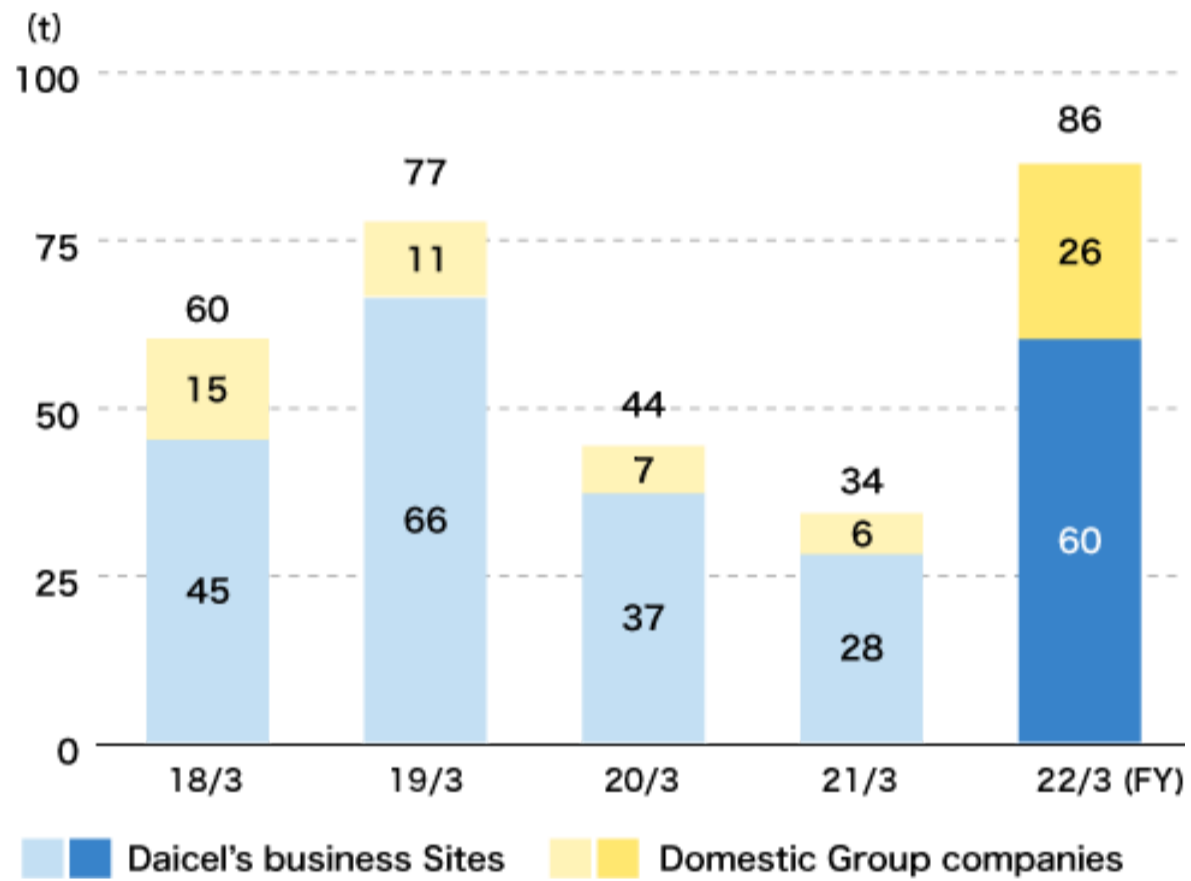
Total emissions from Daicel's business sites and domestic Group companies for FY2022/3, the first year of the medium-term target, increased 86 tonnes over the 34 tonnes in FY2021/3. This owes to increased production volume and a malfunction with certain equipment. Daicel handled 61 out of 462 substances subject to notification under the PRTR system.

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

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

Target for FY2026/3	Reduce emissions of PRTR-regulated substances by 80% from FY2002/3 levels (emissions of 38 tonnes or less)
FY2022/3 result	Achieved 68% reduction of PRTR-regulated substance emissions from FY2002/3 levels (60 tonnes in emissions)

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



> ESG Data [Substances Subject to the PRTR](#)

■ Emission and Transfer of PRTR Substances (FY2022/3 Daicel's Business Sites and Domestic Group Companies)

(t /year)*¹

Ordinance-designated number	Substance	Total emissions	Emissions				Sewage	Off-side
			Emissions into atmosphere	Emissions into water	Emissions into land	Business site landfill disposal		
1	Zinc compounds (water-soluble)	2.6	0.0	2.6	0.0	0.0	0.0	0.0
10	Acrolein	2.2	0.1	2.2	0.0	0.0	0.0	0.0
12	Acetaldehyde	2.2	0.7	1.5	0.0	0.0	0.0	0.0
13	Acetonitrile	0.2	0.2	0.0	0.0	0.0	0.0	26.0
28	Allyl alcohol	1.4	0.0	1.4	0.0	0.0	0.0	0.0
31	Antimony and its compounds	0.0	0.0	0.0	0.0	0.0	0.0	1.4
67	2,3-Epoxy-1-propanol	5.4	0.0	5.4	0.0	0.0	0.0	0.0
84	Glyoxal	0.0	0.0	0.0	0.0	0.0	0.0	1.1
134	Vinyl acetate	0.0	0.0	0.0	0.0	0.0	0.0	1.2
150	1,4-Dioxane	0.0	0.0	0.0	0.0	0.0	0.0	1.2
151	1,3-Dioxolane	4.5	4.5	0.0	0.0	0.0	0.0	0.0
161	Dichlorodifluoromethane	9.3	9.3	0.0	0.0	0.0	0.0	0.0
186	Dichloromethane	0.3	0.3	0.0	0.0	0.0	0.0	3.1
240	Styrene	4.4	4.4	0.0	0.0	0.0	0.0	0.0
243	Dioxins* ²	0.6	0.0	0.6	0.0	0.0	0.0	1.2
277	Triethylamine	5.2	4.7	0.5	0.0	0.0	0.0	6.2
300	Toluene	25.5	25.5	0.0	0.0	0.0	0.0	49.0
308	Nickel	0.2	0.0	0.2	0.0	0.0	0.0	6.4
392	n-Hexane	0.8	0.4	0.4	0.0	0.0	0.0	1.1
400	Benzene	13.6	13.6	0.0	0.0	0.0	0.0	0.4
405	Boron compounds	3.0	0.0	3.0	0.0	0.0	0.0	0.0
411	Formaldehyde	3.2	3.2	0.0	0.0	0.0	0.0	0.0
	Others* ³	2.4	0.9	1.5	0.0	0.0	0.0	1.8
	Total	86.4	67.8	18.6	0.0	0.0	0.0	98.7

*1 The threshold for amounts handled was 1 tonne/year/workplace.

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

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

Reducing of Volatile Organic Compounds (VOCs) Emissions

The Daicel Group explores alternatives to chemical substances that pose a hazard to humans and the ecosystem, and it strives to reduce the use of such substances. As a medium-term target to be achieved by FY2026/3, we have set a volatile organic compounds (VOCs) emissions reduction target of 60% or more from levels in FY2001/3 (2,145 tonnes) at Daicel's business sites and domestic Group companies.

Due to a rise in production volume and other factors, FY2022/3 VOCs emissions increased 5% year-on-year to 1,002 tonnes.

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

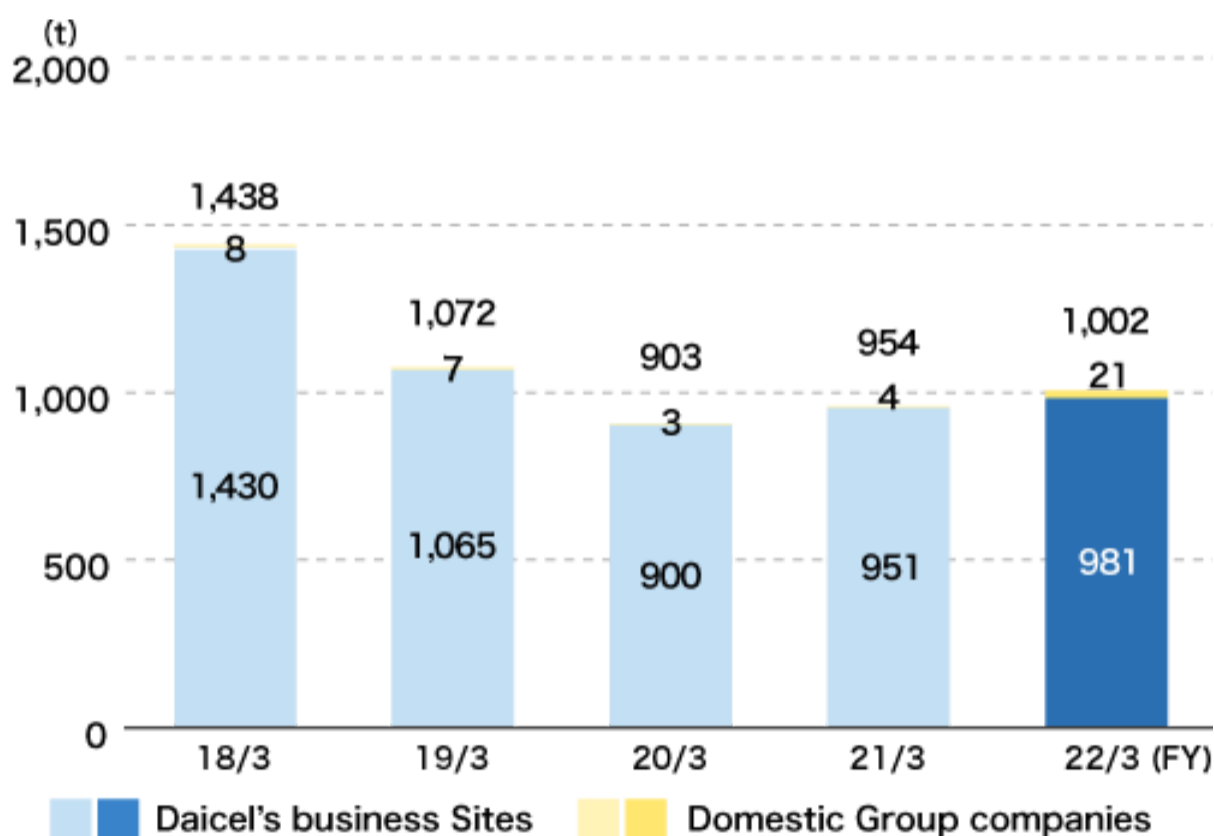
As a result of these initiatives, there were no serious leakages of VOCs in FY2022/3.

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

Target for FY2026/3	Reduce VOCs emissions by 60% from FY2001/3 levels (emissions of 858 tonnes or less)
FY2021/3 result	Achieved 53% VOCs emissions reduction from FY2001/3 levels (1,002 tonnes in emissions)

[> Total Environmental, Health and Safety Assessment System](#)

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



[> ESG Data](#) [Air Emissions](#)

Appropriate Control of PCBs

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

In FY2022/3, we completed the processing of highly-concentrated PCBs contaminants stored at Daicel Group sites in Japan. We also finished processing low-concentration PCBs contaminants being stored at Group company sites in Japan.

Water Resource Preservation

Basic Approach

Water is one of Earth's irreplaceable natural resources, and risks associated with water are on the rise across the globe. Along with natural disasters such as drought, torrential rain, flooding, and landslides, water pollution and water shortages can be viewed as water risks arising from the ways in which people live and work.

The Daicel Group adheres to [Daicel Group's Basic Policies on Responsible Care](#) as it seeks to preserve water quality and reduce water use in its business operations by managing the use of this limited resource and implementing wastewater treatment in an appropriate manner.

Promotion System

[> Promotion System for Responsible Care](#)

Managing Water Quality

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

We make effluent discharge less burdensome by treating effluents to the degree that they can be safely discharged into rivers and oceans, and we do this through the consistent operation of advanced wastewater treatment equipment at our plants. We also make efforts to preserve the environment by regularly measuring the quality of the effluents we release into rivers and oceans from each of our plants, keeping below voluntary limits that are even stricter than those of national, prefectural, municipal, and regional ordinances and agreements.

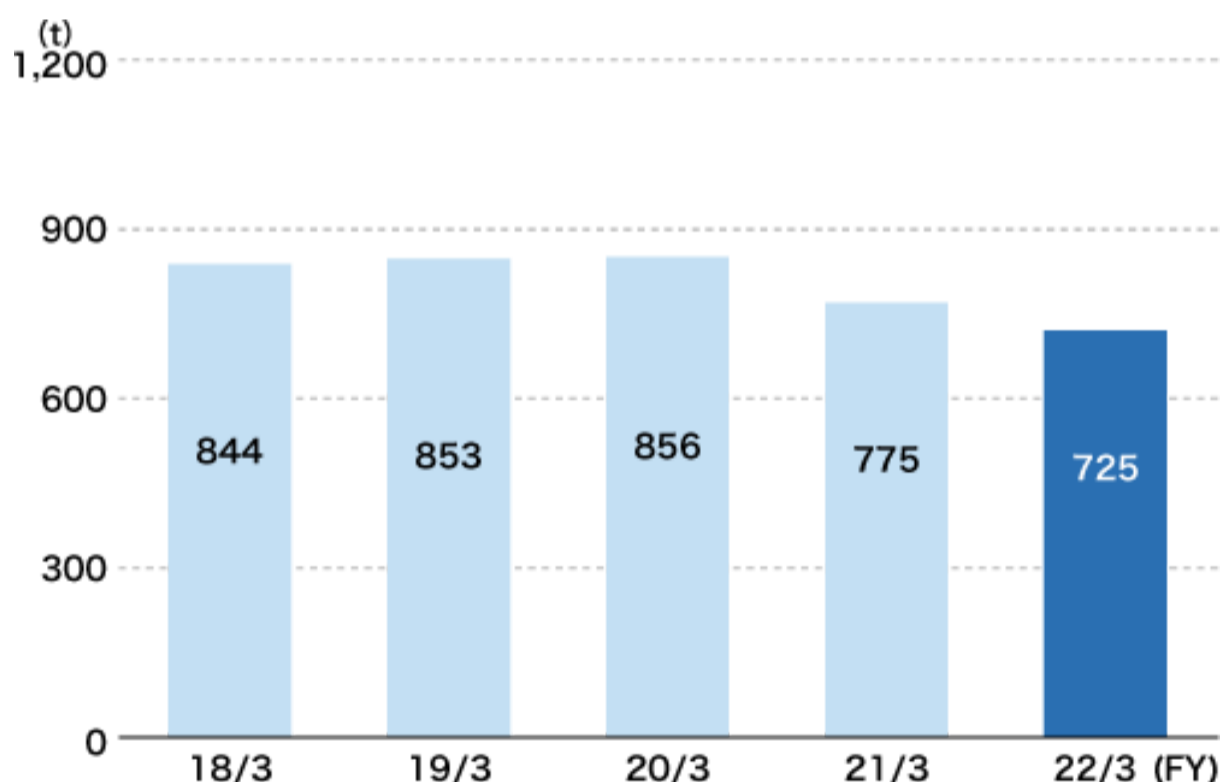
FY2022/3 saw us continue to properly manage effluent quality according to our voluntary standards. As a major initiative carried out in FY2022/3, we renovated a water treatment facility at our Aboshi Plant that promotes the reuse of cooling water.

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

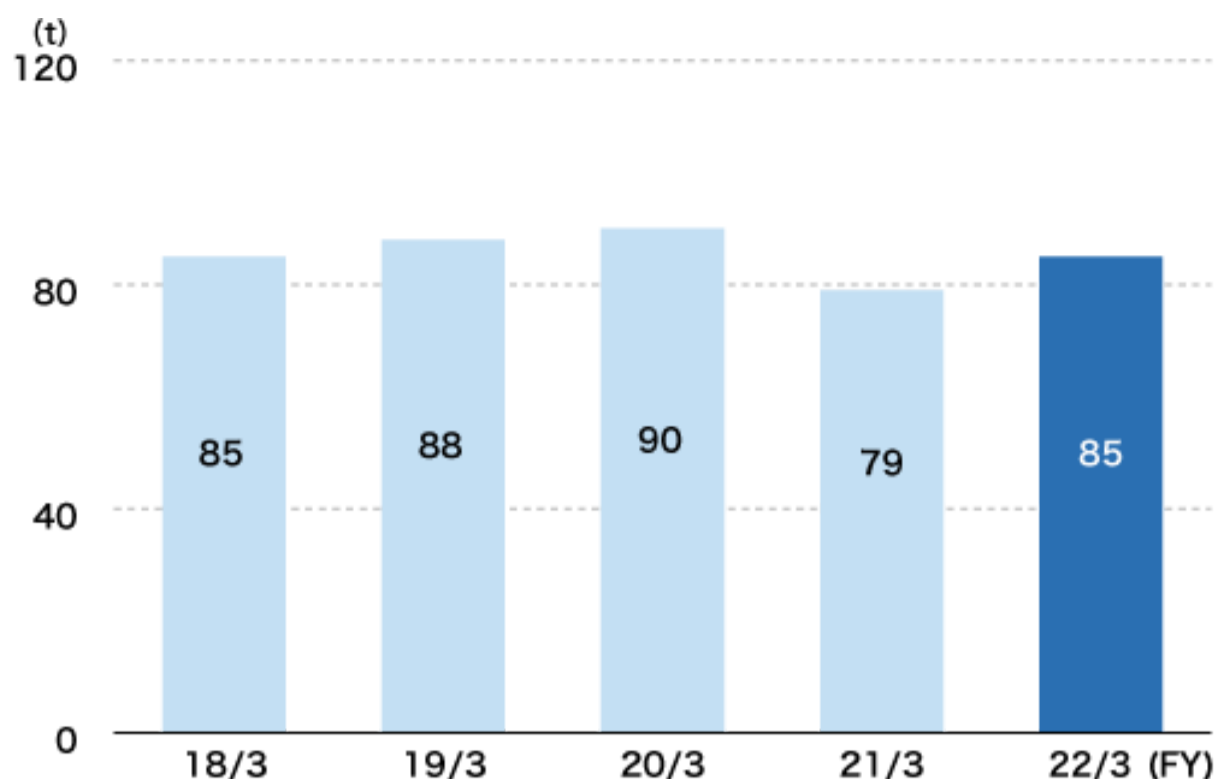
There were no serious legal violations with regard to water resource conservation in FY2022/3.

[> Total Environmental, Health and Safety Assessment System](#)

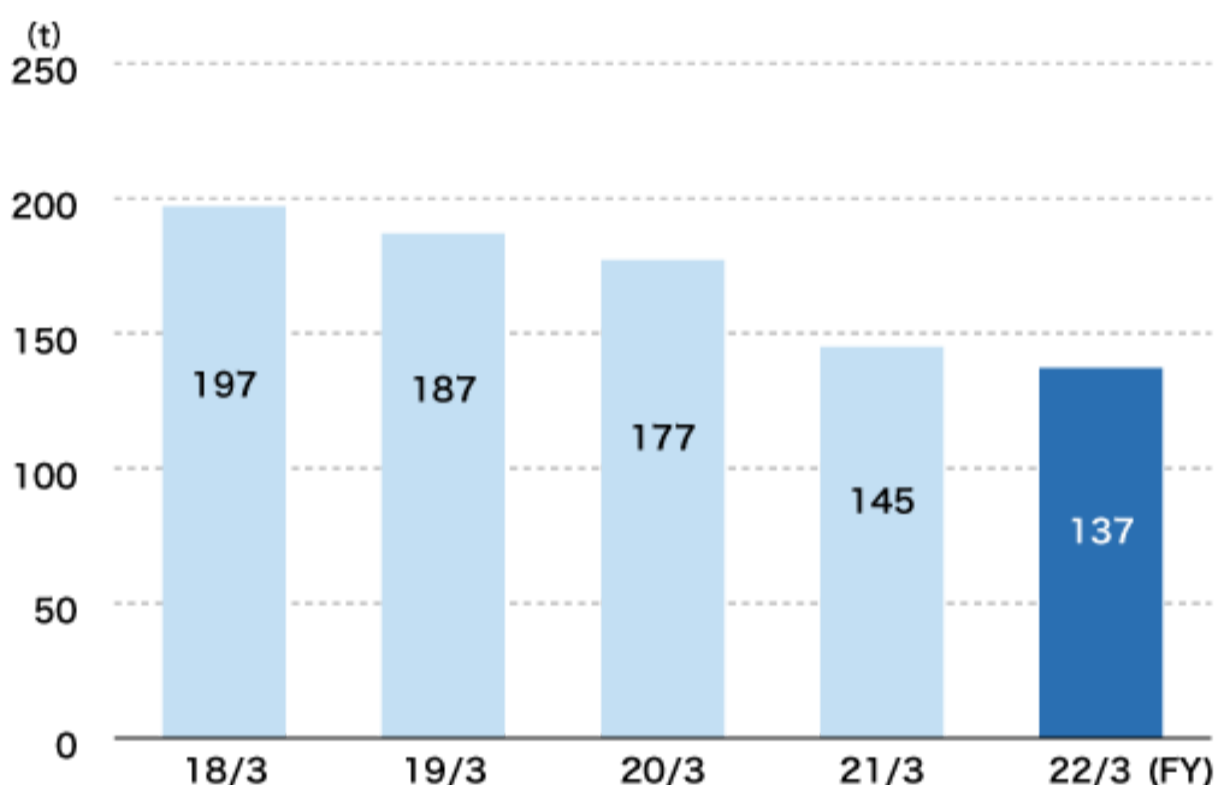
■ COD Emissions (Daicel's Business Sites and Domestic Group Companies)



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



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



> ESG Data [Water Resources and Water Quality](#)

Efficient Use of Water

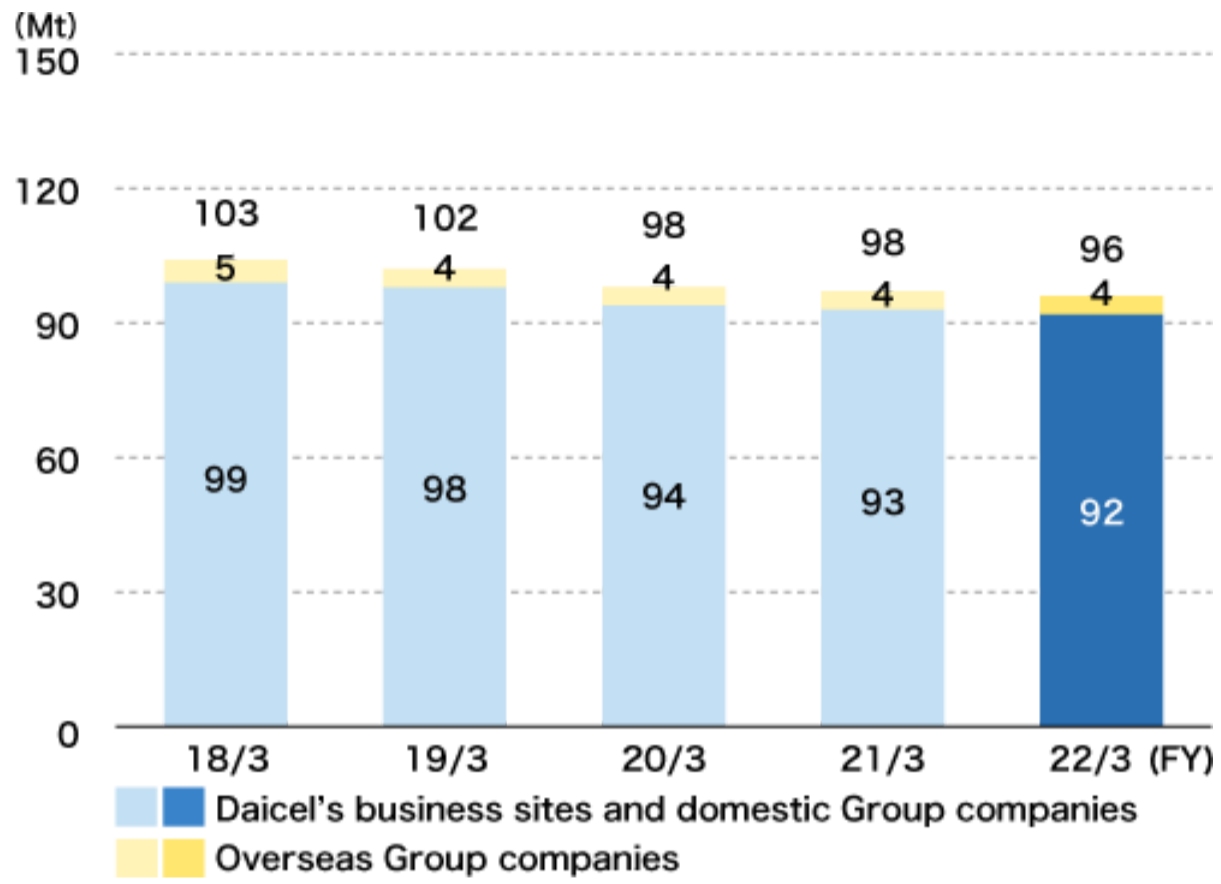
The Daicel Group seeks to reduce water intake at its business sites. We have been promoting efficient use of water by setting a medium-term target (for the period through FY2026/3) of reducing water intake by 10% from levels in FY2019/3. To achieve the target, we are working to recycle and reduce cooling water used in cooling towers and elsewhere and also measuring and monitoring the intake, discharge, and consumption of water at our business sites to review the manufacturing process.

Since 2016, we have responded to the CDP water security questionnaire, a program for the global disclosure of information concerning water-related risks posed by companies. We received a “B-” rating as a result of our responses to the CDP water security questionnaire conducted in 2021.

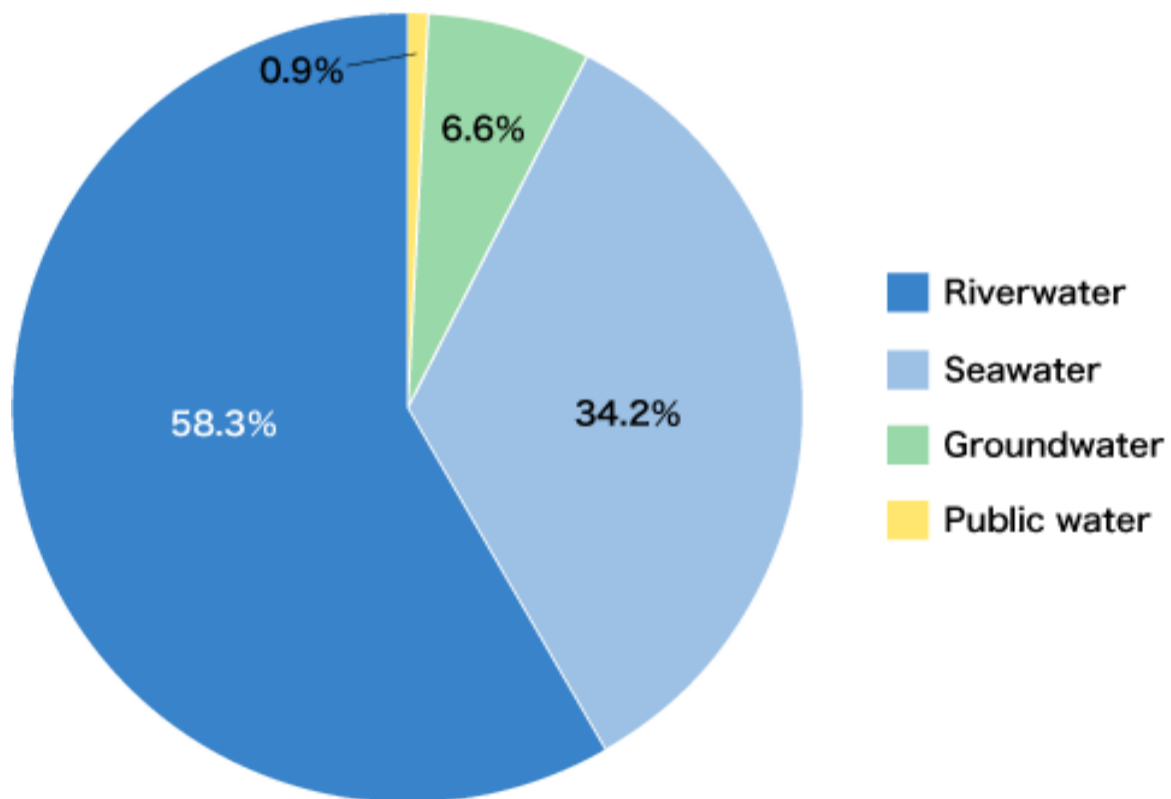
Medium-term Target

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

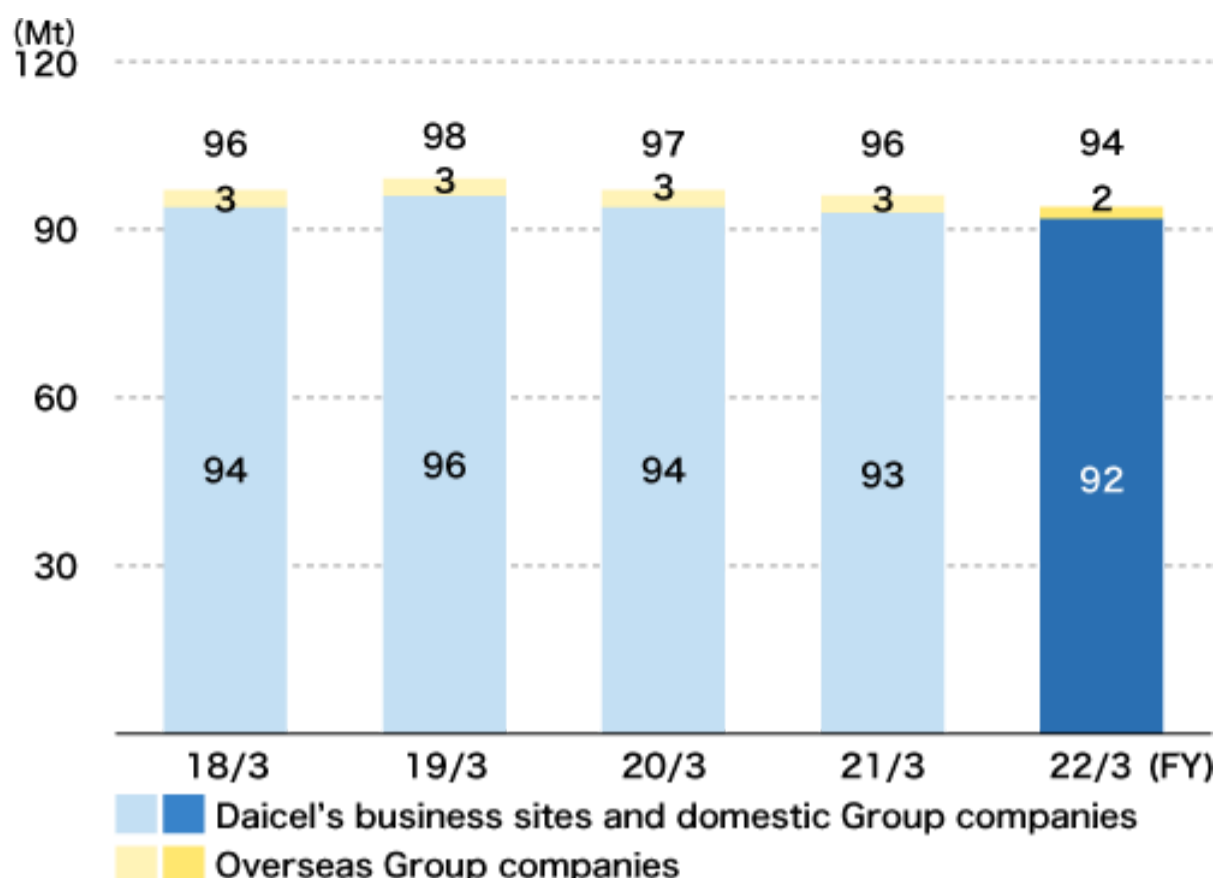
Water Intake (Daicel Group)



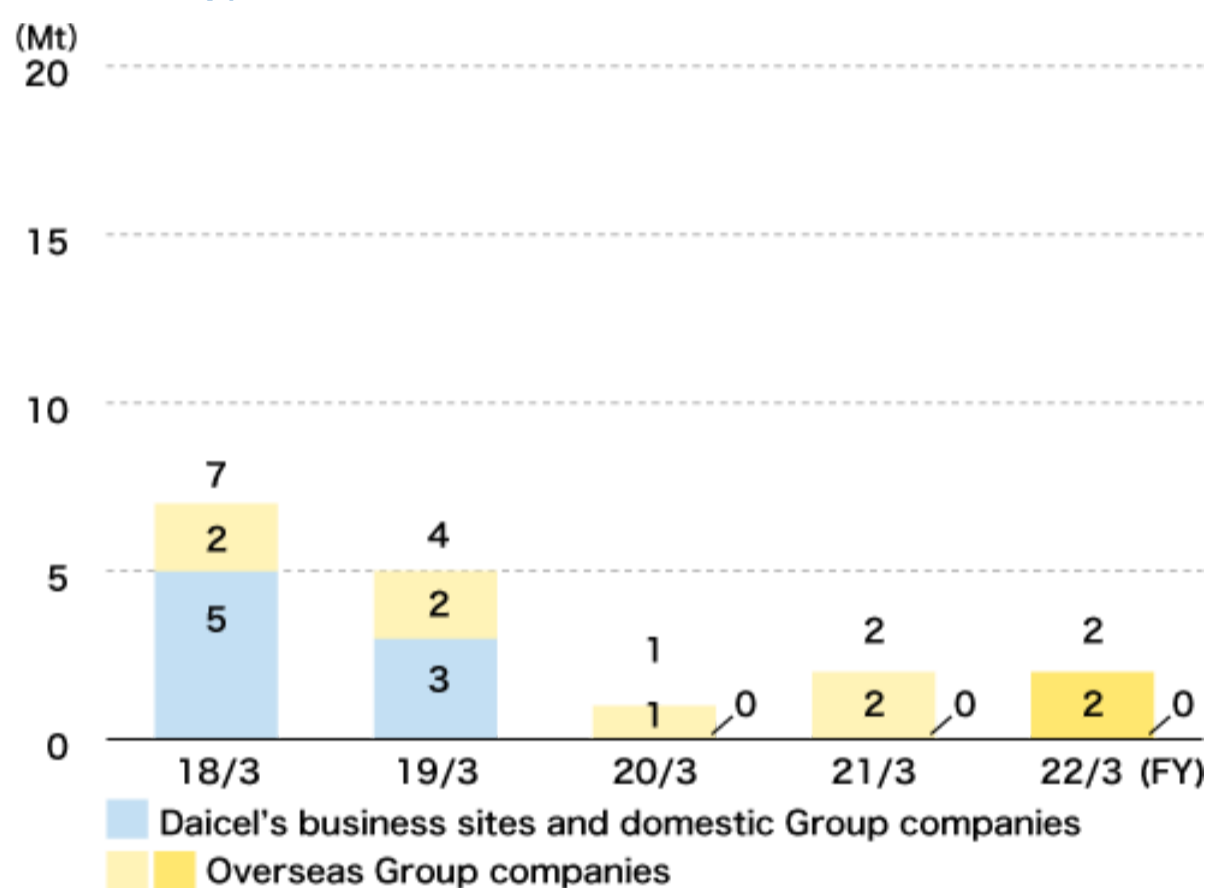
Breakdown of Water Intake (FY2022/3, Daicel Group)



Water discharged (Daicel Group)



Water Consumption (Daicel Group)



* Water consumption = water intake – water discharge

> ESG Data [Water Resources and Water Quality](#)

Assessment of Water-Related Risks

Led by the Risk Management Committee, the Daicel Group conducts regular risk assessments on water intake and discharge at each plant in Japan to accurately grasp and appropriately manage the risks. We address water-related risks by taking preventive actions and measures for mitigating damage, and we confirm the status of their implementation on a regular basis.

In FY2022/3, we sought to bolster our preparedness against large-scale natural disasters by conducting an overall inspection of facilities, revising the guidelines on earthquakes, tsunami, and evacuation, and discussing the human and hardware aspects of our measures in response to Japan's Fundamental Plan for Regional Resilience.

Environmental Management and Prevention of Air Pollution

Basic Approach

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

Promotion System

➤ [Promotion System for Responsible Care](#)

Prevention of Air Pollution

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

FY2022/3 SOx and soot and dust emissions both dropped year-on-year to 325 tonnes and 32 tonnes, respectively. NOx emissions increased year-on-year to 658 tonnes but held below voluntary setting targets.

Initiatives

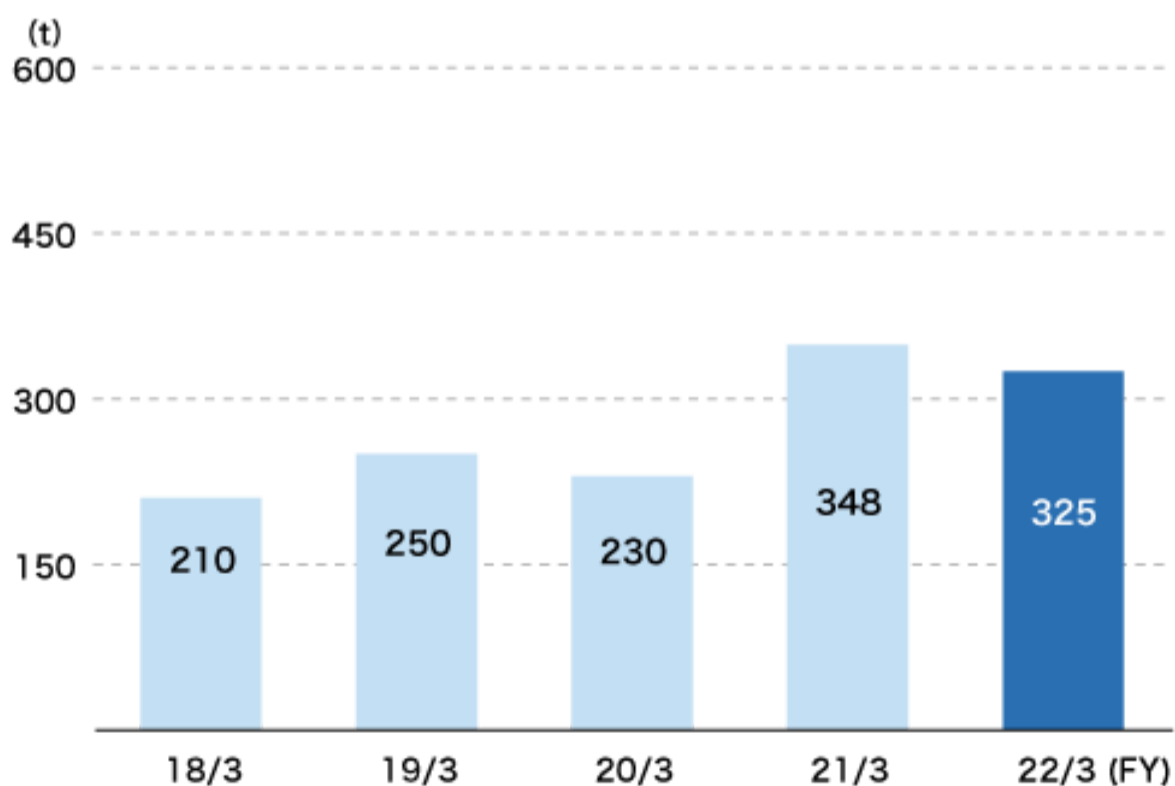
- Reduction of SOx through use of stack-gas desulfurization technology
- Reduction of NOx through use of NOx removal catalysts
- Soot and dust removal using dust collectors and combustion equipment such as boilers

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

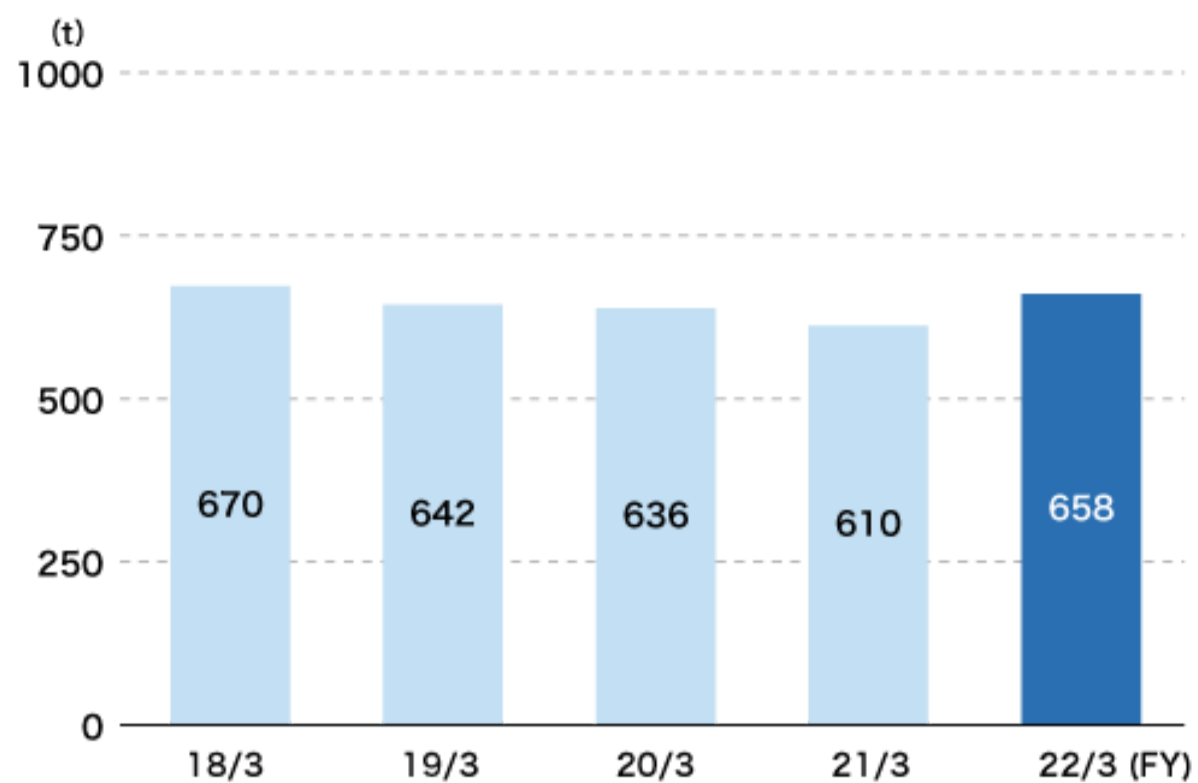
Please see our "[Management of Chemical Substance Emissions](#)" page for information about our efforts to reduce emissions of volatile organic compounds (VOCs).

➤ [Total Environmental, Health and Safety Assessment System](#)

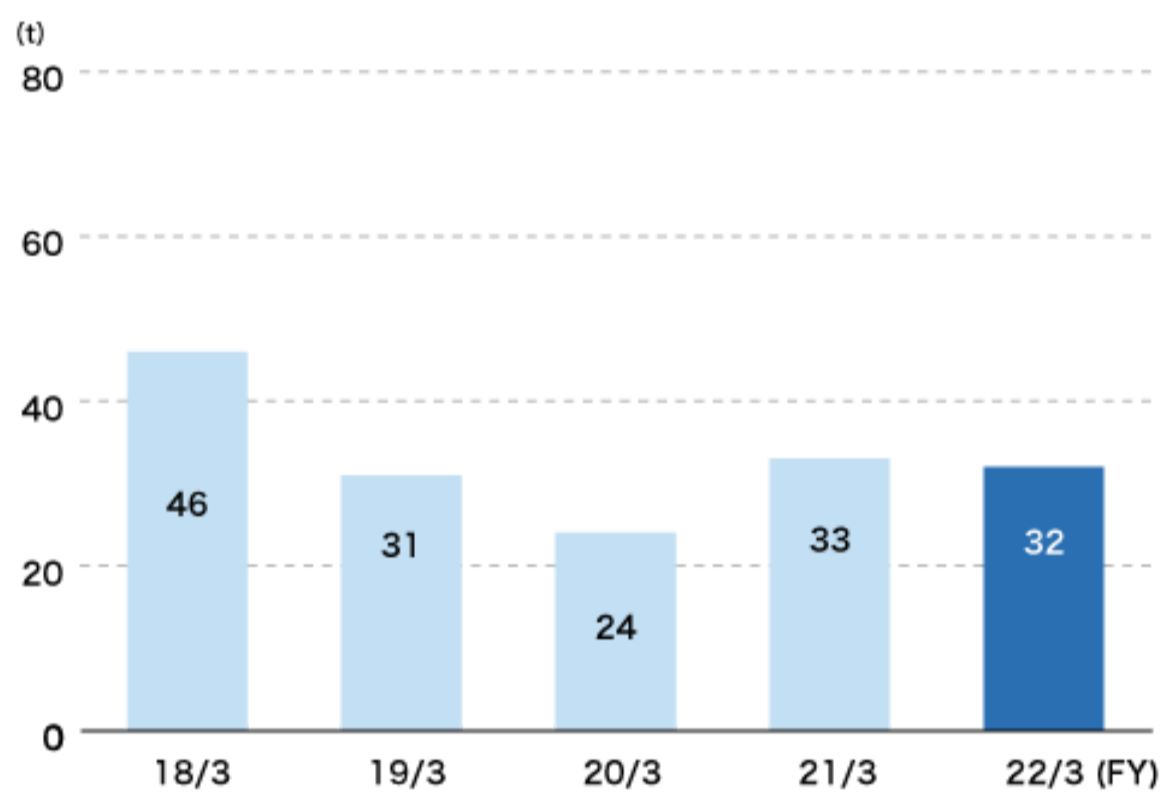
■ SOx Emissions (Daicel's Business Sites and Domestic Group Companies)



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



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



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

> ESG Data [Environmental Load Data for Each Business Site](#)

Preserving Biodiversity

Basic Approach

Guided by the [Daicel Group Basic Policies for Responsible Care](#), we operate our business with due consideration for the preservation of biodiversity to pass on to future generations the wonders nature has to offer.

Promotion System

Daicel is a member of the Japan Business and Biodiversity Partnership, jointly established by Keidanren (Japan Business Federation), the Japan Chamber of Commerce and Industry, and Keizai Doyukai (Japan Association of Corporate Executives) in conjunction with the 10th Conference of the Parties (COP10). To further clarify our commitment to biodiversity conservation, we incorporated our initiatives on preserving biodiversity into the Daicel Group's Basic Policies for Responsible Care in FY2012/3.

We implement each initiative appropriately through the implementation system for responsible care which directly reports to the president and CEO.

[> Promotion System for Responsible Care](#)

Initiatives Aimed at Preserving Biodiversity

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

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

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

Initiatives Addressing Marine Plastic Waste

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

Products that Help Solve the Problem of Marine Plastic Waste

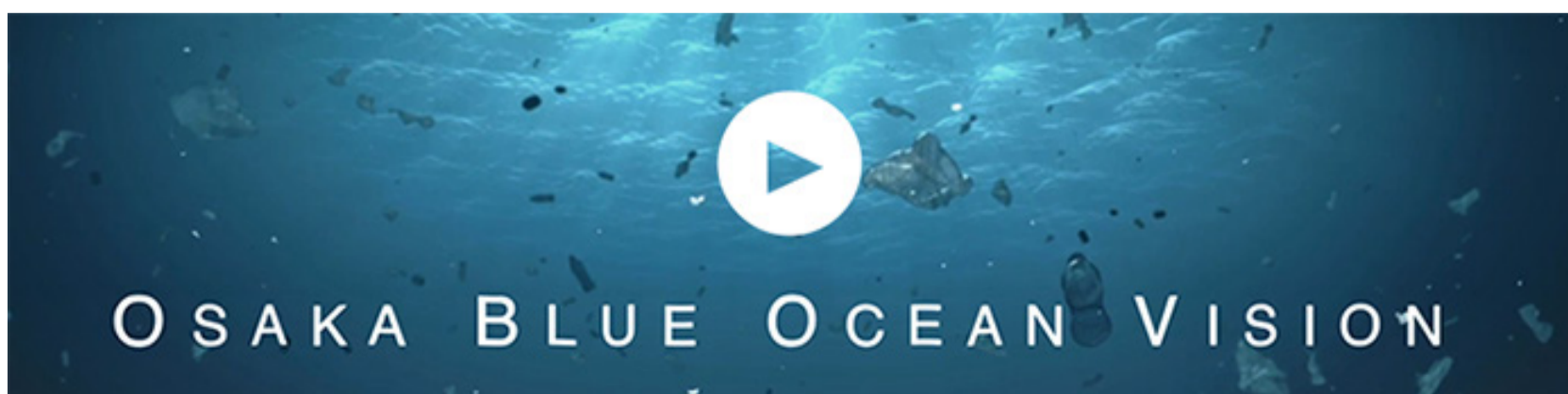
Cellulose acetate, one of Daicel's major products, is biodegradable and an environmentally sound material, made from plant-based cellulose and the naturally occurring chemical acetic acid. After use, cellulose acetate ends up biodegrading into water and carbon dioxide, not only in the soil or among other waste materials but also in the oceans. Daicel has taken this advantage one step further by modifying the molecular structure of this substance to bring major improvements in biodegradability and create [CAFBL0™](#), a type of cellulose acetate that is highly biodegradable in seawater. CAFBL0™ has obtained "OK biodegradable MARINE" certification from the international certification organization for biodegradability, TÜV Austria, Belgium.

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

Collaboration with Industrial Organizations and Local Governments

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

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



➤ [The GREEN SEA Setouchi Hiroshima Platform \(GSHIP\) \(Japanese text only\)](#)

Native Forests for Life

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

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

[> Native Forests for Life Initiative](#)

Respect for Human Rights

Daicel Group Human Rights Policy

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

Basic Position

We, the Daicel Group, are strong believers that “People are the foundation for our success.” The Daicel Group Conduct Policy and each Group company’s Code of Conduct declare our determination to comply with all laws and regulations; act with high ethical standards and sound judgment; respect the diversity, personality and individuality of every member connected to the Daicel Group and contribute to realizing a healthy and sound society that is free from discrimination and harassment.

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

Scope of Application

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

Human Rights Due Diligence

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

Correction and Remedy

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

Education and Training

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

Applicable Laws and Regulations

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

Dialogue and Consultation

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

Information Disclosure

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

Enacted July 30, 2020

Efforts to Instill Respect for Human Rights in Practice

Human Rights Due Diligence

Under its Human Rights Policy, the Daicel Group has stated a commitment to support the United Nations Guiding Principles on Business and Human Rights and consistently implement human rights due diligence in accordance with the Guiding Principles. Human rights due diligence is a series of processes that include identifying any adverse human rights impact associated with the Daicel Group and preventing or mitigating potential risks to human rights.

Initiatives for Group Companies

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

For the first step in the process, risk investigation and assessment, since 2019, we have been sending questionnaires on human rights and labor practices to Group companies in Japan and overseas and have been conducting interviews based on their responses to the questionnaire.

After this initial risk investigation and assessment, we then send questionnaires to Group companies again and request them to submit their responses along with substantiating documents. We implement a more detailed risk investigation and assessment through reviewing the submitted documents and conducting interviews based on a checklist.

The results of the survey revealed no human rights violations by Daicel Group companies or cases requiring the next step of the process, that is, corrective and remedial actions.

Implementation rate of human rights due diligence (FY2020/3-FY2022/3)	64.9% Group companies in Japan: conducted in 16/18 companies* Group companies overseas: conducted in 21/39 companies*
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* Denominators indicate the number of candidate companies for human rights due diligence (as of March 31, 2022)

However, through the risk assessment, we found several issues of concern such as company responses to revisions in laws and regulations in each country, and observance of the statutory employment rate of persons with disabilities. We will continue to actively address these issues.

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

Initiatives for the Supply Chain

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

By FY2022/3, we had distributed Certificates of Confirmation to 796 of Daicel's major suppliers (accounting for over 85% of total procurement) in order to confirm that they understood the content of the Daicel Group CSR Purchasing Guidelines, and we received signatures from 671 companies (response rate of 84%). For suppliers who have not yet responded, we follow up with them by requesting their responses, aiming for a 100% response rate.

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

[> Sustainable Procurement](#)

Human Rights Education and Training

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

In FY2022/3, we implemented new e-learning dedicated to human rights, with the participation of 5,813 employees from Daicel Corporation and Group companies in Japan (participation rate 95.0%). This program began by explaining the basic idea of respecting human rights and provided information on the key global issues of forced labor, child labor, and human trafficking. The program also provided an opportunity to learn about the Human Rights Policy and about any specific human rights issues arising from the COVID-19 pandemic.

We also provide an opportunity for people to learn about human rights through educational materials on corporate ethics, which we distribute to Group companies every month. In FY2022/3, these materials included human rights related content, such as harassment and bullying, Sexual Orientation and Gender Identity (SOGI) discrimination, and working with people from different cultural backgrounds.

In addition, we educated employees by focusing on harassment through e-learning and discussion during a month-long 'Daicel Group Compliance Awareness Month'; job grade-based training; and overseas assignment preparatory training.

Reporting and Consultation

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

In addition, an online consultant contact has been set up on our website, which can be used by stakeholders outside the Daicel Group to report or consult on human rights issues as well as other issues.

[➤ Compliance Help Line System \(Internal Whistleblower System\)](#)

Enhancing Product Quality

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

Quality Policy for Daicel Group

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

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

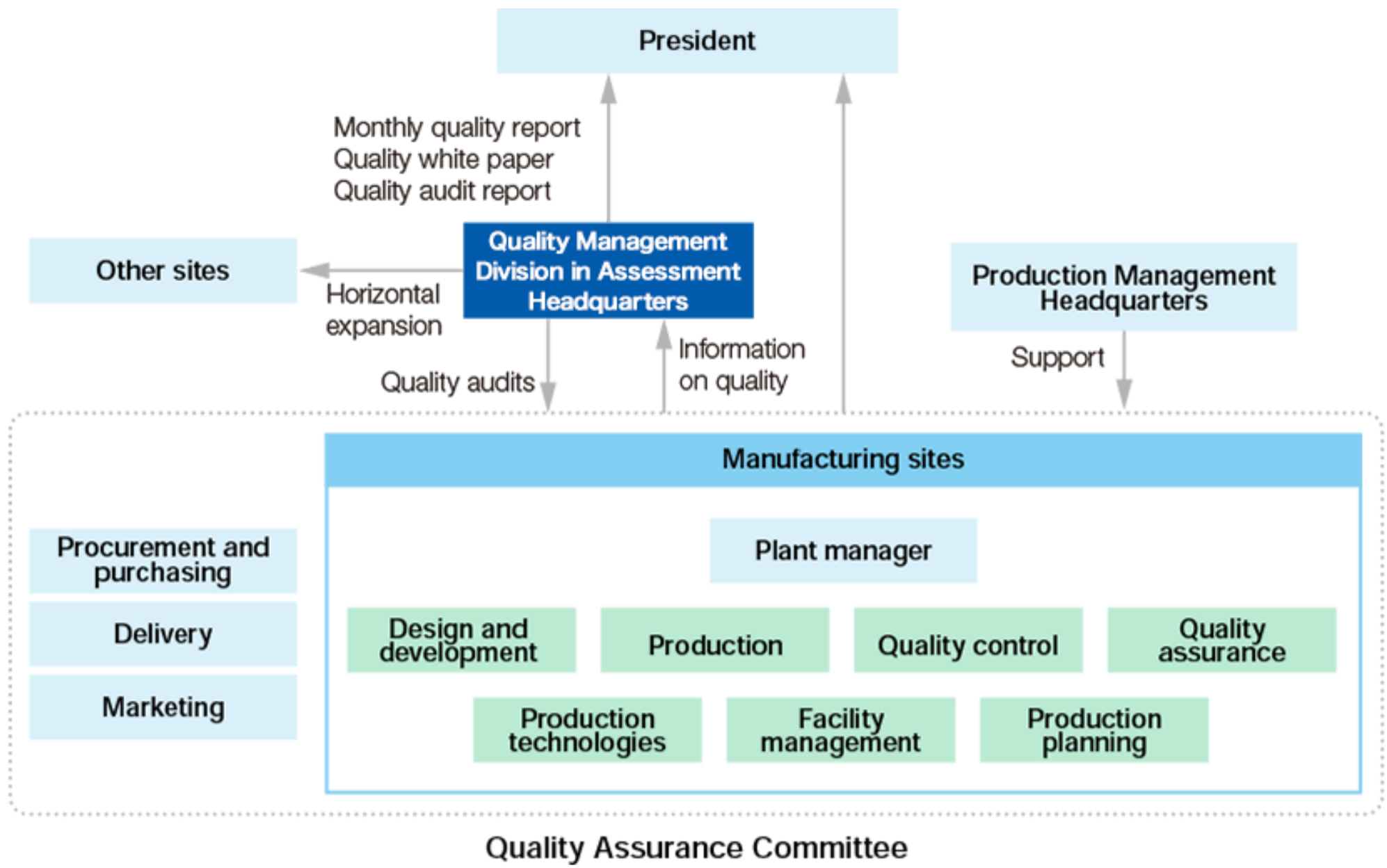
Established April 6, 2016

Quality Management System

The Daicel Group has constructed a quality management system at each manufacturing site under the leadership of the plant manager (general manager).

The Quality Assurance Committee, comprising departments at each site and other relevant departments, serves as the main organization in pursuing continuous improvements, with the support of the relevant corporate departments. Progress made toward quality-related goals and initiatives, as well as the effectiveness of these efforts, are reported to and reviewed by the Group management members through media such as monthly quality reports, quality white papers, and audit reports.

■ Our Structure for Quality Management



Certification Status

The Daicel Group has obtained the following certifications to meet the requirements of our customers and markets: ISO 9001, IATF 16949 for the automotive sector, ISO 13485 for the medical equipment sector, ISO 22000 and FSSC 22000 for the food safety management, and JISQ 9100 for the defense sector.

All of our manufacturing sites, both in Japan and overseas, have obtained quality management system certifications.

[> List of Certifications](#)

Major Initiatives for Ensuring Quality

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

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

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

Following the market launch, we manage changes in product specifications or changes in raw materials and processes by assessing the risks of changing any element in accordance with quality requirements and agreements with customers.

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

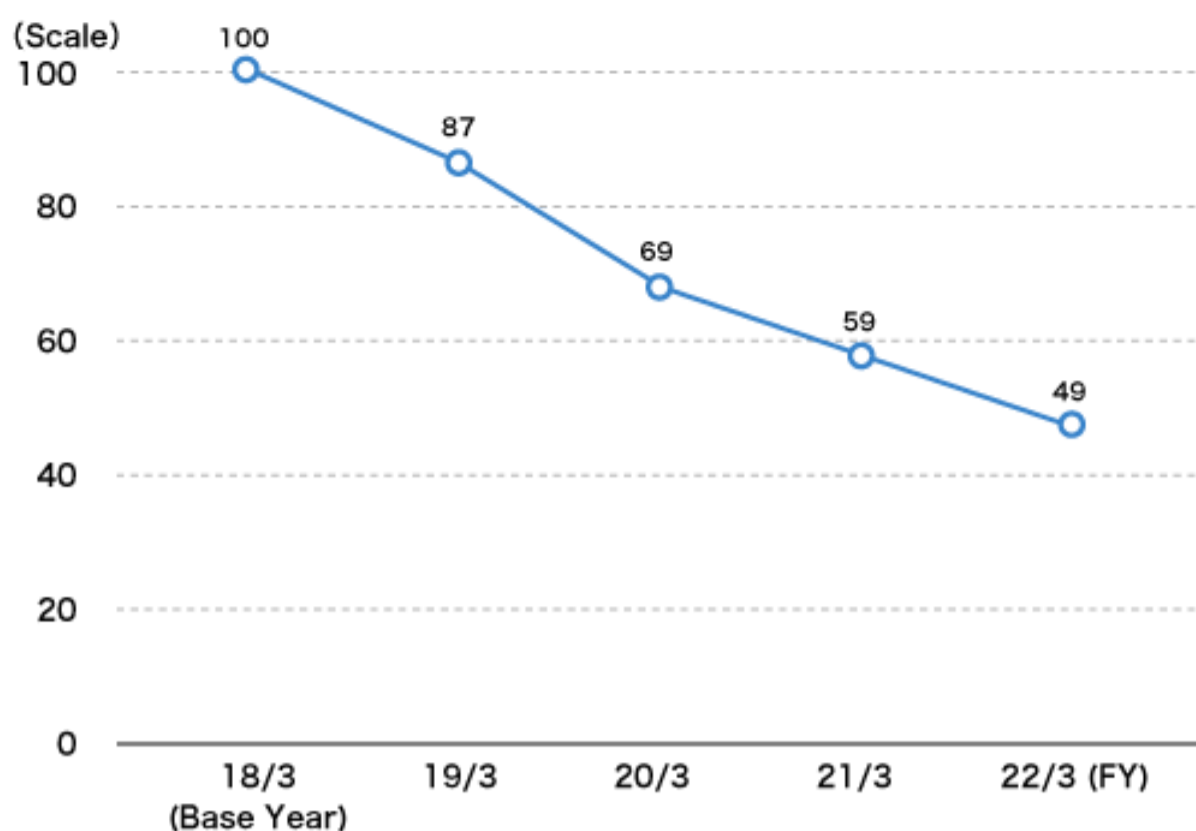
In addition, the Quality Management Division of the Assessment Headquarters, which is part of the Head Offices, also works to ensure continuous improvement by confirming that these processes are being properly conducted at each plant in the Daicel Group. Also, it conducts audits aimed at strengthening the management capabilities of the entire Group.

[> Chemical and Product Safety](#)

Responding to Customer Feedback

The Daicel Group responds to complaints and inquiries from customers by conducting primary investigations on issues such as in-process defects and abnormal tendencies, swiftly providing feedback. Consequently, we offer replacements as necessary and seek to prevent issues from recurring by investigating the causes of the occurrence and the release of defective products. Through these processes, we also implement corrective and preventive actions. In addition to the information provided by customers, the information of quality defects and anomalies that are discovered during product inspection or the production process is accumulated and visualized using a dedicated database designed to be applicable in the common workflow of all Group companies. As part of efforts to improve quality, which includes preventing recurrences, the Quality Assurance Committee holds discussions and checks the appropriateness of countermeasures. As a result of these efforts, the number of customer complaints has been decreasing every year.

Customer Complaints for the Daicel Group*



* Shows a change in the number of customer complaints on a scale where data for FY2018/3 is 100.

* Scope: Daicel Corporation, Dainichi Chemical Co., Ltd., Daicel Pyrotechnics Ltd., Daicel Membrane-Systems Ltd., Daicel Miraizu Ltd., Daicel Pack Systems Ltd., Daicel-Allnex Ltd., Daicel Aboshi Sangyo Co., Ltd., DM Novafoam Ltd., and Polyplastics Co., Ltd. (includes overseas companies), Polyplastics-Evonik Corporation, Daicel Nanning Food Ingredients Co., Ltd., Shanghai Daicel Polymers, Ltd., Daicel Safety Systems Europe Sp.z o.o., Daicel Safety Systems Americas, Inc., Daicel Safety Systems (Jiangsu) Co., Ltd., Daicel Safety Technologies (Jiangsu) Co., Ltd., Daicel Safety Systems Korea, Inc., Daicel Safety Systems (Thailand) Co., Ltd., Daicel Safety Technologies (Thailand) Co., Ltd.

* Applicable companies added in September 2021: Chiral Technologies Europe S.A.S., Chiral Technologies, Inc., Daicel Chiral Technologies (China) Co., Ltd., Daicel Chiral Technologies (India) Pvt. Ltd., Daicel Arbor Biosciences

Rate of Initial Response to Customer Complaints within 24 Hours

FY	2021/3	2022/3
Rate of initial response within 24 hours	38	63
Average number of days to initial response at production sites	13.8	2.2

* Applicable sites: Daicel production sites in Japan

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

Internal Education and Training

In addition to providing education for each organizational unit that operates the quality management system, the corporate departments host training sessions on quality management, quality control and internal audits. The programs are carried out in consideration of each participant's job grade and experience to gradually raise their knowledge level. The graph below shows training sessions held in FY2022/3.

■ In-house Training Sessions Conducted in FY2022/3

Training organizer	Training content		
	Quality management	Quality control	Internal auditor development
Domestic production sites	22	39	7
Corporate departments	5	5	4
Total	27	44	11

* Applicable organizations: Daicel production sites in Japan and corporate departments

[> Support for Human Resource Development](#)

[> Human Development Center](#)

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

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

The system is capable of consistently monitoring the status of operations, facilities and materials via images captured by multiple cameras installed along production lines. The system allowed us changing the conventional method of inspecting representative samples into closely managing the quality of every product unit being manufactured. It also led to the shift from representative-point management of each lot to all-point management based on the serial number of each product, which significantly improved the in-process guarantee rate for products. Moreover, the AI-based analysis of massive volumes of image data helps us spot the types of manual operations most susceptible to mistakes (and most in need of improvement), determine optimal conditions for facility operations and enhance overall operational efficiency.

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

[> Practical Application of an Image Analysis System](#)

Risk Management for Product Safety

The Group also conducts product safety assessments for all products subject to the prevention of product accidents (human casualties arising from Daicel product defects).

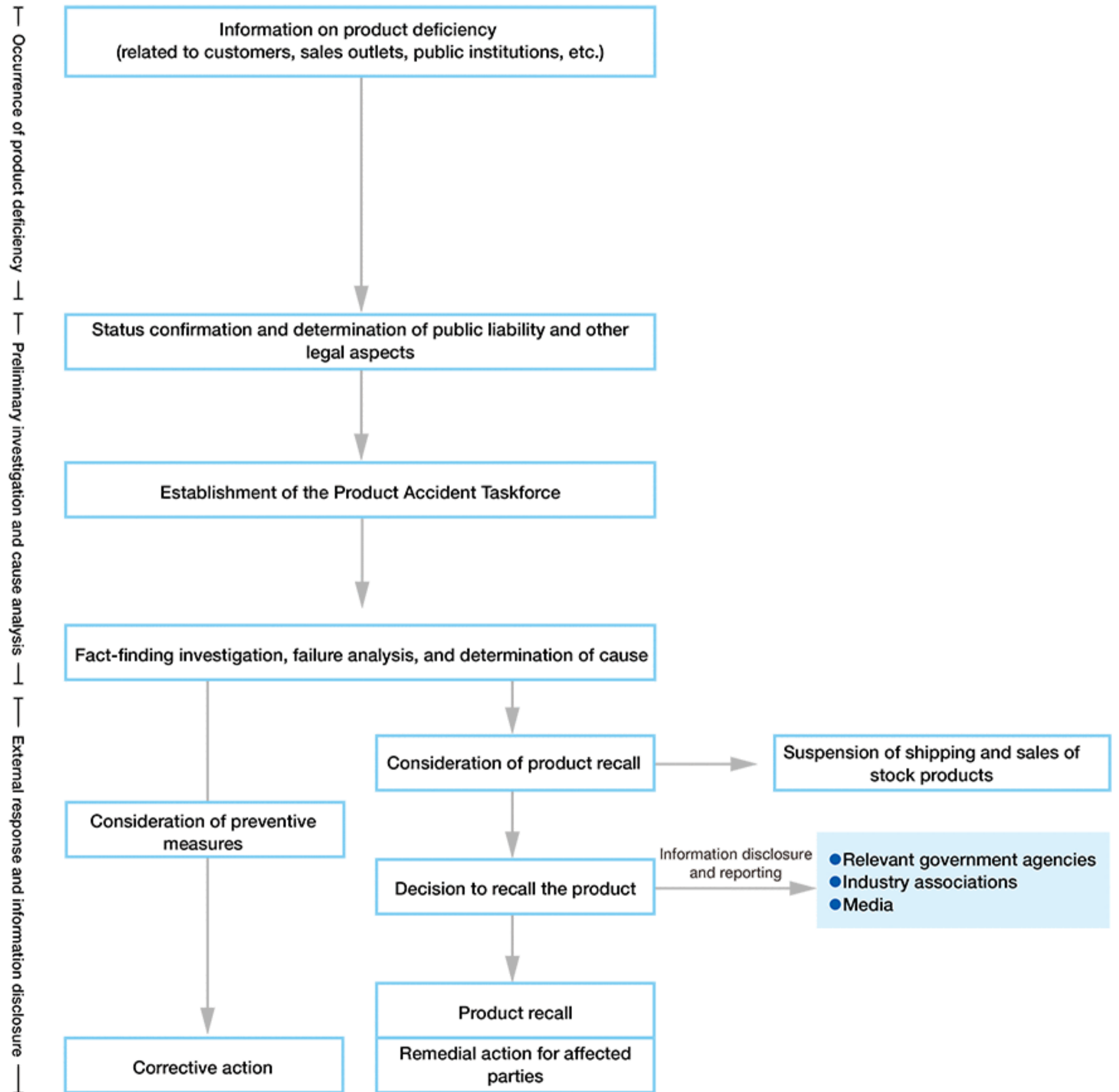
The Daicel Group evaluates the risk of health hazards associated with our products under a Total Environmental, Health and Safety Assessment System. We have placed particular emphasis on reinforcing our product safety assessments. We practice appropriate risk management by implementing Product Crisis Assessment, which involves identifying and monitoring risks associated with current product safety measures and assessing the status of incident responses. We have also initiated Product Safety Advisory Meetings and invited a team of third-party specialists to conduct a risk assessment.

Product Accidents

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

* Applicable sites: Daicel production sites in Japan

Process Flowchart for Responding to Serious Product Deficiencies



> [Total Environmental, Health and Safety Assessment System](#)

Chemical and Product Safety

Basic Approach

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

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

Promotion System

Under the Responsible Care (“RC”) Promotion System, spearheaded by the RC Council, the Daicel Group strives to ensure chemical and product safety throughout the process of development, manufacturing, distribution, use, disposal, and recycling of chemical products. We practice proper chemical substance management by implementing the Total Environmental, Health and Safety (EHS) Assessment System as a means for evaluating risks associated with chemical substances in regard to health, safety, and the environment. Furthermore, in April 2022, we established the Assessment Headquarters. This organization will serve as a centralized location for assessing things like business feasibility, safety, environment, and quality with a diverse and highly specialized perspective. Within the Assessment Headquarters we created the Assessment Promotion Division, which will plan and design assessment mechanisms and standards, as well as plan development capabilities, train personnel, and oversee technology protection and shared information and technology. We moved the Quality Management Division and RC Division, which heads up assessments, to the Assessment Headquarters in order to ensure that assessment results are being fully achieved while continually improving assessments and efficiently incorporating and applying assessment results based on assessments of past problems and countermeasures.

➤ [Promotion System for Responsible Care](#)

➤ [Total Environmental, Health and Safety Assessment System](#)

Initiatives to Maintain Compliance with International Chemical Regulations

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

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

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

Consolidated Management of Chemical Information

The Daicel Group creates SDS* and labels to ensure that our products are handled safely and securely, provides timely information to customers, and conducts risk assessments of chemical substances that include our products.

Through Daicel's unique chemical information management data bank called D-CLik, the company unified information on raw materials, intermediates, and finished products with regard to their physical, chemical, and hazardous properties and relevant regulations. As for D-CLik data, we not only register new chemical substances but also provide continuous updates by collecting monthly safety test reports and other relevant documents from the entire Company and submitting them to the RC Division of the Assessment Headquarters.

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

Provision of Chemical Information

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

Information disclosed via the Safety Data Sheet (SDS)	<ul style="list-style-type: none">● Daicel creates SDS for all of its products in accordance with GHS*¹ and the Industrial Safety and Health Act of Japan and provides the information to customers.● Daicel publishes SDS for its major products on the corporate website.
Information disclosed via GPS/JIPS*² activities	<ul style="list-style-type: none">● Daicel participates in GPS/JIPS (Global Product Strategy/Japan Initiative of Product Stewardship), a voluntary initiative promoted by the Japan Chemical Industry Association (JCIA) for reinforcing control over chemical products.● Daicel publishes its 12 Safety Summaries, based on risk assessment results, on the GPS Chemicals Portal Site run by the JCIA.
Information disclosed via chemSHERPA*³	<ul style="list-style-type: none">● Daicel has declared its support for promoting the use of chemSHERPA, a scheme developed by the Ministry of Economy, Trade and Industry of Japan for communicating information on the ingredients of chemical products.

*1 GHS: Globally Harmonized System of Classification and Labelling of Chemicals that provides rules regarding the presentation of hazard information of chemical substances and precautions for their handling based on globally harmonized classification and labeling methods.

*2 GPS/JIPS: Global Product Strategy/Japan Initiative of Product Stewardship, the voluntary actions of the chemical industry promoted by JCIA and based on the chemical management strategy of ICCA. Through these actions, the industry conducts risk assessments of chemical products, creates safety summaries to easily explain results to people outside the industry, and makes these summaries publicly available.

*3 chemSHERPA: A scheme that aims to ensure the appropriate management of content of chemical products while communicating information regarding their ingredients throughout supply chains and based on a unified list.

In accordance with revisions to JIS Z 7252 : 2019 and JIS Z 7253 : 2019 pursuant to the UN GHS (Rev.6), in FY2022/3 we conducted a comprehensive inspection of SDS with regard to the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof, Industrial Safety and Health Act, and Poisonous and Deleterious Substances Control Act, also collectively known as the three laws mandating the labeling and delivery of SDS. As a result, although we found several instances of pre-revision language used, none were against regulations.

Revisions to ordinances under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof were promulgated on October 20, 2021 and entered into force on April 1, 2023. Prior to this entry into force, we updated our product SDS to also include substances subject to revision.

[> Chemical risk assessment support portal](#) 

In-House Training and Education

To ensure appropriate management of chemical substances, the Daicel Group regularly provides all employees who handle chemical substances with educational programs focused on the hazardous properties of chemical substances and appropriate methods for handling them as well as on the domestic and overseas laws and regulations governing them.

Particularly with respect to domestic and overseas laws and regulations, we have assigned chemical product management supervisors in each business division and Group company who gather four times a year to exchange information, which is undertaken in two parts. Participants share information and discuss topics such as chemical product regulations in Japan and overseas along with the latest information and trends related to industry groups in the first part, and topics such as regulatory trends and internal management systems focused on conveying information about chemicals in the second. In FY2022/3, the meetings were attended by a total of 280 division heads and relevant staff.

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

Voluntary Efforts Concerning Chemical Substances

When developing new plans under the Total EHS Assessment System, we conduct advance assessments of all chemical substances handled through our business with regard to the risks and toxicity to health and the environment in order to prevent people, equipment, or the environment from being affected by chemical substances.

We also discontinue the manufacture of “prohibited substances” whose risk or toxicity renders their manufacture or use illegal or subject to severe restrictions. We also generally prohibit the manufacture and use of “substances prohibited in principle,” which are those whose manufacture or use is severely restricted (must obtain permission, file notifications, take safety measures, etc.) or that have been deemed as being especially toxic according to internal regulations. When the manufacture or use of “substances prohibited in principle” cannot be avoided, we determined the viability of such use following deliberation by the Corporate Total EHS Assessment Committee based on information such as risks, toxicity, amount produced, amount used, applications, purposes, exposure severity, and risk countermeasures for people’s health and the environment. We systematically manage substances of concern due to their risks or toxicity through the Total EHS Assessment System.

Process Safety and Disaster Prevention

Basic Approach

The Daicel Group regards safety as one of its most important foundations. Adhering to [the Daicel Group Basic Policies for Responsible Care](#), it identifies risks associated with processes related to safety and disaster prevention through various assessments. The Group then takes preventive actions that include eliminating and mitigating those risks. Moreover, in the event of a safety incident during any process, necessary measures are being taken based on the BCP Guidelines to minimize damage.

Promotion System

[> Promotion System for Responsible Care](#)

Initiatives on Process Safety and Disaster Prevention

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

Status of Accidents in FY2022/3 (Daicel's business sites and domestic Group companies)

- Small fire: two cases (no change from FY2021/3)
- Leakage: six cases (no change from FY2021/3)
- Property damage: one case (up one from FY2021/3)

All of the above incidents were contained at the business site and did not affect operations. The causes of these incidents have been investigated, and preventive measures were implemented to address both physical and human errors. Along with using the Occupational Accidents and Process Safety Incidents Database to keep all business sites apprised of the details and causes of incidents and measures to prevent their recurrence, we investigate whether similar incidents had occurred and have taken measures to prevent potential incidents from occurring.

Risk Assessment

The Daicel Group seeks to ensure safety as a foundational principle of its operations by identifying, assessing, analyzing, and addressing process safety risks based on its Total Environmental, Health and Safety Assessment System.

Initiatives for FY2022/3

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

[> Total Environmental, Health and Safety Assessment System](#)

Maintenance Dojo

In the past, Daicel has taken a variety of measures to strengthen the maintenance of chemical plants. However, with the passing of the torch from one generation to the next in and around 2007, the Company began noting signs of declining capabilities in maintenance skills, construction management and supervision, acceptance inspections, and problem analysis. In response, we opened the Maintenance Dojo and began offering a more practical curriculum for mechanical work in FY2016/3 for electrical and instrumentation work in FY2018/3 to ensure future generations fully gain the vital maintenance skills and techniques they need to improve construction quality.

Initiatives of the Maintenance Dojo

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

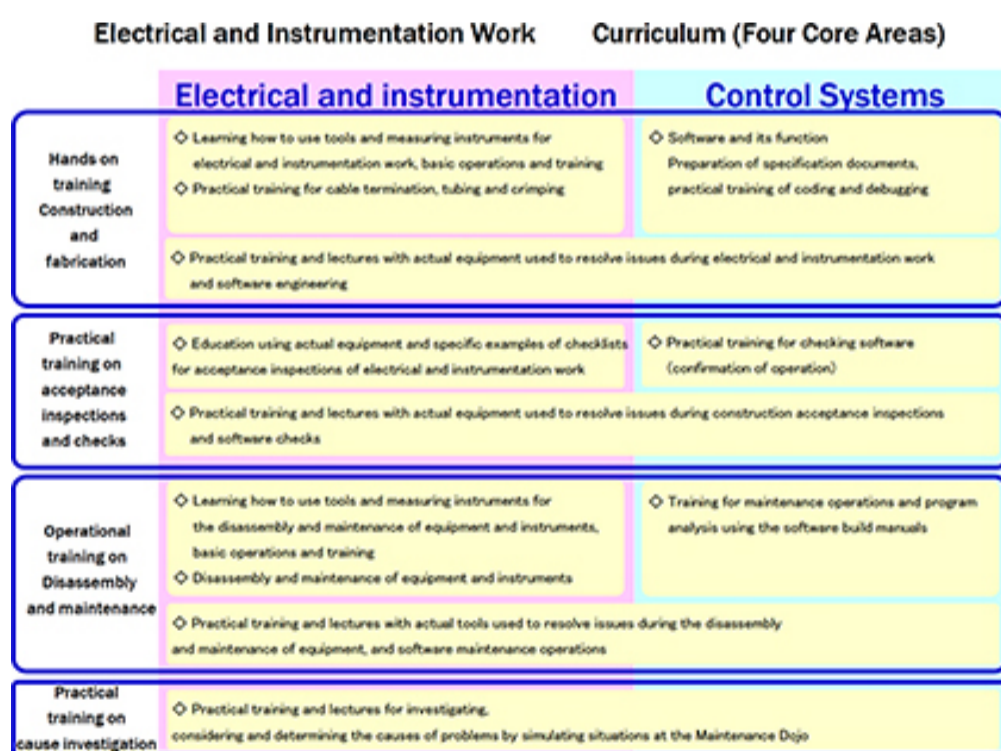
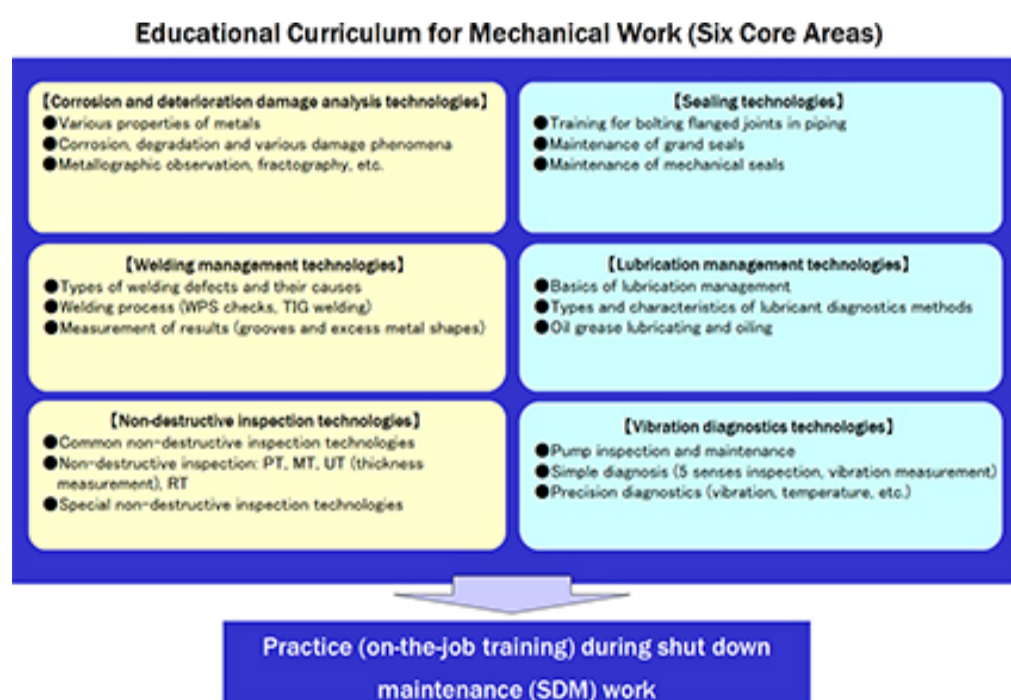
We believed that traditional knowledge and experience-based human resource development was inadequate for developing the human resources that would support safety and quality, and so we opened the Maintenance Dojo as a place for practical training in specialized techniques and skills. At the site, we are nurturing human resources who can take ownership of the maintenance and management of Daicel equipment and perform these tasks with confidence and pride.

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

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

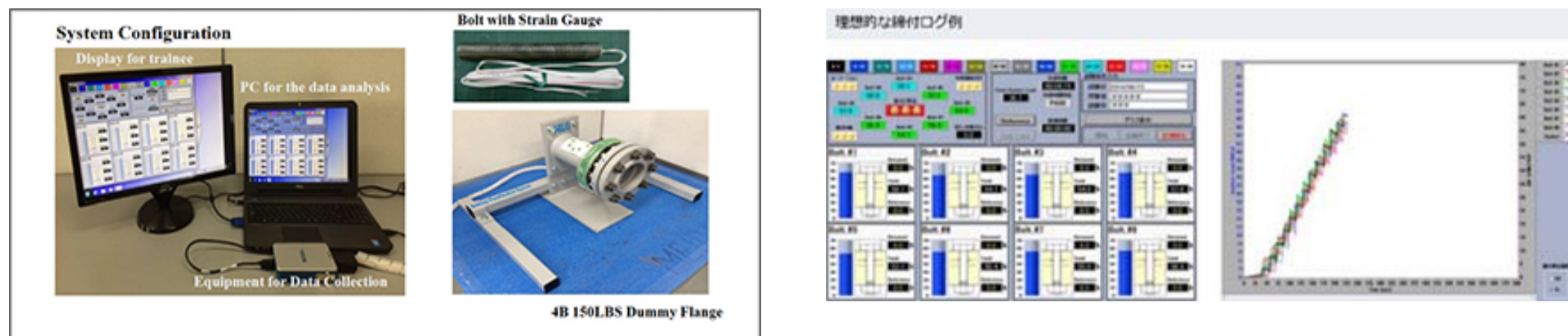
The educational curriculum for mechanical work consists of six core technologies: corrosion and deterioration damage analysis, welding management, nondestructive inspection, sealing technologies, lubrication management, and vibration diagnostics. The curriculum for electrical and instrumentation work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

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



Case Study Regarding Education and Training for Tightening Pipe Flanges

Training on tightening pipe flanges began at the Aboshi Plant in 2009. This training involves the use of flange tightening skill evaluation system that we developed. The system visualizes trainee skills by displaying in real time on a computer screen the axial force of a bolt and the surface force of a tightened gasket at the time of flange tightening (Photo 1). Due in part to the introduction of a skill certification system, these efforts have had a remarkable impact on preventing leakage from pipe flanges and resolving related problems. Since 2015, the training has been incorporated into the Maintenance Dojo and fully rolled out at other plants (Photo 2).



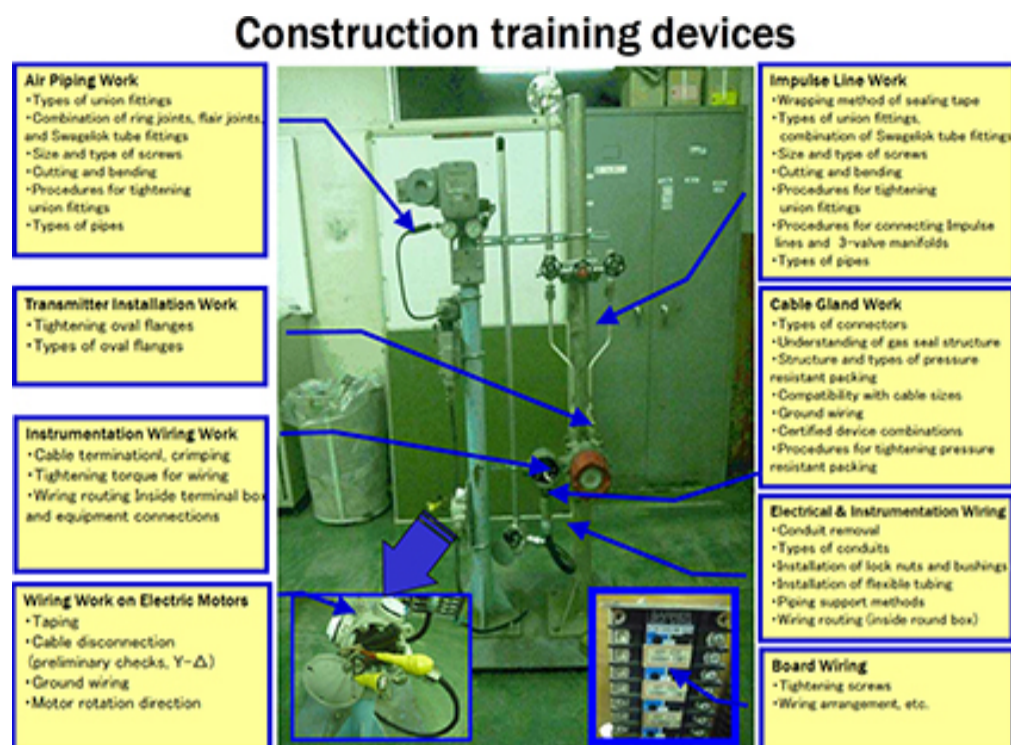
(Photo 1) Flanged bolting simulator (D-BOLVIS: Daicel Bolting Visualization)



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

Examples of Training Programs for Electrical and Instrumental System Construction, Production, Acceptance Inspections, and Checks

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



Device used in practical training for construction and production



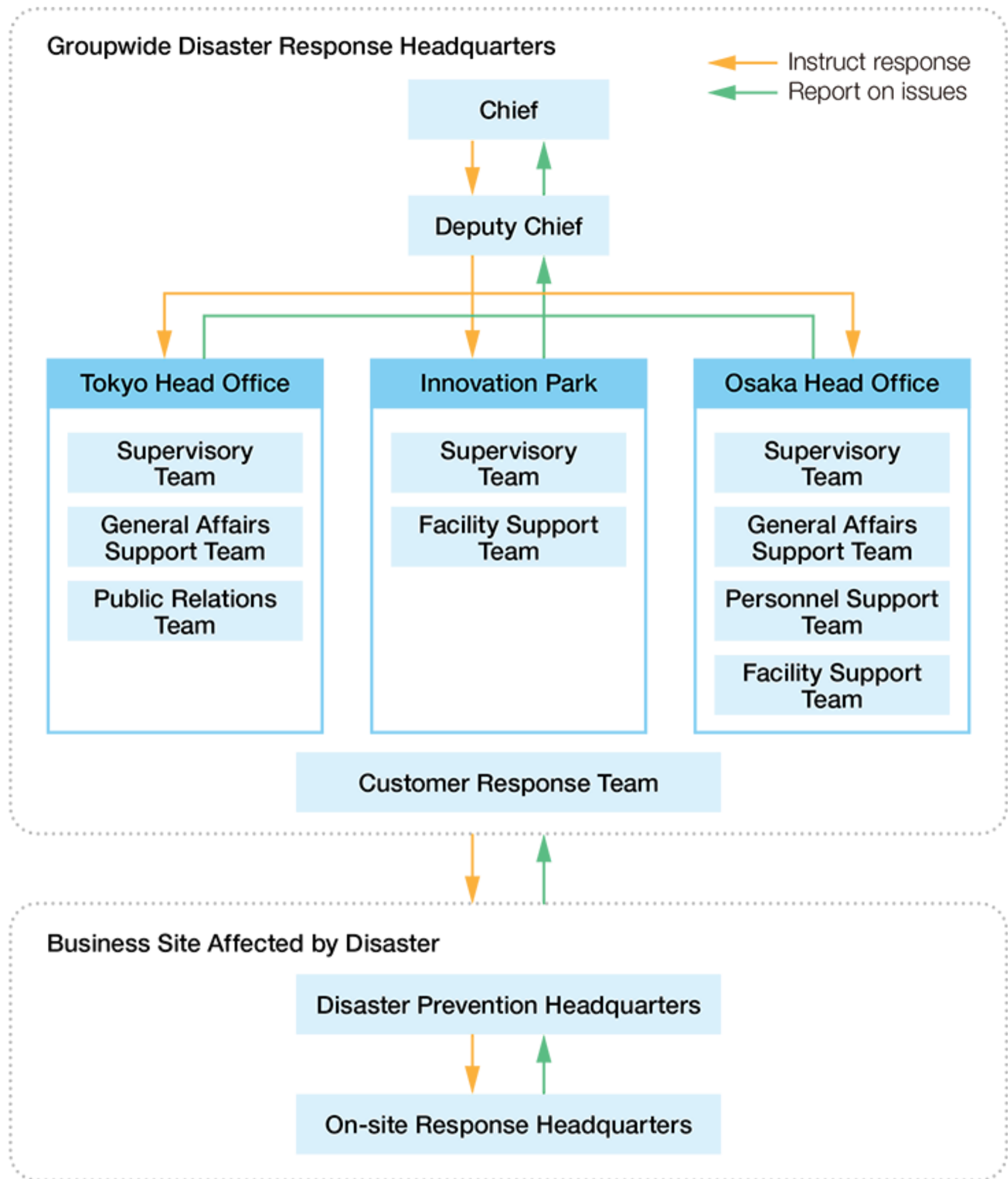
Training

Emergency Response

In the event of a major disaster such as a huge fire, explosion, or natural disaster, including earthquakes and tsunamis, the Daicel Group will respond in accordance with its Disaster Response Rules by setting up a Groupwide Disaster Response Headquarters at the Innovation Park and the Osaka and Tokyo head offices. The president will serve as the chief and the director in charge of the Responsible Care Division as deputy chief to provide overall supervision.

We have installed satellite communication antennas at the three bases of the Groupwide Disaster Response Headquarters to strengthen our communications functions. Furthermore, in FY2022/3 we reinforced the information network infrastructure between business sites during a widespread disaster by deploying a sharing system of disaster information, which can be accessed by Groupwide Disaster Response Headquarters personnel from inside and outside of business sites. We also introduced systems for safety confirmation and emergency calls at all Group business sites in Japan. The Safety Confirmation System allows for quickly ascertaining the safety of employees and their family members in an emergency. The Emergency Call System is used to stay informed about disaster situations and convene response headquarters personnel, and its early deployment at the Groupwide Disaster Response Headquarters and business sites' response headquarters has helped strengthen our emergency response capabilities. The deployment of these systems will support quick and effective responses through close collaboration with the headquarters.

■ Our Structure for Emergency Response



Earthquake, Tsunami, and Liquefaction Countermeasures

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

Disaster Prevention Drills

The Daicel Group regularly conducts emergency safety drills for all business site personnel and Group company employees in accordance with the annual plans of each business site. The drills are designed to prepare employees through repeated practice so that, in the event of an emergency, they are well versed in lifesaving and first-aid procedures, capable of preventing spillover effects from a disaster, and able to efficiently collaborate with other members of communities around our business sites.

Complementing these efforts, Daicel conducts Group-wide disaster countermeasure exercises each year that address the possibility of a widespread disaster. In FY2022/3, we conducted initial response drills and BCP training without providing participants any advance information on the disaster scenario.



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



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



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



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

TOPICS

FY2020 Chairman's Award from the High Pressure Gas Safety Institute of Japan



The Hirohata Plant of the Multiple Production Company's Himeji Production Sector was recognized as an excellent manufacturer with an award from the High Pressure Gas Safety Institute of Japan.

The Chairman's Award is presented to commend businesses and individuals for outstanding achievement in preventing disasters related to high pressure gas. We believe the Hirohata Plant was recognized for its manufacturing technology training and management related to high pressure gas.

Distribution Safety

Basic Approach

As a distributor, Daicel Corporation works with Daicel Logistics Service Co., Ltd. to ensure safe distribution and quality management. As for distribution safety, we aim to achieve zero logistics accidents, occupational accidents and at-fault traffic accidents by adhering to [the Daicel Group Basic Policies for Responsible Care](#). In assuring quality, we are guided by [the Quality Policy for Daicel Group](#) and strive to achieve our target of “taking responsibility as a logistics contracting company by quickly and sincerely responding to complaints and accidents relating to logistics to earn the customer satisfaction (CS) of the distributors.”

Promotion System

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

Daicel Logistics Service implements and operates its quality management system in accordance with ISO 9001 using a CAPD cycle. To fulfill its responsibility as a distributor, Daicel Corporation checks up on the status of Daicel Logistics Service’s initiatives and engages in resolving any issues as part of its responsible care activities.

[> Daicel Logistics Service Co., Ltd. Quality Policy \(Japanese text only\)](#)

Safe Transport of Products and Logistics Management

Initiatives for Ensuring Safe Transport

Daicel Logistics Service promotes safe transport by upholding the targets of zero logistics accidents*, zero occupational accidents and zero at-fault traffic accidents. Annual distribution safety targets are set up by each distribution center.

Progress on achieving the targets is reviewed each month by the Safety and Quality Committee, which comprises the heads of each center and departments, and improvements are made, including revising the targets as needed.

In FY2022/3, while there were zero logistics accidents, there was one at-fault traffic accident, one occupational accident, and one leakage accident. We investigated the causes of the accident and took preventive measures to address both physical and human errors.

Initiatives

1. Corrective measures for work system and work procedure flaws
2. Sharing of case studies and countermeasures at Safety and Quality Committee meetings
3. Education on preventing recurrence of past incidents and training on loading/unloading work provided by veteran employees at the Safety and Quality Training Center

* Logistics accidents: Accidents such as fire, explosion, leakage, discharge and loss associated with hazardous products (hazardous materials, poisonous and deleterious substances, high-pressure gas, environmental pollutants, combustibles).

Daicel Logistics Service Safety Targets:	Zero logistics accidents, zero occupational accidents and zero at-fault traffic accidents
FY2022/3 Results:	Achieved zero logistics accidents (no change from FY2021/3) One traffic accident (up one from FY2021/3) One occupational accident (no change from FY2021/3)

Major Initiatives for Achieving the Safety Targets

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

■ Major Initiatives

<p>Prevention of logistics accidents</p>	<p>Safety education based on Transport Safety Management conducted at each distribution center (once a month)</p> <ol style="list-style-type: none"> (1) Appropriate mind frame for driving vehicles used in business (2) Basic rules for ensuring safe operation of vehicles used in business (3) Structural properties of vehicles used in business (4) Proper method of loading cargo (5) Dangers of overloading (6) Matters that require attention when transporting hazardous materials (7) Appropriate transportation routes and status of roads and traffic on that route (8) Predicting and avoiding danger, and response to emergencies (9) Safe driving according to the driver's aptitude (10) Biological and psychological factors affecting drivers with regard to traffic accidents, and methods for addressing these factors (11) Importance of managing health (12) Appropriate driving methods for vehicles used in business with equipment designed to enhance safety
<p>Prevention of occupational accidents</p>	<p>Health management for safe transport (daily)</p> <ol style="list-style-type: none"> (1) Measurement of blood pressure and body temperature before driving (2) Roll call (3) Daicel Logistics Service's measures against COVID-19
<p>Prevention of at-fault traffic accidents</p>	<p>Operation managers at each distribution center provide education on safe driving to drivers using dashcam video of their actual transport operations (as needed)</p>

Initiatives for Ensuring Safety during Transport and Storage of Hazardous Materials

In addition to transporting dangerous goods, Daicel Logistics Service handles refrigeration and fixed-temperature storage of ordinary goods, low-temperature and fixed-temperature storage of Type 4 hazardous substances. It also operates a warehouse for Type 5 hazardous substances. Hazardous materials are transported and stored in accordance with Japan's Fire Service Act and the United Nations Recommendations on the Transport of Dangerous Goods (Orange Book)^{*1}. Daicel Logistics Service also implements its own safety measures in an effort to prevent accidents.

Major Safety Initiatives

- Formulate and make effective use of operation manuals and check lists on the transport, loading and unloading of dangerous goods.
- When filling dangerous materials, observe instructions on labels (displayed on the product and at the storage location) and standard operating procedures for storage and handling.
- When transporting dangerous materials, carry Yellow Cards^{*2} as an obligation.
- Provide education on physical properties of dangerous materials during safety meetings (around once a month).
- Provide training for skilled experts and drivers at the Safety and Quality Training Center (around 15 times a year).

*1 United Nations Recommendations on the Transport of Dangerous Goods: Recommendations compiled by the United Nations and revised every two years with the aim of harmonizing national regulations and international rules on the transport of dangerous materials such as gunpowder, gases, liquids and solids.

*2 Yellow Cards: Listing emergency responses to be taken by drivers, firefighters and police officers in the event of an accident.

Response to Distribution Accidents

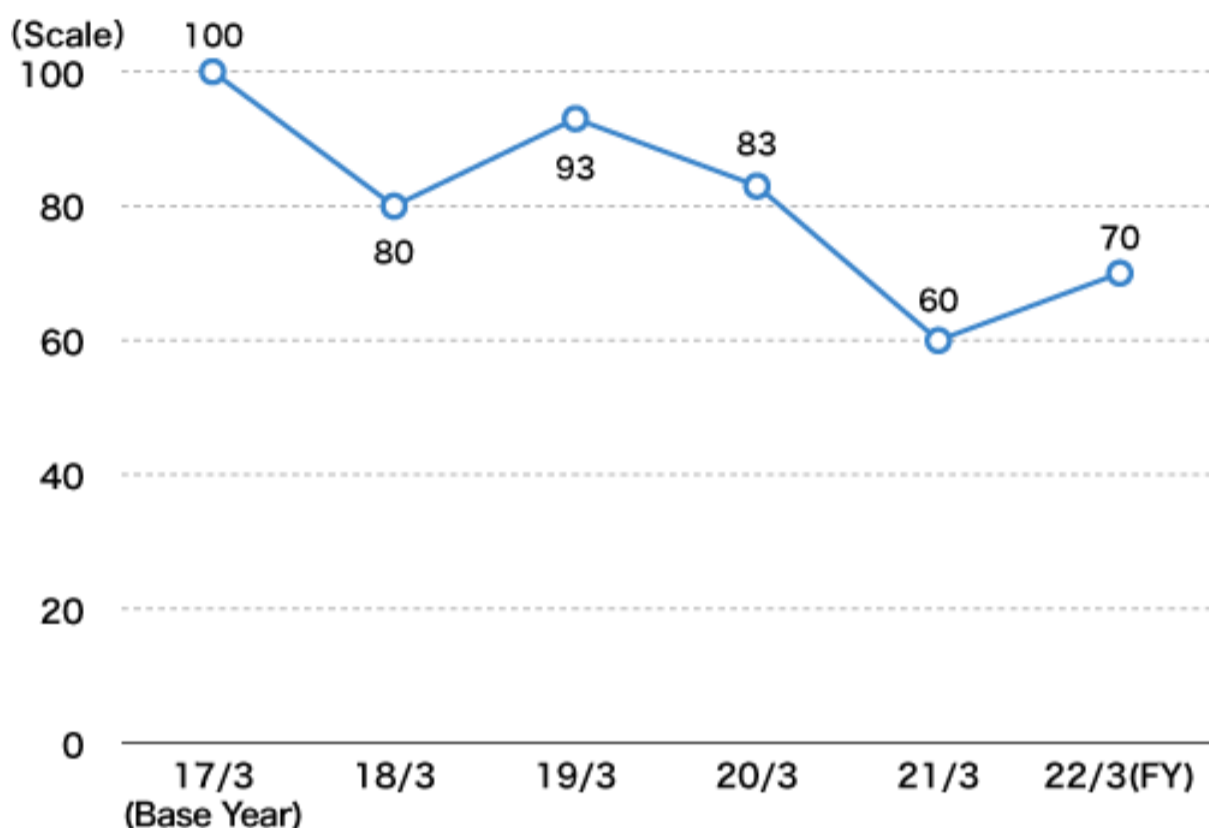
Daicel Logistics Service has established its emergency response and contact lists based on its Emergency Response Regulations. The company also conducts internal emergency reporting drills at least three times a year to remain prepared for emergencies.

Initiatives for Managing Logistics Quality

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

The number of incidents (erroneous shipments or deliveries, complaints concerning logistics, etc.) in FY2022/3 dropped by 30% compared to the reference year of FY2017/3, although this is a 16% increase over FY2021/3. As almost all incidents had precedent, recurrence prevention measures were reviewed and personnel were trained and made aware.

■ Number of Logistics Issues



* Logistics Issues: Overall term for logistics accidents, complaints, shipping and delivery errors, contamination, occupational accidents, traffic accidents and on-site accidents.

Promotion of the White Logistics Movement

Agreeing to the White Logistics Movement, launched by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Economy, Trade and Industry (METI) and Ministry of Agriculture, Forestry and Fisheries (MAFF), the Daicel Group submitted a declaration of its voluntary activities to the secretariat of the movement on September 27, 2019.

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

The key objective of the movement is to improve productivity of truck transportation and logistics efficiency while also striving to realize a "white" labor environment that makes work easier for female drivers and those over the age of 60. Promotion of the White Logistics Movement is expected to contribute to an improvement of productivity, reduction of CO2 emissions and stable logistics operations while fulfilling the company's social responsibilities. The Daicel Group has adopted the initiative with the aim of enhancing the working environment for its employees.

Initiatives to Reduce the Environmental Impact of Logistics Operations

The Daicel Group is engaged in efforts to curb energy consumption associated with product transportation by, for example, promoting a modal shift^{*1} and container round use^{*2}.

*1 The shift from truck-based goods transportation to more environmentally friendly marine and railway transportation.

*2 The practice of using devanned import containers for exports without returning them to the shipping companies.

[> Response to Climate Change](#)

Technical Training at the Safety and Quality Training Center

In 2011, Daicel Logistics Service opened the Safety and Quality Training Center on the premises of its Kansai Logistics Center Amagasaki Sales Office. This move was intended to step up its efforts to maintain distribution safety and quality, both essential to earning customer trust. In FY2022/3, along with taking measures to prevent the spread of COVID-19, we conducted new training on transportation businesses for new drivers wherein participants learned about preventing recurrence of past incidents and took practical tests in loading, unloading, and transporting. We also conducted online classroom learning and practical training in small groups to train the forklift operation skills of personnel in charge of loading and unloading cargo. These trainings were taught by experienced personnel and served as opportunities to pass on technical skills to youngers.

While these skill training sessions have been held about 10 times a year, this was increased to 21 times in FY2022/3 as group sizes were made smaller in order to prevent the spread of COVID-19. As of March 31, 2022, 1,195 employees had completed training.



Technical Training

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

Occupational Health and Safety

Basic Approach

To ensure the safety of its workplaces, the Daicel Group promotes various measures such as conducting risk assessments of all its activities, including R&D, manufacturing, and logistics, in accordance with [the Daicel Group Basic Policies for Responsible Care](#).

Placing the highest priority on safety in manufacturing, all of our business sites and partner companies promote the 3S methodology, namely Seiri (Sorting), Seiton (Setting-in-Order), and Seisou (Shining) as well as HH (near-miss reporting*) and KY (work injury prediction) training to improve the foundation of our production sites.

* Near-miss reporting: Activities that are recorded as events that nearly became accidents or problems, and which causes are investigated by all who are involved. Eliminating the causes of near misses makes for safer workplace environments.

Promotion System

Through our responsible care system, which is supervised mainly by the Responsible Care (“RC”) Committee, specially appointed business site safety administrators lead our efforts to improve the quality of safety and health management at our business sites. In our occupational health and safety management system, we implement DAICEL Production Innovation for the process-based production at our domestic business sites. For the assembly-based manufacturing done at Group companies in Japan and overseas, we utilize a version of the Toyota Production System formulated based on DAICEL Production Innovation. Furthermore, some of our domestic and overseas Group companies are ISO45000 certified. DAICEL Production Innovation goes back to the basics and focuses on human-oriented manufacturing. By systemizing the skills and know-how of experienced staff and enabling everyone to put them to practical use, it endeavors to achieve a broad range of results including: (1) occupational health and safety/process safety and disaster prevention, and stable operations (2) dramatically higher productivity, (3) substantially lower manufacturing costs, (4) smoother, more uniform operations and quality stabilization, (5) the passing on of skills and techniques and human resource development, and (6) energy conservation. We also conduct meetings of environmental and safety division supervisors, which are attended by safety management supervisors from each business site and members of the Responsible Care Division (“RC Division”) of the Assessment Headquarters. In these meetings, members delve into the causes of workplace accidents and problems occurring in Japan and overseas, confirm related accidents, and discuss the appropriateness of permanent countermeasures. In addition, at special meetings and RC audits, confirm and discuss progress and issues concerning the RC Activity Plan, which each business site formulates.

➤ [Promotion System for Responsible Care](#)

Initiatives toward Zero Occupational Accidents

In Japan, all business sites, including those of our partner companies, promote the 3S methodology—Seiri (Sorting), Seiton (Setting-in-Order), and Seisou (Shining)—as well as HH (near-miss reporting) and KY (work injury prediction) in order to improve the foundation of our business sites and prevent the recurrence of past incidents. We use a BA (Before/After) approach: cases identified through this process as needing improvement are noted as “before” situations, and “after” situations are after improvements have been made. These workplace improvement initiatives involve employees speaking with and consulting their supervisors using BA sheets, then carrying out human and physical countermeasures. Progress with improvements is visualized as an after-improvement rate, and details are shared at health and safety meetings attended by employees and management at each business site.

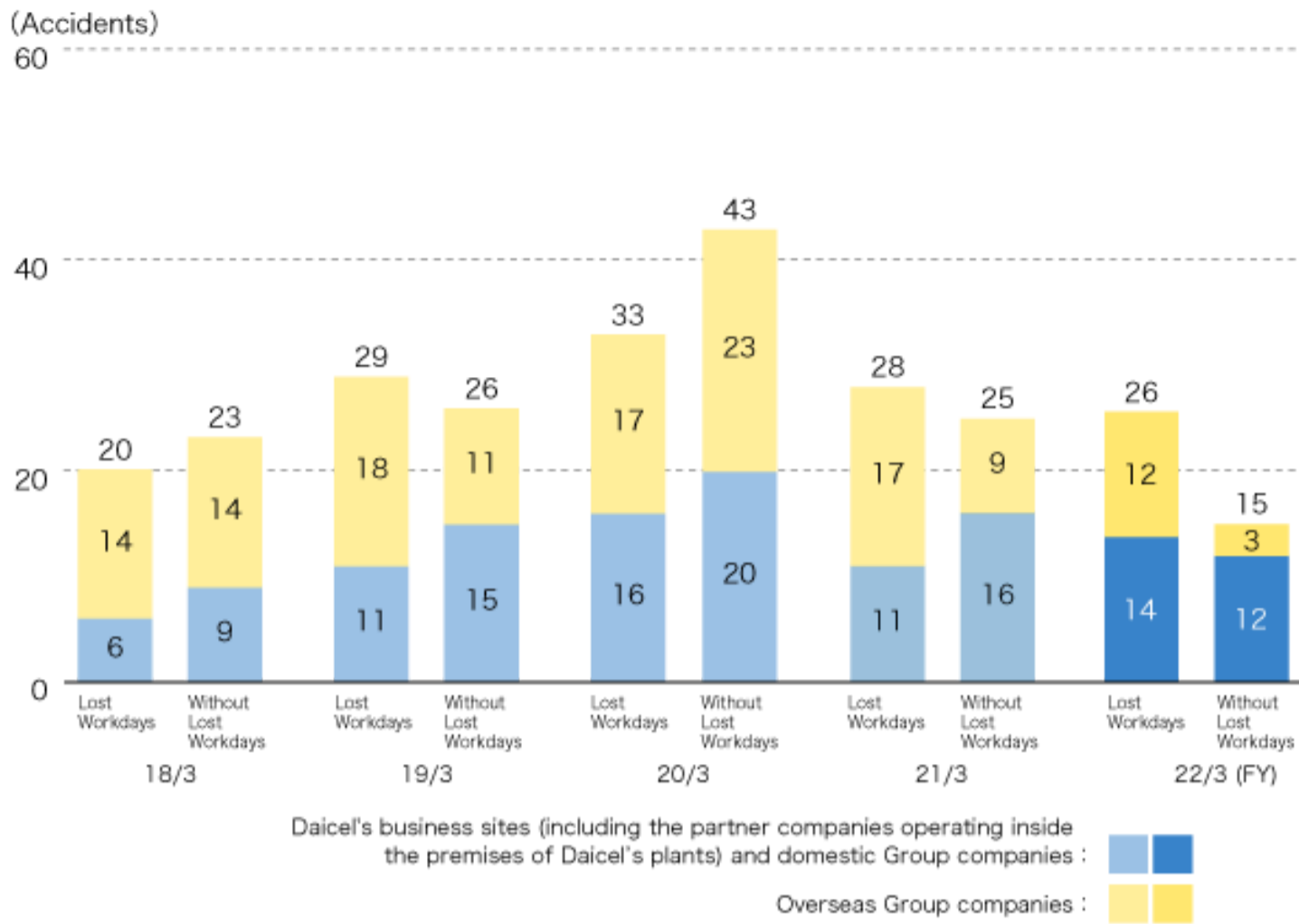
We believe in “looking to the future while respecting the past,” aiming to foster a safety culture while preventing workplace accidents and process-related accidents arising from unsafe behavior and a neglect of the basics. In addition, both employees and management review past accidents and take steps to prevent recurrence and raise safety awareness. Every month, the RC Division shares information about workplace accidents and process safety incidents that occurred in the previous fiscal year with the workplace where those incidents occurred. At these workplaces, all employees review the incidents and make efforts to avoid complacency in preventing their recurrence, while also informing team members of incident details and preventing similar incidents from occurring.

In FY2022/3, we and our partner companies continued our efforts of FY2021/3 and worked toward our goal of eliminating serious workplace accidents, including chemical injuries, caught in, on or between, falls, and heat stroke. As a measure to eliminate chemical injuries, caught in, on or between accidents, and falls, we have been conducting pre-work safety assessments through the Whiteboard KY Sessions*, the system shared by all business sites. For heat stroke, we have made sure employees can readily replenish drinking water and mineral supplies, set up rest areas, enforced mask usage rules, and encouraged the use of equipment to prevent and treat heat stroke.

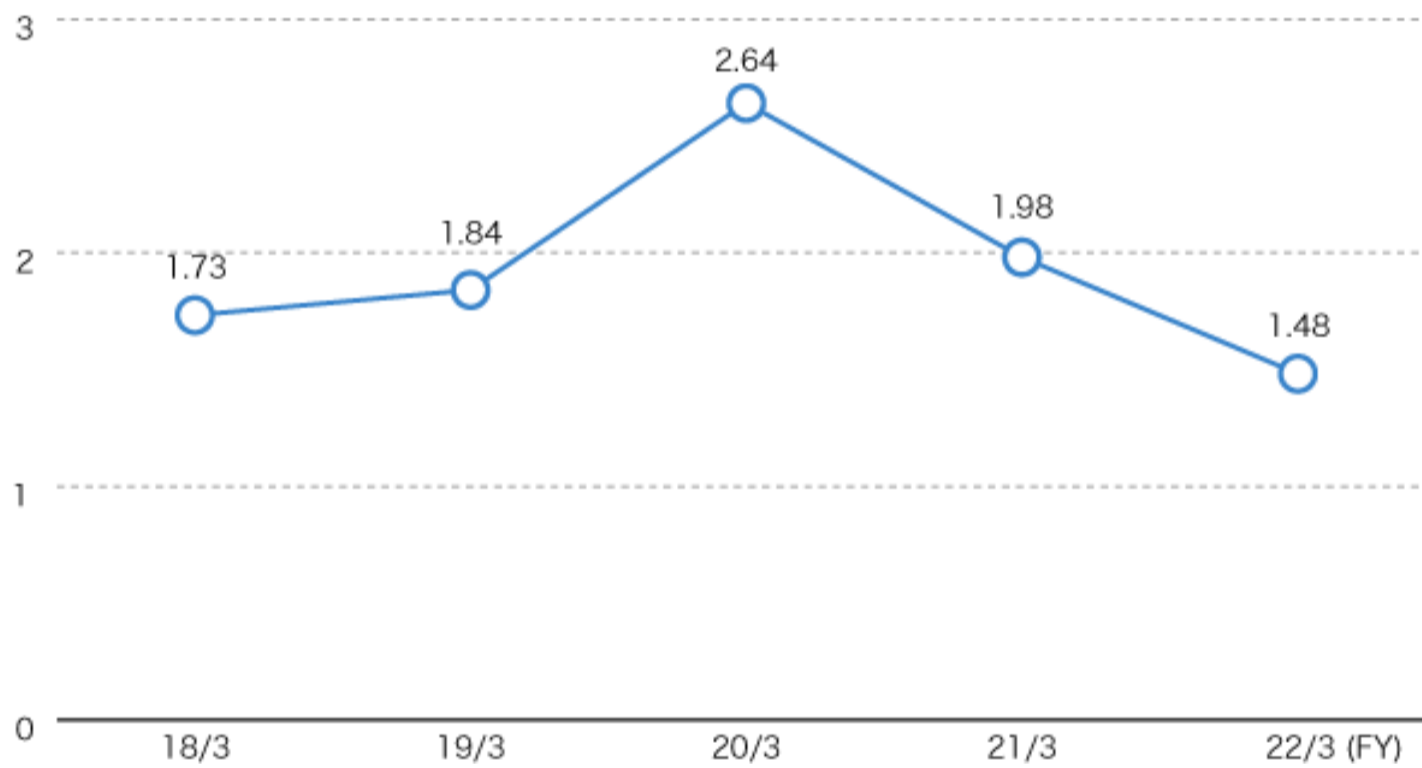
In FY2022/3, there were 41 occupational accidents for the entire Group, consisting of 26 with lost workdays and 15 without. The number of accidents declined by 12 cases from FY2021/3, and there were no fatal accidents. Occupational accidents and the recurrence of preventive measures are being shared horizontally across business sites to prevent similar accidents.

* Whiteboard KY Sessions: Aimed at ensuring that work risks have been exhaustively identified, these sessions involve workers, supervisors, and experts using a shared format board to discuss, predict, and confirm measures to mitigate workplace risks.

Number of Occupational Accidents (Daicel Group)

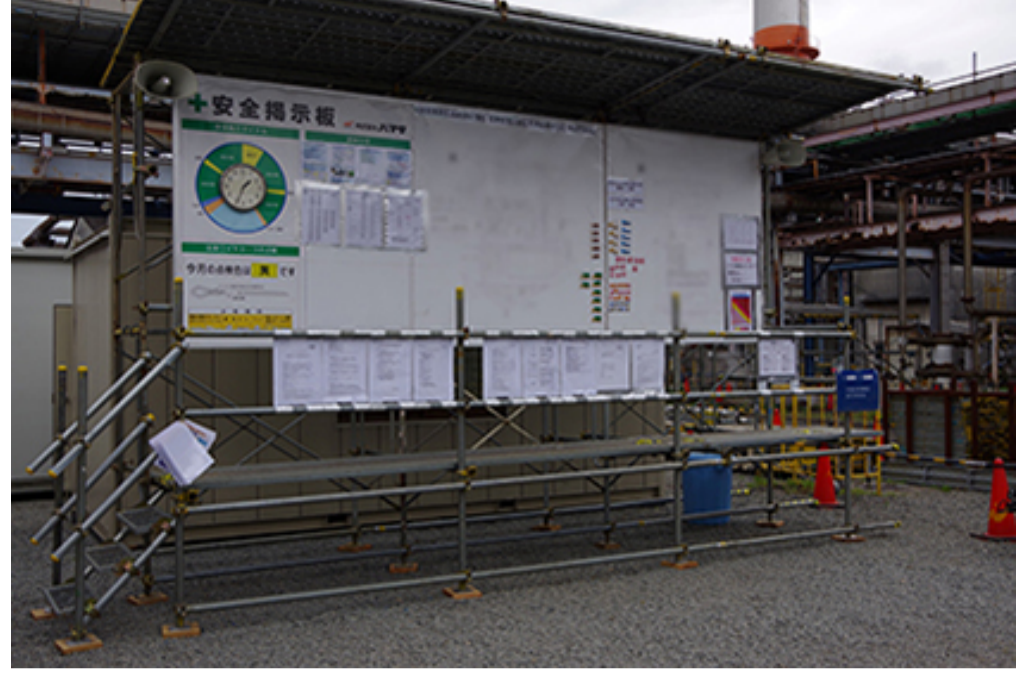


Occupational Accident Frequency Rate* (Daicel Group)



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

> ESG Data [Numerical Data on Occupational Accidents](#)



Patrols to ensure against heatstroke and injuries from hazardous substances

Initiatives to Improve Occupational Health and Safety

Safety Education for Employees and Partner Companies

The Daicel Group formulates its own training programs on necessary technologies and skills and provides regular safety education for employees. At the Aboshi Plant, the Operation Training Center (TRC) was set up to provide training on technology and knowledge related to chemical plants, and all staff receive basic training on plant operations. Meanwhile, the Maintenance Dojo at the Aboshi Plant provides specialized training to employees, including those at our partner companies, in the maintenance of plant facilities.

All business sites receive training in using manufacturing technologies particular to their work processes, as well as training in occupational health and safety, environmental conservation, and chemicals management. TRC branch offices have been set up at each business site as places for technical education unique to each site, which includes learning about past incidents and participating in simulation training.

For example, the Human Development Center at the Harima Plant provides the necessary knowledge and skills for assembly-based manufacturing in an effort to develop human resources through practice and experience, in addition to classroom lectures. In addition, at workplaces where incidents occurred in the past, notices containing information about the event are posted to prevent complacency and raise awareness. Also, through the Occupational Accidents and Process Safety Incidents Database, TRC branch offices share information about incidents, as well as their causes and prevention measures, with top management and business sites where those incidents have not occurred.

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

Moreover, new assignees at business sites and new personnel at partner companies always receive safety training.

* HAZOP "Hazard and operability" is a qualitative analysis method for providing feedback on potential hazards and operability issues in the design process.

[> Operation Training Center \(TRC\)](#)

[> Maintenance Dojo](#)

[> Human Development Center](#)

Safety Exchange Meetings for Group Members

Since FY2015/3, we have been holding casual exchange meetings in Japan aimed at fostering a sense of unity among Group members and heightening the awareness of those who take on front-line operations with regard to 3S and other safety assurance initiatives. With the labor union and management acting in collaboration, these meetings are attended by forepersons and mid-level managers from Daicel production sites and other domestic Group companies. The sessions usually involve a tour of plant facilities and small-group discussions on 3S case studies to help participants exchange their insights. Participants become leaders of their respective workplaces and endeavor to improve safety by applying the knowledge they have gained at the exchange meetings. As with FY2022/3, in FY2021/3 we refrained from holding the meetings after determining that group sessions pose a high risk of spreading COVID-19 infection.

■ Safety Exchange Meetings

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



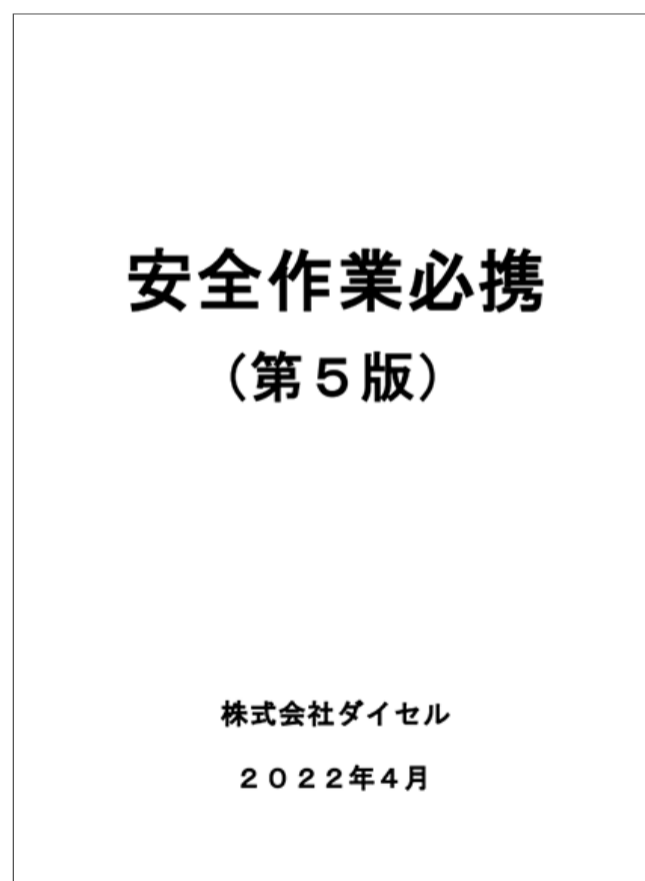
Facility tour given by the Safety Exchange Meeting Members

Creation and Distribution of “The Essence of Safe Operations” and “Basic Internal Rulebook on Construction Work”

Daicel has established numerous in-house rules on manufacturing safety. To enable all front-line operators of the Group involved in manufacturing to be aware of, think about, and act on ensuring safety on the same basis, we released the first edition of the “Essence of Safe Operations” and the “Basic Internal Rulebook on Construction Work” in FY2014/3.

“The Essence of Safe Operations” is a pocket-size leaflet that readers can check at any time that provides quick references on the gist of safety rules, such as how to use tools. In April 2018, we issued the third edition, which includes more diagrams and photos so as to facilitate reading and understanding. In June 2020, the fourth edition was distributed, which includes rules for preventing electrostatic accidents and the appropriate wearing of new uniforms. In April 2022, we published the fifth edition of the leaflet, making changes necessitated by revisions to the Static Electricity Accident Prevention Rules (Powders and Liquids) and adding in content about safety when working at heights and other matters.

The “Basic Internal Rulebook on Construction Work (Safety Version)” is a compilation of Daicel’s unified basic rules related to construction work, and it was created in response to voices pointing out discrepancies in the rules depending on the content of construction work. We created the rulebook based on our belief that complying with these rules is essential, not only to ensure one’s own safety but also to ensure the safety of colleagues working at the same site. The “Basic Internal Rulebook on Construction Work (Quality Version)” focuses exclusively on rules aimed at preventing a recurrence of serious incidents resulting from defects in construction quality. It was created with the intention of encouraging employees to gain a deep understanding of the key points for ensuring construction quality and to comply with the rules. We issued both revised rulebooks in April 2022.



The Essence of Safe Operations



Basic Internal Rulebook on Construction Work (Safety Version)



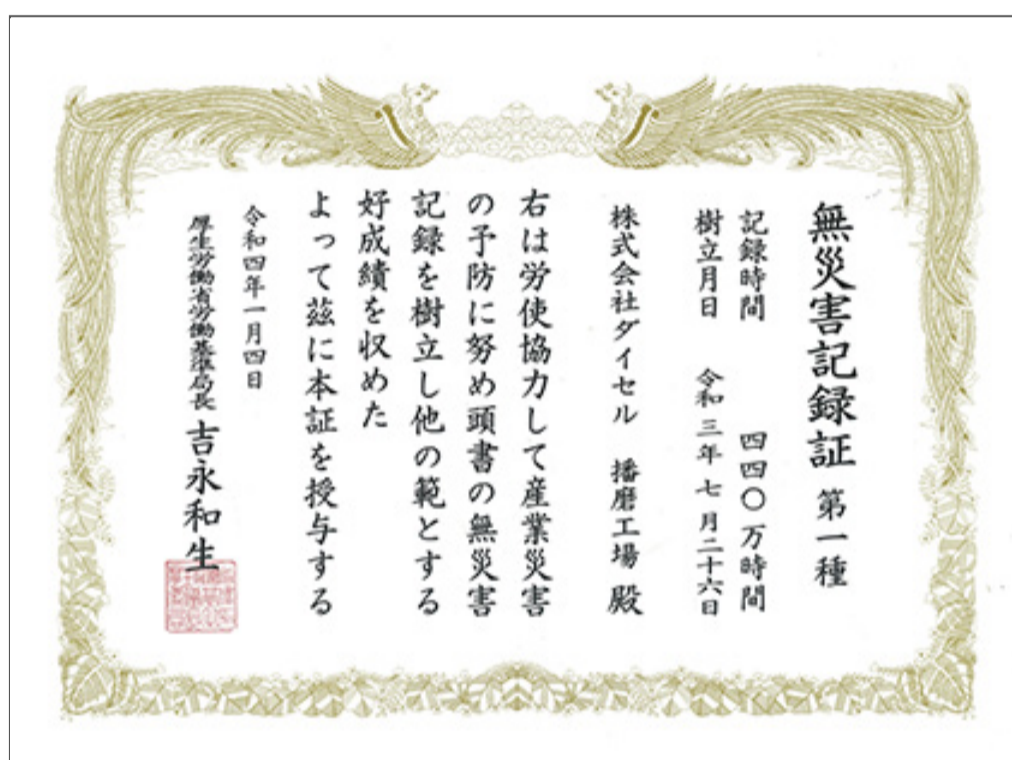
Basic Internal Rulebook on Construction Work (Quality Version)

Safety Programs for Partner Companies and Business Partners

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

Class 1 Zero Accident Certificate Received

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



Policy and Guidelines on Human Resources

Daicel Group's Human Resources Policy

In following our aim to globalize our businesses and rapidly expand overseas, we established the Daicel Group's Human Resources Policy in 2013 to guide our employees with diverse values on working together. The policy reiterates Daicel's unchanging philosophy that has been handed down over the years and seeks to disseminate this along with the three core principles to employees around the world. The policy is in Japanese, English, Chinese, Thai and Polish so that most of our employees can read it.

With regard to our approach to people, in Sustainable Management Policy, the Daicel Group upholds its commitment to promoting "human-centered business management" that enables diverse employees to grow while establishing their own presence and achieving fulfillment. The belief expressed in our Human Resources Policy that people are the foundation for our success is connected to "human-centered business management" by a common thread.

Daicel Group's Human Resources Policy

People are the Foundation for Our Success

The Three Core Principles of Our Human Resources Policy

Will

We encourage the strong will and courageous decisions of each individual.

Diversity & Inclusion

We continue to evolve through the interaction of our diverse personalities.

Integrity

We do the right thing and proudly follow the right path.

Having unveiled the Human Resources Policy, Daicel's President delivered the following message to all employees worldwide with the aim of ensuring the policy's spirit would be shared by every Group employee.

On behalf of the Daicel Group, I am pleased to present this human resource policy covering all employees of the Daicel Group worldwide.

Our human resources policy establishes the underpinning for various personnel practices such as recruitment, training and development, placement, and determining appropriate treatment. We, the Daicel Group, have characterized the policy with the phrase “People are the foundation for our success.” To start with, no company can exist without people, and many companies emphasize the importance of their employees. The word “people” holds a special significance for us because we deeply believe that people are imbued with infinite power, and we depend on our ability to realize the full potential of this source of power. Sometimes we can expose our world to unknown potential, balancing even the very fate of the company, but our cumulative history has made us the very people we are. I am also convinced that future prosperity cannot be achieved without the contribution of our people, namely, it is people that form the foundation of our success. Herein we reiterate the firm determination of the Daicel Group under our human resources policy, and we are pleased to put these thoughts into a form that all can share.

President & CEO



Human Resource Guidelines

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

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

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

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

■ Objectives and Basic Concepts of the Human Resource Guidelines

Practices	Objectives	Basic Concepts
Human rights and labor	Improve productivity by respecting human nature and realizing a workplace environment whereby each employee can demonstrate his/her full potential	<ul style="list-style-type: none"> ● Respect human rights and reject complicity in human rights violations ● Provide equal opportunities, such as for promotion and training, without undermining fairness on the grounds of race, nationality, gender, etc. ● Acknowledge diversity and inclusion to achieve a favorable workplace environment through promoting mutual communication and compromise ● Contribute to lives of people and society through work, and create a company which is trusted by society ● For resolution of issues, the company and employees understand each others' viewpoints, and promote solutions through negotiation and discussion ● Create a healthy mental and physical working environment which values communication with employees ● Improve productivity throughout the workplace with a good environment, and retain an appropriate number of employees
Recruitment	Recruit talent who empathize with Daicel Group Basic Philosophy and Human Resources Policy (Will, Diversity & Inclusion, Integrity)	<ul style="list-style-type: none"> ● Recruit talent with strong will and integrity who can create new value ● Carry out equal and fair recruiting process regardless of ethnicity, nationality, gender etc. (Diversity & Inclusion)
Compensation	Create a corporate culture that efforts as well as results will be rewarded	<ul style="list-style-type: none"> ● Design a human resources system that reflects both company performance and individual performance ● Create a system that can reflect fair treatment, based on approach to HR Policy (Will, Diversity & Inclusion, Integrity) and contribution to the company of each employee ● Ensure fairness, rationality and transparency in determination of compensation ● Continuously verify the validity of the company's reward standards

Practices	Objectives	Basic Concepts
Human resources development system	Implement effective and systematic human resources development system based on HR Policy that “People are the foundation for our success”	<ul style="list-style-type: none"> ● Develop employees who can work properly while protecting safety and quality standards based on rules established in each country and region ● For strong-willed and decisive employees working at their own initiative, provide opportunities to take on more challenging roles and broader duties for their growth ● Broaden employee field of vision by providing a stimulating environment that allows discussion encompassing a variety of interests and values ● Enhance employees' value by developing their awareness of self-development and providing maximum support for them to improve their abilities ● Develop a culture where the employer, superiors and subordinates think of each individual's career and put ideas into practice
Appraisal system	Through appraisal system, create the foundations of company success by disseminating HR Policy and Corporate Values, developing human resources and realizing proper compensation	<ul style="list-style-type: none"> ● Design appraisal system that appropriately evaluates the performance of each employee ● Establish a system which takes into account employee making efforts to achieve targets of HR Policy (Will, Diversity & Inclusion, Integrity) and also processes leading to good results ● Promote communication between superiors and subordinates through an appraisal system and use this system for human resource development ● Establish a fair and transparent appraisal system ● Realize the appraisal which is based on objective facts by cultivating understanding of the system

➤ [Sustainable Management Policy](#)

➤ [Daicel Group Human Rights Policy](#)

Initiatives to Help Employees Maintain Mental and Physical Health

Basic Approach

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

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

Daicel Declaration on Health Management

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

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

President and CEO *Y. Ogawa*

Our Structure for Health Promotion

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

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

In FY2022/3, we raised the level of the entire Group's health maintenance and improvement programs and accelerated their implementation. In order to do so, we are establishing the Employee Wellness Promotion Center as a specialized health management organization at the Corporate Support Headquarters.

Employee Wellness Promotion Center

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

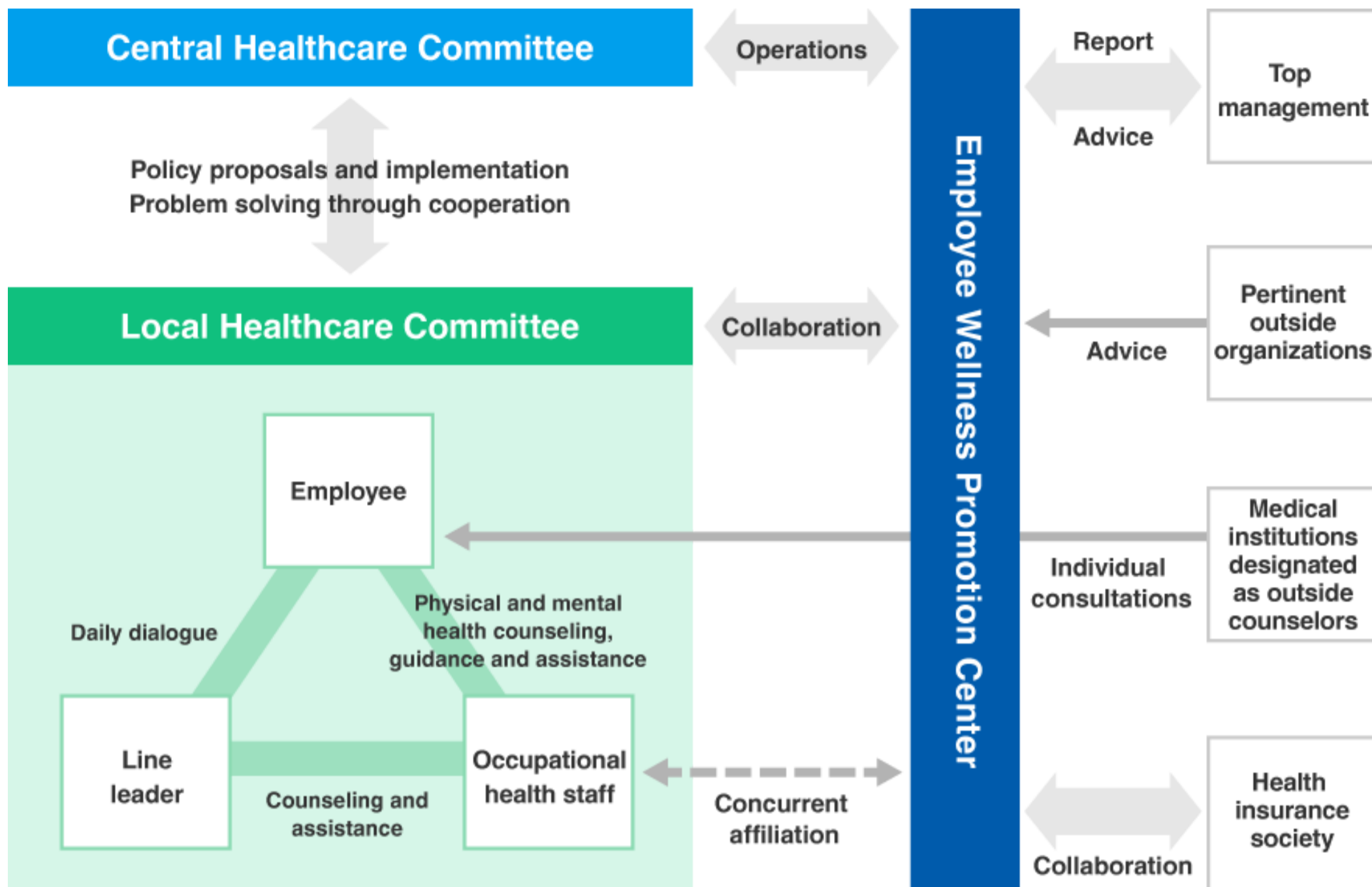
Central Healthcare Committee

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

Healthcare Committees at Each Business Site

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

■ Structure for Health Management Promotion



Strengthening Our Structure for Health Promotion

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

In addition, employees on overseas assignment can have an annual consultation with a nurse and online consultations as required when working long hours.

Initiatives Undertaken by the Health Nurse Team

We have 12 full-time nurses (as of April 30, 2022), who work together as a team across business sites to build a cooperative framework and promote information sharing. The team participates in formulating and executing action plans to improve the workplace environment for each business site based on the results of mandatory stress checks. Moreover, it is involved in educational sessions focused on preventing physical and mental health issues. Team members share their insights as lecturers during position-specific training and orientation training for new graduates and lateral hires. These activities help prevent any health issues from arising and support corporate health nurses in improving their planning and teaching skills. Furthermore, these nurses provide information on managing physical and mental health by regularly publishing a health newsletter to raise employee awareness on how to maintain well-being and take preventive health measures.



A health nurse discusses how to stay healthy and motivated



Attendees take turns giving presentations

TOPICS

Health Guidance and Consultations for Employees Posted Overseas

In FY2016/3, Daicel began closely assessing the working status of employees posted overseas. Since FY 2018/3, we have been conducting follow ups for long-time workers such as counseling with corporate health nurses in accordance with domestic standards with the aim of robust health management.

In addition, since FY2009/3, the Company had been implementing measures such as providing in-person counseling with a nurse to employees whose working hours were deemed excessively long. However, we switched to online consultations in FY2022/3 due to COVID-19 and held consultations with all employees posted overseas. Daicel will continue to maintain and improve the health of these employees, who play an important role in the operations of overseas affiliates.

Utilizing Psychiatrists Employed Exclusively by Daicel

Currently, Daicel employs four psychiatrists (As of April 30, 2022) to bolster its follow-up care system for employees who have developed mental health issues. Every psychiatrist is assigned a geographical segment for his/her oversight, thereby ensuring that employees in need receive meticulous care.

Maintaining and Promoting Good Health

Regular Health Checkups

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

> ESG Data [Regular Health Checkup Rate](#)

Specified Health Checkups and Health Guidance

Daicel cooperates with the Health Insurance Union to implement specified health checkups and specific health guidance mandated by laws governing health insurance unions. This is to ascertain the status of employee health by analyzing the results and responses from medical interviews. We are working to prevent lifestyle diseases by seeking to achieve the national targets of 90% or higher for specified health checkups and 55% or higher for specific health guidance. We have attained the target for specific health guidance since FY2020/3 and intend to further improve this rate.

■ Specified Health Checkups and Specific Health Guidance Rate

	Target value	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3
Specified health checkup rate	90%	79.2%	80.9%	84.6%	84.0%	81.3%
Specific health guidance rate	60%	41.2%	50.6%	55.6%	58.6%	58.2%

Prevention of Secondhand Smoke Exposure

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

Mandatory Stress Checks

Aiming to develop a vibrant workplace, Daicel has been actively assisting each business site in efforts to better manage their working environments by, for example, utilizing the results of stress checks. In FY2022/3, the stress checks carried out by Daicel and its Group companies achieved 99.9% coverage of all employees. The Group is providing employees with face-to-face sessions with a psychiatrist if they suffer excessive stress and are in need of counseling. Furthermore, nurses provide follow up for employees who suffer from excessive stress but do not want to have face-to-face sessions with a psychiatrist. In addition, the healthcare committees at each business site conduct comprehensive analyses of stress check results and then formulate and execute plans to tackle any issues that are identified in order to maintain and promote good employee health.

Training Related to Mental Health

Daicel conducts training for managers on mental health support for their subordinates and self-care. The training is designed to enhance communication skills through hands-on experience workshops in addition to acquiring basic knowledge of line care and stress management, and learning how to improve mental health through lectures by outside speakers. While we could organize only a few sessions in FY2022/3 due to the COVID-19 pandemic, we introduced new online mental health training by corporate health nurses during rank-based training for new recruits, mid-career recruits and newly appointed managers.

Health Consultation Desk

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

The Consultation Desk covers:

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

TOPICS

Preventive Measures against COVID-19

In response to the global spread of COVID-19, in February 2020 we established the Daicel Group Countermeasures Headquarters, headed by the President, followed by local countermeasures headquarters at each business site. At the Daicel Group Countermeasures Headquarters, the Human Resources Department took the lead in collecting information on infected persons at sites in Japan and overseas and providing a response. It also formulated measures to prevent infection in the workplace.

Daicel employees have been taking advantage of telework to prevent infections. However, telework can lead to a lack of physical activity and health maintenance as well as mental health problems due to less personal communication. It has also come under scrutiny as an emerging social issue. In response, to maintain the mental and physical health of employees and prevent the development of disorders, we hold online health classes, provide information on mental health, organize health seminars and use an external consultation desk established by the Health Insurance Union.

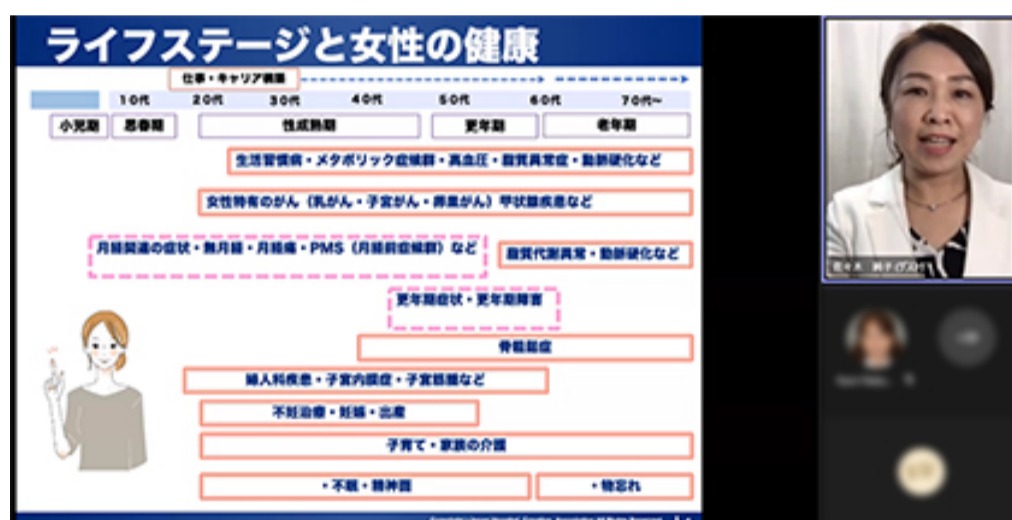
[> Preventive Measure against COVID-19](#)

TOPICS

A seminar “Dealing with Women’s Unique Health Issues” was held online.

In July and August 2021, as part of our efforts to maintain and improve the health of working women, we conducted an online seminar on the topic of “Dealing with Women’s Unique Health Issues.” Participants included not only female employees but also male managers, and a total of 182 Group employees, both men and women, took part. On that day, outside lecturers covered topics such as the effects of fluctuating hormones at each stage of a woman’s life, early identification of ailments that occur with the physical changes of aging and how to deal with them, and other knowledge necessary for women to maintain and improve their health.

We plan to provide each employee with further information on health management that will enable them to continue working while enjoying continuous good health.



Screen shot from the online seminar

Recognized for the Third Consecutive Year as a “WHITE 500” Organization under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program

For the third year running, Daicel Corporation was recognized as a “WHITE 500” organization under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program. With this program, co-sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, companies are selected for their excellent health management initiatives such as those tailored to the needs of local communities and initiatives in line with Nippon Kenko Kaigi goals.

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



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

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

In the latest rating, Polyplastics received high recognition for the following points.

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



Support for Human Resource Development

Basic Approach

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

The Daicel Group recognizes human resources to be the foundation of its corporate activities, and the Company aims to foster an environment and corporate culture in which all our diverse employees can work with vigor and fully demonstrate their abilities. In developing human resources, Daicel has defined its basic approach according to the following principles and provides support so that each individual employee can grow into a human asset who respects others while also sustaining the passion and focus to see tasks through to completion.

- Nurturing human resources will help the Company grow.
- The process of striving to achieve better results will nurture employees.
- With a corporate culture that trusts and values individuals, all Daicel employees shall undergo human resource development in line with their respective posts and responsibilities.

Management Structure

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

Operation Training Centers (TRC) have been established at manufacturing sites within plants throughout the Company for the operators and engineers who are responsible for the work carried out there. To facilitate operator and engineer experiential education of the essential qualities of knowledge, experience, and action training is carried out in mockup plants. We also conduct practical training in maintenance technology and plant management and supervision in so-called “maintenance dojo,” so as to improve the quality of operations. This kind of training is not limited to employees of the Daicel Group but is also open to employees actively engaged in maintenance work at our partner companies.

The rotation schedule for training is submitted for deliberation by the Aptitude-based Placement Committee, comprising the Human Resources Division, top management and directors in charge of each SBU. Committee members share information as they implement the training schedules based on each individual employee’s training plan.


[> Safety Education for Employees and Partner Companies](#)

Human Resource Development System

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

■ Human Resource Development System and Personnel System

Method	Content
On-the-Job Training (OJT)	<ul style="list-style-type: none"> ● Fundamental component of Daicel's human resource development ● Systematically conduct training at workplaces through work
Offsite Job Training (Off-JT), e.g., Group seminars	<ul style="list-style-type: none"> ● Programs implemented outside workplaces ● Opportunities to gain experience that cannot be acquired via OJT ● Active discussions between persons with different ideas help enhance their individuality
Self-directed development	<ul style="list-style-type: none"> ● A fundamental practice that must be embraced by those seeking to achieve personal growth ● Continuously achieve self-innovation through individual volition
Rotation (change of roles or functions)	<ul style="list-style-type: none"> ● Help employees gain a broader range of skills and experience and nurture the capabilities of those serving as leaders ● Encourage employees to realize their full potential by changing workplaces and duties
Assessment (reviewing the skills of each individual)	<ul style="list-style-type: none"> ● Help employees objectively review their skillsets against the standards of the division and Company ● Facilitate self-directed development by helping individuals assess their own strengths and weaknesses
Self-Development System (Human Resource Development Notebook)	<ul style="list-style-type: none"> ● A system is in place that enables employees to convey their own career vision to the Company. Once a year, employees submit a report to their supervisor about their views on job type, job location and career. ● Through dialogue with employees, the supervisor determines placement and development methods that will lead to further growth and success for employees based on their aspirations, aptitude and ability.

Method	Content
Human Resource Development Plan	<ul style="list-style-type: none"> ● An annual human resource development plan is formulated every year to encourage the mid- to long-term growth of each employee and link their career objectives to the Company's goals. ● Successor plans are created to secure capable resources who can potentially take on key management positions as leaders in the years to come (some of Daicel's global counterparts have also adopted this successor planning process).
The Career Challenge System	<ul style="list-style-type: none"> ● The Career Challenge System encourages career autonomy for Daicel employees. They are not limited to a typical employee rotation system, since the Career Challenge System allows them to challenge themselves in new ways to follow a career plan of their own devising.
Technician Training System	<ul style="list-style-type: none"> ● A system was established for training young engineers to support individual growth.
Fellow Career Track System * Fellow positions are equivalent to Professional positions under the old system.	<ul style="list-style-type: none"> ● A system is focused on developing human resources specialized in very specific fields and who possess promising skills and knowledge for tackling challenges and enables fellows to choose their own career path and hone their expert skills. <p>Desirable Traits</p> <ol style="list-style-type: none"> (1) Those capable of taking key roles as leading authorities in specific areas (2) Those determined to stay committed to acquiring specialist skills and knowledge at the early stage of their careers (as of March 31, 2022, 13 employees are on this career track, each playing key roles in their areas of specialty)
 In-house Certification System for Skilled Experts	<ul style="list-style-type: none"> ● A key system for nurturing technicians aimed at fostering a culture that respects manufacturing techniques and encourages individuals' efforts to develop their skills. (As of March 31, 2022, 59 employees have been certified for their distinguished skills.) ● At the same time, we systematically nurture successors to ensure manufacturing safety and quality.

Revision of the Human Resources System

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

Daicel switched its focus from a preference for generalists to a system of multiple career paths for specialists and managers, so that individuals can now select a career path based on their individual aptitude. Furthermore, the seniority system for promotion was eliminated and changed to a framework in which employees can earn early promotion by demonstrating their ability.

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

Performance Appraisal to Support Human Resource Development

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

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

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

Human Resource Development and Training Programs

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

Overview of Training Programs in Place

Key Corporate Policies	Assessment	Career development	Development of special skills	Business skills essential for all career categories	
System security education Corporate ethics and compliance education Responsible Care and safety education	Management Leaders		Technologies Engineer development program Specialist engineer training (R&D, engineering and production technology) Including financial affairs, legal affairs and IP seminars	AI AI education MBO Training for MBO evaluators Financial affairs Accounting Seminar Intellectual property IP seminars Legal affairs and contracts Legal affairs seminars	
	Managers P4 P3 P2 P1 Fellow	Department management training Training for newly appointed directors at Group companies Next generation leaders' seminar (1) Training for newly appointed managers	50s seminar	Production Operation Training Center curriculum Practical Plant Operation Course (heat transfer, evaporation, etc.) Facility Management Course (machinery and electrical instrumentation) Basic Action Training to nurture instructors who teach basic operations at production sites	Global Overseas training TOEIC tests Training prior to overseas assignments (language, etc.) Overseas language training Various types of business skills training Self directed development E-learning English conversation course Acquisition of qualification
	Non-managers C4 E9 C3 E7 C2 E5 E3 Certification for senior staff with distinguished skills	Next generation leaders' seminar (2) Workplace leader training Newly appointed C4 Newly appointed E9 Newly appointed C3 Newly appointed E7 Newly appointed C2 Newly appointed E5 Newly appointed E3	40s seminar	Training in Manufacturing (basic knowledge) Operation course Training in Basic actions	
	New recruits (new graduates) (1) Selective (2) By nomination (3) Open call	Training for those in charge of manufacturing training Introductory training Follow-up training Experience-based hazard education Training in Manufacturing undertaken by each division at their production sites, with senior employees serving as lecturers			English language training for new graduates

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

The Creator Course is made up of levels C1 through C4.

The Expert Course is composed of levels E1 through E9.

Training Programs for New Employees

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

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

Training Schedule for New Employees

	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.		
Assignment				Admin. staff (university graduates) interviewed	▶▶▶▶▶▶	▶▶▶▶▶▶					Engineers (university graduates/high school graduates) interviewed	▶▶▶▶▶▶	▶▶▶▶▶▶	Engineers (university graduates/high school graduates) assigned to workplaces		
Group seminars		Introductory training (high-school / University graduates)				Language training (administrative staff)	Follow-up training 1	Language training (engineers)					Follow-up training 2			
Training for manufacturing	Administrative staff (university graduates)	Basic operation training	Plant training													
	Engineers (university graduates)		Plant training				Interim presentation meeting				Final presentation meeting					
	High school graduates		Basic operation training	Basic operation course (renewed)			Plant training				Interim presentation meeting				Final presentation meeting	
Self-directed development				E-learning (first-half) In-house TOEIC tests									E-learning (second-half) In-house TOEIC tests			

Training in Manufacturing

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

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

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

Career Development

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

Position-Specific Training

Daicel provides training programs that are tailored toward different positions as defined in the Company's job grade system, ranging from new employee to new director for Group Companies. Each training session is aimed at nurturing human resources to live up to the expectations for their positions and respective roles and responsibilities.

In addition to sessions that deal with subjects such as corporate ethics, basic legal literacy, and other essential knowledge and rules that employees need to know, we provide training for the skills in areas such as communication and management.

In FY2022/3, the training sessions were attended by a cumulative total of 325 employees.

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

Daicel provides Next-Generation Leaders Training (for non-managers), targeting employees who are expected to soon become section chiefs in the hope of placing competent young personnel in optimal positions where they can demonstrate leadership and grow into leaders of their divisions at an early stage. We also conduct Next Generation Leader Training (for managers) with the aim of identifying promising young managers at an early stage. In these training programs, the participants experience action learning for a year, aimed at resolving issues faced by their own divisions. As of FY2022/3, 11 employees were selected for Next Generation Leadership Training (for non-managers), and ten were selected for Next Generation Leadership Training (for managers). In both cases, the participants were recommended by their divisions.

Age-Specific Career Training (The Fifty Seminar)

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

We anticipate that this training program will help employees in their 50s map out their future career paths independently and enable them to both excel in their careers and to create a fulfilling life for themselves. In FY2022/3, 259 employees took part in this training program.

Development of Specialized Skills

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

The Engineer Development Program

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

Engineer Development at Our Global Sites

The Safety Strategic Business Unit, operates five manufacturing sites in four countries (the U.S., China, Thailand, and Poland). While each location develops its own training and development programs, the Human Development Center trains and certifies trainers specialized in critical processes and develops special skills to ensure that the same level of quality and safety are being incorporated into manufacturing practices worldwide. Currently, there are 24 certified trainers across the globe, and each one trains and certifies new trainers locally at the various business sites.

We opened four dojos, one each for safety, quality, maintenance, and assembly, at Daicel Safety Systems (Jiangsu) Co., Ltd. (DSSC) in China, the largest of our manufacturing sites, in February 2019, and two dojos, for safety and maintenance training, at Daicel Safety Systems (Thailand) Co., Ltd. (DSST) in Thailand in January 2021.

We conduct training and development programs tailored to local cultures and the scale of each business site based on our relentless pursuit of safety and quality and by instilling Daicel's monozukuri spirit.

[> Human Development Center](#)



Scenes from the training program

Overseas Language Training

We have also established programs for dispatching all employees for overseas language training, ranging from short-term study (English) for all new employees, to sending employees recommended by department managers to study overseas, and to various universities for longer periods (English and Chinese). We aim to foster a global mindset among new employees by creating opportunities to promote not only language learning but also cross-cultural understanding. While we were unable to implement overseas language training in FY2022/3 due to the COVID-19 pandemic, we will plan for the resumption of the program by taking appropriate measures in response to the changing circumstances.

Basic Training and Education for All Employees

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

Operation Training Center (TRC)

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

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



Operation Training Center (TRC) and Small-Scale Plant

[> Daicel's Commitment to Monozukuri Manufacturing](#)

Education and Training Programs

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

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

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

Instead of a plan, do, check, and act (PDCA) cycle, which is a general methodology for making improvements, Daicel has adopted a CAPD improvement cycle to avoid the risks of overlooking crucial facts and realities that often lie in the initial planning stage.

Pressure Experience

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



Pressure simulator

Entanglement Experience

This equipment simulates an artificial hand getting entangled in a roller. By demonstrating the shock of entanglement, we teach about the danger of rotating components.



Entanglement simulator

On an annual basis, the TRC has offered experience-based training with a focus on chemical plants, not only to Company employees but also to university and vocational high school students. From the time the TRC opened in 2002 to the end of FY2022/3, a total of 8,164 people have completed their training at the TRC (FY2022/3: 578). The number includes 3,123 operators (excluding new employees) (FY2022/3: 57), 1,962 engineers (FY2022/3: 139), 1,901 new employees: (FY2022/3: 81), 787 workplace managers (FY2022/3: 301), and 391 students and other staff (FY2022/3: none).

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



RC Award Certificate

Promoting Diversity and Inclusion

Basic Approach

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

Our Structure for Promoting Diversity

The Human Resources Division supervised by the director responsible for this area leads the Company's human asset management, in which a CAPD cycle is applied for planning and implementing specific measures. The measures that are important from a management perspective are submitted for deliberation in major meetings such as the Management Meeting and Strategy Meeting. In addition, in a move spearheaded by the Corporate Sustainability, Daicel launched the Diversity Promotion Project, entitled "WellBe" for short, in January 2020. WellBe is composed of volunteers from each Daicel department, and the project is supported by the President and CEO as well as directors in charge, who serve as lead supporters. WellBe aims to make employees happier, and its members organize special events and training sessions to raise employee awareness about certain issues. They also collaborate with the Human Resources Division to introduce new workstyles and develop systems designed to improve the working environment. In FY2021/3, the project worked on the theme of experiencing new workstyles, and tackled ten topics primarily focused on telework and online communication. The overall theme for FY2022/3 was "Design Your Own Career," and our efforts touched on 12 themes, including setting up a Career Lounge (a network for career discussion) and presenting role models.

Inculcating Awareness of Unconscious Bias

In FY2022/3, as part of our Diversity Promotion Project (WellBe) we instituted activities to inculcate awareness of unconscious bias.

“Unconscious bias” refers to prejudicial beliefs that everyone holds but may not be aware of having.

Our experience and the values cultivated in our environments contain an essential element of individuality, but on the other hand, they may be a source of friction with the people around us. When employees understand unconscious bias, it leads to better communication and creation of trusting relationships. WellBe will continue to raise employees’ awareness in order to create an open workplace environment where people can exchange opinions with one another, even if they have diverse opinions and ways of thinking.

Initiatives for Promoting Diversity

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

■ Promoting Diversity and Reforming Work Styles

	Introductory Period (2015・2016・2017)	Learning New Ways (2018・2019)	New Normal Reforms Implemented (from 2020)
Systems	<ul style="list-style-type: none"> • Five days paid childcare leave (2016) • Inducement to take leave (2016) • Training for female leaders (Nadeshiko sessions) (2017) • Work-from-home system (childcare or nursing care) (2017) 	<ul style="list-style-type: none"> • Men eligible for childcare leave (2018) • Working hours shortened (2018) • Work-at-home system extended to all employees (2018) • Satellite offices (2018) 	<ul style="list-style-type: none"> • Work-at-home allowance (2020) • No more transfers away from family members (2020) • Babysitter subsidy (2020) • Executive mentor system instituted (2021)
Technological Base	<ul style="list-style-type: none"> • Thin client (2017) • Smartphones for all employees (2017) • Attendance system (2017) 	<ul style="list-style-type: none"> • Smartphone extensions (2018) • Office365 (2018) • Relaxed workflow • Expanded office area 	<ul style="list-style-type: none"> • Electronic signatures (2020) • Electronic contract system (2020) • Reassessment of COINS monitor tags (2020) • Remote FAX reception (2020)
Environment	<ul style="list-style-type: none"> • Free addresses (2015) (non-assigned desks) 	<ul style="list-style-type: none"> • Office floor expansion • "Office Casual" dress code 	<ul style="list-style-type: none"> • Health seminars (2021) • Networking events for female employees (2021/2022)

> ESG Data [Numerical Data on Diversity](#)

> [Promotion of Telework and Initiatives for Raising the Annual Paid Leave Acquisition Ratio \(Foster a Corporate Culture That Meets Employee Needs\)](#)

Helping Women Earn Career Success

Since we formulated an action plan based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace in April 2016, we have sought to harness the abilities of men and women equally in our business by actively hiring women and organizing managerial training for them.

In addition, Daicel worked on cultivating an environment that accommodates workstyles such as working from home so that employees can continue to work while enhancing their work-life balance, regardless of gender.

In order to respond to changes in the environment Daicel operates in and to meet the needs of our diverse customers, we formulated a five-year Action Plan in April 2021. We will promote diversity for every position and job ranking, so that individual disagreements and various points of view are reflected in management and move forward with our new Action Plan.

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

Period: April 2021 to March 31, 2026

Target:

- Target 1 Maintain at least two female directors, including executive officers
- Target 2 Increase the ratio of women in management positions to at least 10%
- Target 3 Raise the ratio of women in positions immediately under section managers to 15% or higher
- Target 4 Ensure that all employees take a five-day vacation once a year using paid leave and designated national holidays.

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

Target1 Maintain at least two female directors, including executive officers (one female director as of the formulation of the target)

Aim: : Maintain strong corporate governance by incorporating diverse perspectives at every level of the corporate workforce.

Result: Three Female directors (including executive officers) (as of the end of June 2022)

For implementation in FY2022/3	<ul style="list-style-type: none"> ● Plan a program that fosters candidates for directors ● Report to management on matters related to promoting Women's Participation and Advancement
Plans for FY2023/3 onward	<ul style="list-style-type: none"> ● Launch a program that fosters candidates for directors (program will continue until FY2026/3) ● Report to management on matters related to promoting Women's Participation and Advancement (continue until FY2026/3)

Target 2 Increase the ratio of women in management positions to at least 10% (4% at the time of target setting)

Aim: : Seek gender equality in management positions to become an organization capable of meeting diversifying customer needs by incorporating and sharing diverse perspectives and opinions.

Result: The ratio of women in management positions: 4.3% (as of the end of March 2022)

For implementation in FY2022/3	<ul style="list-style-type: none">● Hold well-being seminars to enable women to pursue their careers in good health over the long term
Plans for FY2023/3 onward	<ul style="list-style-type: none">● Plan and implement training for heads of divisions in charge of fostering female managers (until FY2026/3)● Hold well-being seminars to enable women to pursue their careers in good health over the long term (until FY2026/3)

Target3 Raise the ratio of women in positions immediately under section managers to 15% or higher (10% at the time of target setting)

Aim: : Bring the Company-wide gender ratio to equal and develop a working environment in which everyone can work with vigor.

Results: The ratio of women in positions immediately under section managers: 10.0% (as of the end of March 2022)

Implemented in FY2022/3, continued from FY2023/3 onward	<ul style="list-style-type: none">● Hold well-being seminars to enable women to pursue their careers in good health● Enhance external communication about our work environment that is flexible and employee-friendly
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Target 4 Ensure that all employees take a five-day vacation once a year using paid leave and designated national holidays.

Aim: : Support employees in leading meaningful lives and having good physical and mental health through well-planned long vacation.

Results: In anticipation of full-scale introduction in FY2022/3, trials are being conducted in specific divisions

<p>Implemented in FY2022/3 Plans for FY2023/3</p>	<ul style="list-style-type: none"> ● Encourage employees to take two or more consecutive paid leave days, toward achieving the target of a five-day leave
<p>Plans for FY2024/3 onward</p>	<ul style="list-style-type: none"> ● Encourage employees to take three or more consecutive paid leave days, toward achieving the target of a five-day leave

* Our paid leave target excludes the following cases.

- Employees who have taken childcare leave during the current fiscal year
- Employees whose paid leave allocated by the Company for the current fiscal year is less than 20 days

➤ [Action Plan for Helping Women Earn Career Success \(database of companies that promote women’s careers\)](#)
(Japanese only)

➤ **ESG Data** [Numerical Data on the Advancement of Women](#)



Networking Events for Female Employees (Non managers) in Group Companies

As part of Daicel’s efforts to create an employee-friendly workplace we held two networking sessions, one in September 2021 and another in February 2022, for female employees of Polyplastics Co., Ltd, one of our Group companies.

In order to ensure that female employees at both companies can draw up a clearer image of their future, we planned and held a networking event in which older employees were given time to talk about their own careers and women employees could share their own concerns about their careers with one another.

Thirteen employees from R&D, Production, and corporate support participated in planning this event.



TOPICS

Networking Events for Female Managers in Group Companies

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

On that day, 37 female managers participated in the event, which became an occasion for creating cross-organizational ties among the participants. They were heard to make remarks such as “I was able to interact with a variety of people of different kinds” or “I got to know employees whom I have never encountered before.”

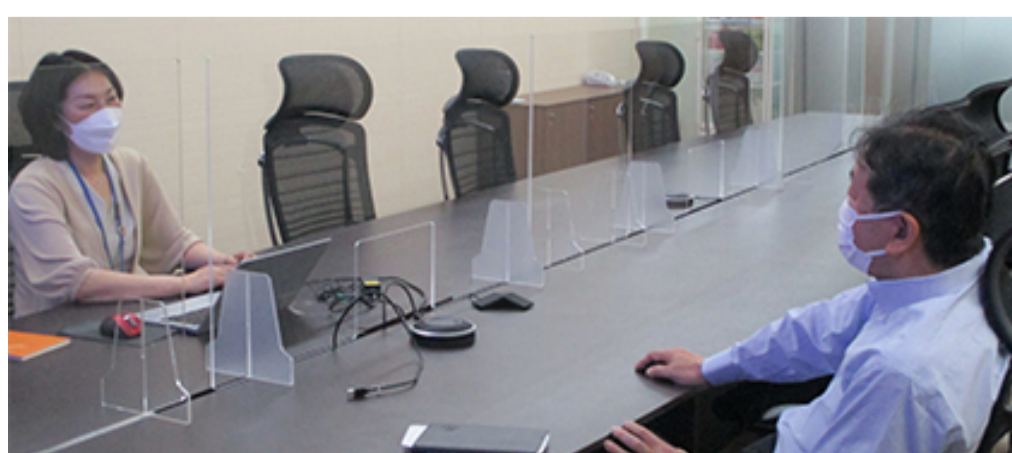


TOPICS

Executive Mentor System

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

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



TOPICS

Certified as a “Leading Company for Women's Advancement” from Osaka City



On November 1, 2019, Daicel was certified by Osaka City as a “Leading Company for Women's Advancement”. In addition to legal compliance, the city applies a certain set of criteria to certify companies that actively promote the development of a workplace that allows women with career ambitions to remain in the workforce, work-life balance, and men’s participation in childcare, housework, and activities in the local communities. Daicel was recognized for its ongoing efforts to support the advancement of women. We will continue to focus on promoting diversity and creating workplaces where every employee can express their individuality and perform at the best of their abilities regardless of gender, nationality, or disabilities.

TOPICS

Received the “Eruboshi” Three-Star Certification from the Ministry of Health, Labor and Welfare



Daicel received the “Eruboshi” Three-Star Certification from the Ministry of Health, Labor and Welfare based on Japan’s Act on Promotion of Women’s Participation and Advancement in the Workplace.

The “Eruboshi” program grants certification to companies that are recognized for making excellent progress in empowering women. Daicel met all five criteria— hiring, employee retention, overtime work, ratio of female executives and career development, and received the top-tier certification of Three Stars.

Over the years, Daicel has been developing a work environment that enables employees to work in a flexible manner by fully demonstrating their personalities and abilities. Furthermore, it has sought to revise existing systems and introduce new ones. We intend to continue creating a worker-friendly environment and developing systems that enable employees to choose their own work styles depending on their respective life stage.

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

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

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

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

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



[> Keidanren “Challenge Initiatives for 30% of Executives to be Women by 2030”](#)

Advancing the Careers of Non-Japanese Employees

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

At present, we have 22 non-Japanese employees working in Japan.

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

Promoting Employment of Persons with Disabilities

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

As of June 1, 2022, the rate of persons with disabilities in the total workforce was above the statutory requirement at 2.88% (non-consolidated). We aim to ensure that each individual can contribute in the best possible way at each worksite.

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

	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Ratio of persons with disabilities in the total workforce	2.19%	2.17%	2.17%	2.43%	2.88%

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

* Results as of June 1 of each fiscal year.

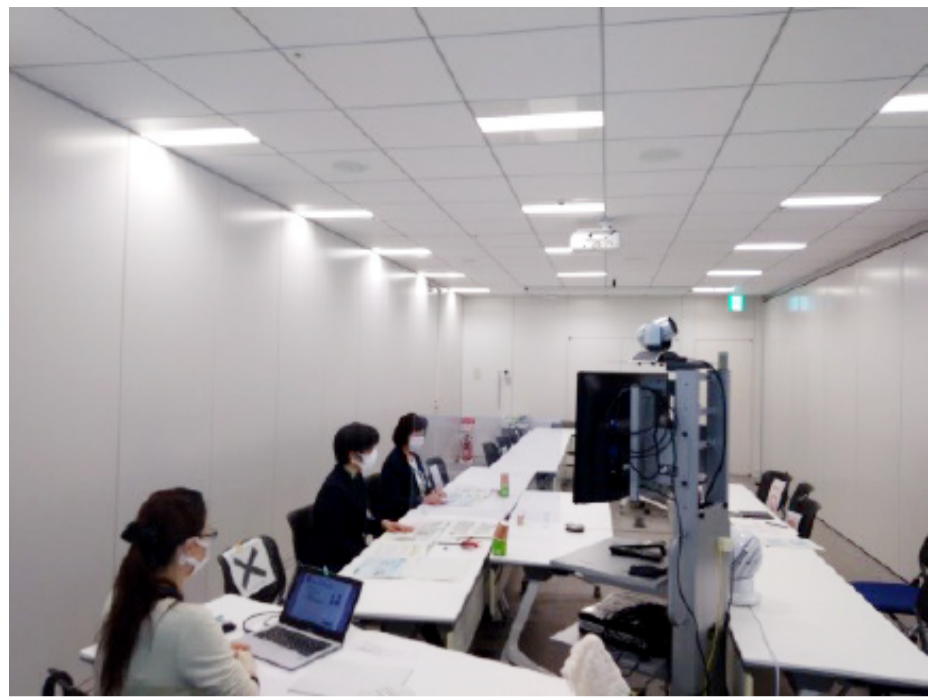
TOPICS

Seminars on Fostering Supporters for Workers with Mental or Developmental Disorders

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

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

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



Encouraging Senior Employees to Remain Active in the Workforce

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

In FY2022/3, 95 out of 104 employees who reached that age were re-employed under the system, and 223 senior employees are currently working at the Company after passing their retirement age as of March 31, 2022. Daicel will continue to maintain working environments where veteran employees can make use of their careers, knowledge, and experience.

[> ESG Data](#) [Number of Senior employees](#)

Life Planning Seminars

We held Life Planning Seminars for employees between the ages of 55 and 59, covering topics related to their post-retirement life, such as health and receiving pensions. In addition to lectures on health from a public health nurse and explanations about the pension system and post-retirement re-employment system from the Human Resources Group, we invited a speaker from Nippon Life Insurance Company who spoke as part of a Second Life Seminar and a seminar for preparing employees to draw on their defined contribution pension plan.

We are engaged in proactive efforts to ensure that our retirees have the information they need to lead active and fulfilling lives.

Consideration for Employees Identifying as LGBT

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

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

In February 2021, we held a human rights seminar focused on LGBT issues for executives of Daicel Corporation and Group companies, which was attended by about 60 people. A transgender employee at a Group company served as the lecturer, and participants learned about the environment surrounding people identifying as LGBT from their perspective. While the seminar was held online to prevent the spread of COVID-19, an active discussion took place.

[> Respect for Human Rights](#)

Foster a Corporate Culture That Meets Employee Needs

Basic Approach

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

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

My Action Declaration

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

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

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

My Action Declaration

We will fully support the aspirations of each individual.

Message expressed by labor and management in the declaration

It is important for each Daicel employee not only to focus on their working life but also to place value on their private life and time with family and friends, to think about the kind of life they want and about how they should work while having a sense of fulfillment and accomplishment, and also to reap rewards in the context of the life they envisage. We will fully support the aspirations of each individual so they are driven with the mindset that, “My life is mine alone, so I will strive to make it better.” Let’s take the first step in that direction.

Work Style

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

- ① I want to create a safe, comfortable workplace where colleagues help one another
- ② I want to work in a flexible and efficient manner
- ③ I want to challenge myself to become the person I aspire to be
- ④ I want to enjoy a sense of purpose and a sense of accomplishment

Life

A fulfilling everyday life and preparation for the future

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

Wellness

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

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

Society

I want to contribute to society as I am able

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

Management Structure

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

The Company engages in continuous dialogue with the labor union, primarily through various committees as outlined in the section titled "Sound Labor-Management Relations", as we seek to foster a worker-friendly corporate culture in a united effort between labor and management. We also collaborate with the Diversity Promotion Project, launched in January 2020 to change mindsets and reform our systems toward becoming a company that meets the needs of its diverse workforce.

[> Our Structure for Promoting Diversity.](#)

Initiatives to Shorten Working Hours

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

■ Measures to Shorten Working Hours

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

Visualizing Working Hours

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

Correcting Extended Working Hours

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

Initiatives for Realizing Flexible Work Styles

Helping Employees Manage Their Work-Life Balance

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

Daicel's Programs to Help Employees Adopt Flexible Work Styles

We ensure that our personnel programs and policies exceed statutory targets and requirements.

■ Daicel's Programs to Help Employees Adopt Flexible Work Styles

Program/Policy		Full-time Employee	Contract Employee	
			Post-Retirement Employee	Contract Employee
Support for Child-rearing and Nursing Care	Prenatal leave 6 weeks prior to childbirth 14 weeks in case of multiple pregnancies	○	○	○
	Postpartum leave 8 weeks following childbirth Employees can return to work after 6 weeks from childbirth based on their own wish and doctor's approval	○	○	○

Program/Policy		Full-time Employee	Contract Employee	
			Post-Retirement Employee	Contract Employee
Support for Child-rearing and Nursing Care	<p>Child-rearing leave</p> <p>Until the day before a child has reached the age of one</p> <p>In certain cases, until the day before a child has reached the age of two</p> <p>This program also covers employees with fixed terms of service (contract employees), and there are no restrictions based on length of service.</p>	○	○	○
	<p>Nursing care leave</p> <p>Up to 5 days per year</p> <p>In cases where employees need to engage in the nursing care of two or more family members whose conditions meet such criteria, up to 10 days per year</p> <p>This program also covers employees with fixed terms of service (contract employees), and there are no restrictions based on length of service.</p>	○	○	○
	<p>Extended nursing-care leave*</p> <p>Up to 365 calendar days</p>	○	○	○
	<p>Family care leave</p> <p>In case employees need to care for their preschool-age children, they are entitled to special leave of up to 5 days per year aside from their annual paid leave (if raising more than two preschool-age children, up to 10 days per year)</p>	○	○	○
	<p>Special leave due to non-work accidents or illness*</p> <p>Employees are entitled to take special leave of up to 20 days per year aside from their annual paid leave, in the event they have a non-work accident or are sick and must be absent from work for over 3 consecutive working days.</p>	○	○	○
	<p>Special paid leave for employees whose spouse gives birth*</p> <p>Male employees are entitled to special paid leave of up to 3 days when their wife gives birth.</p>	○	○	○

Program/Policy		Full-time Employee	Contract Employee	
			Post-Retirement Employee	Contract Employee
Mental and Physical Health	<p>Annual paid leave*</p> <p>Employees are entitled to a fixed number of annual paid leave days based on years of service from the first day of their employment.</p>	○	○	○
	<p>Promotion of annual paid leave acquisition*</p> <p>In conjunction with the formulation of annual operational schedules, each worksite designates multiple dates on which employees are encouraged to take annual paid leave.</p>	○	○	○
	<p>Health Day*</p> <p>Employees are entitled to special paid leave for the purpose of health management during the month of their birthday or the previous or following month.</p>	○	○	○
Work-Life Balance	<p>Reduced work hour system*</p> <p>Employees who meet the criteria (pregnant, childbirth, child rearing, nursing care) are allowed to reduce their working hours by up to 135 minutes per day. They can also use flextime in combination with this program.</p>	○	○	○
	<p>Flextime*</p> <p>Employees are allowed to work under a flexible work schedule that meets a set of criteria without defining the core hours.</p>	○	○	○
	<p>Remote work program (work from home or from a satellite office)*</p> <p>All employees are entitled to work from home on an as-needed basis. Employees can also work at locations that are not their designated business sites for the purpose of work efficiency and productivity (no limitations on frequency per month).</p>	○	○	○

Program/Policy		Full-time Employee	Contract Employee	
			Post-Retirement Employee	Contract Employee
Work-Life Balance	Side business* Employees are entitled to engage in work other than Daicel operations for the purpose of enhancing their knowledge and skills.	○	○	○

* Program or policy adopted by Daicel beyond its statutory obligations.

[> ESG Data](#) [Numerical Data on Work-life balance](#)

Improvement in the Annual Paid Leave Acquisition Rate

In FY2017/3, the Group set a goal of 70% or more in its annual paid leave acquisition rate. To accomplish this, the number of days designated by the Company, during which employees are recommended to take annual paid leave, has been raised in stages, from three to four days in FY2019/3, and then to five in FY2020/3. and in FY2022/3, we achieved an annual paid leave acquisition rate of 76.0%.

TOPICS

Promoting Acquisition of Annual Paid Leave (“Thanks Holidays”)

One of the goals in our Action Plan Based on The Act on the Promotion of Women’s Participation and Advancement in the Workplace, is “Ensure that all employees take a five-day vacation once a year using paid leave and designated national holidays.” We are promoting paid leave acquisition under the name “Thanks Holidays.”

In our Action Plan Based on The Act on Advancement of Measures to Support Raising Next Generation’s Children, we formulated a goal of raising our paid leave acquisition rate to 80% or more. We have undertaken a program both to help each employee achieve a full work-life balance and to set up a system in which team members support one another’s work in acquisition of long-term leave.

[> ESG Data](#) [Rate of employees taking annual paid leave](#)

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

The Company promotes remote work as a flexible, efficient work style that eliminates the limitations associated with specific working times or workplaces. In April 2017, we implemented a program that allows eligible employees, including those engaged in child and nursing care, to work from home. In October 2018, the program's eligibility was extended to include all employees, and the limitation on the number of days that employees are allowed to work from home per month was eliminated. At the start of 2020, telework quickly became widespread as a preventive measure against the spread of COVID-19. During the nationwide state of emergency, our office workers in principle worked from home, and we reduced the number of employees coming into the office by almost 70% at our main offices in Osaka and Tokyo and the Nagoya Sales Office. In addition, we incorporated remote work at our plants and research facilities. We have confirmed multiple benefits from introducing remote work, including less time spent in transit or commuting and increased productivity. Instead of viewing this expansion in telework as a temporary trend, we will seize the opportunity to change our work styles. We also intend to maintain our efforts to further increase productivity and achieve a better work-life balance.

The Company has established about 150 satellite offices, mainly within the Tokyo metropolitan and Kansai areas. These offices have the necessary equipment and Internet access and provide convenient work environments for employees in transit or on business trips, allowing them to do their jobs without having to return to their offices.

* At Daicel, the work-from-home program (implemented in April 2017) and work-from-satellite-offices program (implemented in February 2019) are collectively referred to as remote work.



Employee at a satellite office

Encouraging Childcare Leave for Male Employees

From the perspective of improving the work-life balance and creating a workplace that encourages male employees to take childcare leave, the Company introduced a paid portion (five days) to this type of leave in FY2018/3. The percentage of eligible male employees taking the leave in FY2022/3 was 77.5%.

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



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

Before I took Childcare Leave, I left meal preparation for the child up to my partner, but during the leave, I fed my baby his first solid food and milk, and he didn't eat it as I thought he would, so that aspect of it was quite a struggle. I also tried my hand at making baby food, and when he ate it eagerly, I couldn't have been happier. In addition, I did things like taking him on walks, going to the park, reading him stories, and just spending as much time as possible together. Taking care of my child like this further deepened my love for him. Taking Childcare Leave and becoming involved in childcare increased the time we spent together and furthermore, I was able to reduce the burden on my partner. Since children grow from day to day, the time when I was able to support and encourage his growth was truly precious. I hope that men don't hesitate to take Childcare Leave so that they can have this kind of valuable experience.

Seminar for Men on Balancing Work and Parenting, a Joint Event by 11 Companies in the Kansai Area

In February 2021, 11 companies based in the Kansai area got together to hold an online seminar for men on balancing work and parenting. Professor Jun Nakahara of Rikkyo University gave a keynote speech and served as the moderator, and about 110 participants from each company exchanged their views on parenting and the difficulties involved. Participants offered feedback such as: “I had never discussed parenting with men before, so it was a refreshing experience,” “I’d like to continue sharing information” and “I hope it becomes easier to take childcare leave.”

Looking ahead, we would like to provide opportunities for exchanging information on childcare among Daicel Group employees.

Working Environments that Provide Flexibility for Employees

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

Introduction of the Free-Address System

Daicel introduced a “free-address” (free seating) office layout at the Tokyo and Osaka Head Offices as well as the Nagoya sales office to step up its efforts to promote work style reforms. This has led to the creation of an even less territorial office layout than the past, which facilitates worksite communication and in-house collaboration.

The free-address office layout was also adopted by iCube, a part of the Innovation Park, which is an R&D powerhouse that opened in April 2017. This made it possible for technical staff specializing in such fields as exploratory research, product development, production innovation, process innovation, and engineering to gather in one large office space. The setting helps them to inspire each another and boosts motivation as they work together to push forward with the development of new products and innovative mass-production technologies as well as the creation and commercialization of new businesses.

The free-address office layout was also introduced at the “F-BASE” in Polyplastics Co., Ltd.’s Fuji Plant. At F-BASE, divisions that had been dispersed across different areas of the plant (operation, maintenance, technology, testing, logistics, and safety) were integrated into one floor in an effort to gather expertise about manufacturing. By encouraging free exchanges across divisions in the open environment of a free-address office, we will promote further innovations.



Office atmosphere

Introduction of the New “Office Casual” Dress Code

As part of its work style reforms, the Company introduced the new “Office Casual” dress code for employees at its main and branch offices. Apart from “Cool-Biz” and “No Tie” attires, already accepted in our workplaces, employees can also wear T-shirts, sneakers, and other casual clothing under the new dress code. This gives them the flexibility to choose what to wear according to their specific roles. The Company will continue to focus on creating working environments that enable employees to perform at the best of their capabilities, thus contributing to higher productivity.

In our worksites other than the main and branch offices, employees wear uniforms as a protective measure. In October 2019, these were upgraded to be more functional.



Employees in Office Casual Attire

Guidance on Reward Standards and Transparent Decision-Making on Compensation

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

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

Employee Benefits and Welfare (Yu Ai Kai Mutual Aid Association)

This fraternal association was created to leverage the mutual aid of members for their improved well-being and to nurture self-motivation and a spirit of friendship.

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

■ Benefits and Welfare

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

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

Employee Benefits and Welfare Program for Diverse Lifestyles

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

Cafeteria Plan

Daicel provides employees with the Cafeteria Plan, an optional benefits and welfare program that allows employees to choose from menus that meet their personal needs, such as career development, healthy living, childcare and nursing care, and travel. In FY2022/3, we expanded our services for supporting childcare and nursing.

Use of Company-Sponsored Babysitter Dispatch Services

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

Daicel Employee Stock Ownership Association

To help employees build their wealth by holding shares through contributions to enhance their sense of unity with the company, Daicel Group established Daicel Employee Stock Ownership Association. As of March 2022, 2,503 members of the Daicel Employee Stock Ownership Association have joined the company and hold 5.245 million shares.

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

	FY2018/3	FY2019/3	FT2020/3	FY2021/3	FY2022/3
Number of members	1,912	1,986	2,223	2,279	2,503
Number of shares owned	3.975 million	4.08 million	4.647 million	5.048 million	5.245 million

Sound Labor-Management Relations

Summary of the Labor and Management Charter

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

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

■ Major Labor-Management Committees

Name	Purpose
Central Management Council	<ul style="list-style-type: none"> ● Issues requiring negotiation ● Issues requiring consultation ● Issues requiring reporting or briefing (All of the above are important.)
Central Healthcare Committee	Support the mental and physical well-being of employees to raise individual productivity and create vibrant and healthy work environments.
Central Productivity Promotion Committee	<ul style="list-style-type: none"> ● Promote the work-life balance, formulate policies on work style reform ● Monitor initiatives and activities aimed at reducing total working hours ● Share good practices related to reducing total working hours ● Monitor applications for overtime exemptions by each business site
Liaison Meeting on Labor-Management Issues	Discuss issues related to corporate management

> ESG Data [Labor Union Membership and Composition](#)

Dialogue with Employees

Employee Engagement Survey

Since the Daicel Group is composed of companies that continue to provide useful value to society, it listens to its employees' unfettered opinions and aims to initiate specific actions on that basis. For that reason, Daicel administered an Employee Engagement Survey to its Group employees worldwide in December 2021. As we move forward with improvements based on the results of the survey, each employee will understand and accept the direction that the company's goals are taking to support sustainable growth of our business. We aim to create an environment where employees can exercise their will and capabilities to the greatest possible extent as they strive to achieve those objectives. In FY2023/3, each workplace and department will use the results of that survey to formulate Action Plans and undertake activities to improve efficiency in carrying out their work.

■ Summary of the Engagement Survey

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

Fostering a Sense of Unity Across the Daicel Group

Recognizing employees as important stakeholders, we are constantly developing systems to meet their expectations and needs while also maintaining dialogue and other communications through the labor union. We also utilize various internal communication tools to regularly share information with all Group employees in multiple languages. This is to foster a sense of unity across the Daicel Group by stimulating internal exchanges.



Palette(6 Languages)



SOCIO(For Japan only)



PC

Smartphone



Arcus (Japanese and English language editions): Online Group internal newsletter

Sustainable Procurement

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

Basic Purchasing Policy

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

1. Fairness and Rationality of Transactions

- We shall be fair in providing prospective suppliers with opportunities for participating in business transactions. Also we shall conduct our purchasing activities in an open manner with no regard for previous dealings and with no preference for companies domiciled in Japan.
- Our overall considerations shall be limited to matters of quality, price, stability of supply, state of technological development, environmental considerations, and the assurance of safety. We shall consider these aspects in a comprehensive manner.

2. Legal Compliance and Confidentiality

- We shall comply with laws and corporate ethics in our business operations.
- We shall strictly protect confidential information obtained through businesses and shall never infringe the intellectual property rights of third parties.

3. Establishing Relationships of Trust

- We shall strive to establish better partnerships with our suppliers in consideration of mutual benefit and trust as well as good faith.

4. Adherence to CSR Initiatives

- We shall promote sustainable development with our suppliers through our activities for corporate social responsibility and value improvement

Established June 2018

Daicel Group CSR Purchasing Guidelines

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

By FY2022/3, we had distributed Certificates of Confirmation to 796 of Daicel's major suppliers (accounting for over 85% of total procurement) in order to confirm that they understood the content of the Daicel Group CSR Purchasing Guidelines, and we received signatures from 671 companies (response rate of 84%). For suppliers who have not yet responded, we follow up with them by requesting their responses, aiming for a 100% response rate.

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

Daicel Group CSR Purchasing Guidelines

1. Compliance with laws, regulations, and social norms

- In the course of business activities, we shall comply with laws, regulations, and social norms with regard to such matters as business transactions, labor management, environmental preservation, safe operations, and intellectual property, thereby living up to higher standards of corporate ethics and fair business conduct.
- In addition to complying with laws and regulations enforced in the countries and regions where we operate, we shall respect the cultures and customs of these local communities.
- We shall not provide or receive entertainment or gifts that can be deemed to exceed the scope of sound commercial practice and social norms.

2. Respect for human rights and the working environment

- We shall not condone forced labor, child labor, underpaid labor, or any other inhuman labor practices.
- We shall eliminate discrimination within our workforce and strive to offer equal opportunity and realize the fair treatment of employees.
- We shall prevent workplace harassment, bullying, and violence.
- We shall respect the rights of our employees and, to this end, provide adequate wages while appropriately managing their working hours.

3. Occupational safety and health

- We shall prevent occupational accidents and diseases by offering a safe and sanitized working environment and by paying close attention to the management of employee health.
- We shall formulate emergency countermeasures by anticipating possible accidents and disasters with the aim of protecting employee safety.

4. Environmental consideration

- We shall strive to reduce the environmental impact of our operations by, for example, reducing resource and energy consumption in the course of production, packaging, and distribution and by curbing emissions of CO₂ and industrial waste.
- We shall pursue business operations that give due consideration to the protection of the global environment and the conservation of biodiversity.

5. Sound business management

- We shall strive to engage in sound and transparent business management and appropriately disclose corporate information with stakeholders with the aim of establishing sincere relationships based on a spirit of mutual interest, respect, and trust.
- We shall not provide any benefit to antisocial forces while also strictly prohibiting the provision or receipt of undue gain attributable to such fraudulent activities as insider trading.

6. The pursuit of product quality and product safety as well as improvement in technologies

- We shall strive to meet customer requirements with regard to product quality and safety in addition to providing accurate information about our products and services.
- We shall strive to develop products and solutions through the pursuit of new technologies and better quality.

7. Stable supply and flexibility to remain responsive to changes

- We shall deliver our products on time and strive to maintain stable supply.
- We shall formulate business continuity plans to secure our preparedness for emergencies, including natural disasters and operational accidents.

8. Information security

- We shall put in place security measures to combat network threats with the aim of ensuring that none of our systems are damaged by such threats or exploited by hackers to harm the systems of others.
- We shall appropriately protect the personal information we handle whether it pertains to customers, employees, or other third parties.
- We shall maintain the appropriate management of confidential information we receive from customers or other third parties, striving to prevent the leakage of such information.

9. Contribution to communities and society

- We shall develop collaborative relationships with local communities and strive to contribute to the development of society.

10. Promotion of CSR initiatives in which all supply chain constituents play their roles

- We shall proactively push ahead with CSR initiatives while also disclosing the status of such initiatives.
- We shall ask our business partners to join our efforts to promote CSR with the aim of encouraging our entire supply chain to engage in CSR.
- We shall engage in responsible purchasing practices, observing purchasing regulations that are in place to address social issues related to specific materials such as conflict minerals regulations.

Established June 2018

[> The procurement of raw materials, fuels, and components](#)

[> Equipment procurement](#)

Our Structure for Promoting Sustainable Procurement

In FY2021/3, the Daicel Group launched a Procurement Subcommittee under the Sustainable Management Committee for promoting sustainable procurement with a sense of unity throughout the Group. The subcommittee comprises individuals charged with supervising procurement from the Raw Materials Purchasing Division, Corporate Sustainability, SBUs, and major Group companies and meets periodically to engage in discussions encompassing the entire Group in regard to procurement operations that had been conducted by each business site or Group company in the past. The subcommittee met nine times in FY2021/3-FY2022/3.

During these meetings, the members exchange information on procurement, confirm the progress of sustainable procurement being pursued throughout the Group, deliberate on the Group's response to conflict minerals, and set targets and formulate plans for implementation. Their discussion is reported to the Sustainable Management Committee, chaired by the president and CEO, which provides feedback on its own deliberations and debates and then reflects the results in the activities of the subcommittee.

[> Sustainable Management System](#)

Initiatives for Sustainable Procurement

Selection Process for New Suppliers

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

In conducting the CSR assessment, we make use of a CSR assessment sheet which is a self-assessment questionnaire (SAQ) that we have created with reference to the questionnaire produced by the United Nations Global Compact Network, Japan. The questions include items concerned with supplier's activities across a wide range of areas related to quality assurance and stable supply, corporate governance, fair trade, human rights, labor conditions, health and safety, environmental measures, business management, contribution to local communities, information security, and promotion of CSR, and expansion of initiatives across the supply chain. Based on the results, we evaluate suppliers comprehensively and make decisions about the possibility of starting business with them.

Communication with Current Suppliers

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

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

Beginning in FY2023/3, the Raw Materials Purchasing Division, the organization within the Daicel Group that procures raw materials and fuel, produced a CSR clause to basic purchasing and sales contracts. It asks suppliers to abide by Daicel's Basic CSR Purchasing Guidelines. This CSR clause includes items to be implemented throughout the supply chain, including adherence to laws and social norms, respect for human rights, labor conditions, health and safety, environmental measures, sound business management, quality assurance and safety, and improvements in technology, stable supplies, a flexible response to changes, information security, contributions to the region and community, and promotion of CSR. The Raw Materials Purchasing Division intends to incorporate the CSR clause into all newly concluded purchasing and sales contracts and into all such contracts that come up for renewal. It is urging implementation of similar practices across all divisions related to purchasing.

Self-Assessment-Questionnaire (SAQ) on CSR Procurement

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

As for items concerning environmental measures, we check and evaluate the suppliers' progress on developing target for reducing greenhouse gas.

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

Self-Assessment Questionnaire on CSR Procurement: Main Assessment Items

■ Self-Assessment Questionnaire on CSR Procurement: Main Assessment Items

Assessment Item	Details
Compliance with laws, regulations and social norms	Establishment of management policies, legal compliance, establishment of whistleblowing system, restrictions on offering gifts and entertainment
Respect for human rights and the working environment	Prohibitions against discrimination, forced labor, child labor and inhumane treatment, while ensuring adequate pay and appropriate management of working hours
Occupational safety and health	Occupational safety and health and management of workplace hygiene, response to occupational injuries, illnesses and emergencies
Environmental consideration	Prevention of environmental pollution, effective use of energy, reduction of greenhouse gases, reduction of waste, initiatives on preserving biodiversity
Sound business management	Information disclosure, elimination of inappropriate profit-taking, respect for intellectual property, elimination of antisocial forces

Assessment Item	Details
The pursuit of product quality and product safety as well as improvement in technologies	Provision of information on products and services, quality assurance for products and services, management of chemical substances
Stable supply and flexibility to remain responsive to changes	Stable supply, BCP management
Information security	Defensive measures against network threats, measures for preventing leakage of personal information and for preventing leakage of confidential information we receive from customers and third parties
Contribution to community and society	contribution to global community and local community
Promotion of CSR initiatives in which all supply chain constituents play their roles	Sustainable procurement of minerals, promotion of CSR initiatives

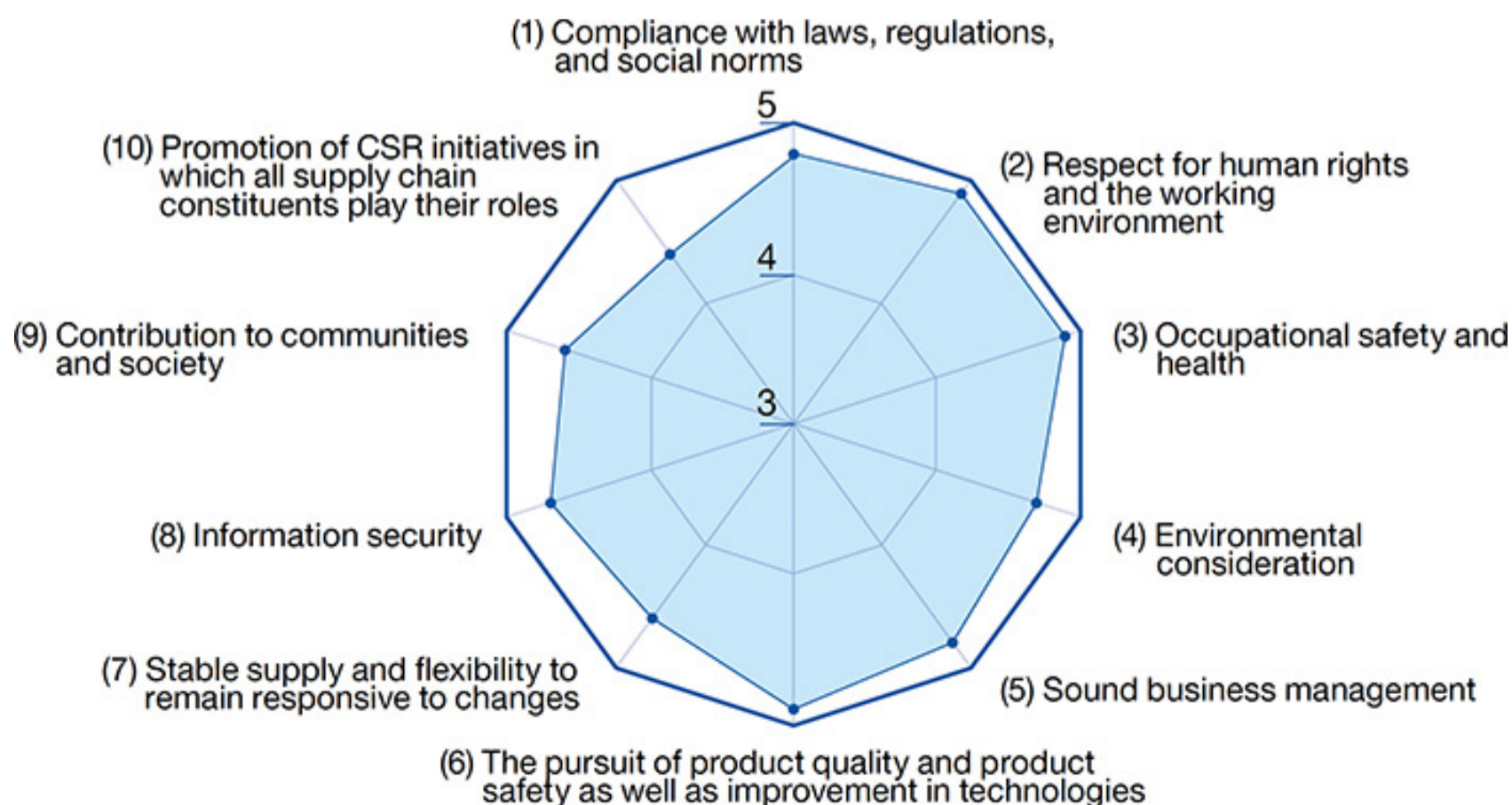
Survey Results and Initiatives for improvement

In FY2021/3, we conducted an SAQ targeting 796 major suppliers of the Daicel Group, accounting for over 85% of total procurement, and received responses from 671 companies, an 84% response rate.

In FY2022/3, we used the results of the FY2021/3 SAQ to conduct listening sessions with 73 of the 189 companies that we deemed to be in need of improvement. We identified 161 issues and instituted efforts to bring about improvements. In particular, we prioritized support for the formulation of basic purchasing policies for suppliers that did not have them, and we will continue to do so in stages.

Note that we did not verify any suppliers for whom the results of the SAQ indicated violations of compliance.

■ Survey Results of Major Raw Materials and Fuel Suppliers



Responsible Sourcing of Mineral

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

The Daicel Group considers conflict minerals to be an important issue, and in addition to the SAQ, we have conducted a conflict minerals reporting template (CMRT) survey that focuses on these minerals. In FY2022/3, we conducted a CMRT survey of suppliers (a total of 24 companies) that handle items including tin, tantalum, tungsten, and gold out of the raw materials and parts we procure on a continuous basis. As a result, we confirmed that there were no issues of concern (100% response rate). In addition, we used the Cobalt Reporting Template (CRT) to survey suppliers of raw materials that include cobalt (9 companies), and with a 100% response rate, we found no problematic cases. We will continue to expand the minerals surveyed in order to meet the growing expectations of the society.

Sustainable Procurement of Palm Oil Products

Out of the roughly 200 million tons of vegetable oils produced worldwide, palm oil ranks at the top in terms of production volume, with over 35% of total volume. As we entered the 21st century, the progressive development of large-scale oil palm plantations in Southeast Asia has led to the destruction of rain forests with a serious impact on the ecosystem and has therefore raised public concern. Recognizing the responsibility of a company that uses chemical products derived from palm oil as a raw material, the Daicel Group joined the Roundtable on Sustainable Palm Oil (RSPO) in August 2018 and is seeking to switch to palm oil-derived raw materials certified by the RSPO. In 2019, we began selling RSPO-certified products as raw materials for use in cosmetics, and we are gradually expanding this product line. As of the end of 2021, about 2% of our chemical products derived from palm oil that we have purchased are RSPO certified. We will continue to play our role in realizing a sustainable society through our supply chain for RSPO-certified products.

Efforts to Regulate Chemicals

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

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

When procuring raw materials for products to be exported to the EU region, we make sure that the suppliers abide by the REACH regulations and follow the correct procedures.

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

[> Chemical and Product Safety](#)

BCP Procurement

In view of the procurement risks and impact on the supply chain, the Daicel Group implements measures with regard to our main raw materials and fuel by gradually adopting multi-sourcing and accumulating safety stock, on a priority basis. Out of 381 raw materials, we completed the process for 243 items by FY2022/3 and are continuing to work on the remaining 138 items.

Procurement Helpline

To promote fair transactions in line with our Basic Purchasing Policy, the Daicel Group has set up a helpline to receive reports from suppliers. We ask our suppliers to report on legal violations and deviations from the Basic Purchasing Policy so that we can resolve any issues. Individuals consulting or reporting on issues through the helpline are protected from any adverse treatment.

[> Inquiry as to our business \(Including procurement\)](#)

Internal Education and Training

In FY2022/3, we held a study group for purchasing staff handling raw materials and fuel on topics such as renewable resources, case studies of efforts at sustainable procurement for upstream suppliers of products such as palm oil and cacao, and due diligence on human rights. We also shared information in the form of lectures on sustainability sponsored by the Global Compact Network Japan. We also set up opportunities for study in the form of quizzes about the basics of the Sustainable Development Goals (SDGs). We also held study groups during meetings of the Procurement Subcommittee, comprising staff from each SBU as well as divisions handling the purchasing of raw materials, fuel, and materials at Group companies. Study group topics included sustainable management and supply chain management, the circular economy, and information disclosure. We have also incorporated personal goals for sustainable procurement initiatives in the evaluation of all purchasing staff to encourage everyone to exercise initiative.

Contribution to Local Communities and Society

Basic Approach

Based on the approach laid out in the second item in the Conduct Policy of Daicel Group, “[contributing] to the development of society as good corporate citizens,” the Daicel Group maintains active communication with local communities. In order to build good relationships and contribute to local community development, we participate in an extensive range of activities, such as those for supporting the future generation and volunteer projects.

Supporting the Future Generation

Assistance for Education in the Guangxi Zhuang Autonomous Region in China

On September 29 and 30, 2021, representatives of Daicel (China) Investment Co., Ltd. and Daicel Nanning Food Ingredients, Co. Ltd. visited eight educational facilities in the Guangxi Zhuang Autonomous Region in China, where they granted scholarships and contributed school supplies and everyday items. One of the schools they assisted is located in the village of Yalongxiang-Shengli, which the Chinese government had formerly classified as an impoverished village and which lacks public transportation. During this visit, the representatives donated scholarship money with the intention of providing better educational opportunities to children for whom geographical and other conditions make access to school more inconvenient than in other regions.

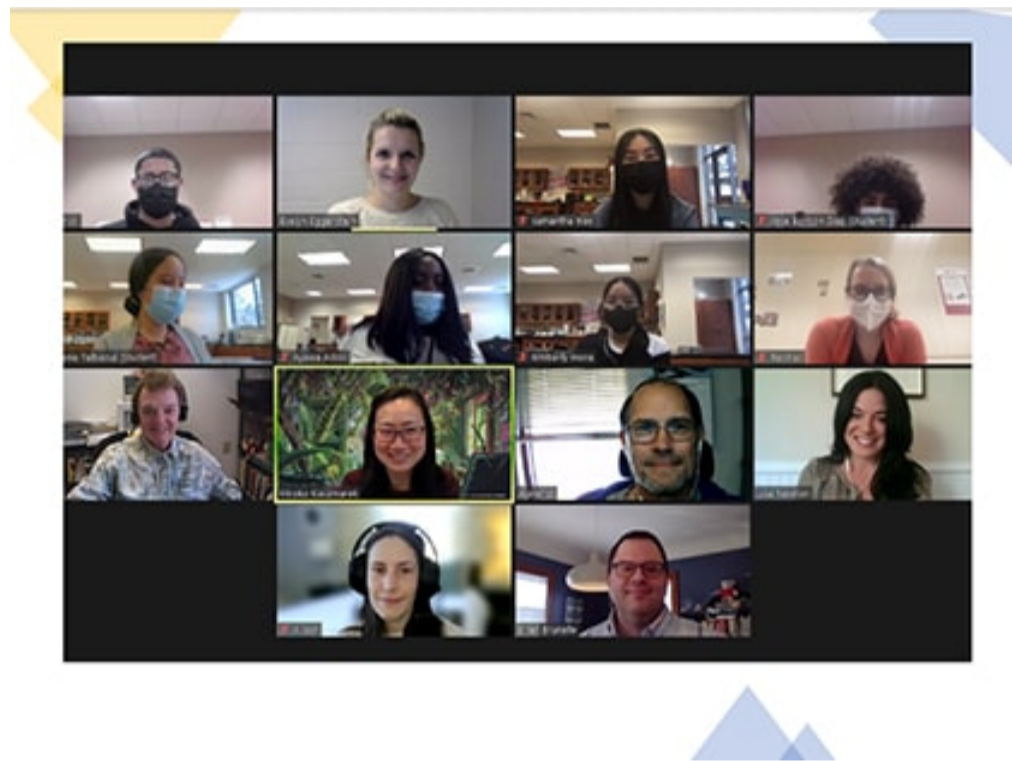
On the day of their visit, the representatives were accompanied by local clerks and teachers as they gave the children school supplies and everyday items, and the employees who were not able to make the trip were able to greet and communicate with the children remotely. We hope that education will help the children realize their dreams through their own efforts.



Interaction with High School Students through Science

On February 8, 2022, Daicel Arbor Biosciences participated in an activity of BioBuilderClub (sponsored by the American nonprofit “BioBuilder”) which is intended to deepen interest and understanding in the fields of science, technology, engineering and mathematics (STEM), and twelve public high school students in Worcester, Massachusetts and six employees of the company, though remotely, interacted with each other deeply. The high school students who participated asked eagerly about our company’s role and the careers of our employees, so we felt their strong will to learn on their own initiative.

The company’s Actioners Team coordinates events and programs beneficial to the City of Ann Arbor, where the company is located, as well as to communities throughout the United States.

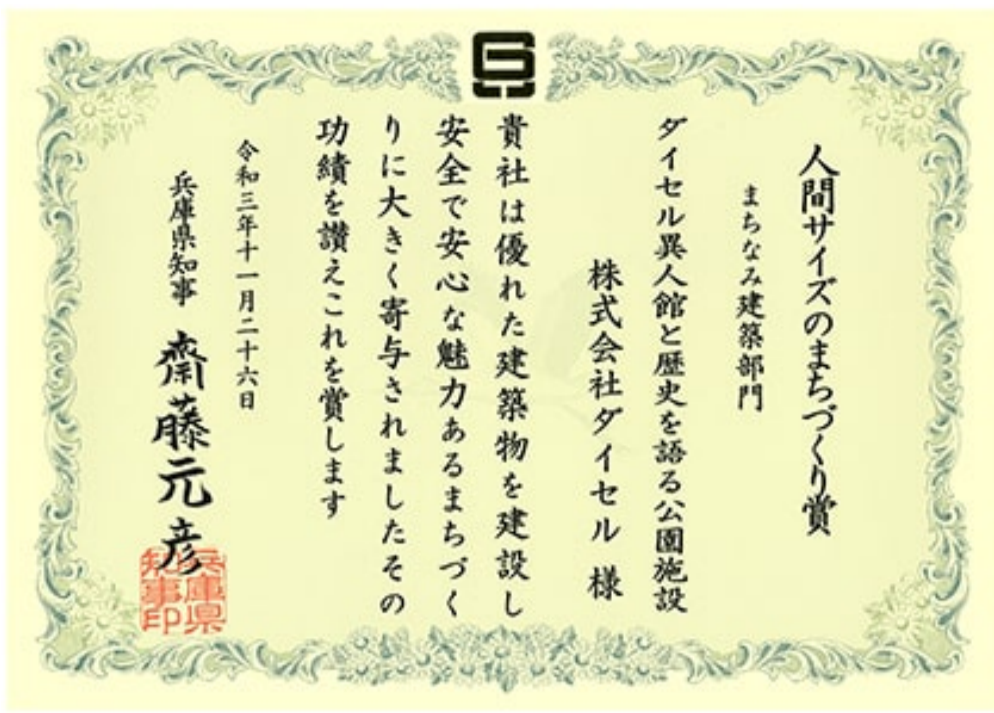


Interaction with the Local Community

Co-Existence and Prosperity in Hyogo Prefecture: The Governor’s Award for Human-Scale Town Planning

On November 26 2021, Daicel Corporation was awarded the Governor’s Award for Human-Scale Town Planning, Urban Architecture Division, sponsored by Hyogo Prefecture, for the *Ijinkan* Daicel Foreign Engineers’ Housing and construction in the surrounding area. Hyogo Prefecture praised the project for remodeling and restoring the historic *Ijinkan* Daicel Foreign Engineers’ Housing and for the company’s efforts to provide locally rooted mutual benefits through provision of park facilities open to local residents.

The *Ijinkan* Daicel Foreign Engineers’ Housing was constructed in 1908 when Japan Celluloid Artificial Co., Ltd., the precursor to Daicel Corporation, to house Western technicians whom the company had invited to Japan. In recent years, the buildings have been used for exhibits about the history of celluloid and celluloid products. In October 2019, the company restored the original color scheme of the buildings and remodeled them. In consideration of achieving harmony with the nearby Foreign Engineers’ Housing, pergolas that incorporate the aesthetics and technology of modern architecture, strolling paths, monuments that represent the ceaseless change and evolution of chemistry, and panels that describe the history of Daicel were installed in the park. This place has become a favorite walking route for local people.



Local Community Programs at Daicel's Kanzaki Plant

The Kanzaki Plant, a site of business activities for Daicel Corporation and Daicel Value Coating, Ltd. (DVC), is located in a residential area, and both Daicel Corporation and DVC are involved in a number of activities as members of the local community. In addition to participating in clean-up programs in the area of the plant and along the banks and riverbed of the Kanzaki River, employees ensure that elementary school children can walk to school safely by stationing themselves at intersections along the route to school in the vicinity of the plant. Every morning for eleven years, the employees involved in the program have been exchanging smiles and greetings with many children, teachers, and caregivers, and they have become well-liked elements of the morning commute.

Daicel and DVC will continue their locally rooted efforts to contribute to creating a livable community near the Kanzaki Plant.



Voluntary Activities

Participation in a Shore Clean-Up Event at World Heritage Site Miyajima

Daicel Corporation is a participant in the public-private organization Green Sea Setouchi Hiroshima Platform (GSHIP), which aims to reduce the flow of plastic waste into the oceans to zero by 2050. On October 9, 2021, more than 100 people, both children and adults, including ten Daicel employees, participated in a clean-up event sponsored by GSHIP on the island of Miyajima in Hiroshima Prefecture.

On that day, volunteers collected about 64kg of waste, most of which was either Styrofoam (19kg) or plastic pipe used in oyster farming (22kg).

Participants were heard to say things like, “I was surprised at how much waste there was, and I’m going to reassess my way of life.”



Blood Donation Drive by DCTC Employees

On December 6 2021, three employees of Daicel Chiral Technologies China Co., Ltd. (DCTC) participated in a blood donation drive.

Since 2015, DCTC employees have responded to calls for blood donations from the Shanghai Pudong New Area Blood Bank. In 2021, the blood bank asked for donations from 53 people, and 33 DCTC employees responded by donating blood. Comments from participants included, “I think that it is an honor to save other people’s lives by donating blood when I’m healthy,” and “Donating blood protects not only me but also my family. I’m glad that the company helps me participate in a blood donation drive.”



Donation of 50,000 Yuan (approximately 850,000 yen) to Zhengzhou Flood Relief Efforts

On August 5, 2021, Daicel Chiral Technologies China, Co. Ltd. donated 50,000 yuan (about 850,000 yen) to the Zhengzhou City Red Cross to assist in relief efforts for the flood that struck Zhengzhou on July 20, 2021, caused by a record-setting heavy rainfall.

Due to damage such as inundated roads and flooded subway stations, many residents died or sustained injuries. In the hope that local residents would be able to resume their normal lives as soon as possible, DCTC immediately decided to make a contribution and issued the funds.

Donating Clothing, Shoes, and Schoolbags to Children in the Tibet Autonomous Region

In March 2022, the in-house newsletter of Daicel Chiral Technologies China Co., Ltd. (DCTC) solicited contributions of second-hand clothing, shoes, and schoolbags from about 20 employees and donated them to children in the Tibet Autonomous Region in the name of the company.

This activity began when some DCTC employees visited the Tibet Autonomous Region and noticed that rural people there were poorer in material possessions than those in the cities and that it was difficult for them to purchase clothing. The children in particular lacked sufficient clothing and they had to make do with lightweight clothing, even in the winter. In some places, most children were wearing worn-out and torn clothing. The effort to provide better clothing, even if it was only slightly better, began in 2019 and has continued each year since then.

This time, employees sent 16 cardboard cartons containing clothes, shoes, and schoolbags to the Tibet Autonomous Region. The hope is that these donations will help the children live a bit more comfortably.



Efforts to Prevent Infection of COVID-19

Donation of Face Shields with Anti-Virus Coating to Hiroshima University Hospital

In June 2021, Daicel Corporation provided assistance for the health care workers who are on the front lines of saving patients suffering from COVID-19 in the form of 100 sets of anti-virus face shields to Hiroshima University Hospital. The face shields provided are covered with Daicel's anti-virus coating and are effective at preventing the activation of COVID-19 (more than 99% are inactive after 24 hours)*. This coating also resists fogging, so the face shields do not fog up and allow health care workers to work comfortably.

Daicel hopes that the spread of infection by COVID-19 is soon brought under control and that we can return to ordinary life. With that objective, it will continue supporting health care workers.

* Subtracting the common logarithmic value of the infection rate on the material with the anti-virus coating after leaving it for 24 hours from the common logarithmic value of the infection rate on an untreated material after 24 hours. A highly contagious European strain of the novel coronavirus was used in this test.

Corporate Governance

Basic Approach

Strengthening corporate governance is an important management task that enables us to enhance corporate value and achieve our social mission and responsibilities as a listed company.

Daicel maintains its agility by clarifying the responsibilities of each part of its organization and by adopting a management system that supports timely decision-making and implementation. Moreover, by actively soliciting external opinions to improve management transparency and fairness, Daicel will strive to maintain the soundness of its corporate management.

[> Corporate Governance Report \(June 29, 2022\)\[PDF:366KB\]](#) 

History of Strengthening Corporate Governance

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

Date	Initiative	Purpose
May 2006	Established the Basic Policy on Building an Internal Control System	To develop an internal control structure
August 2010	Established the Internal Control Council	To build an internal control system and ensure the adequateness of its operation
June 2015	Increased the ratio of Outside Directors to 50%	To ensure further transparency of decision-making and supervisory functions and management
January 2016	Started to evaluate the effectiveness of the Board of Directors	To maintain and improve the effectiveness of the Board of Directors
January 2020	Improved the method for evaluating the effectiveness of the Board of Directors	To introduce individual interviews in addition to surveys
April 2022	Partially revised the Basic Policy on Building an Internal Control System	To make revisions based on internal environment changes, including organization changes

Corporate Governance Framework

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 institution that can promptly adapt to the changes in the business environment., as well as ensuring both the transparency and legitimacy of management. Thus, the Company strives to maintain the corporate governance framework with high effectiveness to continuously improve corporate value.

■ Outline of the Corporate Governance Framework (as of June 22, 2022)

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.

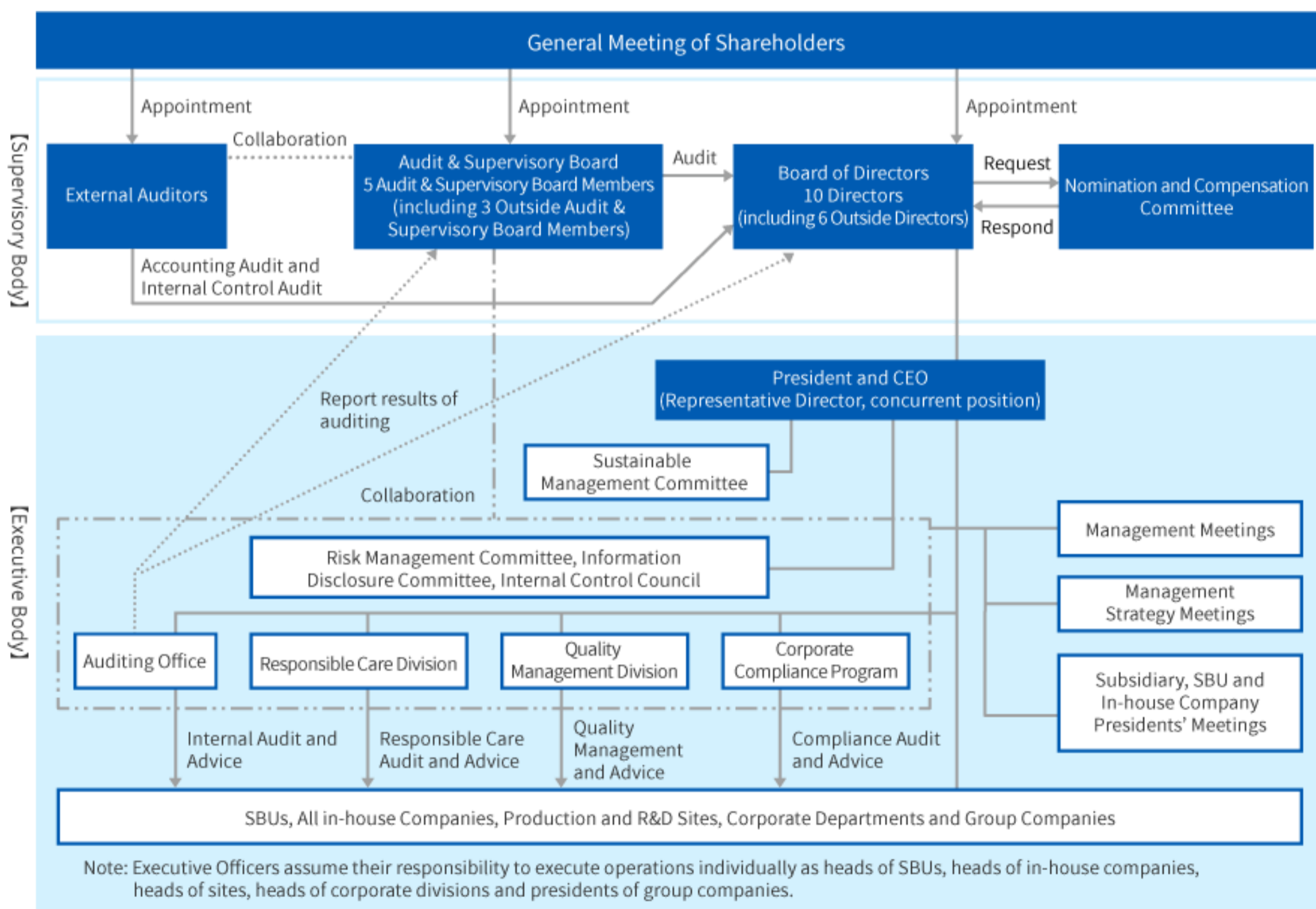
Item	Content
Type of organizational structure	Company with Audit & Supervisory Board
Chairperson of Board of Directors	Director, Chairperson of Board of Directors
Number of Directors	10 (including 2 female directors)
Number of Outside Directors	6 (all 6 are independent directors)
Number of Audit & Supervisory Board Members	5 (including 1 female Audit & Supervisory Board Member)
Number of Outside Audit & Supervisory Board Members	3 (all 3 are independent Audit & Supervisory Board Members)
Number of Executive Officers	22 (including 4 officers concurrently serving as directors)
Number of Board of Director meetings held in FY2022/3 (Average attendance rate of outside directors/outside Audit & Supervisory Board Members)	15 (96.0%/95.6%)
Number of Audit & Supervisory Board meetings held in FY2022/3 (Average attendance rate of outside Audit & Supervisory Board Members)	15 (95.6%)
Term of office for directors	1 year
Term of office for Audit & Supervisory Board Members	4 years
Average term in office for directors	3.6 years

Item	Content
Average term in office for Audit & Supervisory Board Members	2.2 years
Voluntary advisory body to the Board of Directors	Nomination and Compensation Committee is composed of 8 Directors (including 6 Outside Directors) and chaired by an Outside Director. Meetings held in FY2022/3: 9
Compensation system for Directors and Audit & Supervisory Board Members*	1.Monthly compensation 2.Performance-linked remuneration (excluding Outside Directors and Audit & Supervisory Board Members) 3.Restricted Stock Compensation (excluding Outside Directors and Audit & Supervisory Board Members)
External Auditor	Deloitte Touche Tohmatsu LLC

* The compensation system also applies to executive officers and others.
The ratio between the three types of compensations (1, 2, and 3) is roughly maintained at 65:20:15.

> ESG Data [Corporate Governance](#)

■ Corporate Governance Framework (as of June 22, 2022)



Board of Directors

The Company recognizes a role of Board of Directors as following; Setting the direction we should aim for and creating a concrete business strategy toward the target, Supervising the execution of business and business operations from the objective point of view. Ensuring this effectiveness of the role of Board of Directors, it is constituted of four Inside Directors and six Outside Directors; the former have a profound insight about our businesses, the latter have a wealth of experience in the business management and diverse expertise (including eight men and two women in the Board as a whole). Also, all of Outside Directors are independent. The details about them are indicated in the part titled “Information about Directors and Audit & Supervisory Board Members” in the Securities Report. The Outside Directors satisfy the “Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members” as defined by the Company. Therefore, we organize the Board of Directors in a way that allows the Outside Directors, who are in a majority on the Board of Directors, to state their opinions to the Company’s management from the objective and independent directors’ point of view. The Board of Directors has a meeting once a month as a general rule. The Board of Directors meets to make decisions concerning important management issues 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.

Audit & Supervisory Board

The Audit & Supervisory Board comprises five members (four men and one woman), and a majority of three members are independent Audit & Supervisory Board Members that meet the Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members. Audit & Supervisory Board Members possess extensive experience and wide-ranging knowledge concerning accounting, finance, legal affairs, management, and other disciplines, and fulfill auditing functions from a third-party, independent standpoint.

The Audit & Supervisory Board holds meeting to share information, deliberate on, and make decisions about important issues related to the Company’s audits. It also regularly attends the Board of Directors meetings and important internal meetings held by Standing Audit & Supervisory Board Members, and regularly meets with the Representative Director, Outside Directors, and External Auditors. In addition, it works to improve auditing effectiveness through such means as communicating with the Auditing Office, the Company’s internal auditing division, as needed.

Nomination and Compensation Committee

The Nomination and Compensation Committee, which is chaired by Outside Directors and consists of Outside Directors, who are in the majority of the Board of Directors, 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.

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 in-house companies, 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 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.

■ Composition of Each Body and Status of Director Activities (as of June 22, 2022)

Name	Position	Term in Office	Independent Director	Execution of operations	Board of Directors (FY2022/3 Attendance)	Audit & Supervisory Board (FY2022/3 Attendance)	Nomination and Compensation Committee (FY2022/3 Attendance)	Remarks
Yoshimi Ogawa	Representative Director President and CEO	11 years		●	● (100%)		● (100%)	Chairperson of Board of Directors
Kotaro Sugimoto	Representative Director	3 years		●	● (100%)		● (100%)	
Yasuhiro Sakaki	Director	2 years		●	● (100%)			
Akihisa Takabe	Director	3 years		●	● (100%)			
Masafumi Nogimori	Outside Director	5 years	●		● (93.3%)		● (100%)	Chairperson of the Nomination and Compensation Committee
Teisuke Kitayama	Outside Director	4 years	●		● (100%)		● (100%)	
Sonoko Hacchoji	Outside Director	3 years	●		● (100%)		● (100%)	
Toshio Asano	Outside Director	3 years	●		● (93.3%)		● (91.7%)	
Takeshi Furuichi	Outside Director	2 years	●		● (93.3%)		● (91.7%)	
Yuriya Komatsu (New appointment)	Outside Director	-	●					
Shinji Fujita	Standing Audit & Supervisory Board Member	3 years			● (100%)	● (100%)		Chairperson of the Audit & Supervisory Board

Name	Position	Term in Office	Independent Director	Execution of operations	Board of Directors (FY2022/3 Attendance)	Audit & Supervisory Board (FY2022/3 Attendance)	Nomination and Compensation Committee (FY2022/3 Attendance)	Remarks
Hisanori Imanaka	Standing Audit & Supervisory Board Member	2 years			● (100%)	● (100%)		
Junichi Mizuo	Outside Audit & Supervisory Board Member	4 years	●		● (100%)	● (100%)		
Hideo Makuta	Outside Audit & Supervisory Board Member	2 years	●		● (93.3%)	● (93.3%)		
Hisae Kitayama (New appointment)	Outside Audit & Supervisory Board Member	-	●					

* Attendance rate is the actual result in FY2022/3.

[> Directors and Senior Management](#)

[> Standards for Independence of Outside Directors / Outside Audit & Supervisory Board Members\[PDF:22KB\]](#) 

Effectiveness Evaluation of the Board of Directors

Daicel conducts an effectiveness evaluation of the Board of Directors once a year to maintain and improve its performance through questionnaires and individual interviews to each board member and Audit & Supervisory Board member.

FY2022/3 Initiatives Based on the FY2021/3 Effectiveness Evaluation

In view of the Effectiveness Evaluation of FY2021/3, in FY2022/3 we took steps to further enhance discussions at meetings of the Board of Directors. This includes enhancing reports on the content of discussions at Management Meetings and other meetings, along with departmental strategies and progress made, as well as spending time discussing management strategies.

■ FY2022/3 Effectiveness Evaluation of the Board of Directors

Evaluation process	Distributed questionnaires to all Directors and Audit & Supervisory Board Members; further explored questionnaire responses through individual interviews; the results compiled and analyzed by the administrative office were reported and discussed at a Board of Directors Meeting.
Main themes	<ul style="list-style-type: none"> ● Composition of the Board of Directors ● Contents of deliberation, resolutions, reports, etc. ● Management methods of the Board of Directors ● Information required to be expanded on and improved
Overview of evaluation results	<p>The Board of Directors engaged in productive discussions with Outside Directors and actively offered their opinions, and we were able to confirm that the board is accomplishing its expected roles effectively. On the other hand, there were some issues that needed to be addressed to improve the board's effectiveness. The main issues pointed out were:</p> <ol style="list-style-type: none"> (1) Board composition issue <ul style="list-style-type: none"> ● Addressing diversity in the Board of Directors (2) Board deliberation issues <ul style="list-style-type: none"> ● How to think about the way in which management strategy achievement is currently being monitored at Board of Directors Meetings (3) Board operation issues <ul style="list-style-type: none"> ● How to run Board of Directors Meetings smoothly and efficiently in order to best use the time available for discussion ● Ways for enhancing the provision of useful information for making appropriate decisions (handling of technical terms and in-house jargon, timing of delivering reference materials for board meetings) (4) Information required to be expanded <ul style="list-style-type: none"> ● State of sustainability-related issues and initiatives ● Check need to revise business portfolio

Appointment and Compensation of Directors and Audit & Supervisory Board Members

Appointment and Nomination Procedures for Directors and Senior Management

In nominating candidates for Directors and Audit & Supervisory Board Members and appointing 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, Conduct Policy, and Daicel Code of Conduct and possessing the necessary credentials and experience for enhancing Daicel's medium- and long-term corporate value.

The Board of Directors decides on nominations and appointments based on the advice of the Nomination and Compensation Committee.

Daicel has declared its support for the Challenge Initiatives for 30% of executives to be women by 2030 (#HereWeGo203030), sponsored by Keidanren. Daicel has positioned Diversity & Inclusion (D&I) as a key sustainability issue (materiality). The Company will seek to further enhance our corporate value by combining the power of diverse human resources including women.

* Executives includes senior managers such as Directors, Audit & Supervisory Board Members, and executive officers.

Reasons for Appointment and Status of Activities of Outside Directors and Outside Audit & Supervisory Board Members

Daicel appoints its Outside Directors in accordance with its Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members, which require that Outside Directors be sufficiently independent and present no risk of conflict of interest with general shareholders. Daicel also designates all Outside Directors who satisfy the independence criteria as independent Directors.

Reasons for Appointment of Directors and Audit & Supervisory Board Members (as of June 22, 2022)

Directors	Position	Reason for Appointment
Yoshimi Ogawa	Representative Director President and CEO	Mr. Ogawa has demonstrated strong leadership in guiding the entire Group toward achieving higher corporate value as the President and CEO of the Company since June 2019. We determined that he was qualified to manage the Daicel Group and its global business given his track record and wealth of experience, achievements and insight related to the overall management of Daicel.
Kotaro Sugimoto	Representative Director	Mr. Sugimoto possesses a wealth of experience, achievements and insight related to the overall management of Daicel, fostered as the head of administrative departments, including finance and accounting as well as compliance. We determined that he was qualified to manage the Daicel Group and its global businesses.

Directors	Position	Reason for Appointment
Yasuhiro Sakaki	Director	Mr. Sakaki possesses a wealth of experience, achievements and insight related to the overall management of Daicel, fostered as head of the Pyrotechnic Devices Business and departments involved in promoting corporate strategy. We determined that he was qualified to manage the Daicel Group and its global businesses.
Akihisa Takabe	Director	Mr. Takabe possesses a wealth of experience, achievements and insight related to the planning and development of new products at the Daicel Group, fostered as head of R&D and new product development for broad areas including basic technology and product development. We determined that he was qualified to manage the Daicel Group and its global businesses.
Masafumi Nogimori	Outside Director	Mr. Nogimori possesses a wealth of insights and experience, fostered as a manager of a company that produces and sells medical products, and applies these in the management of Daicel.
Teisuke Kitayama	Outside Director	Mr. Kitayama possesses a wealth of insights and experience, fostered as a manager of financial institutions, and applies these in the management of Daicel.
Sonoko Hacchoji	Outside Director	Ms. Hacchoji possesses a wealth of insights and experience, fostered as a member of a management team at financial institutions and a hotel management company, and applies these in the management of Daicel.
Toshio Asano	Outside Director	Mr. Asano possesses a wealth of insights and experience, fostered as a manager of companies that manufacture and sell chemical goods, and applies these in the management of Daicel.
Takeshi Furuichi	Outside Director	Mr. Furuichi possesses a wealth of insight and experience fostered as a manager of a financial institution, and applies these in the management of Daicel.
Yuriya Komatsu	Outside Director	Ms. Komatsu possesses a wealth of insights and experience, fostered as a manager of investment companies and communications companies in Japan and overseas, and applies these in the management of Daicel.

Audit & Supervisory Board Members	Position	Reason for Appointment
Shinji Fujita	Standing Audit & Supervisory Board Member	Mr. Fujita has been in charge of Daicel's accounting department for many years. Given this track record, we determined that he was qualified to serve as an Audit & Supervisory Member responsible for implementing audits based on a neutral and objective perspective to ensure sound management at Daicel.
Hisanori Imanaka	Standing Audit & Supervisory Board Member	Mr. Imanaka has been in charge of supervising management across departments as the head of Daicel's management planning and sustainable management. Given this track record, we determined that he was qualified to serve as an Audit & Supervisory Member responsible for implementing audits based on a neutral and objective perspective to ensure sound management at Daicel.
Junichi Mizuo	Outside Audit & Supervisory Board Member	Mr. Mizuo possesses highly specialized knowledge and experience as a scholar of CSR, corporate governance, and business ethics. He has also served as an outside director and is experienced in practical business operations. For these and other reasons, the Company has determined that he is qualified for the post of Outside Audit & Supervisory Board Member.
Hideo Makuta	Outside Audit & Supervisory Board Member	Mr. Makuta possesses highly specialized knowledge and extensive insight as an attorney at law and has served as a prosecutor at the Supreme Prosecutors Office, a member of the Fair Trade Commission, and an outside officer of companies. Given this track record, the Company has determined that he is qualified for the post of Outside Audit & Supervisory Board Member.
Hisae Kitayama	Outside Audit & Supervisory Board Member	Ms. Kitayama possesses highly specialized knowledge and extensive insight as a certified public accountant and has served as a partner at a major auditing firm and an executive for an association of certified public accountants. She also has experience with corporate affairs as an outside director. For these and other reasons, the Company has determined that she is qualified for the post of Outside Audit & Supervisory Board Member.

* Directors were appointed on June 22, 2022, and Audit & Supervisory Board Members were appointed as of the date of the General Meeting of Shareholders held in this fiscal year or the past fiscal years.

■ Directors' and Auditors' Primary Areas of Knowledge and Experience

	Name		Business management	Global management	Marketing and business planning	Technology and R&D	Finance and accounting	Legal affairs, intellectual property, risk management	ESG
Directors	Yoshimi Ogawa		•	•		•			•
	Kotaro Sugimoto		•	•			•	•	•
	Yasuhiro Sakaki		•	•	•			•	•
	Akihisa Takabe		•			•		•	•
	Masafumi Nogimori	Outside	•	•		•			•
	Teisuke Kitayama	Outside	•	•			•	•	•
	Sonoko Hacchoji	Outside	•	•	•		•		•
	Toshio Asano	Outside	•	•		•			•
	Takeshi Furuichi	Outside	•	•			•		•
	Yuriya Komatsu	Outside	•	•			•	•	•
Audit & Supervisory Board Members	Shinji Fujita		•				•	•	•
	Hisanori Imanaka		•	•					•
	Junichi Mizuo	Outside						•	•
	Hideo Makuta	Outside					•	•	•
	Hisae Kitayama	Outside					•	•	•

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 65:20:15 ratio. 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- and long-term business plans, and social situation, among other factors.

(2) Performance-linked remuneration

Performance-linked remuneration of Directors are paid in accordance with the accomplishment of performance indicators designated by the Board of Directors.

Currently, net sales and operating income are used as the indicators to evaluate things such as business growth, market expansion, and improvements in the earning power of our core business. These indicators are given a 50-50 weighting, and the basic amount of the performance-based bonus is calculated by multiplying the rank-based amount with a payout rate that fluctuates between 0% and 200% depending on the level of accomplishment of the performance indicators. The payout rates linked to the indicators are calculated as follows.

- Calculate the standard deviation (σ , sigma) based on the average value of net sales over the past five years.
- Draw a line based on three points: the value of net sales for the relevant fiscal year, which serves as an indicator; the value that is 1σ higher than the first figure, and the value that is 1σ lower than the first figure.
- The payout ratio is determined by plotting the actual net sales of the relevant fiscal year on that line.

The final amount of performance-based bonuses are determined by assessing the status of each Director from the perspectives of practicing sustainable management policies and accomplishing medium-term strategies, and adding or subtracting up to 20% to or from the basic 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.

* Daicel does not have a system for paying retirement benefits to officers.

■ FY2022/3 Total Compensation

Category	Number of Recipients	Amount (Annual)			
		Cash Compensation		Stock-based Compensation	Total
		Monthly Compensation	Performance-based Bonus		
Directors	10	325 million yen	127 million yen	62 million yen	515 million yen
(Outside Directors)	(5)	(66 million yen)	(—)	(—)	(66 million yen)
Audit & Supervisory Board Members	(5)	103 million yen	—	—	103 million yen
(Outside Members)	(3)	(39 million yen)	(—)	(—)	(39 million yen)
Total	15	429 million yen	127 million yen	62 million yen	619 million yen

* A resolution of the 153rd Ordinary General Meeting of Shareholders held on June 21, 2019, held the amount of compensation for Directors to a maximum of 500 million yen annually. Especially, a resolution of the 156th Ordinary General Meeting of Shareholders held on June 22, 2022, held the amount of compensation for Outside Directors to a maximum of 100 million yen annually.

* A resolution of the 152nd Ordinary General Meeting of Shareholders held on June 22, 2018, held the amount of compensation for Audit & Supervisory Board Members to a maximum of 120 million yen annually.

Training for Directors and Senior Management

Directors and Audit & Supervisory Board Members attend external seminars and training sessions in order to accomplish such things as acquiring the knowledge necessary for the performance of their duties and work tasks, as well as update their skills. The Company bears the costs of these activities.

It also provides annual compliance training for Directors, Audit & Supervisory Board Members, Executive Officers, and other employees such as senior employees (excluding Outside Directors).

In addition, we provide opportunities for Outside Directors to tour our manufacturing sites and receive an explanation of Daicel's business activities during the Board of Directors' meetings so they can better understand our business and utilize their knowledge in discussions with in Board of Director's meeting.

[> Education and Training Programs](#)

Establishment of the Internal Control System

Daicel develops and manages a system of internal controls under its Basic Policy for Structuring the Internal Control System to ensure the appropriateness of its business operations as stipulated under Japan's Companies Act. Furthermore, Daicel has established the Internal Control Council chaired by senior managing executive officer, who concurrently serves as the general manager of the Corporate Support Headquarters, and comprising general managers of corporate departments as members, to accurately grasp the status of the establishment and management of these systems and to discuss related measures toward ultimately ensuring the effectiveness of internal controls throughout the Group. Standing Audit & Supervisory Board Members also attend meetings held by the council as observers. The council provides a report on its activities to the Audit & Supervisory Board and Board of Directors, and the Board of Directors has confirmed that the Basic Policy is being implemented appropriately.

[> Basic Policy for Structuring Internal Control Systems\[PDF : 47KB\]](#) 

Policy Regarding Cross-Holding of Shares

Policy on Cross-Holding of Shares

We only adhere to a shareholding policy insofar as it is judged to contribute to the improvement of medium- and long-term corporate value from the perspectives of, for example, strengthening business relationships, maintaining the stability of transactions with financial institutions, and maintaining or strengthening cooperative business relationships.

When any stocks do not meet the purpose of our possession or are not recognized as being economically rational due to changes in the business environment or other factors, we will reduce them accordingly. As of March 31, 2022, Daicel has cross-holdings of shares in 52 companies (equivalent to 66,585 million yen reported on the balance sheet).

Verification by the Board of Directors

We will periodically verify the appropriateness of things such as 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 results of this verification to the Board of Directors, and the content is examined carefully.

As a result of the verifications, in FY2022/3 we sold all our shareholding in one of three listed stocks and part of our shareholding in two listed stocks. We also sold all our shareholding in one unlisted stock.

Standards Regarding the Exercise of Voting Rights Associated with Cross-Shareholdings

Regarding voting rights related to strategic shareholdings, we exercise those rights with due consideration for avoiding any serious impacts on Daicel and our Group's purposes of possession, contributing to sustainable growth and enhancing mid- and long-term corporate value of the investee company, and contributing to the common benefits of shareholders.

■ Status of Cross-Shareholdings (Top 10 Stocks) (as of March 31, 2022)

Stock	No. of Shares	Amount Reported in Balance Sheet at Fiscal Year-end (Millions of yen)	Purpose of Shareholding
FUJIFILM Holdings Corporation	5,809,249	43,580	Given our business transactions involving cellulose acetate and other products, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Kansai Paint Co., Ltd.	1,873,409	3,696	Given our business transactions involving organic chemicals, we have continuously held these shares to maintain and strengthen our favorable relationship with the company. However, we are considering reducing our shareholding as a result of deliberations.
DAIKIN INDUSTRIES, LTD.	156,000	3,495	We have continuously held the shares to maintain and strengthen our favorable relationship with the company in pursuing joint development of products and other activities.
Japan Tobacco Inc.	1,500,000	3,131	Given our business transactions involving acetate tow and other products, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
NAGASE & CO., LTD.	1,197,000	2,179	Given our business transactions involving organic chemicals, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Tokyo Ohka Kogyo Co., Ltd.	271,100	1,995	Given our business transactions involving organic chemicals, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.

Stock	No. of Shares	Amount Reported in Balance Sheet at Fiscal Year-end (Millions of yen)	Purpose of Shareholding
Mitsubishi UFJ Financial Group, Inc.	1,963,580	1,492	We have continuously held these shares to maintain and strengthen our favorable relationship with the company to ensure stable financial and settlement operations for the Daicel Group.
Denka Company Limited	322,600	1,096	Given our business transactions involving organic chemicals, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Toyoda Gosei Co., Ltd.	369,700	749	Given our business transactions involving automobile airbag inflators and other products, we have continuously held these shares to maintain and strengthen our favorable relationship with the company.
Sumitomo Mitsui Financial Group, Inc.	145,520	568	We have continuously held these shares to maintain and strengthen our favorable relationship with the company to ensure stable financial and settlement operations for the Daicel Group.

Communication with Shareholders and Investors

Appropriate Information Disclosure and Constructive Dialogue

Daicel encourages fair evaluation of its corporate value by following its disclosure policy to foster accurate understanding of the Company among its stakeholders, including shareholders and investors. With the aim of building relationships of trust with all its stakeholders, Daicel has opted for a basic policy of disclosing corporate information in a timely, impartial, accurate, and proactive manner on an ongoing basis. We also carry out IR activities to engage in dialogue with our shareholders and investors to further enhance the Company's value.

➤ [Our disclosure policy, including our basic policy on information disclosure](#)

General Meeting of Shareholder

We have considered the Annual General Meeting of Shareholders as a valuable opportunity to engage with our shareholders. Daicel posts the convocation notice for its Annual General Meeting of Shareholders on its website prior to distributing it by postal mail, aiming to provide shareholders with sufficient time to examine the agenda items. Moreover, to ensure that as many shareholders as possible to exercise their voting rights, we offer voting alternatives via postal mail or the Internet, using computers, smartphones and other devices, for those who are unable to attend the meeting.

To facilitate their further understanding of initiatives of the Daicel Group, we are striving to provide easy-to-understand answers to questions voiced by shareholders.

The annual General Meeting of Shareholders was held on June 25, 2021, and an extraordinary General Meeting of Shareholders was held on August 7, 2020, amid the COVID-19 pandemic. During the meetings, we asked shareholders to wear masks and placed alcohol-based disinfectants near the reception desk and contactless thermometers near the entrance as measures to prevent infection. Inside the buildings, we seated shareholders at a greater distance from each other compared to past meetings, and staff disinfected the microphones after use by each shareholder. Daicel's Directors and organizing staff also checked their temperatures and physical condition prior to participating and wore masks during the meetings.

We will continue holding the General Meeting of Shareholders with due consideration for safety and thoroughly implementing measures to prevent infection.

IR Activities

In line with the aforementioned basic policy on Information disclosure, Daicel adopts a proactive approach toward its IR activities.

By holding quarterly results briefings and things such as individual interviews, interviews at conferences sponsored by securities companies, and small meetings with the president, the Company strives to promote communication, aspiring to foster better understanding of the organization among institutional investors. In FY2022/3, a business briefing on the Safety SBU was held as an opportunity to promote a better understanding of the Daicel Group's businesses. In view of the COVID-19 pandemic, these IR events, including the results briefings, were held online by means of teleconferencing to allow investors to participate as much as possible.

With respect to individual investors, we distributed a video explaining our business through securities companies, in addition to providing information via our corporate website and shareholder newsletters. Furthermore, we conducted an online survey of 2,000 individual investors to develop a deeper understanding of the Daicel Group and collect feedback. Furthermore, in April 2022 we launched an email newsletter service providing information that Daicel has published on TDnet and EDINET. Please follow this link to sign up for our investor relations email newsletter.

[> Investor Relation](#)

■ FY2022/3 Activities

Activity	Frequency	Outline
Financial briefing sessions for analysts and institutional investors	4	Held on a quarterly basis; the second and fourth quarter briefings were held in parallel with face-to-face meetings and online conferences hosted by the president and CEO, while the first and third quarter briefings were conference calls hosted by the Investor Relations Department
Strategy briefing for analysts and institutional investors	1	Held a briefing (online) on the Safety SBU's business activities on December 15, 2021
Individual interviews with analysts and institutional investors	Approx. 150 interviews	Conducted online conferences and teleconferences with analysts and institutional investors
Small meetings with domestic institutional investors	3	Held an online meeting with domestic institutional investors by the president and CEO
Participation in conferences for overseas investors	2	Participated in a conference in Japan for overseas investors and held an online conference presented by the officer in charge of IR
Distribution of video on Daicel's business for individual investors	1	Delivered a video on Daicel's business operations to individual investors through the marketing channel of securities companies

Corporate Compliance

Basic Approach

Corporate ethics (compliance) constitutes one of the foundations upon which we pursue sustainable management. Daicel's compliance policies are based on the Daicel Chemical Industries Code of Conduct, which was enacted on March 25, 1998, but we have completely revised it on March 1, 2001, by dividing it into the following two parts: the Conduct Policy and the Code of Conduct. The former aims to further strengthen the compliance activities based on legal compliance; the latter aims to clarify specific forms of action. After the revision, further revisions were made to reflect changes in company names, company policies, and social conditions, and at present, the latest forms of the Daicel Group Conduct Policy and the Daicel Code of Conduct were authorized by the Board of Directors on April 1, 2020. The [Daicel Group Conduct Policy](#) is based on our [Basic Philosophy](#) of "the company making lives better by co-creating value," and each Group company is positioned as devising its own corporate compliance program by implementing the Code of Conduct in order to ensure specificity.

The Daicel Group believes that instilling corporate compliance in each employee is a major issue in management, and each division and Group company formulates plans for corporate compliance programs each fiscal year, so the entire Group is proactively engaged in corporate compliance activities.

Conduct Policy: : Principles and standard of judgment for achieving the Basic Philosophy (common Group policy)

Code of Conduct: : Specific code for realizing the Conduct Policy
[Daicel Code of Conduct](#)

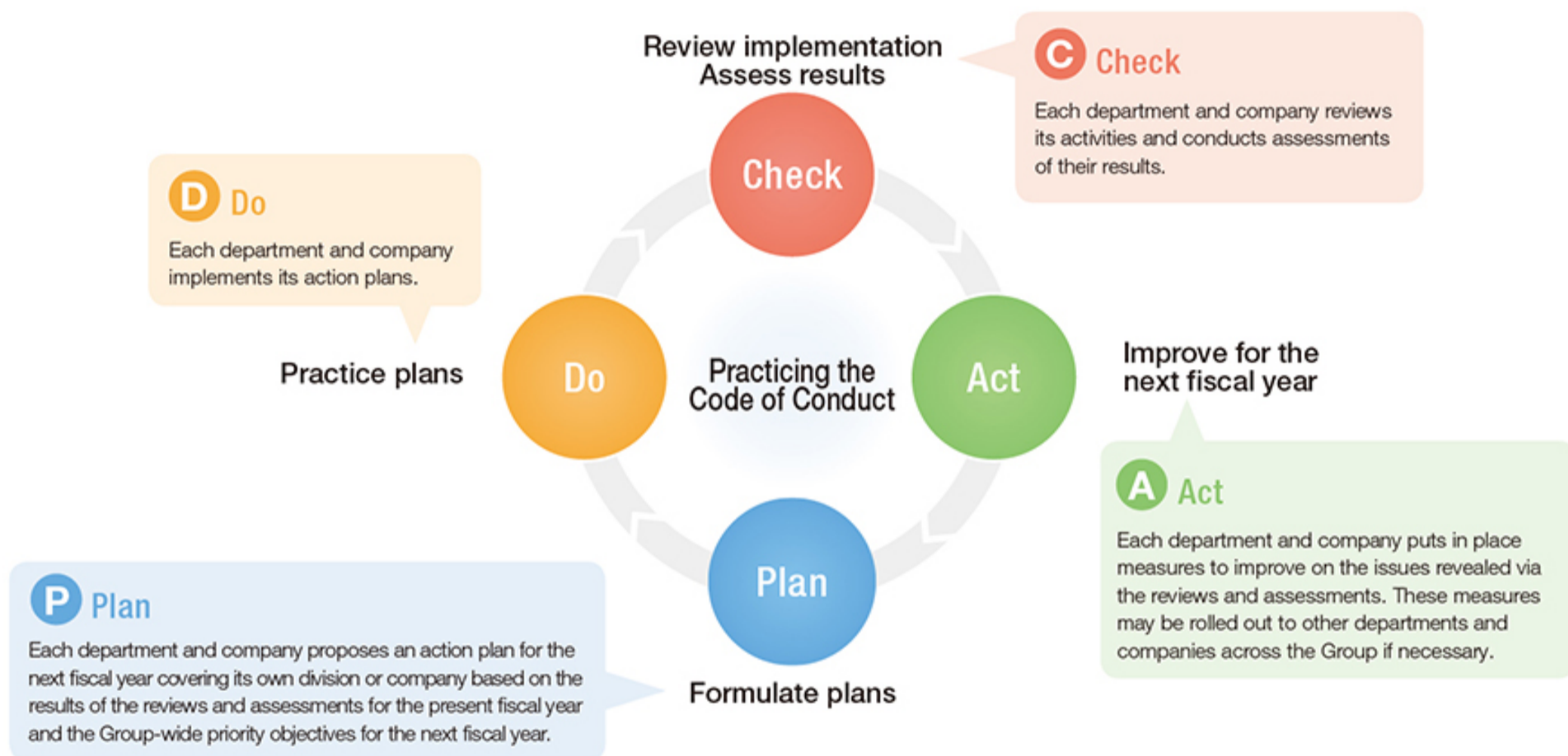
Corporate Compliance Management System

To promote corporate compliance activities, the Daicel Group established the Corporate Compliance Management Regulations and the Corporate Compliance Management System based on a check-act-plan-do (CAPD) cycle* to drive continuous improvement and development of the activities.

The Daicel Group believes that corporate compliance should not be limited to the activities of certain individuals or organizations but should be practiced by all Group employees.

* Instead of a plan-do-check-act (PDCA) cycle, the more widely known approach to continuous improvement, Daicel has adopted a CAPD improvement cycle to avoid the risk of overlooking crucial facts and realities that often lie hidden in the initial planning stage.

■ Corporate Compliance Management System Based on the CAPD Cycle



Corporate Compliance Program Promotion System

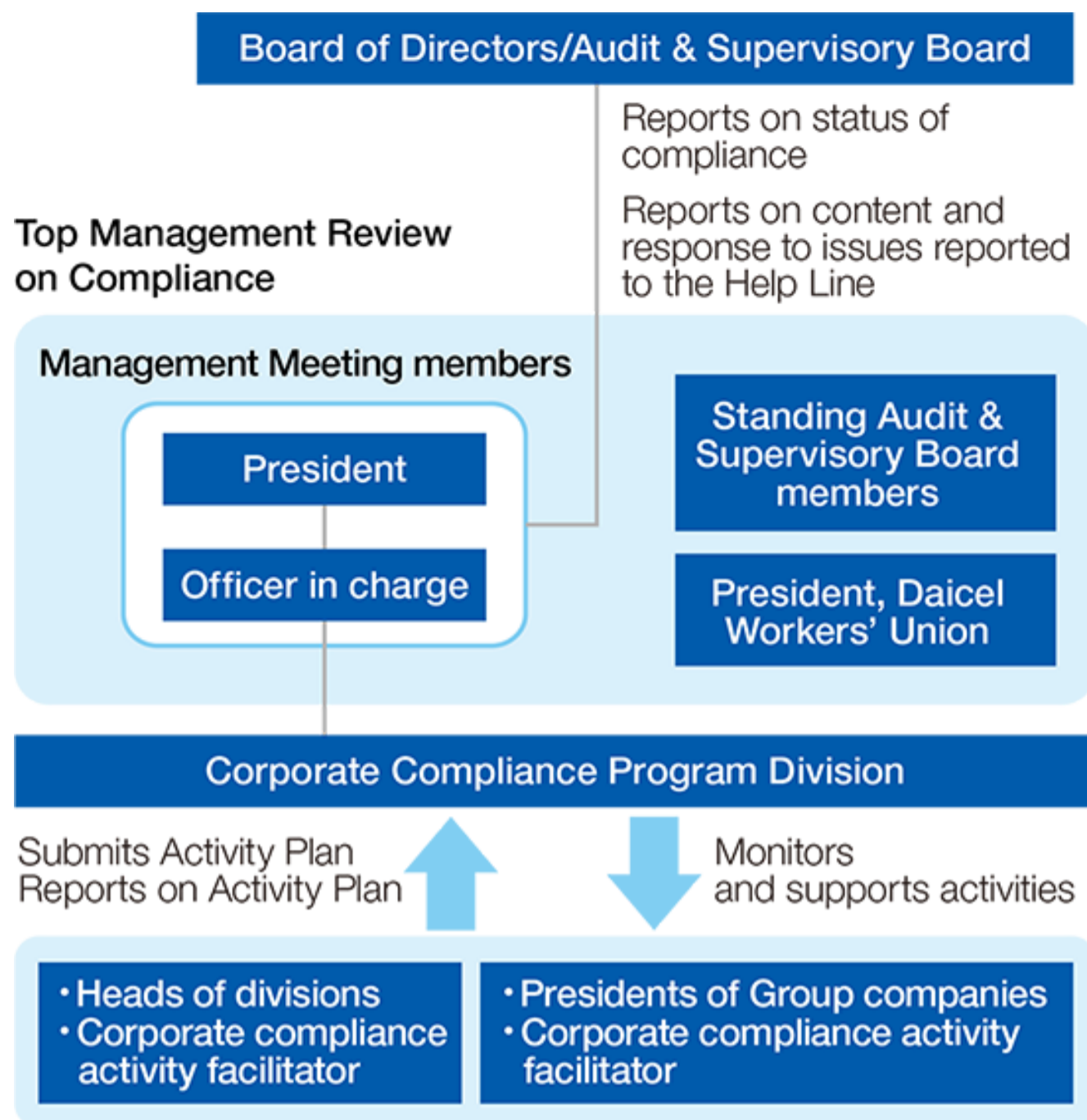
Daicel has established a Corporate Compliance Program Division under the responsibility of a Senior Managing Executive Officers to promote its corporate compliance activities across the entire Group. The head of each Daicel division and Group company appoints a compliance activity facilitator to spearhead corporate compliance activities.

Each organization submits a report on the status of corporate compliance and outstanding issues to the Corporate Compliance Program Division at the end of the fiscal year. The division compiles these reports and presents them at the Top Management Review on corporate compliance, which is attended by the president and other members of the management Meetings the Standing Audit & Supervisory Board Members, and the president of the Daicel workers union, to discuss related issues and objectives for the next fiscal year. The Corporate Compliance Program Division reports the result of the discussion to the Board of Directors, which deliberates on key objectives for the next fiscal year. Following approval by the Board of Directors, the Corporate Compliance Program Division presents the priority objectives to each organization, which then formulates activity plans in accordance with the priority objectives. The Corporate Compliance Program Division serves as a venue for dialogue on promotion of corporate compliance programs with each organization. Discussions with all the divisions, domestic and overseas consolidated subsidiaries, and some domestic non-consolidated subsidiaries take place face-to-face as much as possible. However, due to the effects of COVID-19, some of these discussions took place remotely. Listening sessions are held to ascertain the current states of each organization's compliance activities, and if necessary, the relevant divisions participate and offer advice on corporate compliance programs. These exchanges of views also serve incidentally as a type of internal audit, and in addition to the state of corporate compliance activities, the Compliance Program Division checks reports to the Help Line (including reports of violations of competition laws and prevention of corrupt practices, such as payments to public employees) and how they were handled. In the event that the Corporate Compliance Program Division identifies any issues that may significantly impact corporate management from reports submitted by each organization or through the exchange of views, it will confirm the facts and promptly report to the corporate compliance officer and the Standing Audit & Supervisory Board Members to discuss how to respond.

In addition, the Corporate Compliance Program Division submits a periodic report about four times a year to the Board of Directors. This report summarizes the reports received and consultations undertaken through the Compliance Help Line System, which was set up to identify and adjust for management risks at an early stage, as well as the status of response and results.

✓ Compliance Help Line System (Internal Whistleblower System)

■ Corporate Compliance Program Promotion System



Legal Compliance System

We have established the Legal Compliance System, in which each supervisory division responsible for applicable laws and regulations ensures compliance with and manages information on the latest legal developments. We seek to ensure thorough legal compliance under the system by having 13 corporate departments, including the Legal Group, take responsibility as the designated legal compliance divisions and provide them with information on revisions to laws, regulations, and guidelines as well as educational materials. When new laws and regulations are established, the Legal Group temporarily takes on the role of a legal compliance division to confirm content and other important matters before designating the appropriate legal compliance division.

Initiatives Pursued by Daicel's Committees

To address specific compliance issues, such as export management and the protection of personal information, individual committees are established in accordance with each set of relevant rules and regulations. These committees consider pertinent issues and help resolve them in an effort to ensure robust compliance.

■ Committees (Excerpt)

Committees	Regulations	Frequency of Meetings	Members	Purpose
Risk Management Committee	Risk Management Regulations	Once per year	Chairman: Senior Managing Executive Officer. Members: <ul style="list-style-type: none"> • Heads of corporate support departments 	To discuss and approve issues and countermeasures related to promoting risk management of the entire Group
Information Disclosure Committee	Regulations on Information Disclosure	As needed	Chairman: President. and CEO Vice Chairman: <ul style="list-style-type: none"> • Senior Managing Executive Officer Members: <ul style="list-style-type: none"> • Management and heads of other related divisions 	To discuss and determine the concrete details, schedule, and methods of information disclosure and to discuss information that may be required for future disclosure from the perspective of crisis management
Export Controls Committee	Regulations on Export Controls	Once per yaer	Chairman: Senior Managing Executive Officer. Members: <ul style="list-style-type: none"> • Head of Production Management Headquarters • Head of Corporate Sustainability • Head of Responsible Care Division • Head of Corporate Compliance Program • Head of Legal Group 	To establish and thoroughly integrate an internal management system across the Company to ensure there are no illegal export activities or provision of goods and technologies under security trade-related laws and regulations for maintaining international peace and security

Committees	Regulations	Frequency of Meetings	Members	Purpose
Personal Information Protection Committee	Regulations on Personal Information Protection	As needed	Chairman: Senior Managing Executive Officer. Members: <ul style="list-style-type: none"> ● Head of Corporate Compliance Program ● Head of Personnel Group ● Head of Digital Strategy Division ● Head of Investor Relations & Corporate Communications ● Head of Legal Group 	To ensure the proper handling of personal information based on the relevant laws and regulations such as the Act on the Protection of Personal Information

Fair Business Practices

The Daicel Group Conduct Policy declares our determination to conduct honest trade in accordance with the basic principles of fair and free competition. Moreover, the Daicel Code of Conduct provides concrete rules concerning compliance with antitrust laws (6-1), highly transparent political and governmental relationships (6-4), implementation of fair and honest procurement transactions (6-5), business entertainment, and other related matters (6-6).

Each Group company has established similar codes of conduct and ensures thorough understanding by all employees. All Daicel Group employees are determined to act in line with the spirit of this policy and live up to the code in their day-to-day operations. In FY2022/3, there were no reports of anticompetitive behavior, serious violations of laws or regulations governing corruption, bribery or other illegal activities, or fines or monetary penalties.

> ESG Data [Compliance](#)

Compliance of Antitrust Laws

In its business activities, the Daicel Group seeks to maintain fair and free competition through compliance with the Antimonopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade), the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) as well as laws, regulations, and guidelines on anticompetitive behavior stipulated by each country. Daicel has formulated a compliance manual for the Antimonopoly Act, the “DOs & DON'Ts” practical guide on U.S. antimonopoly law, and a practical guide on EU antimonopoly law. We concurrently seek to raise employee awareness through rank-based group training and e-learning. For employees who are to be transferred outside of Japan, we educate them on local laws and regulations as well as other important issues. We provide education catered to the needs of each company by organizing e-learning for the prevention of anticompetitive behavior for domestic Group companies, as mentioned above, while also providing English language educational materials and confirmation tests for overseas Group companies.

✓ Education and Training Programs

Prevention of Bribery and Corruption

The Daicel Group has signed the United Nations Global Compact and is determined to prevent all forms of corruption, including bribery (At present, formulation of a basic Group policy on preventing corruption is underway). Regardless of where we operate, we do not engage in any actions that may be perceived as bribery, and we maintain highly transparent relationships with politicians, governments (public servants), business partners, and all other stakeholders. As a general rule, we prohibit the giving and accepting of gifts, meals, and entertainment to or from business partners, except when it is deemed to be within the scope of sound business practices and social norms and is approved each time by the relevant division head. In addition, each organization should conduct a periodic inventory of risks involved in business activities, including corruption and bribery.

Daicel educates its employees on preventing corruption through rank-based group training and e-learning. For employees who are to be transferred outside of Japan, we provide training on the Prevention of Bribery of Foreign Public Officials under the Unfair Competition Prevention Act, and precautions regarding local laws and regulations, including the extraterritorial reach of the US Foreign Corrupt Practices Act. We provide education catered to the needs of each company by organizing e-learning for the prevention of corrupt practices for domestic Group companies, as mentioned above, while providing translated educational materials based on e-learning that we conduct and confirmation tests for overseas Group companies.

The Corporate Compliance Program Division conducts hearings about entertaining public employees, based on payment records, and reports the results for review by the top management for corporate compliance. (There were no problematic expenditures in FY2022/3.)

Furthermore, the internal whistleblowing system also covers corruption and bribery, and suspicious cases are investigated and properly addressed under the system.

[➤ Joining the United Nations Global Compact](#)

Information Management

The Daicel Group Conduct Policy declares our determination to properly manage corporate assets and information. Moreover, the Daicel Code of Conduct lays out rules for the handling of confidential information (8-2), control of personal information (8-4), and appropriate use of information systems (8-5). Accordingly, we practice proper and appropriate information management by formulating the Information Management Regulations as a basic guide for handling information.

In addition to defining the responsibilities of officers and employees in managing information, the regulations define the roles played by the heads of SBUs, companies, corporate departments and sites with regard to constructing and managing the information management system of their respective areas of responsibility as the person responsible for information management.

We have formulated the Confidential Information Management Regulations to maintain and appropriately manage confidential information while preventing leaks. The regulations lay out the basics of handling confidential information associated with Daicel's business activities, including technical, sales, management and personal information, and are being implemented under the leadership of the person responsible for information management.

[> Personal Data Protection Policy](#)

[> Basic Policy on the Proper Handling of Specific Personal Information, etc.](#)

[> Information Security](#)

Tax Policy

Regardless of where we conduct business, the Daicel Group strives not only to comply with applicable laws and regulations, social norms, and internal regulations but also to act with social decency so as to earn the trust of society. When dealing with tax matters, we will thoroughly investigate tax risks associated with international business transactions, including transfer pricing, to ensure that our tax payments are made in a legally compliant and appropriate manner.

Priority Objectives and Results of Corporate Compliance Activities

Based on issues identified in FY2021/3, we set the Group-wide priority objectives for FY2022/3 as follows.

FY2022/3 Priority Objectives of the Daicel Group's Corporate Compliance Activities

- ① Detect workplace problems at an early stage to nip them in the bud
The effects of the COVID-19 pandemic have made it particularly difficult to visualize prevailing circumstances, which may lead to the risk of delays in detecting problems. We believe that early detection and early response are fundamental for all problem-solving and will consider methods for putting these into concrete practice.
- ② Creation of workplaces where all members can “Visualize, Voice, Listen and Respond.”
The effects of the COVID-19 pandemic have significantly reduced opportunities for communication among employees, and we expect this situation to continue for some time. The current circumstances have presented the major issue of finding ways to maintain a vibrant organizational culture that enables us to practice “Visualize, Voice, Listen and Respond.” Each organization will find creative ways to develop the necessary methods.

As a means for quickly resolving the problems and issues that arise at each workplace, we have designated these priority objectives: understanding and sharing the content, status of progress, and issues related to work among all members (“Visualize”); speaking freely (“Voice”); and listening to others’ opinions (“Listen and Respond”). The Corporate Compliance Program Division explained the purpose and background of these objectives to all employees and organizations. In response, each workplace created its own corporate compliance activity plan. To check the progress of these plans and exchange opinions on issues specific to each division and company, the Corporate Compliance Program Division held online and in-person meetings to exchange views with all Daicel divisions and organizations (including those outside of Japan) to assist them in running CAPD cycles for their corporate compliance activities.

Summary of Activities in FY2022/3

Due to the special circumstances presented by the COVID-19 pandemic, a sustained effort will be needed to create workplaces where all members can “Visualize,” “Voice,” and “Listen and Respond.”

Priority Objectives for FY2023/3

Since these are major principles for preventing violations of compliance, we will continue pursuing the two goals from FY2022/3.

FY2023/3 Priority Objectives of the Daicel Group’s Corporate Compliance Activities

- ① Detect workplace problems at an early stage to nip them in the bud
In order to uncover problems in a timely manner, not only should subordinates be aware of the principle of “Bad news first” but supervisors should also place importance on approaching subordinates by talking to them or observing their work directly and should encourage specific actions.
- ② Creation of workplaces where all members can “Visualize, Voice, Listen and Respond.”
In recent years, society has become aware of the importance of “psychological safety.” Creating an environment in which anyone in the organization can freely state his or her thoughts or feelings to anyone else without fear not only helps prevent improper behavior or scandals but also leads to increased productivity. We will take the phrase “psychological safety” and translate it into Daicel terms to use as keywords that everyone absorbs and implements.

Initiatives for the Daicel Group Compliance Awareness Month

In addition to the initiatives planned by each workplace, we also designated every August and September as the Daicel Group Compliance Awareness Month. The following initiatives were carried out by Daicel and its Group companies (including those outside of Japan) in FY2022/3.

1.Small Group Discussions

1. Small Group Discussions

We held small group discussions on the examples covering the issues that require the attention of all our Group employees.

We examined issues that require our attention by linking them to the Daicel Group Conduct Policy and discussing the causes of their occurrence, countermeasures, and similar experiences to recognize and share diverse opinions while also developing an understanding of how important it is for us to “Visualize” and “Voice.”

① Harassment

We held discussions about case studies created with the objective of reconfirming employees’ understanding of what precautions they should take during business dealings outside the company.

② Checking operations and duties

We discussed the importance and necessity of checking operations and topics such as how to prevent an neglect of required checks.

③ Information management

We discussed case studies created to instill in each participant the best ideas for appropriate management of information, which we may call the lifeline of the company.

④ Falsification of data

We discussed the causes and environment that give rise to data tampering and about ways to prevent such falsification.

2.Educational Sessions

We conducted an e-learning course on compliance for all Daicel Group employees based in Japan. A total of 4,609 employees participated (participation rate 90.0%). We also translated the e-learning materials and sent them to all our Group companies overseas to be used for educational purposes. The course covered the following topics:

① An overview of compliance, including laws about fair business practices, and prevention of corruption, such as the Antitrust Law and the Unfair Competition Prevention Act

② Priority goals for the Corporate Compliance Group in FY2022/3.

③ The Daicel Group Conduct Policy

④ The Compliance Help Line System (Internal Whistleblower System)

3. Senryu* Contest

We encouraged our Group employees in Japan to submit their own senryu poem on compliance, then selected excellent examples for prizes from 319 submissions. The contest provided employees with an outstanding opportunity to reflect on compliance.

* Senryu: a humorous seventeen-syllable poem

4. Lecture Series

An in-house lecturer gave a series of six talks about topics such as laws concerning competition (the Antitrust Law), how to deal with antisocial forces, and efforts to promote diversity. About 700 employees attended.

Education and Training Programs

Daicel systematically provides corporate compliance training tailored to each position and role for new graduate recruits, recently promoted employees, managers, directors, presidents of Group companies, employees posted to outside of Japan Group companies, and others. We also organize seminars on specific themes in response to requests from individual divisions and Group companies.

In addition to the following activities, we uploaded a variety of compliance education materials each month to the intranet in FY2022/3 as we had in the previous fiscal year. They included the latest news related to compliance, case studies on facilitating group discussions, everyday examples of potential compliance violations depicted in four-panel cartoons, and compliance quizzes, which were effectively utilized during workplace classes both inside and outside Japan.

■ Group Training Programs in FY2022/3

Name	Target	Content	Number of Participants
Rank-based Training	New recruits	General course on corporate compliance (lectures and group discussions on topics including prevention of corruption and anti-competitive measures)	83
	Newly appointed mid-level staffs, Grade S2 & S3 (Currently : C2/E3/E5)		82
	Newly appointed senior staffs, Grade S4 (Currently : C3/E7)		109
	Newly appointed senior staffs, Grade S5 (Currently : C4/E9)		79
	Newly appointed managers		52
Engineering Compliance Training	Employees enrolled in our engineer development program	General course on engineering compliance (lectures and group discussions)	59

* Please see the [“Overview of Training Programs in Place”](#) for more information on the new human resources system for non-managers.

■ Training in Using the Help Line

We conducted a training session on using the Help Line. In this practically oriented session, participants made simulated reports based on a fictional case study. This will enable them to make internal reports without hesitation when the need arises. A total of 437 people participated.

■ Other Training Programs in FY2022/3

Name	Target	Content
Training for Expatriate Employees	Employees posted outside of Japan	Competition law, bribery, discrimination, harassment, prevention of misconduct
Training for Directors	Daicel directors, presidents of domestic Group companies	Preventing scandals

Respect for Intellectual Property Rights

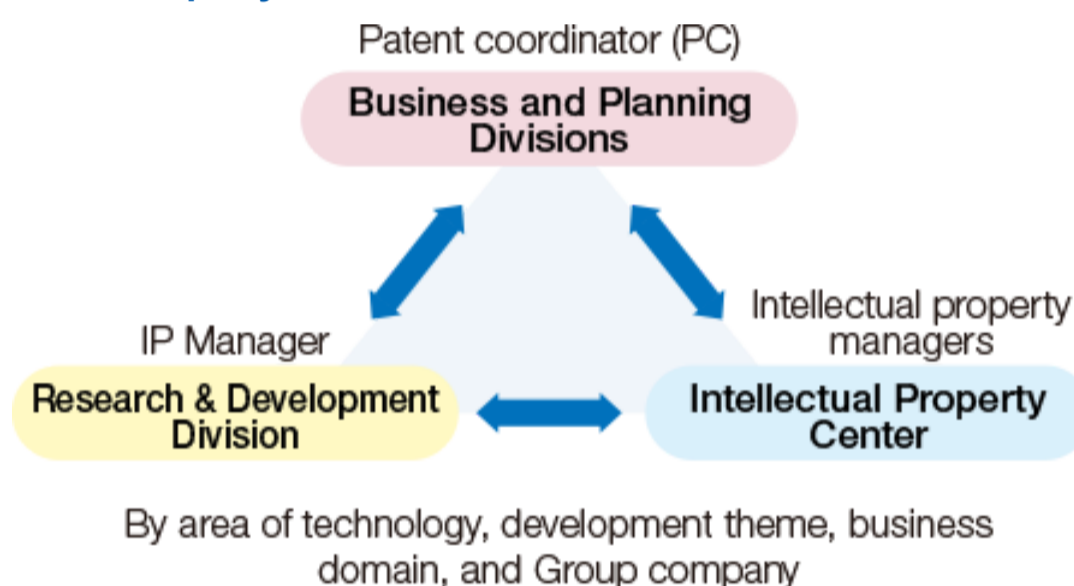
Basic Approach to Intellectual Property

Based on Daicel Code of Conduct (8-3 Maintenance and protection of intellectual property (IP) rights), the Daicel Group respects the intellectual property rights held by third parties, and also recognizes that the intellectual property rights held by the Company (patent rights, utility model rights, trademark rights, design rights, etc.) are important assets, and strives to maintain and protect them.

Internal System Related to Intellectual Property

Under the slogan of “Proactive IP,” the Intellectual Property Center is engaged in activities for strengthening Daicel Group’s businesses by effectively using intellectual property through collaboration among the Business and, Planning Divisions, the Research & Development Division, and the Intellectual Property Center.

■ Internal System for Intellectual Property



Daicel and Daicel Group companies have approximately 35 intellectual property activity teams for each area of concern. The teams are involved in the certification of inventions, decision-making on whether to file a patent application for an invention or keep it as confidential know-how, patenting, judgments on the necessity of patent maintenance, patent exploitation, examination and avoidance of a possible infringement of other companies’ patents, and response to patent litigation.

Initiatives on Intellectual Property Management

Applying Patent Analysis to Operational Systems

Under the process of developing new businesses or products, Daicel conducts an analysis and confirmation of patents which is called the Patent Analysis and Confirmation System (PACS). Through this process, we confirm that our products do not infringe on any third party intellectual property rights and ensure efficient and reliable promotion of new technological developments that drive the success of the Company.

Educational System for the In-house Engineers

Collaborating with the Intellectual Property Center and Human Resources Division, we seek to enhance engineers' literacy about intellectual property under the human resource development programs.

Specific Examples of Activities Related to Intellectual Property

Participation in WIPO Green as a Partner

As a WIPO Green Partner, the Daicel Group develops environment-related products and technologies and contributes to building a sustainable society as mentioned in the "Sustainable Development Goals (SDGs)."

[> Participation in WIPO GREEN \(press release\)](#)

[> Details on Activities Related to Intellectual Property](#)

Compliance Help Line System (Internal Whistleblower System)

In line with the objectives of the Whistleblower Protection Act, Daicel has set up the Compliance Help Line System (Internal Whistleblower System), through which employees can report compliance-related issues and receive consultation if they are unable to do so using the regular reporting line, through the managers of their respective workplaces. The Corporate Compliance Program Division serves as the contact point for reports of internal problems, and it deals with investigation of cases that have been reported or discussed. It then cooperates with other divisions to solve or correct the problems, or to prevent further problems. As well as the internal contact point, we have set up outside contact points which allow the employees of all Group companies in Japan to report and receive consultation. Moreover, we have sought to facilitate reports and consultations by employees by also providing a separate help line that can be used by officers and employees at domestic and overseas Group companies for reporting and consulting with the parent company (Daicel Corporation). In addition, we have set up compliance contact points on the Daicel website usable by people outside the Company, whether they are retirees, clients, business partners, cooperating companies, or local residents.

These help lines have been set up to prevent and promote early detection of illegal acts and scandals. The users can report or seek consultation on any issue that violates the Daicel Group Conduct Policy, either using his/her name or anonymously. The contact points are available in the language of each region of Group companies, 24 hours a day. In operating the Compliance Help Line System, we seek to protect whistleblowers from suffering a loss by laying down relevant rules in the Corporate Compliance Management Regulations and Compliance Help Line Operation Regulations. These rules include: (1) protecting the personal information and privacy of individuals who report to or consult the help line; (2) prohibiting adverse treatment in response to having contacted the help line; and (3) providing feedback on the issue. The Corporate Compliance Program Division confirms the facts of the report. In the event that it identifies a problem, it provides the necessary response and follow-up for the people concerned, such as implementing corrective actions and formulating preventive measures.

Reports and consultations received via e-mail or the corporate website are directly forwarded to the Standing Audit & Supervisory Board Members. Reports and consultations received by Group companies are handled by the respective company, with support from the Corporate Compliance Program Division where needed. Group companies submit a summary of cases handed over to the Corporate Compliance Program Division. The Division provides regular reports (around four times a year) to the Board of Directors with respect to the status of response and results of reports and consultations received by the Group as a whole.

We seek to raise awareness of the reporting and consultation system on a regular basis at each workplace and by providing rank-based training and e-learning during the Daicel Group Compliance Awareness Month.

In July 2020, the Daicel Group's Compliance Help Line System was registered under the Japanese Consumer Affairs Agency's certification program for whistleblowing compliance management systems (self-adaptation declaration registration system), and this certification was renewed in July 2021. However, on February 1, 2022, the Consumer Affairs Agency announced that it was suspending its certification program for internal whistleblowing compliance systems.

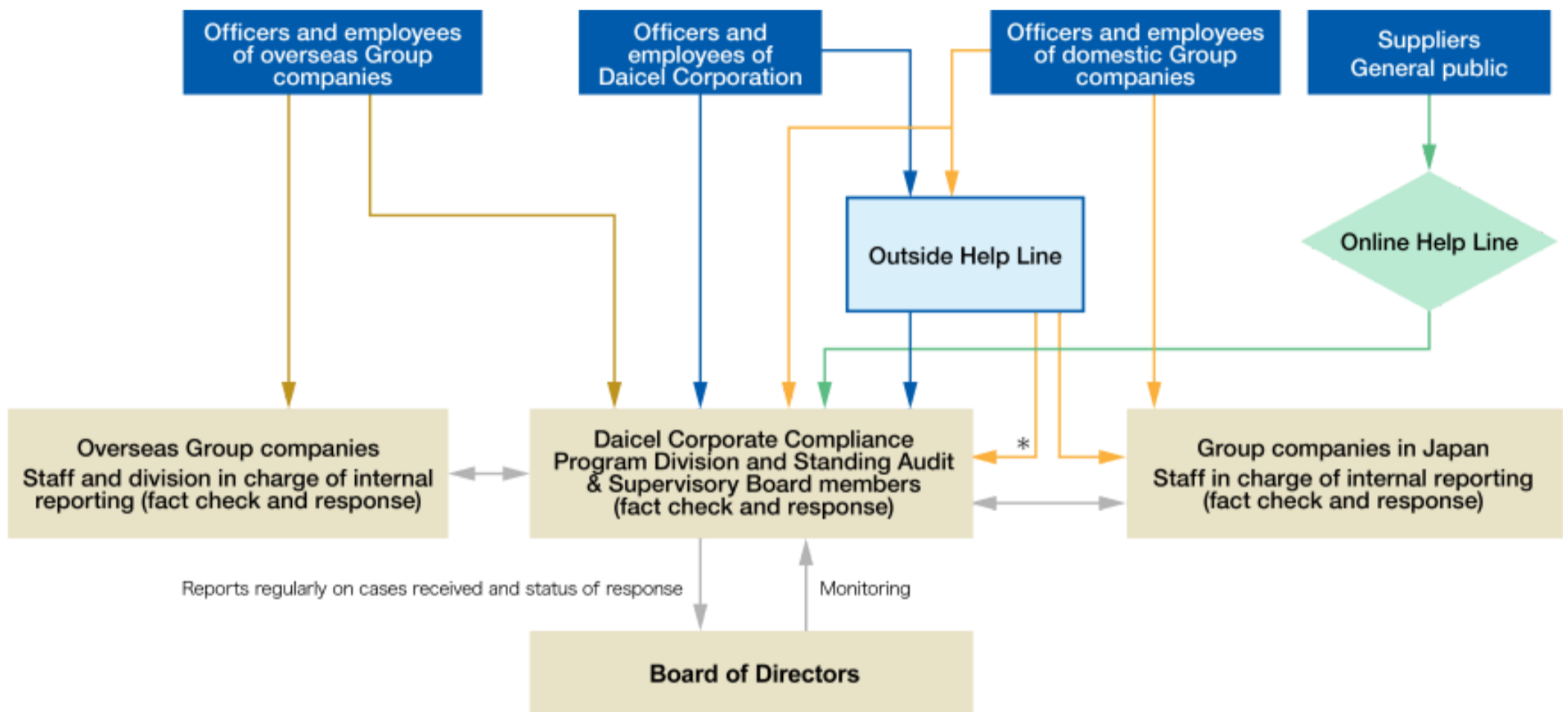
There were no cases of non-compliance in FY2022/3 that significantly affected management.

Target user: All employees (including Group employees), individuals outside the Company (customers, suppliers, business partners, retired employees, members of the general public, and others)

Reporting content: Matters that may be in violation of the Daicel Group Conduct Policy (Illegal acts, anticompetitive behavior, corruption, bribery, human rights violations, harassment, employment environment, environmental pollution, and other compliance violations)

Contact point: ① Contact points at Daicel Corporation
 ② Contact points at Group companies
 ③ External contact points (consigned to specialized external institutions)
 ④ Contact points on the corporate website

■ Process Flow of Compliance Help Line System (Internal Whistleblower System)



*Whistleblower can also report directly to Daicel without notifying the Group company.

■ Number of Reports and Consultations

(Reported cases including those which were not confirmed as fact)

(cases)

	2018/3	2019/3	2020/3	2021/3	2022/3
Reports and consultations	30 (13)	52 (35)	51 (39)	54 (25)	50 (11)
Including cases that significantly affected management	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Not applicable	1 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Total	31 (13)	52 (35)	51 (39)	54 (25)	50 (11)

* The total number of cases indicates ones reported to the Corporate Compliance Program Division from individuals across the Group.

* Figures in brackets represent the numbers of reports and consultations received from Group companies outside Japan.

➤ [Registration with the Consumer Affairs Agency's certification program for whistleblowing compliance management systems \(self-adaptation declaration registration system\) \(Japanese text only\).](#)

Daicel Group Conduct Policy

We, the Daicel Group, have established the following Conduct Policy in order to realize our Basic Philosophy. Every member of the Daicel Group shall fully understand and voluntarily consider this Conduct Policy and shall put it into practice in a tangible way through their daily activities.

1. We shall not only comply with all laws and regulations but also act with high ethical standards and sound judgment.
2. We shall contribute to the development of society as good corporate citizens.
3. We shall offer safe, high-quality products and services that satisfy and gain the trust of our customers.
4. We shall contribute to the development of local communities by complying with international rules and each country's laws and regulations and by respecting local cultures and customs.
5. We shall willingly and justly disclose reliable corporate information.
6. We shall conduct honest trade in accordance with the basic principles of fair and free competition.
7. We shall work positively to conserve the natural environment and to ensure safety.
8. We shall properly manage corporate assets and information.
9. We shall respect the diversity, personality and individuality of every member connected to Daicel Group and shall contribute to realize a healthy and sound society that is free from discrimination and harassment.

Revised April 1, 2020

Daicel Code of Conduct

Introduction

This Code of Conduct gives shape to the Daicel Group Conduct Policy and clearly defines the code for carrying out corporate affairs for everyone working at Daicel.

It is not just a matter of having a thorough understanding of the Code of Conduct. Each and every one of us has to actively put this Code into practice in our own everyday activities to create a vibrant corporate culture within the Company and to create a company that gains society's trust.

However, the items stated in the Code of Conduct do not cover all cases. It is important for everyone to carry out their daily activities while giving full consideration to the Daicel Group Conduct Policy.

1. We shall not only comply with all laws and regulations but also act with high ethical standards and sound judgment.

1-1 Response with integrity to stakeholders

We shall respond with integrity, respect and gratitude to all people connected to Daicel - customers, shareholders, business partners, employees and local society.

1-2 Compliance with laws and ethics

Rigorously complying with legal rules and regulations, whether within or outside Japan, we shall act to be constantly trusted and respected by all in society by using sound social judgment in the performance of our duties.

1-3 Maintenance of effective internal systems and training

In order to further ensure that laws and corporate ethics are complied with, we shall constantly review and improve our internal rules and regulations to strengthen effective internal systems and shall thoroughly familiarize the entire organization through training sessions.

1-4 Response to antisocial influences

We, in cooperation with the police, industrial associations and regional entities, shall take a firm stand against anti-social influences and/or organizations that disturb civil order and safety.

We shall have no connections with them in any way, either directly or indirectly.

1-5 Report and whistleblowing

In case we recognize behavior that does not comply with this Code of Conduct, in order to resolve such behavior, we will immediately report to a superior or, when it is difficult to do so, report by utilizing the whistleblowing system such as the Compliance Help-Line System.

2. We shall contribute to the development of society as good corporate citizens.

2-1 Implementation of social contribution activities

We shall make social contributions from the viewpoint of trying to coexist in mutual prosperity with society through corporate activities, through cultural and sporting events, as well as by assisting in rescue and relief operations in the event of an emergency such as an accident or natural disaster.

2-2 Implementation of communication with society

We shall strive to promote the understanding of our corporate activities by active communication with society.

3. We shall offer safe, high-quality products and services that satisfy and gain the trust of our customers.

3-1 Offer of products and services that are of use to society

We shall always listen to the opinions of each of our customers, such as consumers and users and shall develop and offer products and/or services that are of use to society. We shall thereby contribute significantly to the realization of a society that is affluent and pleasant to live in.

3-2 Safety and quality assurances of products and services

With respect to the supply of our products and/or services, in compliance with relevant laws and regulations, we shall be aware that safety and quality assurances are a corporate social responsibility. We shall strive for those assurances throughout the entire product life cycle, from product development and manufacture to distribution, sales and use.

3-3 Provision of product quality information

With respect to the supply of our products and/or services, we shall provide easily understandable product quality information, guides to safe usage, etc., as appropriate.

3-4 Response to incidents involving products

In the event of a safety or quality problem arising with a product supplied to a customer, we shall promptly respond with integrity to contain and prevent a recurrence of the problem.

4. We shall contribute to the development of local communities by complying with international rules and each country's laws and regulations and by respecting local cultures and customs.

4-1 Compliance with international rules and the laws of each country

In conducting our international business affairs, we shall fully look into and comply with international rules and the laws of each country.

4-2 Coexistence with and contribution to the development of society at national and local levels

We shall respect cultures and customs in order to coexist with the national and local societies in which we operate our businesses, and contribute to their development. In addition, we shall integrate with national and local society by means of local procurement and employment.

5. We shall willingly and justly disclose reliable corporate information.

5-1 Disclosure of corporate information

We shall actively disclose to actors in the financial markets, such as shareholders and investors, information concerning our corporate finances and the status of our business activities in an appropriate, timely and clear manner.

5-2 Implementation of fair accounting procedures

We shall accurately and properly record and store information on our corporate trading, asset and expense status by using fair accounting procedures based on legal and generally accepted accounting standards.

5-3 Prohibition of insider trading

We shall not buy or sell securities such as stocks or corporate bonds for the purpose of making personal profit, etc., by using undisclosed important information gained through business activities.

6. We shall conduct honest trade in accordance with the basic principles of fair and free competition.

6-1 Compliance with competition laws

We shall not act in breach of competition laws such as antitrust laws and shall compete equitably and freely.

6-2 Compliance with laws relating to imports/exports

As an importer and exporter of technology and products, we shall examine and comply with the laws and regulations relating to imports/exports. The export of our technology and products shall in no way be illegally connected to the development and manufacture of weapons, munitions or narcotics.

6-3 Advertisements

We shall advertise on an equitable basis without defaming or denigrating other companies or their products and without using socially discriminatory language.

6-4 Highly transparent political and governmental relationships

We shall not engage in behavior that could be mistaken as corrupt but shall foster highly transparent relationships with government agencies and political bodies, whether in local or overseas activities.

6-5 Implementation of fair and honest procurement transactions

With respect to procurement transactions, we shall comply with the Corporate Procurement Transaction Guidelines and CSR Purchasing Guidelines, shall

conduct business fairly and honestly based on economically rational measures and shall not engage in the pursuit of personal profit.

6-6 Business entertainment, etc.

With respect to entertainment and gifts given to or received from clients, we shall act with a clear distinction between public and private matters within the scope of sound commercial practice and judgment.

7. We shall work positively to conserve the natural environment and to ensure safety.

7-1 Reduction of environmental impact

We shall address the reduction of environmental impact by such measures as preventing global warming through reduced energy consumption, activities aimed at saving natural resources, managing chemical substances, effective utilization of resources and reducing waste.

7-2 Realization of a sustainable society

Recognizing achievement of SDGs set by the United Nations as a common challenge for our business activities, we shall strive to realize a sustainable society that can balance environmental protection such as efforts on global environmental issues with economic development.

7-3 Creation of safe working environments

In compliance with relevant laws and regulations, we shall conduct our own assessments to promote all measures to ensure safety in our workplaces in all of our activities, including research and development, manufacturing and distribution.

8. We shall properly manage corporate assets and information.

8-1 Effective use of corporate resources

We shall not use corporate resources such as people, materials, financing, information and time for private purposes, and shall make effective use of them.

8-2 Handling of confidential information

We shall not acquire confidential information about our customers, business partners, etc. by illegal methods. We shall strictly control any confidential information on companies or third parties obtained in the course of business to prevent leakage and shall not disclose any such information without predetermined procedures. We shall not use such information for anything other than the purpose intended.

8-3 Maintenance and protection of intellectual property (IP) rights

We shall recognize that IP rights (covering patents, utility models, trademarks and designs) held by the Company are important assets and shall strive to maintain and protect them, and shall also respect IP rights owned by third parties.

8-4 Control of personal information

We shall strictly control any information of a personal nature acquired in the course of our business activities and shall not use it for any purpose other than the intended purpose. In addition, any disclosure shall be strictly managed by obtaining prior consent of the person concerned.

8-5 Appropriate use of information systems

We shall use in-house corporate information systems only for Company-authorized duties and shall pay particular attention to the prevention of theft or falsification of data.

We shall enforce all the necessary information security measures to prevent any unauthorized access and information leaks, etc.

8-6 Prohibition of behavior causing damage to the Company

We shall not gain profit for ourselves or third parties and shall not harm the reputation of the Company by using our business position, power or information acquired in the course of our business activities.

9. We shall respect the diversity, personality and individuality of every member connected to Daicel Group and shall contribute to realize a healthy and sound society that is free from discrimination and harassment.

9-1 Prohibition of human rights/discrimination, harassment

Our basic position shall be to respect humanity. We shall never violate human rights through such acts as discrimination on the grounds of race, ethnicity, nationality, creed, thought, religion, gender, sexual orientation, gender identification, illness, disability, etc., or through harassment. We also shall never conduct employment and work such as forced labor and child labor contrary to international norms in any country or region.

9-2 Vibrant corporate culture

We shall strive to foster a vibrant “Visualize, Voice, Listen and Respond” corporate culture by promoting honest and open communication between employees.

9-3 Respect for individual ability

By realizing flexible work styles and respecting diverse values and qualifications, we shall enable everyone to display his or her abilities to the fullest possible extent. For this we shall establish various human resource development programs and fair and appropriate treatment methods.

9-4 Healthy workplace environment

We shall strive to create a healthy and sound workplace environment and to enhance the health of individuals by promoting all measures for health management including mental healthcare.

Revised April 1, 2020

Risk Management

Basic Approach

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

Risk Management System

Initiatives of the Risk Management Committee

Daicel established the Risk Management Committee in 2006 to coordinate and promote the risk management for Daicel Corporation and its Group companies. Chaired by the corporate compliance officer and comprising the heads of each corporate support division as members, the committee meets once a year for a regular meeting and convenes extraordinary meetings as needed.

Each organization submits risk activity reports to the committee. During its regular meeting, the committee reviews the progress of risk-related measures based on these reports and an inventory of potential risks, and it provides advice and support as necessary. Risks requiring a company-wide response are addressed by setting up projects and implementing other measures. Given the business environment and social circumstances surrounding the Daicel Group, some risks require closer scrutiny. These are designated as focus points, and each organization confirms and reviews their measures against these risks.

The committee reports on its discussions about the focus points, progress on countermeasures addressing risks that could have a major impact on management, focus points for the coming fiscal year, the status of business continuity plans (BCP), and other key issues during the Management Meetings and Board of Directors Meetings at the end of each fiscal year.

Initiatives of the Corporate Divisions and the Group Companies

Risk management conducted by each organization constitutes the backbone of these efforts for the Daicel Group as a whole.

Each organization implements its risk management in accordance with the following procedure.

1. Identify and categorize risks that could have a major impact on an organization's ability to achieve its business targets (Check)
2. Categorize risks into three stages according to their frequency and degree of impact and identify risks requiring a priority response (Check)
3. Consider countermeasures for preventing the risks from materializing and for minimizing damage in the event they materialize; formulate plans (improve the content of the countermeasures based on consultation with the risk managers of each corporate support division of Daicel) (Act/Plan)
4. Implement countermeasures (Do)
5. Re-evaluate the risks (Check) and reconsider countermeasures based on the results (Act)

Each organization*¹ follows a check-act-plan-do (CAPD) cycle*² by registering the risks and countermeasures into an intranet database and updating the information by entering the status of implementation twice a year. At the end of each fiscal year, they submit a risk activity report to the Risk Management Committee to provide updates on their risk inventory, including the status of implementation, newly identified risks, and the results of their review of the focus points.

*1 Some Group companies do not use the database, submit information in a file format.

*2 Instead of a plan, do, check, and act (PDCA) cycle, the more widely known approach to continuous improvement, Daicel has adopted a CAPD improvement cycle to avoid the risk of overlooking crucial facts and realities that often lie hidden in the initial planning stage.

■ Targeted Risk Categories

- | | |
|--|---|
| 1. Risks related to business strategy | 9. Risks related to information system / network and information security |
| 2. Risks related to production technology, production equipment and utility | 10. Risks related to group management / control |
| 3. Risks related to construction and repair (including safety, quality, purchasing, etc.) | 11. Risks related to legal and corporate ethics |
| 4. Risks related to stable product supply | 12. Risks related to employment, human resources and employee fraud / crime |
| 5. Risks related to intellectual property | 13. Risks related to finance / investment, credit, finance, accounting |
| 6. Risks related to purchasing and procurement | 14. Risks related to public relations and inappropriate information use |
| 7. Risks related to quality management and product liability | 15. Risks related to antisocial group and social community |
| 8. Risks related to responsible care (including environmental problems, accidents, and disaster) | |

Focus Points for FY2022/3

The focus points are set by the Risk Management Committee in consideration of the Daicel Group's business environment and changes in social conditions. In FY2022/3, we set the focus point as "a reconfirmation of the risks related to the raw material supply interruption" and reconfirmed the risks, reviewed the countermeasures, and strengthened the implementation of countermeasures as a whole Daicel Group.

In addition, the Risk Management committee held interviews with individuals at each organization in order to promote an awareness and gather information about each organization's risk management activities. The issues found through a series of interviews will be used for the purpose of improving activities in FY2023/3.

Risk Assessment of Critical Cases

When deliberating on capital investments or investments and loan projects important to management strategy, we extensively consider the risk inventory and appropriateness of countermeasures during the Management Meetings and other gatherings. Moreover, Daicel operates under a Total Environmental, Health and Safety Assessment System ("Total EHS Assessment System") for scrutinizing new plans across all our business activities, including R&D, production, consumption, and disposal, in order to take every possible precaution in terms of the environment and health and safety by comprehensively assessing risks in advance. In April 2022, we also established the Assessment Headquarters and put it in charge of the Quality Management Division and the Responsible Care Division. The Assessment Headquarters is a centralized organization for identifying various risks and considering issues with a high degree of diversity and expertise on business plan assessment.

[> Total Environmental, Health and Safety Assessment System](#)

Information Security

The Daicel Group takes information security measures relevant to the IT system of the entire Daicel Group, in accordance with the Information Systems Security Policy.

[> Information Security](#)

Strengthening BCP Management

Daicel 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 in the event of such contingencies. The BCPs are revised as necessary.

The Daicel Group includes all stages of a contingency within the scope of its BCPs, from “Preparedness” (BCP I) to “Initial Contingency Response” (BCP II) and “Resumption of Operations” (BCP III). We plan and prepare measures under the following three categories to limit any decline in performance associated with a disaster or incurred damage and to quickly resume businesses.

BCP I : Development of infrastructure for software and hardware

Anti-seismic reinforcement, measures against liquefaction and inundation, system redundancy (operational and information systems), secure methods of telecommunications and information gathering, review of stockpiled materials including spare equipment and supplies, safe storage of raw materials and products, measures for crime prevention and security, and other initiatives.

BCP II : Initial response to contingencies

Systematic repetition of drills for fast and effective decision-making and taking action as an initial response to simulated disaster and damage scenarios; preparation and revision of procedural documents and manuals used in the event of emergencies and contingencies.

BCP III : Systematic planning for recovery of all operations

Assessment of damage at plants, suppliers, and customer locations toward formulating and executing optimal plans for the resumption of operations.

Daicel also provides the “Guidelines for formulating BCP” to explain the procedures for creating BCP for individual products or products family. The guidelines include plans and information required to maintain or resume business operations for products and production lines. Each business unit applies the guidelines to maintain business operations and ensure the early resumption of business in the event of a disaster or damage.

In FY2022/3, we implemented the following initiatives.

■ Initiatives for FY2022/3

Preparedness (BCP I)	<ul style="list-style-type: none">● Consider preventive measures in the form of reactive analyses and risk assessments for self-reactive substances, as well as follow-up measures in the form of crisis assessments*● In preparation for material procurement risks, procure long lead-time components needed for the maintenance and early rehabilitation of proper inventory levels
Initial Contingency Response (BCP II)	<ul style="list-style-type: none">● Review disaster risks using regional hazard maps in the Plan for a Resilient Japan● Consider the installation of remote monitoring cameras and remote firefighting equipment● Enhance information sharing among sites as part of the companywide disaster preparedness system built in response to COVID-19
Resumption of Operations (BCP III)	<ul style="list-style-type: none">● Prepare BCPs for each product● Innovation Park, Tokyo headquarters, and Osaka headquarters conduct non-scenario-based companywide disaster response training

* An assessment of response measures to prevent further damage or secondary accidents in the event of an accident

➤ [Emergency response system for large-scale disasters and disaster prevention drills \(Process Safety and Disaster Prevention\)](#)

Response to Materialized Risks

When risks materialize, the division responsible for the relevant risk category leads the response in line with the Emergency Risk Management Guidelines. The regulations designate the division responsible for each risk category as well as the divisions that will cooperate in the response and items to be reported to the responsible division. We also have the Disaster Response Rules based on the regulations and follow these rules in the event of an accident or disaster.

➤ [Process Safety and Disaster Prevention](#)

➤ [Details on preventive measure against the spread of COVID-19](#)

Information Security

Basic Policies

The Daicel Group has established an Information Systems Security Policy as a master guideline for information security.

Article 1 (Principles and Purpose)

All employees of the Daicel Group will seek to maintain information system security in accordance with the Information Systems Security Policy and related regulations.

Article 2 (Rules)

Employees of the Daicel Group will comply with the following rules. Information system assets are defined as all information system equipment, facilities, software, and information under the management of the Daicel Group.

- Exercise appropriate management to prevent damage, theft, information leakage, and tampering with regard to information system assets.
- Maintain public trust in the Daicel Group by using information system assets appropriately.
- Ensure the smooth execution of operations by making appropriate use of information system assets.
- Avoid causing damage both inside and outside the Daicel Group as a result of inappropriate use of information system assets, information leakage, or tampering.

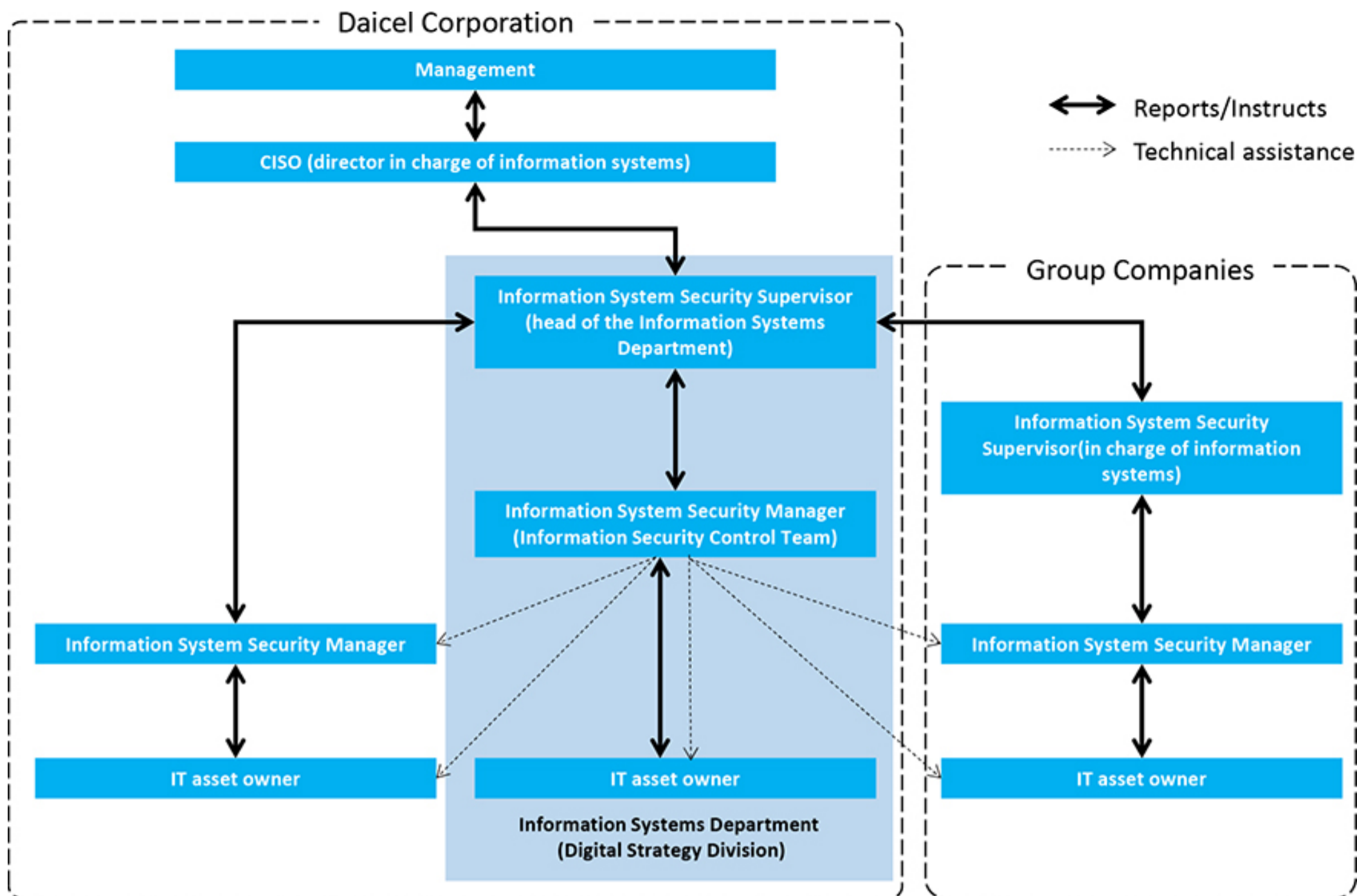
Revised March 12, 2014

System for Maintaining Information Security and Responding Security Incidents

To ensure compliance with our Information Systems Security Policy, Daicel has established a system for maintaining information security and responding to security incidents in accordance with the basic regulations on information system security by appointing a supervisor or manager in every Daicel department and Group company under the CISO. Assigned to work on internal projects, these managers respond as part of work subject to performance reviews.

In addition, an information security control team has been set up in the IT department to execute tasks such as managing normal security operations and direct instructions/supports to the departments and IT asset owner faced with security incidents.

■ System for Maintaining Information Security and Responding Security Incidents



Rules concerning information security that govern the behavior of information system users are laid out in the regulations for these users. In an effort to maintain information security by all managers and users of information systems, the rules on information security and contact points to be applied in the event of system anomalies have been compiled in a handbook that is distributed to all employees, and consequences for rule violation have been prescribed in the Disciplinary Action Policy.

For overall information management matters not limited to the use of information systems, proper management are conducted according to the Information Management Regulations and Confidential Information Management Regulations.

[> Information Management](#)

Countermeasures

Information system assets to be managed, such as enhancements in the teleworking environment for realizing diverse work styles and the introduction of AI and IoT technologies for raising productivity, are continuously increasing. On the other hand, attack surface of the hacker, such as the growing sophistication of cyberattacks, are also increasing. Daicel is implementing the following measures to maintain the status of compliance with the rules laid out in our Basic Policies amid continuously changing internal and external circumstances.

- Prevention, detection and recovery of the incidents
- Revision based on the CAPD cycle

Prevention, Detection and the Recovery of the Incidents

In parallel with measures for preventing incidents, we also seek to minimize damage by providing speedy detection and recovery of the incidents, based on the philosophy of defense in depth. We are also taking gradual steps to implement measures in response to changes in communication channels and methods of information sharing, such as direct access to the cloud services from home and other remote workplaces.

■ Prevention and Detection of Problems and Recovery of Operations

Stage	Main Measures
Prevention	<ul style="list-style-type: none">● Install firewalls to separate mutual access points between office networks, control networks, and external networks● Reject unauthorized communications and illegal communications that have been identified● Prevent operations via private devices and unauthorized cloud services● Prevent information leakage caused by the loss of devices taken outside the Company● Obtain information from relevant institutions● Provide information to employees and periodically conduct education and training (drills designed to respond to targeted attacks and other training)
Detection	<ul style="list-style-type: none">● Enlist a specialized vendor to monitor illegal communication on a 24-hour, 365-day basis and receive notifications of anomalies● Implement long-term storage of logs of critical systems and automatically detect anomalies● Establish contact points to address anomalies, loss of devices, and other emergencies
Recovery	<ul style="list-style-type: none">● Respond in accordance with the system for maintaining information security● Regularly back up critical servers● Contract with a specialized vendor on receiving support in incident response

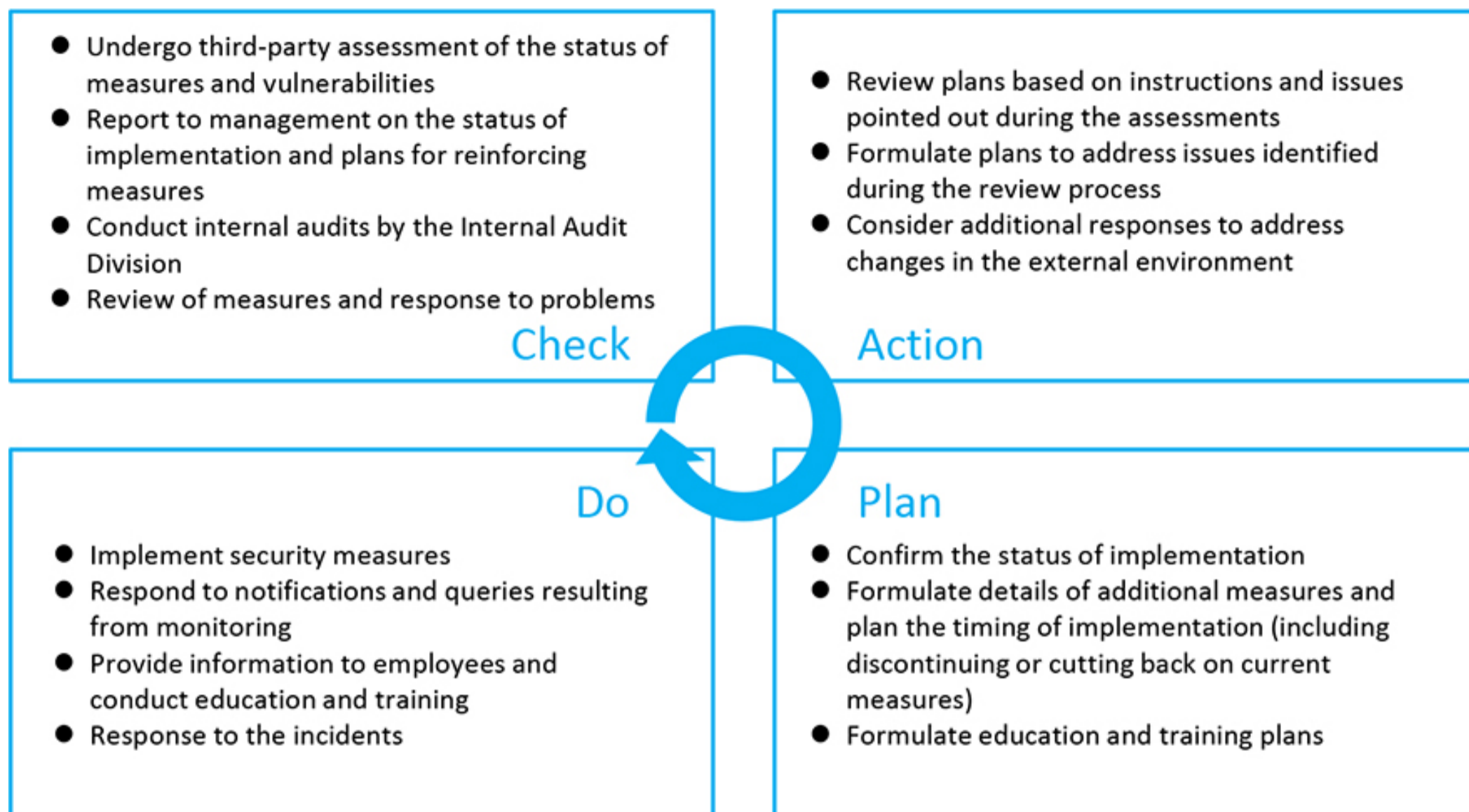
As in our response to information security incidents, we respond to natural disasters that may cause large-scale system suspensions by designating recovery targets for each system in accordance with their relative importance, and we take action to achieve those targets. These measures include reviewing the location and facilities of contracted data centers as well as efforts based on system design such as the replication and operational design.

➤ [Strengthening BCP Management for Areas Other than Information Systems](#)

Revision Based on the CAPD Cycle

To prevent any loss in the effectiveness of measures due to outdated content and inappropriate operation, we regularly undergo internal and external checks and incorporate the resulting instructions and issues in planning and implementing the measures.

■ CAPD Cycle



Status of Compliance with the Basic Policies

In FY2022/3, there were no violations related to information security and cyber security, such as violations of regulations by Daicel Group employees. No issues of material importance were pointed out during third-party assessments, and we have gradually formulated countermeasures to address any other issues identified by the assessments.

An investigation into the unauthorized access of the Group's systems in December 2021 and April 2022 found that no personal or confidential information about any customer or supplier was externally released. With the support of an external expert, we are working to prevent the recurrence of such events and are strengthening our information security.

Responsible Care Activities

To practice the spirit of Responsible Care (“RC”), the Daicel Group established the Daicel Group Basic Policies for Responsible Care and is promoting across-the-board RC activities to contribute to the sustainable development of society.

Daicel Group’s Responsible Care

RC activities are undertaken by businesses that engage in the manufacture or handling of chemicals to preserve the environment and ensure health and safety at every stage of their operations, from product development, manufacture, distribution, and use to disposal. With chemical manufacturers around the world taking part in these efforts on a voluntary basis, the disclosure of results and dialogue with society are also positioned as key RC activities. Recognizing RC activities as one of the important social responsibilities of the Daicel Group, the RC Council, operating directly under Daicel’s president, is committed to promoting the activities.

On February 21, 1995, the Daicel Group established its Basic Policies for Responsible Care (RC) based on “The Guiding Principles for the Improvement of Environmental, Health and Safety Conditions” of the Japan Chemical Industry Association (JCIA) and supplemented the items on the preservation of biodiversity on April 1, 2011. In 2017, the Basic Policies for Responsible Care were updated in response to the revision of the JCIA’s guiding principles.

Daicel Group's Basic Policies for Responsible Care

1. In accordance with management policy, we will comply with laws and regulations and strive to safeguard the environment, health, and safety. For this purpose, we share specific implementation plans among all employees and put them into action.
2. We will strive to continually improve environmental, health, and safety performance and the security of facilities as well as processes and technologies throughout the entire chemical lifecycle, from development to disposal, and inform society of the results of such efforts.
3. We will further reduce our consumption of resources and energy and strive to reduce, reuse, and recycle waste.
4. We will protect the environment and people's health and safety by driving continual improvement in chemical product safety and stewardship throughout the supply chain.
5. We will practice risk-based chemical management throughout the entire chemical lifecycle, from development and production to use, consumption, and disposal and strive to strengthen our chemical management systems by continual improvement.
6. We will influence the employees and the value chain stakeholders to promote the safe management of chemicals within their own operations.
7. We will strengthen our stakeholder relationships by understanding and responding to stakeholder concerns and expectations about safer operations and products as well as openly communicating about our performance and products.
8. We will put the Daicel Group's overall efforts into continually improving initiatives for the environment, health, and safety in order to meet stakeholder expectations.
9. We will contribute to the sustainable development of society by developing and providing unique and innovative technologies and other solutions.
10. We will promote biodiversity-friendly activities in order to pass on the wealth of nature to future generations.

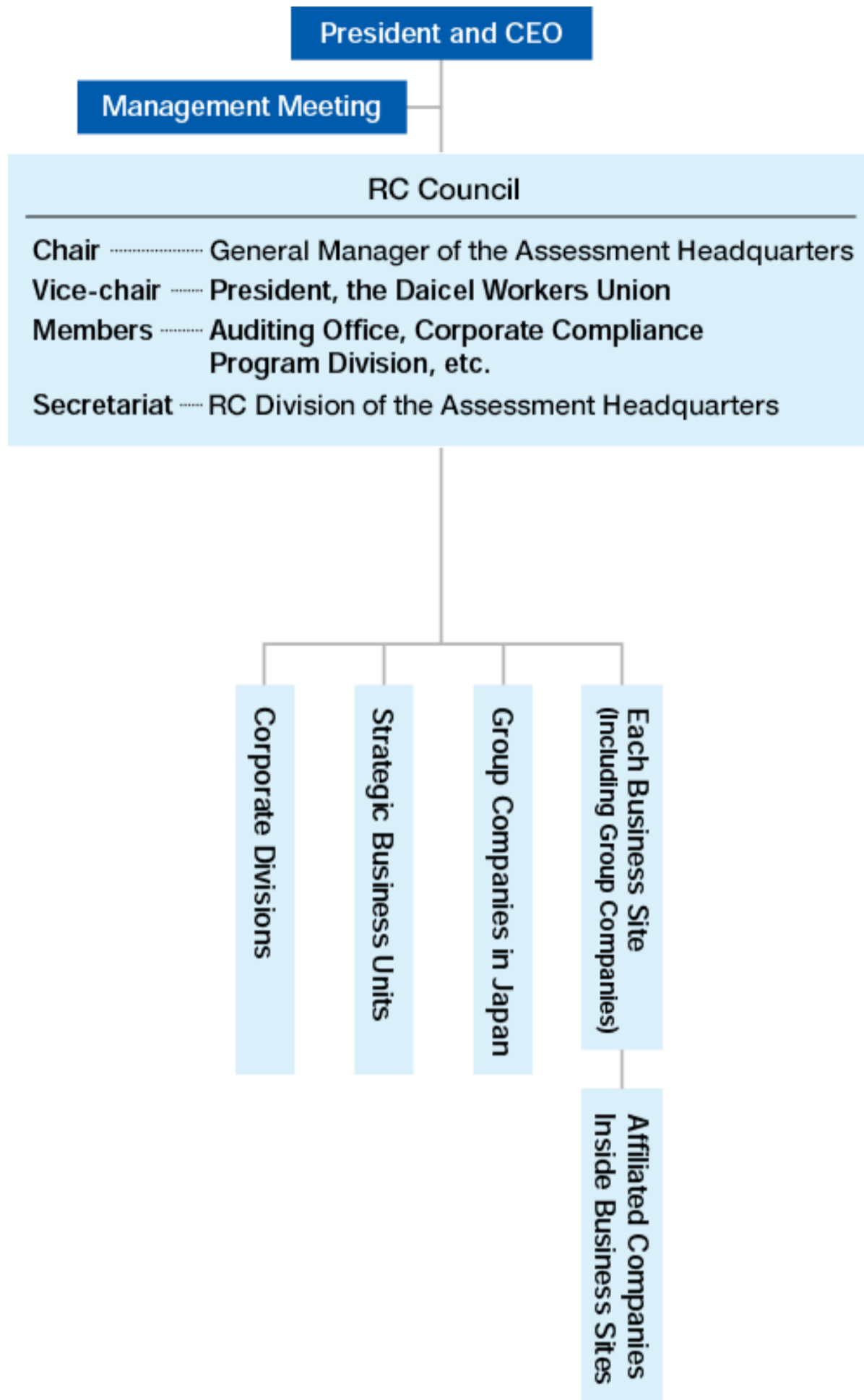
Revised April 5, 2017

Promotion System for Responsible Care

In accordance with the Responsible Care Rules, the Daicel Group is implementing RC activities on the following fronts: occupational health and safety, process safety and disaster prevention, environmental preservation, chemical and product safety, distribution safety, and "Communication with Society." The Daicel Group promotes these activities under the RC Council, which meets on a regular basis.

The council is chaired by the officer in charge of the Assessment Headquarters, appointed to oversee RC by the president, who bears ultimate responsibility for RC activities. The council comprises the president of the Daicel workers union and heads of administrative divisions appointed by the chairperson as well as the Responsible Care Division ("RC Division") of the Assessment Headquarters, which serves as the secretariat for the council.

■ Promotion System for Responsible Care



Roles of the RC Council

In addition to formulating basic policies, the RC Council receives reports on RC activities from each department at the end of the fiscal year and in turn reports to the Planning Meetings attended by management to propose targets and action plans for the next fiscal year, which are subsequently approved by the Management Meetings. The council reports the status of the initiatives to the Management Meetings and conducts RC audits in accordance with the Rules on Responsible Care Audits.

■ Roles of the RC Council

Roles	Details
1. Formulation of basic policies and targets	Formulate the Basic Policies for Responsible Care and set targets for the entire Group to steadfastly promote RC activities.
2. Development of implementation systems	Consider the necessary revisions to implementation systems to ensure effective operation of the CAPD cycle, including setting targets, formulating implementation plans, and implementing and assessing the results of implementation.
3. Deliberation and drafting of long- and medium-term plans	The council determines RC related issues for the long-term plan and drafts for the RC medium-term plan by deliberating and deciding on important issues related to the entire Group and reviewing proposals submitted by the Responsible Care Division.
4. Planning and drafting of annual implementation plans	The council deliberates and decides on policies concerning important issues related to the Daicel Group. Following approval by the council, the issues are discussed at the Planning Meetings, and the council then receives approval by the Management Meetings.
5. Monitoring and advising on the status of implementation	<p>(1) The council provides advice and guidance to the Responsible Care Division to effectively promote its activities.</p> <p>(2) The council provides appropriate advice and guidance for practical operations on educational training and document management related to RC issues as needed.</p>
6. Assessment of RC audit results	RC audits
7. Establishment, amendment, and abolition of regulations	The council provides advice and guidance on the status of efforts for the organized development of important regulations and rules related to facilitating the promotion of RC activities and codification based on relevant management regulations.
8. Commendation of good deeds and contributions to RC activities	The council commends good deeds and contributions to RC activities.

Responsible Care Audits

A group comprising the general manager of the Assessment Headquarters, the leaders of the RC Council, and the Responsible Care Division is responsible for conducting RC audits in accordance with the Rules on Responsible Care Audits. All Daicel's business sites and the Fuji Plant of Polyplastics Co., Ltd. are subject to an annual RC audit, while other Group companies undergo an RC audit once every three years. RC audits are conducted each year under a theme that focuses on a common Groupwide issue, and along with an assessment of the theme, the audits also confirm the progress of the RC implementation plan and examine issues linked to achieving the plan. Findings from RC audits are reflected in targets and plans for the following fiscal year, thereby supporting continuous improvement.

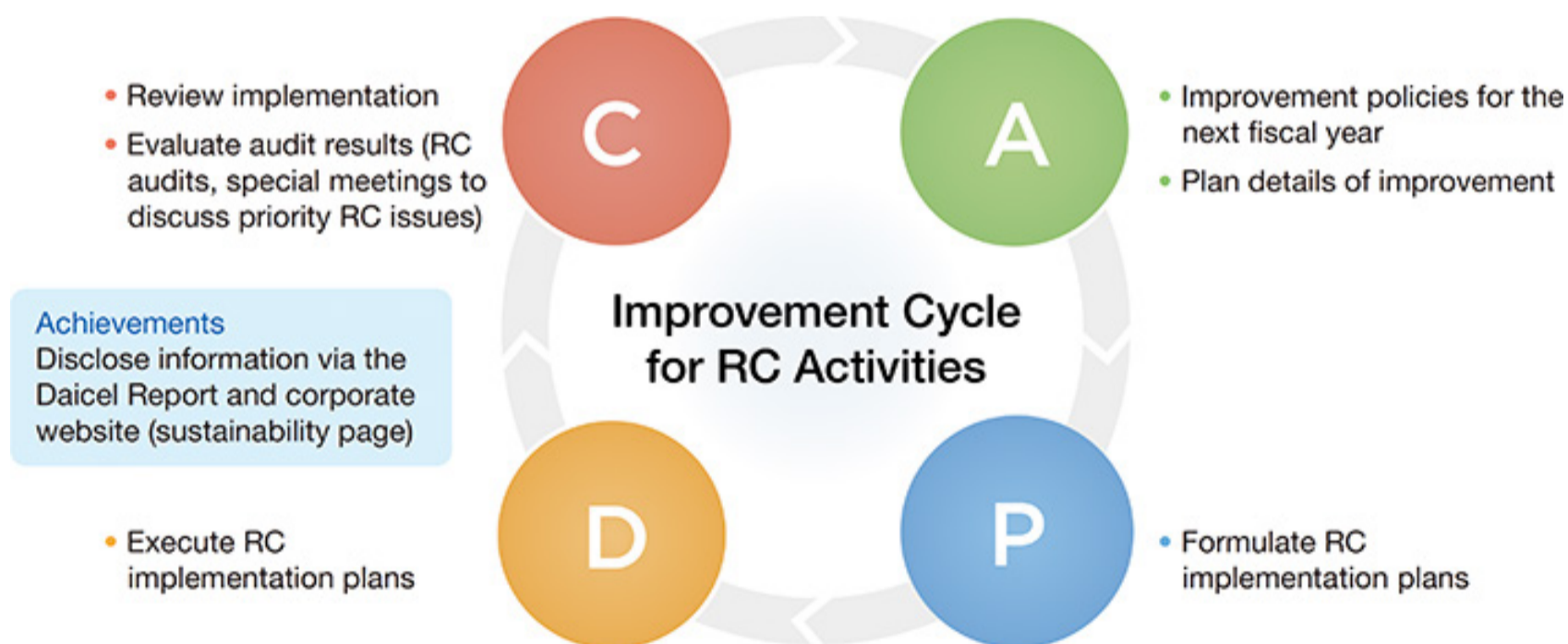
In FY2022/3, seven business sites of Daicel Corporation, as well as the Fuji Plant of Polyplastics, Co., Ltd., underwent remote audits due to the COVID-19 pandemic. Prior to these audits, interim checks and reviews were done that used an RC internal audit checklist and that produced instructive findings for the future. The RC audits served to identify important issues in the RC implementation plan and assess progress toward addressing issues illuminated at Special Meetings to Discuss Priority RC Issues.

Special Meetings to Discuss Priority RC Issues

Representatives of the Responsible Care Division periodically tour Daicel and domestic Group company business sites, where they hold special meetings to discuss priority RC issues. To help promote RC activities across the Group, the meeting aims to confirm progress in RC implementation plans at each business site, assessing countermeasures in place to prevent problems in terms of occupational and facility safety and disaster prevention, and discussing the status of their initiatives to address environmental concerns.

As with FY2021/3, the meeting in FY2022/3 was conducted remotely due to the COVID-19 pandemic.

■ CAPD Cycle



Promotion of Responsible Care Activities

Periodic Exchange Meetings for Supervisors of Environmental and Safety Divisions across the Group

Individuals charged with supervising the Environment and Safety divisions at Daicel's business sites and the Fuji Plant of Polyplastics Co., Ltd. regularly meet remotely for Safe Environment Managers Meetings.

At the six meetings held in FY2022/3, participants exchanged information and discussed on RC-related issues such as occupational health and safety, process safety and disaster prevention, and environmental preservation as well as regulatory trends. They also exchanged information about problems related to occupational incidents and oversaw progress in implementing safety measures.

Responsible Care Promotion Conference

RC activities are important initiatives for implementing the Sustainability Management Policy. The Daicel Group holds a Responsible Care Promotion Conference at the start of each fiscal year to ensure that employees maintain a high level of awareness as they engage in RC activities. The conference is attended by members of Daicel management, company chiefs, presidents of Group companies, Daicel trade union representatives, and representatives of each department. During the conference, the president, along with the Responsible Care chairperson and vice chairperson, delivered presentations to announce, spread, and promote understanding of the annual RC activity policies and RC implementation plans.

In FY2022/3, the conference was held remotely from the Tokyo head office. In part two, Toshifumi Kokubun, who is a professor at Tama University and a director at The Center for Rule-making Strategies, gave a lecture titled, "The need for management reform in anticipation of economic security policies to be adopted by countries in response to the expected U.S.-China Cold War." At the meeting in FY2023/3, which was also held remotely, the Responsible Care chairperson and vice chairperson spoke on ensuring safety and quality. In addition, the general managers of the Harima and Ohtake plants gave talks on safety initiatives being taken by the sites, while the manager of the RC division gave a statement on the RC implementation plan.



TOPICS

RC Awards

Each year, the RC Council recognizes good deeds and contributions to RC activities. Awards were presented to two individuals in FY2021/3 and to two in FY2022/3. While the ceremony ordinarily takes place during the Responsible Care Promotion Conference, the awards were presented during RC conventions at each business site due to the COVID-19 pandemic.

KAIZEN Case Study Meeting

The Daicel Group holds KAIZEN (continuous improvement) Case Study Meetings to foster a spirit of continuous improvement among all Group employees under the theme of “be aware, think and act. While we refrained from holding the meeting in FY2022/3 in consideration of COVID-19, we promoted what we refer to as “concerns/close-call initiatives” as well as “before-or-after activities” for the 3S methodology, namely Seiri (Sorting), Seiton (Setting-in-Order), and Seisou (Shining). We will continue KAIZEN initiatives by placing a top priority on ensuring safety and quality.

Internal Training and Education

So that all Daicel Group employees can understand the importance of RC activities and take action, we provide the relevant in-house training and education.

[> Support for Human Resource Development](#)

Total Environmental, Health and Safety Assessment System

The Daicel Group operates a Total Environmental, Health and Safety Assessment System (“Total EHS Assessment System”) as a means for evaluating risk in its business activities.

Assessed under the system are the launching of new products in all business activities, including research and development, production, consumption, and disposal, as well as plans for modifying existing processes and equipment (new plans). Led by the general manager of the Assessment Headquarters, the Total EHS Assessment System is a mechanism for conducting advance assessments of a diversity of risks across all business activities, covering everything from the environment to safety and health.

1. The system evaluates the new plan based on prescribed standards for eight items: legal compliance, chemical safety, environmental preservation, occupational health and safety, operational safety at facilities, product safety, distribution safety and safety of production outsourcing, and purchasing and sales.
2. A new plan indicates all new changes that include the establishment and modification of facilities as well as changes in matters related to manufacturing, etc.
3. The system defines two types of assessment: Corporate Total EHS Assessment, which covers new plans that may cause a significant impact on management, and Division Total EHS Assessment, undertaken by each division. After evaluating new plans based on their scale and risk with an overall assessment rank (I and II), the Group determines items subject to assessment and designates individuals to serve as assessment executors and final evaluators in accordance with the overall assessment rank.
4. With regard to the adoption of a new process and/or increased production volumes, we carry out a Technical Assessment and Equipment Design Assessment, underscoring the importance of design specifications for technologies and facilities. After discussing the results of these assessments, a Corporate Total EHS Assessment is undertaken.

For safety system-related products in categories such as pharmaceuticals, foods, cosmetics, healthcare equipment, and automotive products, the Daicel Group is enhancing its risk assessments to ensure that customers will be able to use them safely. In FY2016/3, the Group began conducting Product Crisis Assessments, which identify and monitor product safety-related risks and review response systems for handling crises. Furthermore, in addition to conducting product safety risk assessments internally, since FY2018/3 the Group has been holding Product Safety Advisory Meetings, chaired by outside experts, to conduct assessments from an even more expert perspective.

In FY 2022/3, a reassessment of the risks of abnormal and runaway reactions at plants handling chemical substances with polymerizing or self-reactive properties was led by the Working Group on Self-reactive Substances, which comprises the Responsible Care Division and in-house experts.

The number of Corporate Total EHS Assessments that evaluate new plans deemed to have a significant impact on management, including those undertaken to assess new plans for overseas production bases, has reached approximately 1,050 since the system was introduced.

Based on Total EHS Assessments that evaluate new plans, including all revisions, and stringent implementation of CAPD in the course of normal operations by each business site, we have implemented a mechanism for the consistent and effective handling of risks related to safety, the environment, health, and other areas.

Risk Assessment Based on Total EHS Assessment System Criteria/Rank I Cases



Examples of New Projects

- New product launches
- New businesses
- Establishment, expansion, and renovation of facilities
- Changes in matters related to manufacturing (raw materials, processes, etc.)
- New contracts, changes at distributors, customers, and sales applications
- Acquisition and transfer of properties and equipment
- New contracts and changes in manufacturing outsourcing, purchasing, and sales
- New or changes in waste management

■ Breakdown of Total EHS Assessment System

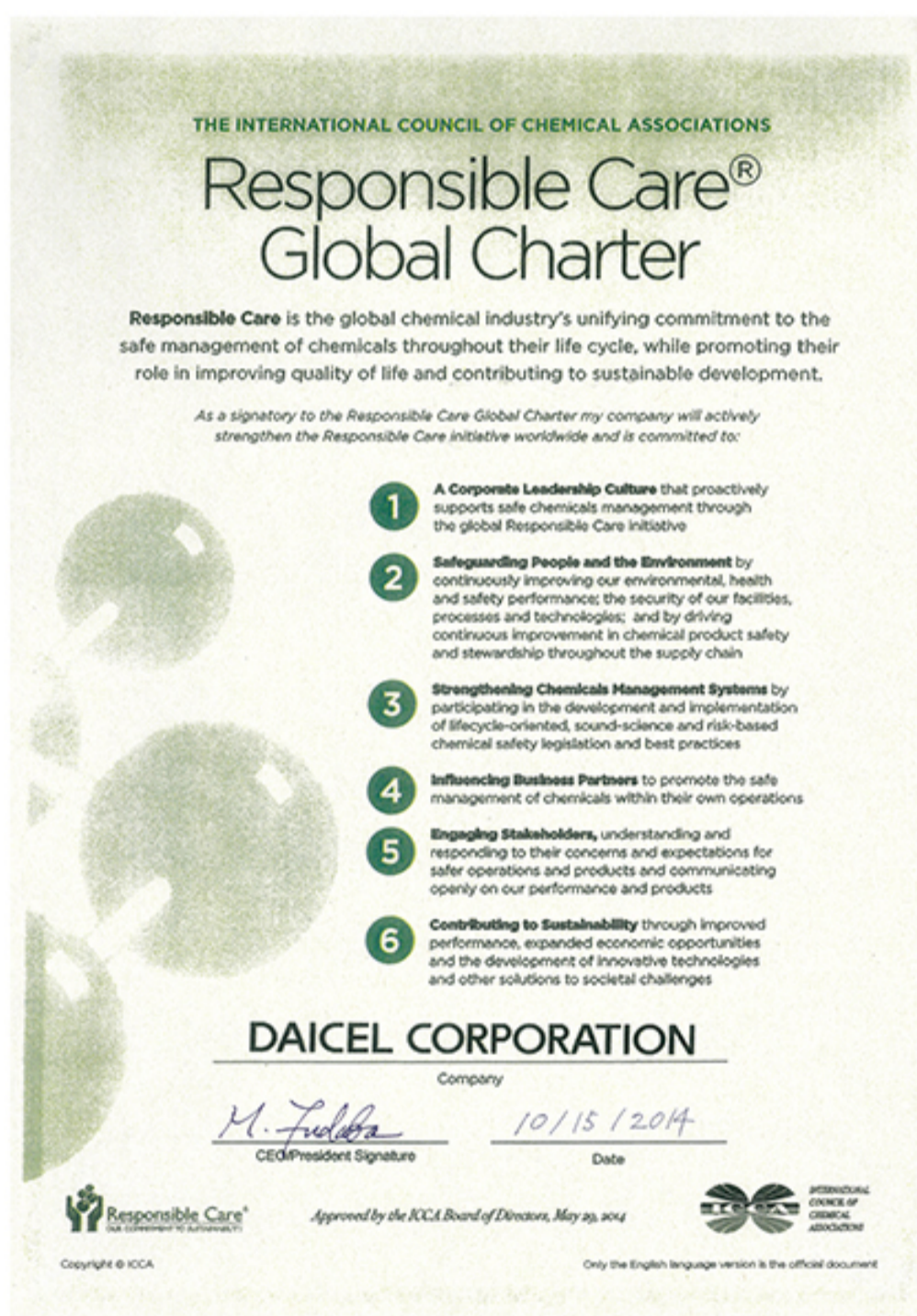
Categories of the Total EHS Assessment System	
Legal compliance	Evaluate compliance with laws and regulations and with individual agreements between business sites and relevant government organs
Chemical Safety	Evaluate hazards posed by all chemical substances handled
Environmental Preservation	Evaluate environmental preservation activities
Occupational Health and Safety	Evaluate compliance in the context of preventing labor accidents
Operational Safety at Facilities	<ul style="list-style-type: none">● Evaluate the risk of explosion and fire from the facility standpoint● Assess the results of other evaluations and fitness of relevant facilities
Product Safety	Evaluate products for risk of causing bodily injury
Distribution Safety	Evaluate distribution safety
Safety of Production Outsourcing, Purchasing, and Sales	Evaluate from the perspectives of the environment, safety, and prevention of health problems

Responsible Care Global Charter

The International Council of Chemical Associations (ICCA), an international RC activity organization, put in place the Responsible Care Global Charter in 2005 with the aim of promoting sustainable development within the chemical industry while contributing to society as a whole through RC activities. In complete agreement with the goals and principles of the charter, Daicel became a signatory in 2008.

In order to more specifically detail the issues requiring attention with respect to the management of chemical product safety, improvements in the quality of life through the delivery and use of chemical products, and contributions to sustainable development in an easier to understand manner, the ICCA revised the charter in 2014. That same year, Daicel again declared its support of the revised version of the Responsible Care Global Charter and confirmed its participation as an ongoing signatory.

■ Declaration of Support for the Responsible Care Global Charter



Websites of Each Responsible Care Activity

Responsible Care Management

[> Responsible Care Activities](#)

Environmental Preservation

[> Environmental Management](#)

[> Response to Climate Change](#)

[> Reduction and Recycling of Industrial Waste](#)

[> Emission Management of Chemical Substances](#)

[> Water Resource Preservation](#)

[> Environmental Management and Prevention of Air Pollution](#)

[> Preserving Biodiversity](#)

[> ESG Data](#) **Environmental Accounting**

Process Safety and Disaster Prevention

[> Process Safety and Disaster Prevention](#)

Occupational Health and Safety

[> Occupational Health and Safety](#)

Chemical and Product Safety

[> Chemical and Product Safety](#)

Distribution Safety

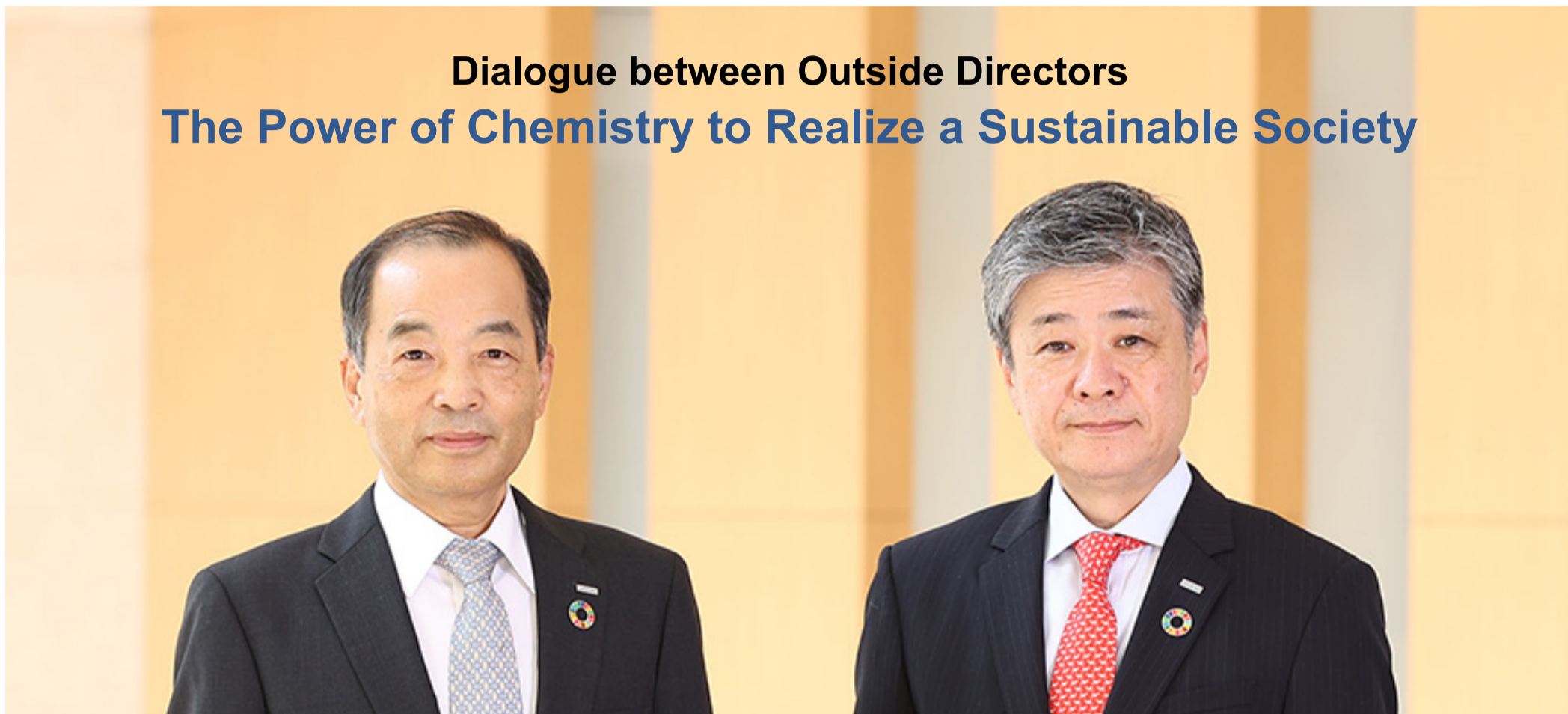
[> Distribution Safety](#)

Communication with Society

[> Contribution to Local Communities and Society](#)

Dialogue between Outside Directors

Dialogue between Outside Directors The Power of Chemistry to Realize a Sustainable Society



The Mid-Term Management Strategy “Accelerate 2025” started in FY2022/3. Daicel accelerates its strategy to “contribute to the development of a circular society.”

Two outside directors with different backgrounds discussed Daicel’s strengths, expectations for its further growth, and governance.



Toshio Asano

Outside Director,
Member of the Nomination and
Compensation Committee
Counsellor, Asahi Kasei
Corporation



Takeshi Furuichi

Outside Director,
Member of the Nomination and
Compensation Committee
Advisor, Nippon Life Insurance
Company

Remain resolute in the decision to contribute to the development of a circular society

Furuichi: Daicel has included a great theme in its Long-Term Vision, “Contribute to the development of a circular society.” Few companies have a broad perspective to proudly set such a lofty goal. I think Daicel’s corporate culture is evident in its strong will and decisiveness to face head-on the establishment of a circular society. I also find it remarkable that it is implementing organizational reforms, co-creation with outside partners, and various strategies to achieve this goal.

Asano: As one of its measures, Daicel has elaborated the “Biomass Value Chain concept” to achieve carbon neutrality. I was impressed with the broad concept of a comprehensive cycle that covers not only forestry but also the agriculture and fishing industries. At the same time, aiming at its realization, Daicel has been steadily making efforts to innovate through scientific methods in cooperation with Kanazawa University and Kyoto University. This open innovation relies not only on the Company’s internal resources but also on proactive collaboration with external partners. I believe this shows that the concept is down to earth. Daicel is putting into practice its basic philosophy, “co-creating value.”

Furuichi: Japanese companies tend to stick to closed innovation and consider what they can do based on their own products. On the contrary, Daicel focuses on what society needs. Daicel is confident in co-creation with its partners and clearly explains how to cover its shortcomings. I can see this assures that its concept, or strategy, is down to earth, as you have said. The chemical industry uses reactions between different substances to create new value. Likewise, I hope Daicel works with more and more collaborators through open innovations to enable this to happen.

Asano: In addition, the Mid-Term Management Strategy is highly rational in that it clearly distinguishes business units to be expanded through active investment and ones to be reformed with the option of withdrawal in mind. Making such a clear distinction is usually hard for a manufacturer, but Daicel did it as a result of discussions involving top management, middle management, and even lower levels.

Furuichi: Presenting the portfolio categories with no ambiguity but with a clear message also helps investors. It also helps employees in each business unit, as the clear positioning of their business unit tells them in which direction they should go and allows them to respond to, and prepare for, various possibilities. I thought it was an intelligent way to put forth a business strategy. Now the question is how to carry it out.

Asano: To expand the business in a competitive environment, it is necessary to make ambitious investments with a long-term vision. It also requires collective corporate strength, including research and development, and intellectual property. I see Daicel undertaking with full force and speed the initiatives outlined in its roadmap and the specific measures in each business unit, so I have very high expectations for the Company. I also appreciate the Company’s efforts over the past two years to withdraw from defense-related businesses and reconstruct its inflator business without wasting any time.

An extraordinary chemical manufacturer with solid chemical and assembly capabilities

Furuichi: Another characteristic of Daicel is that, even when it withdraws from a business, it retains and utilizes the technologies it has developed in that business unit in some way or another. Pyrotechnics, initially a key technology of defense-related business, has been utilized as safety technology for airbags. And now, it leads to new products such as a pyro-fuse for electric vehicles, and Actranza™ lab., a needle-less injector. Daicel's core technology has been successfully inherited and used to create the next generation of products. I expect that Daicel's future open innovations will further expand its interaction with people outside the Company and generate new value using the technologies it has been cultivating.

Asano: I agree. I am in the same chemical industry, but even so, I do not consider Daicel an ordinary chemical manufacturer. I think the Company's core strength is that it has established a globally strong position in producing a series of derivatives from acetic acid, such as acetyl chemicals and cellulose acetate. No other manufacturer in the Japanese chemical industry has such a distinctive chain. The fact that Daicel has had this chain for many years proves that it has been making each of its products to meet social demand. I believe that the accumulation of technologies is one of its strengths. Another strength is that Daicel is good at assembly, such as inflators. This impression became even firmer when I visited the plant. The inflator business cannot be operated only with pyrotechnics. I am sure that Daicel had a hard time commercializing it, but today, it is a major global player in the inflator business. The core technology of Actranza™ lab. is also pyrotechnics, but I think it was Daicel's assembly technology that made the product possible.

Furuichi: Not only does Daicel develop materials and technologies as a chemical manufacturer, but it also creates devices for their use.

Human-centered management that enables the employees and the Company to grow together

Asano: Chemical manufacturers, including Daicel, launch one new business after another, but most are downsized or discontinued within a few decades. Consequently, the chemical industry has a history of continuous restructuring. Therefore, chemical manufacturers cannot stay in business without truly valuing people. Daicel is committed to human-centered management. It does not lay off employees from a discontinued business, but rather seeks their agreement on moving to another business so that they can continue to play active parts in Daicel. This is only possible through its management that sincerely cherishes its people. In the chemical industry, companies highly value persons who were in charge of, or involved in a discontinued business as they have faced various challenges. For this reason, Daicel's human-centered management is a critical stance. I would like the Company to follow it to the letter.

Furuichi: One may likely assume that chemical companies are centered around not humans but technology. Especially since Daicel has developed the DAICEL Production Innovation and the AI-based Autonomous Production System, people may understand these phrases superficially and literally and have the impression that machines are replacing humans. Some may feel it contradictory for such a company to claim that its management is human-centered. However, considering the background that you explained, it became clear to me that, after all, Daicel values people.

Board meeting facilitates lively discussions

Asano: I would like to mention governance. At Daicel's board meetings, all attendees have frank discussions. I clearly perceive the management's initiative to draw out the opinions of us, outside directors. Furthermore, the number of outside directors, including women, is significant. I believe the effectiveness of the Board of Directors is high.

Furuichi: That is correct. I was told beforehand that Daicel has a good culture in which everyone in the Company engages in lively discussions. Once a decision is made, they are determined to carry it out. I can see that this culture is manifest also in the board meetings.

Asano : We hope that Daicel maintains such an excellent corporate culture, not only in the board meetings.

Risk taking and risk control

Asano: The principal role of Daicel's Board of Directors is monitoring. Our role as outside directors is to see how management takes risks, invests in growth, and controls the risks within those investments. Daicel has adopted ROIC as a management indicator. ROIC results from the business decisions made and conducted in the past. Thus, it is important to sharpen management decisions to improve ROIC in three to five years. It is critical to make decisions and develop strategies today with an eye on three, five, and even ten years from now. Existing business will shrink sooner or later, so it is always indispensable to take risks and create new business. From my perspective as a peer, Daicel is a sound risk taker that undertakes new business within the limits of controllable risks. The most recent example of its risk taking is the acquisition of Polyplastics Co., Ltd. as its wholly owned subsidiary. It was amazing that Daicel planned and accomplished such a significant investment promptly without missing the opportunity. The effects of this investment are already visible in the business results. I am looking forward to its future development.

Furuichi: Generally, Japanese companies step on the brakes too much, so I often suggest they take more risks. However, Daicel is taking risks confidently. I will keep a close eye on how each of its businesses is positioned in the overall portfolio, what kind of risk it will take and how much return it will target in five or ten years. Some risks are country risks, such as a Taiwan Contingency or a Nankai Trough earthquake. Management must consider the impact and whether the company's current capital will suffice. If such a risk is unbearable, they should increase capital slightly or drop higher-risk areas. They should examine the business portfolio in terms of whether they can protect the company in the event of an emergency. It would be too late to act after a contingency occurs. On the contrary, it will be an opportunity if the company is prepared.

Asano: I also believe it better to consider country risks, even though it is impossible to be fully prepared for them.

Corporate value of chemical manufacturers

Furuichi: As I became an outside director of Daicel and became more familiar with its business, I began to wonder if the corporate value of BtoB companies, particularly that of all chemical manufacturers, is fully appreciated. For many people, chemistry is probably difficult to understand. Therefore, I find it necessary to make more effort to communicate its value to the world, in addition to numerical disclosure.

Asano: Although most of the products around us, including smartphones, use materials from chemical manufacturers, it is certainly not well known to ordinary people. I personally believe it is essential to explain it to the employees. In turn, they will tell their families about their company. Then their families will be interested in chemistry.

Furuichi: I agree. We also want students and children to be more curious about chemistry. Certainly, it is important for a chemical manufacturer to benefit society through its products. Still, it is also expected to do that by conveying the attraction and potential of chemistry to the next generation and raising them to be responsible for the future. Daicel has already started such activities. For example, it sends its chemical technicians to schools near plants to teach chemistry. I hope the Company expands these efforts further to develop chemistry-minded human resources with high aspirations to stop global warming.

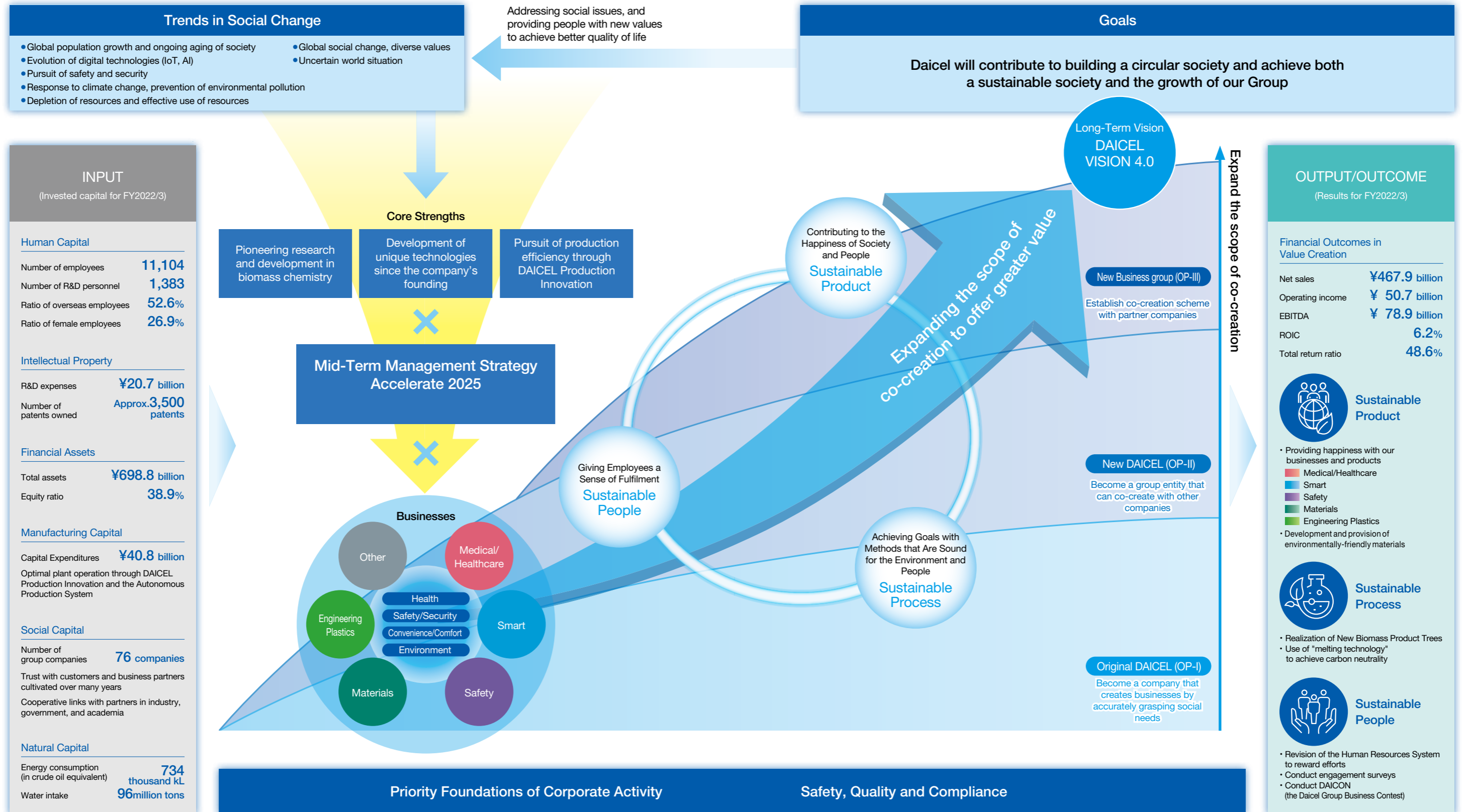
Asano: I believe chemistry can significantly contribute to building a sustainable society. In recent years, there has been a growing interest in ESG and SDGs, especially in the financial industry. I sense that this is a favorable trend for the chemical industry. As long as this world is in search of invention, discovery, or innovation, the power of chemistry will always be required in that process.

Basic Philosophy

The company making lives better by co-creating value

Value Creation Process

Under its basic philosophy and priority foundations of corporate activity (safety, quality, and compliance), the Daicel Group will continue to contribute to the happiness of people and society by expanding the scope of value co-creation based on its Sustainable Management Policy.



Human Development Center



Multiple Production Company Human Development Center

Purpose and Overview of the Human Development Center

The Safety Strategic Business Unit (Safety SBU) has for a long time been involved in pyrotechnic devices. The company applies this expertise in the development, manufacturing, and sales of products such as inflators for automobile airbags and micro gas generators for seatbelt pretensioners (PGG), and it conducts its business operations on a global scale. The manufacturing style of the Safety SBU is more what's referred to as "assembly-based," this is very different from the style applied in chemical plant manufacturing, which is known as "process-based." The Daicel Safety Systems (DSS) Human Development Center was established as a facility specialized in the development of human resources for assembly-based manufacturing. To keep pace with its globally expanding operations, it became a function of the company's headquarters in 2018, when it was renamed the Human Development Center. Also, it plays an integral role in developing the human resources who drive the growth of the Safety Systems business.



Human Development Center (Harima Plant)



“Human will shift to creative work” by role-sharing between human, machine and manufacturing systems



The Kanji characters used in its Japanese name signify the following intentions:

- ① Collaborate across organizational and regional boundaries and grow together
- ② All employees regardless of rank help each other to reach new heights together
- ③ Provide learning opportunities for those who provide training and those who receive training

The Human Development Center focuses on the following four missions based on our belief that the growth and potential of our human resources support the growth of the company.

- ①DSS Human Resource Development Specialized in Manufacturing Skills
- ②Manufacturing Training for the Technology Development in the Safety Systems Division
- ③Safety Training at the Harima Plant
- ④Global Engineer Development

Human Resource Development for DSS-style Manufacturing

DSS manufactures inflators for automobile airbags at its Harima Plant in Japan. Under its motto, “Safety and Quality,” the company strives to strengthen and grow its manufacturing capability while basing its activities on these goals: 1) building an automated assembly line for highly efficient manufacturing, 2) developing multi-skilled workers for a flexible production line, and 3) leveraging the latest IoT technology for an integrated management system. The company is therefore focused on developing human resources who contribute to achieving these goals.

The Human Development Center has established its own structure for educational programs, including (1) position-specific programs such as training for new employees, operators, supervisors, and leaders; (2) specialized programs encompassing manufacturing knowledge and skills specific to each job type; and (3) development of certification or qualification systems for specialized or key processes. The educational programs cover the knowledge and skills required for manufacturing processes, including standard procedures based on TPS (Toyota Production System), IE (Industrial Engineering), statistical quality control, problem-solving skills, and equipment maintenance. Trainees acquire this knowledge and the related knowledge and skills through classroom lectures and hands-on experience.

■ Enrollees in Training Programs (person days)

FY	2020/3	2021/3	2022/3
①General Training	294	1,182	323
②Specialized Training	1,218	878	1,344
③Qualification	58	17	2

We have three specialized rooms for these lectures: Assembly Dojo, Maintenance Dojo, and Safety Dojo. We use the term “Dojo” to encourage participants to view these facilities as places where they can deepen self-awareness and develop the discipline necessary for independently acquiring and practicing the targeted skills.

Assembly Dojo

This dojo provides training for inflator assembly and also develops trainers for this process.

New employees and contractors receive training here using simulation devices as part of their onboarding process. This ensures they have the standard level of knowledge and skills before engaging in production line operations, thus guaranteeing safety, quality, and operability. In addition, the space is equipped with various simulation devices, each tailored for specific product types and procedures. The devices are used to develop multi-skilled workers and contribute toward building a flexible production line. The dojo also provides training and certifications for operator trainers as well as certifications for critical roles such as visual inspectors, among other roles. In short, this is a place where trainees not only can acquire new knowledge and skills but also receive certifications.



Practical application lecture using simulation devices at the Assembly Dojo

Maintenance Dojo

The focus in this dojo is on the knowledge and skills required for facility maintenance. Trainees are offered basic information about electrical and mechanical engineering as well as practical application lectures on machining processes such as drilling and tapping, electrical wiring, soldering, and sequence programs.

Two types of training are conducted. The Line-Keeper Development Program (six months) is intended to train key maintenance persons for the manufacturing division. The Machine-Keeper Development Program (four days) helps trainees develop their daily maintenance knowledge and gives them troubleshooting skills for common problems.

In the final phases of the Line-Keeper Development Program, trainees create end-to-end processes from scratch, assembling a training device from component parts, creating a sequence program for the device, and confirming its operation. Through the exercise, they learn about the focus areas for adjusting devices and acquire the practical skills for maintaining them.

In addition, trainees also go through other exercises, such as troubleshooting for intentionally introduced failures in simulation devices and teaching X-Y robots and multiple axis robots. Through these exercises, the dojo passes on the knowledge and skills to the next generation and improves facility maintenance competency.



Maintenance Dojo training using electric components kits



Assembling a training device during Maintenance Dojo training

Safety Dojo

The focus here is on safety, and training at the dojo is part of the site training for the Harima Plant.

The Safety Dojo works toward these goals: 1) providing a place dedicated to helping trainees learn from past incidents and gain self-discipline, 2) giving trainees opportunities to become accustomed to factory rules and regulations, and 3) enabling trainees to cultivate their awareness and accurate understanding of safety.

The dojo consists of two areas: one where materials and photos of past incidents at Harima plants are exhibited, and a training area with simulators where trainees attend lectures. There are five zones in the training area: 1) the factory rule zone, where trainees get accustomed to factory rules such as those related to customary greetings, dress codes, and pointing-and-calling procedures; 2) the basic behavior zone, where trainees learn safety basics using simulators that replicate the experience of risks; 3) the operation zone, 4) the practice zone, and 5) the safety pledge zone, where trainees chant the safety slogan.

It is offered to everyone working there, including approximately 1,200 people such as employees, and Group company employees.

■ Enrollees in the Safety Dojo

FY	2020/3	2021/3	2022/3
Safety Dojo Training	3,146	3,820	3,609



Safety Dojo training areas

Since the Harima Plant handles explosives, the dojo is equipped with devices that simulate explosions caused by static electricity. Trainees learn about the risks of these situations and the importance of removing electrostatic charges. The dojo is also equipped with devices that simulate entanglements, residual air pressure, and ascending or descending stairs. During the sessions, trainees are divided into 77 teams, each consisting of about 20 people, and each team is led by an instructor. Rather than trying to explain difficult concepts with words alone, the dojo encourages trainees to experience risks directly by using simulators and other equipment.

The goal in this dojo is to cultivate what we refer to as a “safety-first work culture” at the Harima Plant together with all of its workers. We try to achieve that by having each employee diligently conduct basic manufacturing activities, such as customary greetings, pointing and calling procedures, and 3S (Seiri “Sorting,” Seiton “Setting-in-Order,” and Seisou “Shining”) activities and triggering changes in their behavior. These changes ultimately become the standard and lead to a workplace free from occupational accidents.



Practicing a pointing-and-calling procedure at a pedestrian crossing during a Safety Dojo training session

Global Engineer Development

The Safety Strategic Business Unit, operates five manufacturing sites in four countries (the U.S., China, Thailand, and Poland). While each location develops its own training and development programs, the Human Development Center trains and certifies trainers specialized in critical processes and develops special skills to ensure that the same level of quality and safety are being incorporated into manufacturing practices worldwide. Currently, there are 24 certified trainers across the globe, and each one trains and certifies new trainers locally at the various business sites.

We opened four dojos, one each for safety, quality, maintenance, and assembly, at Daicel Safety Systems (Jiangsu) Co., Ltd. (DSSC) in China, the largest of our manufacturing sites, in February 2019, and two dojos, for safety and maintenance training, at Daicel Safety Systems (Thailand) Co., Ltd. (DSST) in Thailand in January 2021.

We conduct training and development programs tailored to local cultures and the scale of each business site based on our relentless pursuit of safety and quality and by instilling Daicel's monozukuri spirit.



Training and Certification Program for Trainers

Native Forests for Life Initiative

What Are Native Forests for Life?

The pioneering figure in “Native Forests for Life” was the late Dr. Akira Miyawaki, who strove to recreate the local natural forests of each area through his tree planting method. His efforts were centered on the vegetation belonging to a region’s natural environment, its potential natural vegetation. By using the unique Miyawaki method of planting mixed species of trees, forests appropriate to the region are preserved and lead to protection from earthquakes, floods, and other natural disasters. We believe that Dr. Miyawaki’s Native Forests for Life Initiative leads to personal growth on the part of both the people who plan and administer the tree planting ceremonies and the participants who learn as they plant trees, so the participation of local residents, including children, is an important feature of this tree planting method.

The Daicel Group’s Objectives in the Native Forests for Life Initiative



Daicel Corporation launched its Native Forests for Life Committee, chaired by the company’s president, in March 2016. The aims of this initiative are as follows:

(1) Restoring natural vegetation through mixed planting

Natural forests consist of a wide variety of tree species. Like one of these forests, we aim to become a stronger organization, with each staff member playing a role and supporting each other through forest development activities.

(2) Strengthening cooperation with local communities

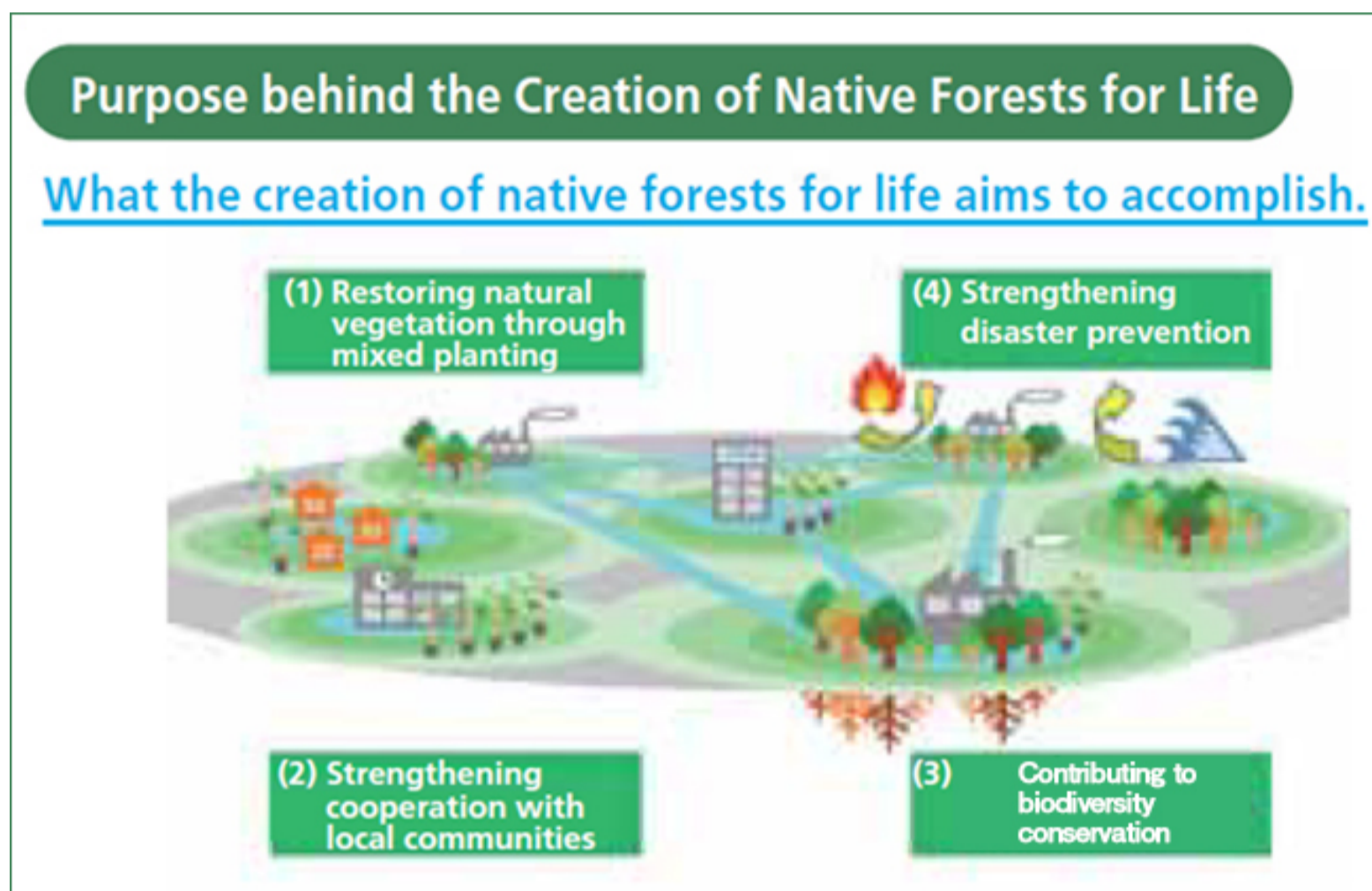
Through tree planting activities, we build ties with people in neighboring communities and help them understand our manufacturing activities and business operations by interacting with them through tree planting.

(3) Contributing to biodiversity conservation

We help realize a low-carbon society while striving to preserve the global environment.

(4) Strengthening disaster prevention

We create forests that will, in turn, prevent fires from spreading, mitigate the fallout of natural disasters, and reduce noise from human activity.



Native Forests for Life Tree Planting Ceremony

Daicel's first tree planting ceremony was held at the Harima Plant on April 9, 2016, and other plants have followed by holding their own tree planting ceremonies. Not only Daicel Group employees but also their families, employees of contracting firms, and local residents take part in planting trees, making these ceremonies opportunities for interactions between Daicel and local communities. In November 2019, we held tree planting ceremonies at the Aboshi Plant, Hirohata Plant, and Innovation Park to commemorate our 100th anniversary, with about 1,500 participants planting 10,300 seedlings.

■ Past Tree Planting Ceremonies

Business site	Date	Location of tree planting	Number of trees planted	Number of species	Number of participants
Harima Plant	May 27, 2021*	No.7 Gunpowder Magazine South	52	36	20
Harima Plant	March 30, 2021*	Around the No.3 parking lot	1,682	36	61
Harima Plant	April 28, 2020*	South of the No.1 Workshop, near the road to the Functional Testing Center	1,890	36	55
Himeji Area (Aboshi Plant Hirohata Plant Innovation Park)	November 2, 2019	Shiohama (along the border of the parking lot)	10,300	36	1,500
Harima Plant	March 29, 2019	North property border	1,399	36	138
Daicel Chemical (China)	March 10, 2019	Changxing Island, Shanghai	13	1	25
Harima Plant	December 21, 2018	East property border	1,410	36	183
Ohtake Plant	April 14, 2018	Areas surrounding the office building site	2,000	36	517
Harima Plant	March 19, 2018	Nanodiamond Testing Center	456	27	117
Arai Plant	September 30, 2017	Areas surrounding the truck gate	1,272	30	335
Harima Plant	April 9, 2016	Areas surrounding parking lot No.1	2,052	36	543

* Tree planting activities organized since April 2020 have been limited to employees of the Daicel Group, with thorough COVID-19 prevention measures in places, including social distancing and mask wearing.



At the 100th Anniversary Tree Planting Ceremony

Independent Assurance Statement

October 28, 2022

Mr. Yoshimi Ogawa
President and CEO
Daicel Corporation

1. Purpose

We, Sustainability Accounting Co., Ltd., have been engaged by Daicel Corporation (hereinafter "the Company") to provide limited assurance on greenhouse gas (GHG) emissions of the Company in FY2022/3, which are 1,567 thousand t-CO_{2e} (Scope1), 42 thousand t-CO_{2e} (Scope2 Market-Based) and 1,335 thousand t-CO₂ (Scope3 Categories 1,2,3,4,5,6 and 7). The purpose of this process is to express our conclusion on whether the GHG emissions were calculated in accordance with the Company's standards. The Company's management is responsible for calculating the GHG emissions. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

2. Procedures Performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and 3410 (ISAE3410). The key procedures we carried out included:

- Interviewing the Company's responsible personnel to understand the Company's standards
- Reviewing the Company's standards
- Performing cross-checks on a sample basis and performing a recalculation to determine whether the GHG emissions were calculated in accordance with the Company's standards.

3. Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the GHG emissions have not been calculated in all material respects in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.



Takashi Fukushima
Representative Director
Sustainability Accounting Co., Ltd.

Editorial Policy

The Daicel Group aspires to realize its Basic Philosophy of becoming “The company making lives better by co-creating value,” and it continues to conduct its businesses with a view to both improving social sustainability and enhancing medium- to long-term corporate value.

Our sustainability website provides our various stakeholders with a comprehensive array of detailed non-financial information, including the Daicel Group's concept of sustainability and sustainability efforts made in the current fiscal year. We also encourage all stakeholders to read “Daicel Report,” which provides a concise accounting of our approaches and efforts toward improving the Daicel Group's medium- to long-term corporate value.

Sustainability Website

This website provides a comprehensive range of information on sustainability, including detailed data. We reference certain guidelines such as the GRI's Sustainability Reporting Standards (GRI Standards) when disclosing information.

Daicel Report (Integrated Report)

Aimed at providing our shareholders, investors, and many other stakeholders with a better understanding of the Daicel Group and a tool for communication, these reports are a concise consolidation of financial and non-financial information that is highly relevant to our medium- to long-term value creation story.

Sustainability Report (Online PDF)

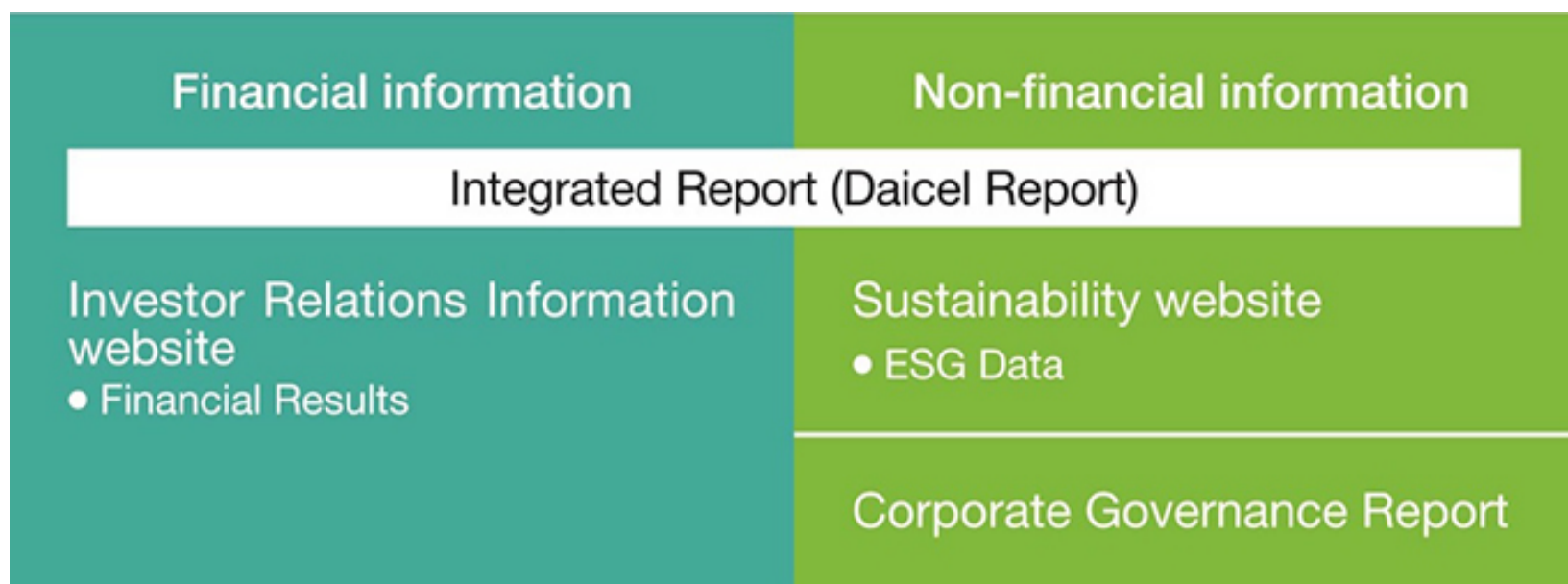
Sustainability Report is a PDF format document that presents information from annual reports that have been released on our sustainability website.

ESG Data

ESG Data contains more detailed data focusing on the environment, society, and governance, and has been released since FY2020/3.

For Daicel Report (Integrated Report), Sustainability Report, and ESG Data, please visit [“Sustainability Library”](#) page. In addition, detailed financial data is available from the [“Investor Relations”](#) tab on our website.

In preparing our reports and the data on our website, we give a lot of care to ensuring that information is presented in a clear and reader-friendly fashion.



[> Integrated Report \(Daicel Report\) \[PDF : 12.7MB\]
 !\[\]\(529949c2c3dadbaa4e538e8c643454bc_img.jpg\)](#)

[> Investors Relations Information Website](#)

[> Sustainability Website](#)

[> ESG Data \[PDF : 68KB\]
 !\[\]\(0f848bbd71cef6b345273b16f905912a_img.jpg\)](#)

[> Corporate Governance Report \[PDF : 366KB\]
 !\[\]\(339a16584d5da0f0a3ca4e9ec17bf6a1_img.jpg\)](#)

Reporting Period

FY2022/3 (April 2021 to March 2022)

Note: The reporting period for environmental and occupational safety and health data for overseas Group companies is from January through December 2021, except for the environmental data of overseas subsidiaries of Polyplastics Co., Ltd.

Entities within the Scope of Reporting

The report covers initiatives of Daicel Group companies and those of other companies as noted.

The following terms are used in the report.

- Daicel / We / Our: Daicel Corporation
- Group companies: Subsidiaries of Daicel Corporation
- Daicel Group / The Group: Daicel Corporation and its subsidiaries

The following terms are used in the report on environmental and occupational safety and health.

- Daicel Group / The Group: Business sites of Daicel Corporation and its subsidiaries
- Daicel's business sites: Daicel Corporation's plants and research institutes as well as domestic Group companies operating on the premises of Daicel's business sites (not including the headquarters)
- Domestic Group companies: Business sites of the domestic Group companies operating outside the premises of Daicel's business sites
- Overseas Group companies: Business sites of Daicel's overseas Group companies

The scope of the Group companies for reporting varies depending on the content of the initiatives.

Refer to the following websites for more details.

[> Scope of Reporting for Human Resources Data](#)

[> Scope of Data Calculation for Environmental and Occupational Safety Performance](#)

Dates of Website Update and Publication of the Report

Sustainability section of our website: August 2022 (next update: August 2023 / last update: August 2021)

* We also update the website as necessary.

Daicel Report 2022: August 2022 (next edition: August 2023 / previous edition: August 2021)

Guidelines Used for Reference

Sustainability section of our website

- GRI Sustainability Reporting Standards 2016 / 2018 / 2019 / 2020

Daicel Report 2022

- International Integrated Reporting Framework, Value Reporting Foundation
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI)
- GRI Sustainability Reporting Standards 2016 / 2018 / 2019 / 2020

Scope of Reporting for Human Resources Data

The report covers initiatives of Daicel Group companies and those of other companies as noted. The scope of the Group companies for reporting varies depending on the content of the initiatives. Data concerning human capital that is included in this report is as follows.

- ① Initiatives reported in Creating Attractive Workplaces (except (2) and Initiatives of Occupational Health and Safety)
 - * For the scope of reporting for Initiatives of Occupational Health and Safety, please see [“Scope of Data Calculation for Environmental and Occupational Safety Performance”](#) .
- ② Initiatives of the Healthcare Committee reported in Initiatives to Help Employees Maintain Mental and Physical Health, under Creating Attractive Workplaces

Daicel Corporation

Company Name	Region		①	②
	Domestic	Tokyo		
DAICEL CORPORATION	Domestic	Tokyo	○	○

Consolidated Companies

Company Name	Region		①	②
	Domestic	Tokyo		
Polyplastics Co., Ltd.	Domestic	Tokyo	○	○
PTM Holdings, Inc.	Domestic	Tokyo	-	-
P Holdings, Inc.	Domestic	Tokyo	-	-
Daicel Miraizu Ltd.	Domestic	Tokyo	○	○
Daicel Pack Systems Ltd.	Domestic	Tokyo	○	○
Daicel Value Coating Ltd.	Domestic	Hyogo	○	○
Daicel Membrane-Systems Ltd.	Domestic	Tokyo	○	○
PI-CRYSTAL, Inc.	Domestic	Chiba	-	-
Daicel Pyrotechnics Ltd.	Domestic	Gunma	○	-

Company Name	Region		①	②
Dainichi Chemical Co.,Ltd.	Domestic	Fukushima	○	-
Daicel Arai Chemical Ltd.	Domestic	Niigata	○	○
DM Novafoam Ltd.	Domestic	Nagano	○	-
PolyplaServise Co., Ltd.	Domestic	Shizuoka	○	-
Kyoei Shokusan Co.,Ltd.	Domestic	Osaka	○	-
Daicel Logistics Service Co.,Ltd.	Domestic	Osaka	○	○
Daicel Safety Systems Inc.	Domestic	Hyogo	○	○
Kyodo Sakusan Co.,Ltd.	Domestic	Tokyo	○	-
Daicel Aboshi Sangyo Co.,Ltd.	Domestic	Hyogo	○	○
Daicel Ohtake Sangyo Co.,Ltd.	Domestic	Hiroshima	○	○
Daicel Safety Systems (Jiangsu) Co., Ltd.	East Asia	Jiangsu	○	-
Daicel Safety Technologies (Jiangsu) Co., Ltd.	East Asia	Jiangsu	○	-
PTM Engineering Plastics (Nantong) Co., Ltd.	East Asia	Jiangsu	○	-
Polyplastics (Nantong) Ltd.	East Asia	Jiangsu	○	-
DP Engineering Plastics (Nantong) Co.,Ltd	East Asia	Jiangsu	○	-
Daicel Nanning Food Ingredients Co., Ltd.	East Asia	Guangxi Zhuang Autonomous Region	○	-
Daicel Chiral Technologies (China) Co., Ltd.	East Asia	Shanghai	○	-
Polyplastics Trading (Shanghai) Ltd.	East Asia	Shanghai	○	-
Polyplastics (Shanghai) Ltd.	East Asia	Shanghai	○	-
Shanghai Daicel Polymers, Ltd.	East Asia	Shanghai	○	-
Daicel Trading (Shanghai) Ltd.	East Asia	Shanghai	○	-
Daicel (China) Investment Co., Ltd.	East Asia	Shanghai	○	-

Company Name	Region		①	②
Polyplastics China Ltd.	East Asia	Hong Kong	○	-
Daicel Miraizu (Hong Kong) Ltd.	East Asia	Hong Kong	○	-
Polyplastics Taiwan Co., Ltd.	East Asia	Taipei	○	-
Daicel Micro Optics Co. Ltd.	East Asia	Hsinchu	○	-
Daicel Safety Systems Korea, Inc.	East Asia	Gyeongsangbuk-do	○	-
Polyplastics Korea Ltd.	East Asia	Seoul	○	-
Special Devices (Thailand) Co., Ltd.	South and Southeast Asia	Saraburi	○	-
Polyplastics Marketing (T) Ltd.	South and Southeast Asia	Bangkok	○	-
Daicel Miraizu (Thailand) Co., Ltd.	South and Southeast Asia	Bangkok	○	-
Daicel Safety Systems (Thailand) Co., Ltd.	South and Southeast Asia	Prachinburi	○	-
Daicel Safety Technologies (Thailand) Co., Ltd.	South and Southeast Asia	Prachinburi	○	-
Polyplastics Asia Pacific Singapore Pte. Ltd.	South and Southeast Asia	Singapore	○	-
Polyplastics Marketing (India) Private Limited	South and Southeast Asia	Maharashtra	○	-
Daicel (Asia) Pte. Ltd.	South and Southeast Asia	Singapore	○	-
Polyplastics Asia Pacific Sdn. Bhd.	South and Southeast Asia	Kuala Lumpur	○	-
Daicel Safety Systems India Pvt. Ltd.	South and Southeast Asia	Haryana	○	-
Daicel Chiral Technologies (India) Pvt. Ltd.	South and Southeast Asia	Andhra Pradesh	○	-

Company Name	Region		①	②
Daicel Safety Systems Americas, Inc.	North and Central America	Arizona	○	-
Daicel America Holdings, Inc.	North and Central America	California	○	-
Daicel ChemTech, Inc.	North and Central America	New Jersey	○	-
Chiral Technologies, Inc.	North and Central America	Pennsylvania	○	-
Daicel Arbor Biosciences (official name: Biodiscovery LLC)	North and Central America	Michigan	○	-
Polyplastics USA, Inc.	North and Central America	Michigan	○	-
Polyplastics Marketing Mexico, S.A. de C.V.	North and Central America	Mexico City	○	-
Lomapharm GmbH	Europe	Niedersachsen	○	-
Polyplastics Europe GmbH	Europe	Hessen	○	-
Topas Advanced Polymers GmbH	Europe	Hessen	○	-
Daicel (Europa) GmbH	Europe	Hessen	○	-
LCP Leuna Carboxylation Plant GmbH	Europe	Sachsen-Anhalt	○	-
Daicel Safety Systems Europe Sp. z o. o.	Europe	Województwo dolnośląskie	○	-
Chiral Technologies Europe S.A.S.	Europe	Bas-Rhin	○	-

Other Affiliated Companies

Company Name	Region		①	②
Special Devices Japan Ltd.	Domestic	Tokyo	-	-
Polyplastics-Evonik Corporation	Domestic	Tokyo	○	○
Daicel-ALLNEX Ltd.	Domestic	Tokyo	○	○
Kyoudou Polymer Co., Ltd.	Domestic	Tokyo	-	-
Toyo Styrene Co., Ltd.	Domestic	Tokyo	-	-
Nagano Novafoam Sangyo Ltd.	Domestic	Nagano	○	○
Toyoshina Film Co.,Ltd.	Domestic	Nagano	-	-
Toyama Filter Tow Co., Ltd	Domestic	Toyama	-	-
Hirohata Terminal Company Ltd.	Domestic	Hyogo	-	-
Hayashi Shipping,Co.Ltd	Domestic	Hyogo	-	-
Ningbo Da-An Chemical Industries Co., Ltd.	East Asia	Zhejiang	-	-
Xi'an Huida Chemical Industries Co., Ltd.	East Asia	Shaanxi	-	-
Shanghai Da-Shen Cellulose Plastics Co., Ltd.	East Asia	Shanghai	-	-
Advanced Monomers Pvt. Ltd.	South and Southeast Asia	Maharashtra	-	-
Chrom Tech Ltd.	Europe	Buckinghamshire	-	-

Scope of Data Calculation for Environmental and Occupational Safety Performance

Scope of Data Calculation for Environmental and Occupational Safety Performance (in random order)

Daicel's Business Sites

Daicel's Business Sites (plants and research institutes)

- Daicel Corporation (Arai Plant, Kanzaki Plant, Himeji Production Sector/Hirohata Plant, Himeji Production Sector/Aboshi Plant, Harima Plant, Ohtake Plant, Innovation Park)

Group Companies in Japan

Business sites of domestic Group companies operating on or outside of Daicel Corporation's business sites (plants and research institutes)

- DM Novafoam Ltd. (Aomori Plant, Nagano Plant, Okayama Plant)
- Dainichi Chemical Co., Ltd. (Iwaki Plant)
- Daicel Pyrotechnics Ltd. (Takasaki Plant, Gunma Giant Shooting Practice Range)
- Daicel Pack Systems Ltd. (Isesaki Plant)
- Polyplastics Co., Ltd. (Fuji Plant, R&D Center Fuji, Technical Solution Center Fuji)
- Daicel Logistics Service Co., Ltd. (Kanto Logistics Center Chiba Business Office, Kanto Logistics Center Atsugi Business Office, Kansai Logistics Center Yokkaichi Business Office, Kansai Logistics Center Amagasaki Business Office, Arai Plant*, Himeji Production Sector/Aboshi Plant*, Ohtake Plant*)
- Daicel Value Coating Ltd. (Kanzaki Plant)*
- Daicel Miraizu Ltd. (Kanzaki Plant, Himeji Production Sector/Aboshi Plant, Himeji Production Sector/Hirohata Plant)*
- Toyo Styrene Co., Ltd. (Himeji Production Sector/Hirohata Plant)*
- Polyplastics-Evonik Corporation (Himeji Production Sector/Aboshi Plant)*
- Daicel Membrane-Systems Ltd. (Himeji Production Sector/Aboshi Plant)*
- Kyodo Sakusan Co., Ltd. (Himeji Production Sector/Aboshi Plant)*
- Daicel Aboshi Sangyo Co., Ltd. (Himeji Production Sector/Aboshi Plant)*
- Daicel Arai Chemical Ltd. (Arai Plant)*
- Daicel Ohtake Sangyo Co., Ltd. (Ohtake Plant)*

* Considered a Daicel business site for data calculation purposes as the company is located on Daicel business site premises.

Group Companies Overseas

Business sites of overseas Group companies (plants and research institutes)

(East Asia)

- Daicel Safety Systems (Jiangsu) Co., Ltd.
- PTM Engineering Plastics (Nantong) Co., Ltd.
- Polyplastics (Nantong) Ltd.
- Shanghai Daicel Polymers, Ltd.
- Daicel Chiral Technologies (China) Co., Ltd.
- Daicel Nanning Food Ingredients Co., Ltd.
- Polyplastics Taiwan Co., Ltd.
- Daicel Safety Systems Korea, Inc.

(Southeast Asia / South Asia)

- Polyplastics Asia Pacific Sdn. Bhd.
- Daicel Safety Technologies (Thailand) Co., Ltd
- Daicel Safety Systems (Thailand) Co., Ltd.
- Special Devices (Thailand) Co., Ltd.
- Daicel Chiral Technologies (India) Pvt. Ltd.

(North America)

- Daicel Safety Systems Americas, Inc. (states of Kentucky and Arizona)
- Chiral Technologies, Inc.
- Daicel Arbor Biosciences (officially Biodiscovery LLC)

(Europe)

- Chiral Technologies Europe S.A.S.
- LCP Leuna Carboxylation Plant GmbH
- Topas Advanced Polymers GmbH
- Lomapharm GmbH
- Daicel Safety Systems Europe Sp. z o. o.

Participation in Initiatives and External Recognition

Participation in Initiatives

#Here We Go 203030

Challenge for Raising the Ratio of Female Executives to 30% by 2030

This is an initiative announced by Keidanren (Japan Business Federation) in November 2020 to promote active participation in the workplace by diverse people. “The NEW Growth Strategy” focuses on diversity and inclusion as the key drivers for achieving sustainable growth and upholds the goal of raising the ratio of female executives to 30% or more by 2030.



➤ [Promotion of Diversity and Inclusion](#)

➤ [Keidanren “Challenge Initiatives for 30% of Executives to be Women by 2030”](#)

Japan Clean Ocean Material Alliance (CLOMA)

This platform was set up with the aim of addressing the emerging concerns regarding marine plastic by seeking sustainable use of plastic products, as well as developing, introducing, and popularizing alternative products that will lead to waste reduction. The alliance plans and promotes activities across industries for the business community as a whole, and it seeks sustainable development through materials in a united effort between the public and private sectors.



Clean Ocean Material Alliance

United Nations Global Compact

In this voluntary initiative, companies and organizations participate in the creation of a global framework for realizing sustainable growth by demonstrating responsible and creative leadership as a good member of society.

Under the Global Compact, companies are required to embrace and support essential values in the fields of human rights, labour, environment, and anti-corruption.

WE SUPPORT



[> Sustainability Promotion](#)

Sustainable Development Goals (SDGs)

The SDGs are common goals of the international community proposed under the 2030 Agenda for Sustainable Development, which was unanimously adopted by member countries during a United Nations summit meeting held in September 2015. The SDGs consist of 17 goals and 169 targets aimed at creating a sustainable and better world by 2030, and participants have pledged to realize a society that leaves no one behind.

SUSTAINABLE DEVELOPMENT GOALS



[> Sustainability Promotion](#)

Responsible Care

In the chemical industry, each company that handles chemical substances engages in activities for preserving the environment and ensuring safety and health at every stage of operations, from product development and manufacturing to distribution, use, final consumption and recycling, as well as disclosing the results of their activities and holding dialogues and communicating with society. These activities are called Responsible Care (RC) activities.



[> Responsible Care Activities](#)

TCFD Sponsorship

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board (FSB) at the behest of the G20 to consider how best to disclose climate-related information and what actions financial institutions should take. In its Final Report, the TCFD recommends corporations identify the impacts of climate change on their finances and encourages information disclosure.



External Recognition

Certified as a “White 500” Organization under the 2022 Certified Health and Productivity Management Outstanding Organizations Recognition Program

The name of this program is a comprehensive term for large enterprises that have been certified as organizations engaging in excellent health and productivity management in collaboration with insurers.

Companies are certified under the framework, jointly led by Japan’s Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi, to recognize organizations that are practicing particularly excellent health and productivity management.



[> Recognized for the Third Consecutive Year as a “White 500” Organization under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program](#)

[> METI: Certified Health & Productivity Management Organization Recognition Program](#)

Eruboshi Three-Star Certification

The Eruboshi certification recognizes companies that meet certain requirements, such as excellence in implementing initiatives on female participation and advancement, from among those that formulate and submit their action plan as business owners. Three stars signify the highest level of Eruboshi certification, given to companies that meet all five criteria, including the ratio of executives and work hours, and publish the results each year in a database of companies that promote women's careers.



➤ [Received the “Eruboshi” Three-Star certification from the Ministry of Health, Labor and Welfare](#)

➤ [Ministry of Health, Labor and Welfare: Eruboshi Certification of Outstanding Enterprises \(Japanese only\)](#)

“Leading Company with Active Women Participation” Certification from Osaka City

Osaka City certifies companies and organizations that actively create workplace environments that are friendly to women based on a set of criteria under its “Leading Company with Active Women Participation” program. Through the certification, the city aims to develop social recognition for these companies to broadly promote their initiatives.



➤ [Certified as a “Leading Company for Women's Advancement” from Osaka City.](#)

➤ [Plaza for Supporting Brilliant Women—To the Future... Lady... Go! \(Japanese only\)](#)

Selected as a Constituent of the MSCI Japan ESG Select Leaders Index

The MSCI Japan ESG Select Leaders Index is comprised of companies that score relatively highly in terms of environment, social and governance (ESG) aspects from among the constituents of the MSCI Japan IMI Top 500 Index.

**2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

➤ [MSCI Japan ESG Select Leaders Index](#)

Selected as a Constituent of the MSCI Japan Empowering Women Index (WIN)

The MSCI Japan Empowering Women Index (WIN) is comprised of companies that excel in promoting gender diversity within their sectors. They are selected by MSCI from among the constituents of the MSCI Japan IMI Top 700 Index by calculating gender diversity scores from multiple perspectives based on data related to female employment disclosed under the Act on the Promotion of Female Participation and Career Advancement in the Workplace.

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

[> MSCI Japan Empowering Women Index \(WIN\)](#)

- * The inclusion of Daicel Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Daicel Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Selected as a Constituent of the FTSE4Good Index Series

The FTSE4Good Index Series, created by FTSE Russell, is designed to measure the performance of companies that excel in ESG (Environmental, Social and Governance) responsiveness.



FTSE4Good

[> FTSE4Good Index Series](#)

- * FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daicel Corporation has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Selected as a Constituent of the FTSE Blossom Japan Index

The FTSE Blossom Japan Index, created by FTSE Russell, is designed to measure the performance of Japanese companies with high ESG (Environmental, Social and Governance) ratings. The index is calibrated in line with the composition of the Japanese equity market to ensure that the companies included in the index are not biased towards any industry sectors.



FTSE Blossom Japan Index

[> FTSE Blossom Japan Index Series](#)

* FTSE Russell confirms that Daicel Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

Selected as a Constituent of the FTSE Blossom Japan Sector Relative Index

The FTSE Blossom Japan Sector Relative Index, created by FTSE Russell, is designed as a sector neutral benchmark that reflects the relative performance of companies demonstrating strong environmental, social, and governance practices in that sector. To promote a low carbon economy, for companies with particularly significant greenhouse gas emissions, index inclusion is granted only to those whose TPI* Management Quality Score reflects a strong commitment to reducing such emissions.

* Transition Pathway Initiative (TPI) is a global initiative established under the leadership of asset owners in the UK in 2017 to support efforts to address climate change



FTSE Blossom Japan Sector Relative Index

[> FTSE Blossom Japan Index Series](#)

* FTSE Russell confirms that Daicel Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become each constituent of the FTSE Blossom Japan Sector Relative Index. FTSE Blossom Japan Sector Relative Index are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Awarded the Silver Medal from EcoVadis (Sustainability Rating) for Our Sustainability Efforts

EcoVadis is an organization that rates companies based on the information they publish pertaining to the environment, labor, human rights, ethics, and their use of sustainable materials, as well as their related strategies and initiatives. It provides well-trusted ratings by analyzing corporate data with regard to each company's industry, size, and location. The silver medal is given to the top 25% of all companies rated by EcoVadis.



[> EcoVadis](#)

Selected as a Constituent of the S&P/JPX Carbon Efficient Index

The S&P/JPX Carbon Efficient Index determines the weight of companies in the TOPIX index based on the environmental information they disclose and their carbon efficiency (carbon emissions per unit of revenue).



[> S&P/JPX Carbon Efficient Index](#)

GRI Content Index

Daicel Group has reported in accordance with the GRI Standards in preparing "DAICEL Report 2022" and "Corporate Website".

The sections relevant to each GRI content are as follows.

Statement of use	Daicel Corporation has reported in accordance with the GRI Standards for the period from April 2021 to March 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	

	DAICEL Report 2022	Corporate Website
Universal Standards		
GRI 1: Foundation 2021		
GRI 2: General Disclosures 2021		
1. The organization and its reporting practices		
Disclosure 2-1 Organizational details	P04 At a Glance P68 Company Data	Corporate Data Business Locations & Group Companies
Disclosure 2-2 Entities included in the organization's sustainability reporting	P02 Editorial Policy	Editorial Policies Business Locations & Group Companies List of Data Collection Boundaries
Disclosure 2-3 Reporting period, frequency and contact point	The reporting period is identical with that of Securities Report. P03 Editorial Policy (back cover) Inquiries	Editorial Policies Securities Report (Japanese Only)(indicated on the front cover) Contact Us https://www.daicel.com/contact/
Disclosure 2-4 Restatements of information	Not applicable	
Disclosure 2-5 External assurance	P69 Independent Third Party Assurance Report	Independent Assurance Statement
2. Activities and workers		
Disclosure 2-6 Activities, value chain and other business relationships	P16 Value Creation Process P44 Initiatives to Achieve Sustainable Procurement	P05-06,P104 Securities Report (Japanese Only) Sustainable Procurement
Disclosure 2-7 Employees	P04 At a Glance	ESG Data
Disclosure 2-8 Workers who are not employees		ESG Data
3. Governance		
Disclosure 2-9 Governance structure and composition	P44 Sustainable Management System P52 Directors, Audit & Supervisory Board Members, and Executive Officers P54-55 Corporate Governance P56 Structure of the Board of Directors and Board of Auditors P57 Directors' and Auditors' Primary Areas of Knowledge and Experience (Skill Matrix)	Corporate Governance Sustainability Management Directors & Senior Management ESG Data
Disclosure 2-10 Nomination and selection of the highest governance body	P57 Directors' and Auditors' Primary Areas of Knowledge and Experience (Skill Matrix)	Corporate Governance Voting Results Standards for Independence of Outside Directors/Outside Audit & Supervisory Board Members
Disclosure 2-11 Chair of the highest governance body	P56 Structure of the Board of Directors and Board of Auditors	Corporate Governance Report Corporate Governance
Disclosure 2-12 Role of the highest governance body in overseeing the management of impacts	P44 Sustainability Management P46-47 Identifying Key Sustainability Issues (Materiality)	Materiality Sustainability Management
Disclosure 2-13 Delegation of responsibility for managing impacts	P44 Sustainability Management	Sustainability Management
Disclosure 2-14 Role of the highest governance body in sustainability reporting		
Disclosure 2-15 Conflicts of interest		Corporate Governance Report
Disclosure 2-16 Communication of critical concerns	P58 Corporate Ethics (Compliance)	Corporate Compliance
Disclosure 2-17 Collective knowledge of the highest governance body	P58 Corporate Ethics (Compliance)	Corporate Compliance Corporate Governance
Disclosure 2-18 Evaluation of the performance of the highest governance body	P54 Corporate Governance	Corporate Governance
Disclosure 2-19 Remuneration policies	P57 Compensation for Directors and Audit & Supervisory Board Members	Corporate Governance
Disclosure 2-20 Process to determine remuneration	P57 Compensation for Directors and Audit & Supervisory Board Members	Corporate Governance
Disclosure 2-21 Annual total compensation ratio		
4. Strategy, policies and practices		
Disclosure 2-22 Statement on sustainable development strategy	P10 Message from the President and CEO	Message from the President and CEO
Disclosure 2-23 Policy commitments		Policy List Respect for Human Rights
Disclosure 2-24 Embedding policy commitments	P46-47 Identifying Key Sustainability Issues (Materiality) P58 Corporate Ethics (Compliance)	Materiality Respect for Human Rights Corporate Compliance
Disclosure 2-25 Processes to remediate negative impacts	P58 Corporate Ethics (Compliance) P59 Risk Management	Enhancing Product Quality Respect for Human Rights Corporate Compliance
Disclosure 2-26 Mechanisms for seeking advice and raising concerns	P58 Corporate Ethics (Compliance)	Corporate Compliance Respect for Human Rights
Disclosure 2-27 Compliance with laws and regulations		Environmental Management
Disclosure 2-28 Membership associations		
5. Stakeholder engagement		
Disclosure 2-29 Approach to stakeholder engagement	P07 Sustainable Management Policy	Sustainability Management
Disclosure 2-30 Collective bargaining agreements		

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GRI 3:Material Topics 2021			
1. Guidance to determine material topics			
2. Disclosures on material topics			
Disclosure 3-1	Process to determine material topics	P46 Identifying Key Sustainability Issues (Materiality)	Materiality
Disclosure 3-2	List of material topics	P46 Identifying Key Sustainability Issues (Materiality)	Materiality
Disclosure 3-3	Management of material topics	P46 Identifying Key Sustainability Issues (Materiality)	Respect for Human Rights Materiality Policy list Emission Management of Chemical Substances Environmental Management and Prevention of Air Pollution
Economic			
GRI 201 : Economic Performance 2016			
201-1	Direct economic value generated and distributed	P60-67 Financial Information P05 At a Glance	Financial Summary Securities Report (Japanese Only)
201-2	Financial implications and other risks and opportunities due to climate change		
201-3	Defined benefit plan obligations and other retirement plans		P93 Securities Report (Japanese Only)
201-4	Financial assistance received from government		P97 Securities Report (Japanese Only)
GRI 202 : Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Recruitment Data (Japanese Only) Foster a Corporate Culture That Meets Employee Needs
202-2	Proportion of senior management hired from the local community		
GRI 203 : Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported		
203-2	Significant indirect economic impacts		
GRI 204 : Procurement Practices 2016			
204-1	Proportion of spending on local suppliers		
GRI 205 : Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption		
205-2	Communication and training about anti-corruption policies and procedures		Corporate Compliance
205-3	Confirmed incidents of corruption and actions taken		Corporate Compliance
GRI 206 : Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Corporate Compliance There were no applicable instances.
GRI 207 : Tax 2019			
207-1	Approach to tax		Corporate Compliance
207-2	Tax governance, control, and risk management		
207-3	Stakeholder engagement and management of concerns related to tax		
207-4	Country-by-country reporting		
Environmental			
GRI 301 : Materials 2016			
301-1	Materials used by weight or volume		Environmental Management ESG Data
301-2	Recycled input materials used		
301-3	Reclaimed products and their packaging materials		
GRI 302 : Energy 2016			
302-1	Energy consumption within the organization	P16 Value Creation Process	Environmental Management Response to Climate Change ESG Data
302-2	Energy consumption outside of the organization		
302-3	Energy intensity		Response to Climate Change ESG Data
302-4	Reduction of energy consumption		Response to Climate Change ESG Data
302-5	Reductions in energy requirements of products and services		
GRI 303 : Water and Effluents 2018			
303-1	Interactions with water as a shared resource		Water Resource Preservation
303-2	Management of water discharge-related impacts		Water Resource Preservation
303-3	Water withdrawal	P16 Value Creation Process	Water Resource Preservation ESG Data
303-4	Water discharge		Water Resource Preservation ESG Data

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	303-5	Water consumption	Water Resource Preservation ESG Data
GRI 304 : Biodiversity 2016			
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
	304-2	Significant impacts of activities, products and services on biodiversity	
	304-3	Habitats protected or restored	Preserving Biodiversity Native Forests for Life Initiative
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	
GRI 305 : Emissions 2016			
	305-1	Direct (Scope 1) GHG emissions	P45 Response to Climate Change Response to Climate Change ESG Data
	305-2	Energy indirect (Scope 2) GHG emissions	P45 Response to Climate Change Response to Climate Change ESG Data
	305-3	Other indirect (Scope 3) GHG emissions	P45 Response to Climate Change Response to Climate Change ESG Data
	305-4	GHG emissions intensity	Response to Climate Change
	305-5	Reduction of GHG emissions	P46 Identifying Key Sustainability Issues (Materiality) Response to Climate Change ESG Data
	305-6	Emissions of ozone-depleting substances (ODS)	ESG Data
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Management Emission Management of Chemical Substances Environmental Management and Prevention of Air Pollution ESG Data
GRI 306 : Waste 2020			
	306-1	Waste generation and significant waste-related impacts	Emission Management of Chemical Substances
	306-2	Management of significant waste-related impacts	Emission Management of Chemical Substances
	306-3	Waste generated	ESG Data
	306-4	Waste diverted from disposal	ESG Data
	306-5	Waste directed to disposal	ESG Data
GRI 307 : Environmental Compliance 2016			
	307-1	Non-compliance with environmental laws and regulations	Environmental Management There were no applicable instances.
GRI 308 : Supplier Environmental Assessment 2016			
	308-1	New suppliers that were screened using environmental criteria	Sustainable Procurement
	308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Procurement
Social			
GRI 401 : Employment 2016			
	401-1	New employee hires and employee turnover	ESG Data
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Foster a Corporate Culture That Meets Employee Needs
	401-3	Parental leave	ESG Data
GRI 402 : Labor/Management Relations 2016			
	402-1	Minimum notice periods regarding operational changes	
GRI 403 : Occupational Health and Safety 2018			
	403-1	Occupational health and safety management system	Responsible Care Activities Occupational Health and Safety
	403-2	Hazard identification, risk assessment, and incident investigation	Responsible Care Activities Occupational Health and Safety Initiatives to Help Employees Maintain Mental and Physical Health
	403-3	Occupational health services	Occupational Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety
	403-5	Worker training on occupational health and safety	Support for Human Resource Development Occupational Health and Safety Human Development Center
	403-6	Promotion of worker health	Initiatives to Help Employees Maintain Mental and Physical Health Foster a Corporate Culture That Meets Employee Needs
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety

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	403-8	Workers covered by an occupational health and safety management system	Responsible Care Activities Occupational Health and Safety
	403-9	Work-related injuries	P46 Identifying Key Sustainability Issues (Materiality) Materiality Occupational Health and Safety ESG Data
	403-10	Work-related ill health	Occupational Health and Safety ESG Data
GRI 404 : Training and Education 2016			
	404-1	Average hours of training per year per employee	ESG Data
	404-2	Programs for upgrading employee skills and transition assistance programs	P22 Sustainable People Support for Human Resource Development
	404-3	Percentage of employees receiving regular performance and career development reviews	Support for Human Resource Development
GRI 405 : Diversity and Equal Opportunity 2016			
	405-1	Diversity of governance bodies and employees	Corporate Governance P46-48 Securities Report (Japanese Only) ESG Data
	405-2	Ratio of basic salary and remuneration of women to men	
GRI 406 : Non-discrimination 2016			
	406-1	Incidents of discrimination and corrective actions taken	
GRI 407 : Freedom of Association and Collective Bargaining 2016			
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
GRI 408 : Child Labor 2016			
	408-1	Operations and suppliers at significant risk for incidents of child labor	
GRI 409 : Forced or Compulsory Labor 2016			
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	
GRI 410 : Security Practices 2016			
	410-1	Security personnel trained in human rights policies or procedures	
GRI 411 : Rights of Indigenous Peoples 2016			
	411-1	Incidents of violations involving rights of indigenous peoples	
GRI 412 : Human Rights Assessment 2016			
	412-1	Operations that have been subject to human rights reviews or impact assessments	Respect for Human Rights
	412-2	Employee training on human rights policies or procedures	Respect for Human Rights
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	
GRI 413 : Local Communities 2016			
	413-1	Operations with local community engagement, impact assessments, and development programs	Contribution to Local Communities and Society
	413-2	Operations with significant actual and potential negative impacts on local communities	
GRI 414 : Supplier Social Assessment 2016			
	414-1	New suppliers that were screened using social criteria	Sustainable Procurement
	414-2	Negative social impacts in the supply chain and actions taken	Sustainable Procurement
GRI 415 : Public Policy 2016			
	415-1	Political contributions	ESG Data
GRI 416 : Customer Health and Safety 2016			
	416-1	Assessment of the health and safety impacts of product and service categories	P46 Identifying Key Sustainability Issues (Materiality) Enhancing Product Quality
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no instances of fines or penalties relating to any regulatory violation.
GRI 417 : Marketing and Labeling 2016			
	417-1	Requirements for product and service information and labeling	Chemical and Product Safety
	417-2	Incidents of non-compliance concerning product and service information and labeling	There were no instances of fines or penalties relating to any regulatory violation.
	417-3	Incidents of non-compliance concerning marketing communications	There were no applicable instances by Daicel Corporation.

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GRI 418 : Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no applicable instances by Daicel Corporation.	
GRI 419 : Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area		Corporate Compliance There were no applicable instances.