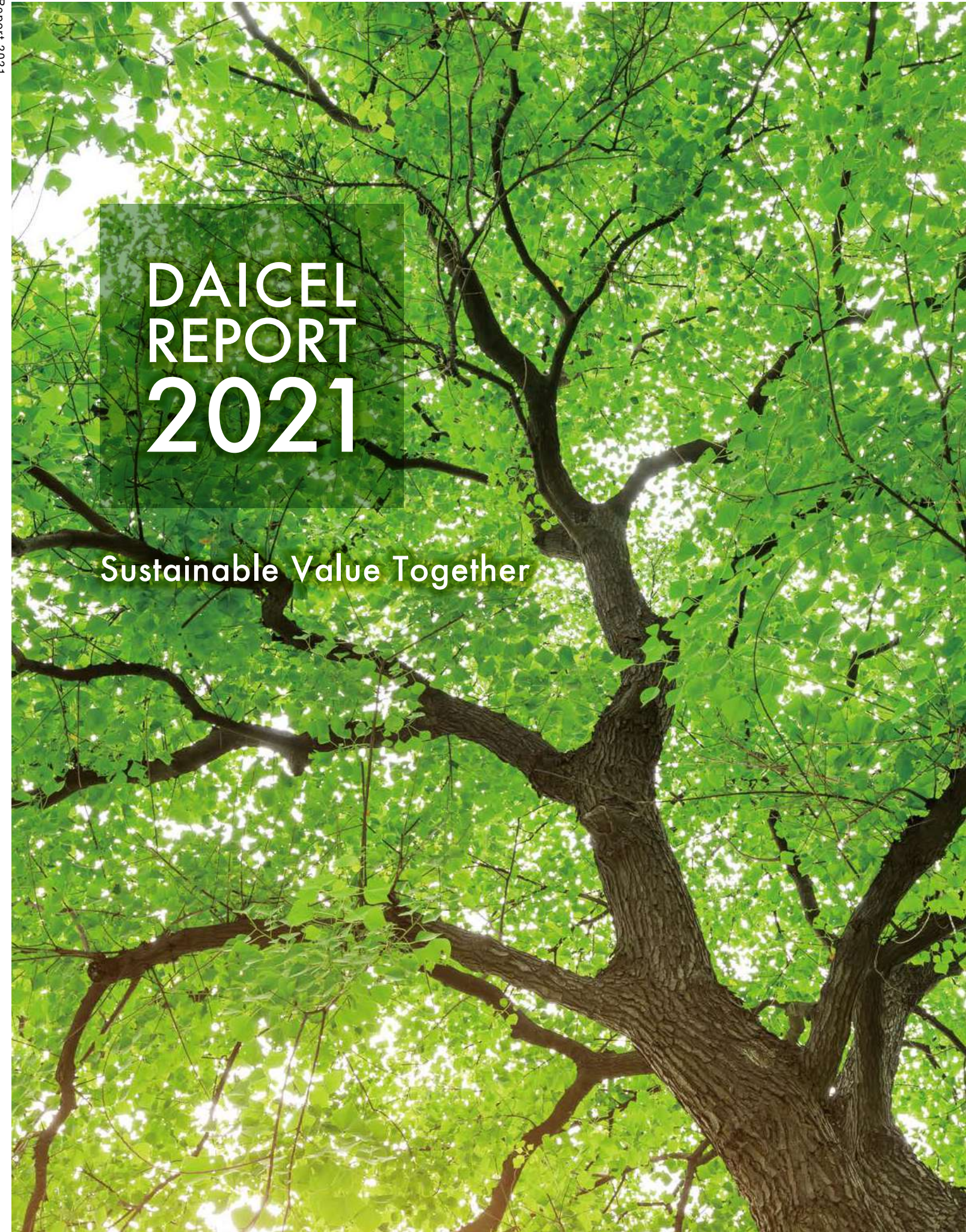




Thoughts on the cover photo of camphor tree

The times are changing from a society that consumes a large amount of fossil fuels, which is finite, to a society that circulates renewable resources. Daicel has set up a plan to make effective use of wood, which is a renewable carbon material, and to contribute to the construction of a new industrial ecosystem centered on forests, in which nature and industry are in harmony. We are confident that we will be able to create technology that can realize this concept because we have been based on naturally derived raw materials, such as the celluloid business, which uses camphor as a raw material, as our business foundation. We will continue to move forward with customers and partners who share our values.



DAICEL REPORT 2021

Sustainable Value Together



Daicel Corporation

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Basic Philosophy

Sustainable Value

The company making lives better by co-creating value

In the 1900s, Japan began producing raw materials for celluloid, which was applied to a broad range of household items that improved the quality of people's lives. However, the special procurement boom caused by World War I led to a proliferation of domestic celluloid manufacturers and intense competition, resulting in a decline in quality from the mass production of inferior products and the indiscriminate felling of camphor trees.

Eight leading manufacturers concerned about the situation sought to restructure the industry by merging to form Dainippon Celluloid Co., Ltd., the predecessor of today's Daicel Corporation. This merger made it possible to manage raw material resources, stabilize production and quality, and nurture processing companies in the downstream industry, thereby laying the foundation for a manufacturer boasting the top share of global celluloid shipments.

Furthermore, research for fireproofing celluloid, which was conducted alongside the merger, laid the foundation for developing a chemical industry in Japan that generates diverse materials.

While Daicel's business and organization have significantly changed since its founding a hundred years ago, the spirit of applying the power of chemistry to improve daily life has remained unchanged.

Just as the eight celluloid companies joined hands to enrich society, Daicel will work with customers and partners to develop a sustainable society.

Moreover, we will continue to change the future for the better through the power of chemistry by remaining true to our aspirations as a company that make lives better by co-creating value.

Left: compression process at the Aboshi Plant

Top Right: Sakai Celluloid Co., Ltd. (later called the Sakai Plant) at the time of the merger

Bottom Right: commemorative photograph during Japan Celluloid Artificial Co., Ltd. era (currently the Aboshi Plant)

Together

Sustainable Management Policy

Upon a firm foundation of safety, quality and compliance, the Daicel Group will realize our basic philosophy by both contributing to the establishment of a sustainable society and pursuing business growth with integrity, tireless efforts and self-transformation.

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

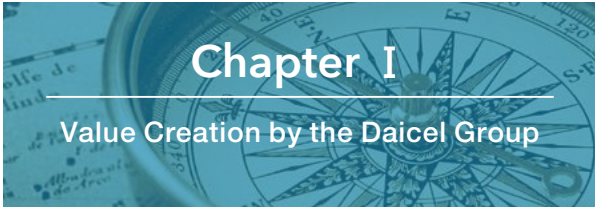
We construct a circular process with all our stakeholders to make harmonious coexistence with the environment.

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

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Editorial Policies

The Daicel Group announced its Long-Term Vision and Mid-Term Management Strategy in FY2021/3 to clearly state its intention of enhancing corporate value centered on the three concepts of Sustainable Product, Sustainable Process, and Sustainable People toward its goal of contributing to building a circular society. As a communication tool to gain more alliances and cooperation from our stakeholders, we publish "Daicel Report 2021," which integrates financial and nonfinancial information. Under the Sustainability section of our corporate website, we disclose comprehensive and detailed information on the Group's sustainability initiatives. As these reports are important tools for communicating with our various stakeholders, we keep in mind during the editing process that both the report and website must be easy to read, easy to understand, and proactive in terms of reporting on our CSR activities.

Daicel Group's Sustainability Site <https://www.daicel.com/en/sustainability/>

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 and governance data](https://www.daicel.com/en/sustainability/other/boundary.html)

[Scope of reporting for environmental and occupational safety and health data](https://www.daicel.com/en/sustainability/other/responsible.html)

Reporting Period

FY2021/3 (April 2020 to March 2021)

Note: The reporting period for environmental and occupational safety and health data for overseas Group companies is from January through December 2020, except for the environmental data of overseas subsidiaries of Polyplastics Co., Ltd.

Guidelines Used for Reference

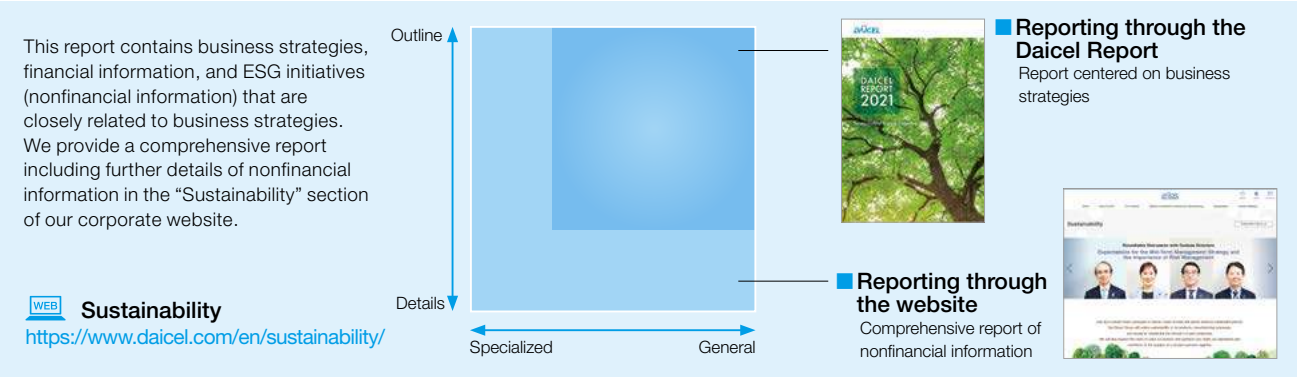
- International Integrated Reporting Framework, International Integrated Reporting Council
- Guidance for Integrated Corporate Disclosure and Company- Investor Dialogues for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI)
- Sustainability Reporting Standards 2016/2018/2019/2020, GRI

Publication Schedule

October 2021 (previous edition: September 2020, next edition: October 2022)

The information released on our website may be updated as necessary, even after publication of the report in October 2021.

Note: We stated the schedule of the Japanese version until the previous report, and from this report onward, the schedule indicates that for the English version.



Disclaimer and Caution with Respect to Forward-Looking Statements

As the sole purpose of this report is the provision of information to readers, in no way does the Company intend to solicit readers to take a certain action through this publication. Although the Company compiled this report based on information available to it and deemed trustworthy at the time of its issuance, the content of the report inherently includes a number of risks and uncertainties. Accordingly, Daicel provides no guarantee to the accuracy or integrity of information therein. When readers intend to use any part of information contained in this report, they are advised to use their own discretion. Daicel shall bear no responsibility whatsoever to readers about damage, loss or other negative outcomes attributable to their investment decisions that relied on forecasts, numerical targets and other forward-looking statements featured in this report.

Value Creation Milestones

Since its founding in 1919, the Daicel Group has been playing its part in the development of Japan's economy and enrichment of society. Our history has been one of growing alongside society by offering chemical technologies to meet its ever-changing needs.

I. From Our Founding to the Formation of Core Technologies

Development of Our Founding Celluloid Business

Daicel's predecessors, Sakai Celluloid Co., Ltd. (later the Sakai Plant) and Japan Celluloid Artificial Co., Ltd. (currently the Aboshi Plant), were the first in Japan to mass produce celluloid. Since then, celluloid has contributed to enriching daily life as the raw material for various everyday necessities from the Taisho period (1912 to 1926) up to the early Showa period (around the 1930s). Daicel was established in 1919 as eight celluloid manufacturers came together in a grand merger to eliminate excessive competition at home, stop the indiscriminate cutting of camphor trees that provided the raw material, and cultivate the processing industry. By achieving growth alongside our partners, we boasted the world's highest quality and largest production volume in the early Showa period. Growing together is a principle we have held dear to this day.

Development of the Celluloid Business and Start of the Organic Chemicals Business

Cellulose nitrate, the raw material for celluloid, was also used as a raw material for the commercial production of film for movies and photographs in Europe and U.S. Since our founding, we were determined to realize domestic production of photograph film and pursued research in that area. As a result, we established and launched the commercial operations of Fuji Photo Film Co., Ltd. (currently FUJIFILM Corporation) in 1934. Meanwhile, the flammability of cellulose nitrate was a weakness of celluloid and photographic film. To overcome this, we continued the research into cellulose acetate we had begun after our founding. In 1938, we began integrated production from acetic acid to cellulose acetate at the newly completed Arai Plant, thus laying the foundation for organic chemistry and cellulose chemistry, which remain our cornerstone technologies to this day.

II. Business Expansion

Expansion of the Cellulose Business

After years of joint research with Fuji Photo Film toward fireproofing films for movies and photography and adding advanced properties, we began manufacturing tri-acetate cellulose (TAC) in 1953. TAC was later applied to protective film for LCDs and achieved significant growth in the 2000s. We also worked with the Nippon Monopoly Corporation (currently Japan Tobacco Inc.) on the domestic production of cigarette filters and began manufacturing acetate tow processed from cellulose acetate in 1958.

Entry into the Petrochemical Business

In response to the rise of the petrochemical industry during the period of rapid economic growth, we participated in Japan's first petrochemical complex and established Daiinippon Kasei Co., Ltd. (currently the Ohtake Plant) in 1961 and expanded the scope of our chemicals business. In the synthetic resin business, the Sakai Plant began manufacturing AS resin and ABS resin, while the Kanzaki Plant launched its polypropylene (PP) film business. In 1964, Polyplastics Corporation was established as a joint venture with a U.S. company. As the pioneering manufacturer of engineering plastics, Polyplastics expanded its business by attentively serving our customers and discovering their emerging need for metal replacement.

III. Reinforcement of the Operational Infrastructure and Creation of New Businesses

Reinforcement of the Acetic Acid Business

On top of the structural recession caused by the oil shock, Daicel faced harsh management conditions due to the changing environment surrounding our founding business of celluloid and a slump in the synthetic glycerin business following large-scale investments. Under these circumstances, in 1980 we began commercial production of acetic acid through the methanol carbonylation process, which was the cutting-edge technology at the time. This enabled us to enter the C1 chemicals business and restructure the industry, thereby bolstering the international competitiveness of acetic acid, which remains the core product and raw material of our businesses.

Creation of New Businesses

While reinforcing the infrastructure of our core businesses, we also sought to create new ones by developing these seeds, mainly at the Central Research Center (currently the Innovation Park). One research theme was the development of columns with an optical isomer resolution function (chiral columns), which can be used to separate substances in pharmaceuticals that may cause undesirable side effects. Daicel began research by taking advantage of Osaka University's invention and commercialized the technology in 1982. We also converted our pyrotechnic device technology that had been developed for defense-related purposes since the end of World War II for civilian use, such as commercializing automobile airbag inflators in 1988, and started mass production at the Harima Plant.

IV. Globalization and the DAICEL Production Innovation

Advances in Globalization

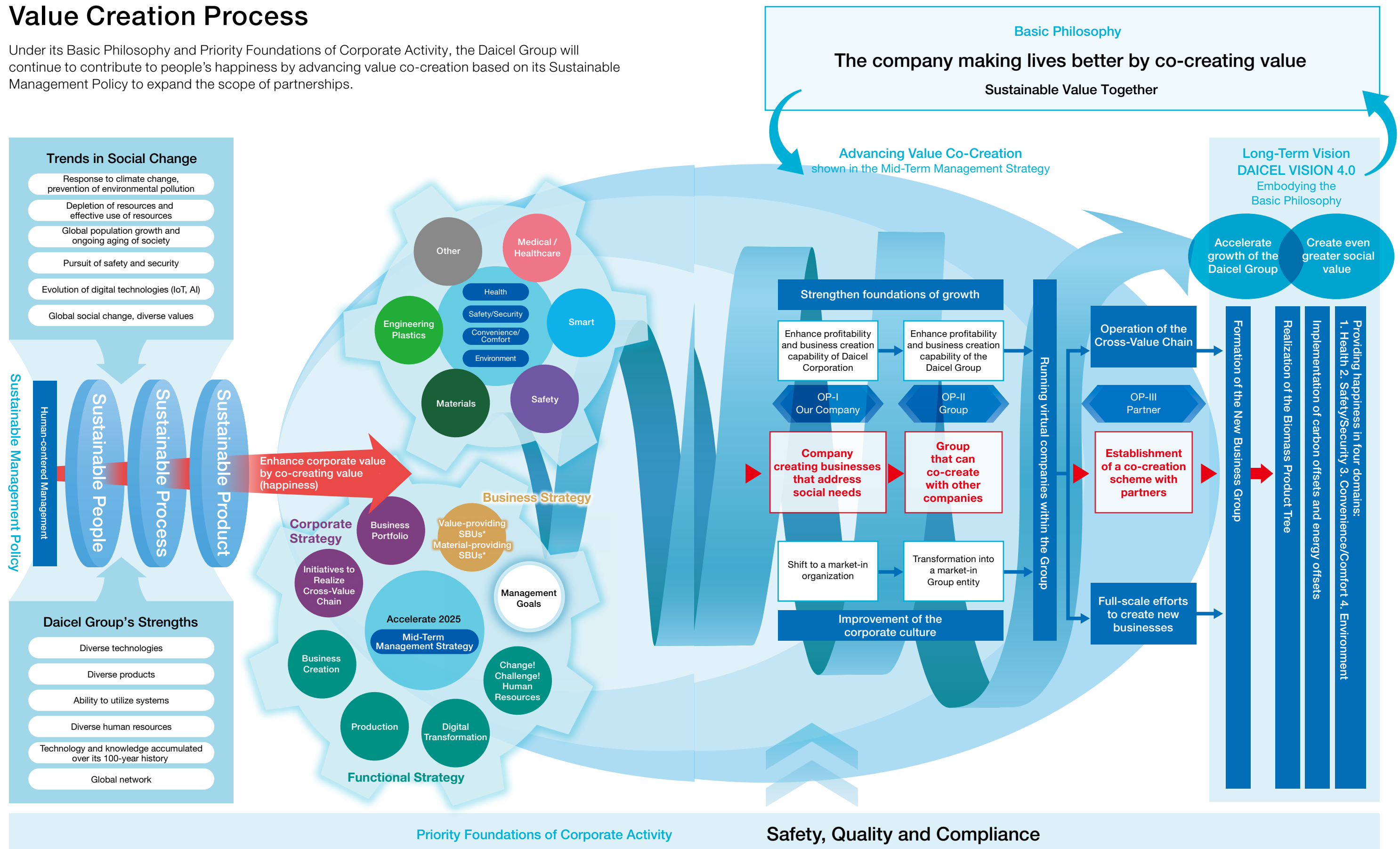
We planned to shift our strategy from quantitative expansion to a high-value-added business model in the wake of two oil shocks and sought to develop a global market for our high-performance products by setting up local subsidiaries with marketing functions in the U.S. and Europe in 1984 and in Asia in 1989. As the economy became increasingly globalized and borderless in the 1990s and 2000s, we accelerated business development for products such as engineering plastics, chiral columns, acetate tow, and inflators around the world.

Birth of the DAICEL Production Innovation

Faced with the pressing need for a generational shift and handing down skills in our workforce ahead of the massive mandatory retirement, while already contending with a strong yen and cost competition due to globalization, we launched the DAICEL Production Innovation at the Aboshi Plant in 1996 as a completely new approach for significantly improving productivity and bolstering the manufacturing infrastructure. By stabilizing facilities, standardizing operations, and building systems, productivity tripled and labor was reduced by 60% at the plant, and the method was subsequently deployed across the company. In 2020, we developed the Autonomous Production System as the next evolution of DAICEL Production Innovation by utilizing AI in an effort to further raise productivity. (Please see page 24 for more information.)

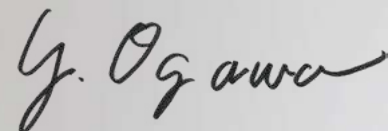
Value Creation Process

Under its Basic Philosophy and Priority Foundations of Corporate Activity, the Daicel Group will continue to contribute to people's happiness by advancing value co-creation based on its Sustainable Management Policy to expand the scope of partnerships.



* Strategic Business Units

Message from the President and CEO



Yoshimi Ogawa
President and CEO, Daicel Corporation



We Contribute to Building a Circular Society with Partners that Share Our Aspirations

For over a century, Daicel has been building on its cellulose business, a naturally derived material. Amid growing expectations for social change toward a circular society, we will take advantage of our accumulated technologies developed over the years and take on the challenges of a transforming society by combining our collective wisdom.

Actions to Reinforce Our Foundation during the COVID-19 Pandemic

In FY2021/3, the spread of COVID-19 limited what we could do, and the global economic outlook remained uncertain. While these circumstances regrettably caused sales to decline, we took action to address the pandemic and forged ahead to reinforce the Daicel Group and generate profit for the first time in four fiscal years.

Along with thoroughly reducing costs in our existing businesses, we sought to retreat from unprofitable products such as those related to defense and relocate and consolidate production bases that were no longer profitable in order to become a more robust organization. We also turned Polyplastics Co., Ltd. (Polyplastics) into a wholly owned subsidiary and reviewed the governance of the Daicel Group as a whole to restructure Daicel's businesses and create a competitive organization that could respond promptly to social needs.

Reflecting on the past year, I realize that I had required the

roughly 12,000 employees of the Daicel Group around the world to adapt to significant changes. Nevertheless, Directors and employees worked closely together to overcome the hardships of the pandemic. I feel we have made solid progress toward our goal of evolving into a corporate group that can respond much more quickly and flexibly to external factors.

Daicel's Unique Contribution to a Circular Society

We took a closer look at the "Accelerate 2025" Mid-Term Management Strategy announced in June 2020 and re-launched "Accelerate 2025-II" this fiscal year. The strategy is underpinned by our steadfast determination to execute the new Long-Term Vision and Mid-Term Management Strategy based

■ Please see Special Feature 1, entitled Accelerate 2025-II, on page 14.

on our Sustainability Management Policy (Sustainable Product, Sustainable Process, and Sustainable People).

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 eco-friendly. We are convinced this will create a sense of pride and confidence among workers and create new value.

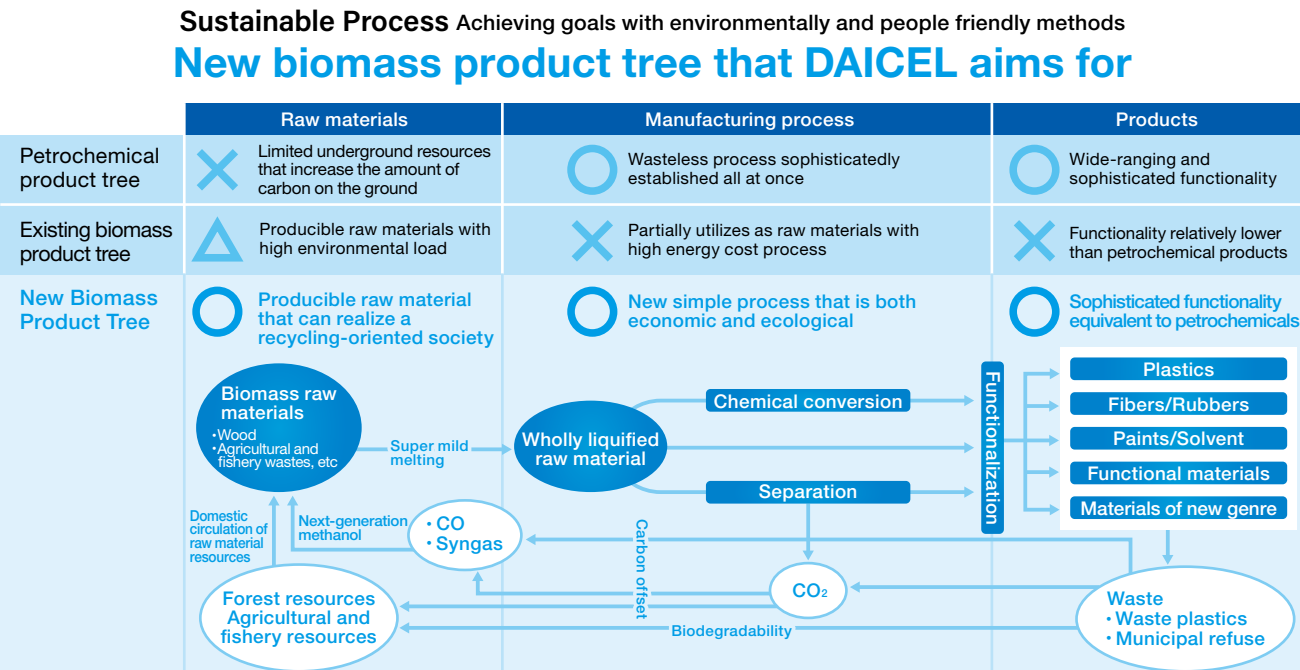
For example, cellulose, which represents one of Daicel's strengths, is a naturally derived biomass material. The process of separating cellulose from pulp, however, consumes an enormous amount of energy, undeniably placing a burden on the natural environment. This is the reason why we have been exploring methods for drastically improving the process. As a result of joint research with universities, we have developed a technology for separating cellulose using less energy with a lower burden on the environment.

Furthermore, the technology will enable us to separate other useful raw materials for chemical products that had

previously been disposed of and burned as waste. This realization of new Biomass Product Tree has opened up the possibility of using renewable biomass to create new materials that can replace or supplement conventional petroleum-based chemicals. Although the technology is currently at the research stage, it may also be applicable to waste generated by agriculture and fisheries. With this technology, economic activity in the secondary industry could contribute to revitalizing and reinforcing primary industries. Daicel is proposing the establishment of a sustainable society based on a new industrial ecosystem of collaboration between the primary and secondary industries.

Japan is a country rich in nature, with roughly 70% of its land covered by forests. If we could use these forests as a renewable resource through a waste-free process that is also environmentally sound, we would be able to contribute to building a circular society unique to Japan to enhance the value

■ Please see "Sustainable Process" on page 20.



of our natural bounty while also maintaining affluent lifestyles. I believe this is precisely the concept of co-existing with nature that the Japanese people have traditionally cherished.

Daicel, which had its starting point in naturally derived materials, such as cotton and pulp, is ideally suited for performing this task, and I believe this is our mission.

The aim of the Biomass Value Chain, mentioned in the Mid-Term Management Strategy, is to realize a sustainable society that is uniquely Japanese. Of course, Daicel will not be able to achieve this goal alone. We will plan to advance with partners and customers who share our values.

Creating New Value through Co-Creation

We hope to contribute to realizing our long-term, carbon- and energy-offset goals by clarifying how Daicel can apply its unique strengths and offer more effective methods.

For example, Daicel is flexibly using power generated at the Ohtake Plant by sharing excess electricity within the Group through self-consignment. We could further reduce energy consumption of the entire chain by extending this effective use of electricity across the entire supply chain. We are also collaborating with a university to develop new process technologies that require smaller equipment for processes such as chemical reactions and refining. The downsized manufacturing process will provide greater control over production capacity by enabling us to increase or decrease the use of equipment according to the required production

volume. This more compact process will also considerably reduce energy use by eliminating the need for owning excess equipment.

Once we have thoroughly reduced CO₂ emissions, we must develop commercially viable technologies and processes for the effective use of CO₂ as a fundamental solution to climate change. Daicel's nanodiamond technology could be used to enhance the reduction of CO₂ to CO. It would also make this process less expensive and more effective. I am convinced we can realize this technology in the not-too-distant future, once Japanese industries implement an all-out research effort.

With regard to carbon neutrality, a company alone can achieve a great deal, as I have pointed out a number of times. In regard to the previously mentioned joint research on cellulose, I am convinced we will be able to generate results that exceed our expectations using fewer assets, once we combine our respective strengths in a collective effort to tackle major challenges through industry-academia-government collaboration involving multiple organizations.

We are making steady progress on the virtual company and Cross-Value Chain concepts included in our Mid-Term Management Strategy. Our joint development project with Daikin Industries, Ltd. (Daikin) is an excellent example of producing maximum profit at minimum cost through co-creation. In this project, we jointly developed a total heat exchange-type element coated with a permeable membrane that reduces energy consumption by achieving high heat exchange rates as well as realizing a low pressure loss filter. One of Daikin's strengths is its metal processing technology, whereas Daicel excels in chemical materials production, which

means that engineers at both Daikin and Daicel have taken different approaches to manufacturing. If both sides were to place all their cards on the table during joint development, the pace of development would significantly accelerate and ultimately lead to the creation of products that meet the precise needs of end-users. Daicel handles materials upstream, while Daikin processes that material downstream. We engaged in this project with frankness, sharing corporate know-how that would be kept secret under normal circumstances, and each company has become one step in the process in the common value chain. By forming such a virtual company, we were able to amplify our strengths and complement each other, which allowed us to accelerate the pace of research and maximize results.

Rather than limiting collaboration to mutually supplying products from upstream to downstream within the vertical supply chain, we seek to enhance shared value by collaborating laterally with companies moving in the same direction, including competitors. Our goal is to realize a sustainable society while simultaneously expanding our sustainable businesses by constructing a cross-value chain that flexibly expands the network beyond organizational boundaries.

■ Please see “Sustainable Product” on page 18.

Key Themes for Accelerating Corporate Growth

As we begin to fully mobilize toward achieving the Mid-Term Management Strategy in FY2022/3, we will lay the foundation for constructing this cross-value chain by combining the wisdom of the entire Group to more effectively deploy the broad range of businesses, resources, and assets owned by the Daicel Group. We will first place priority on more extensively collaborating with Polyplastics, which is now a wholly owned subsidiary. Polyplastics handles engineering plastics such as Polyacetal (POM), which is enjoying growing demand in various areas, including for automobiles and electronic components. We will make solid investments in increasing production capacity in this area to drive Daicel Group growth while minimizing costs.

I view this transition of Polyplastics into a wholly owned subsidiary as a process of integration. While paying due recognition to the brand cultivated by Polyplastics over the years, we can generate a synergy that will broaden the possibilities of our business through mutual respect and learning. Additionally, we will enhance our respective corporate value as we seek to maximize the synergistic effect.

■ Please see “Financial Strategy” on page 16.



People are the Foundation of Sustainable Growth

Our Mid-Term Management Strategy will ultimately be embodied by people. Even 10 to 20 years of continuing increases in sales and profit would be worthless should employees be unhappy. I would go so far as to say that the very existence of Daicel would be meaningless unless profit obtained through its business were returned to shareholders and employees as well as reinvested in businesses that serve society.

Management must fulfill the key responsibilities of creating a fulfilling work environment and returning profits to employees. Daicel has just completed a major reform of its personnel system for managers for the first time in 20 years. We will follow up in the next fiscal year by expanding reforms to include non-managerial personnel. We have introduced a multiple-track job grade system by eliminating seniority to enable exceptional promotions while also revising the evaluation and compensation structure toward raising lifetime wages. We have also adopted a stock-based rewards for managerial personnel as well as Directors. To ensure that employees feel pride in the company and enjoy a fulfilling work life, we will support individuals who take on challenges without fear of failure under a fair and credible new evaluation system.

We believe that the happiness of each employee and their families is essential for bringing happiness to society as a whole. We will contribute to realizing a sustainable society by consistently upholding Human-Centered Management so that all Group employees experience fulfillment and work with vitality.

■ Please see “Sustainable People” on page 22.

Special
Feature
1

Accelerate 2025-II Mid-Term Management Strategy

Realizing a Sustainable Society While Achieving Sustainable Business Expansion

In FY2021/3, the Daicel Group formulated its Long-Term Vision DAICEL VISION 4.0 and its Mid-Term Management Strategy Accelerate 2025, which is based on the vision. The core concept is to follow our Sustainable Management Policy to expand the scope of co-creation from Daicel Corporation to its Group companies and then suppliers and customers in our supply chain, and thus serve society by providing value that transcends the efforts of any single company.

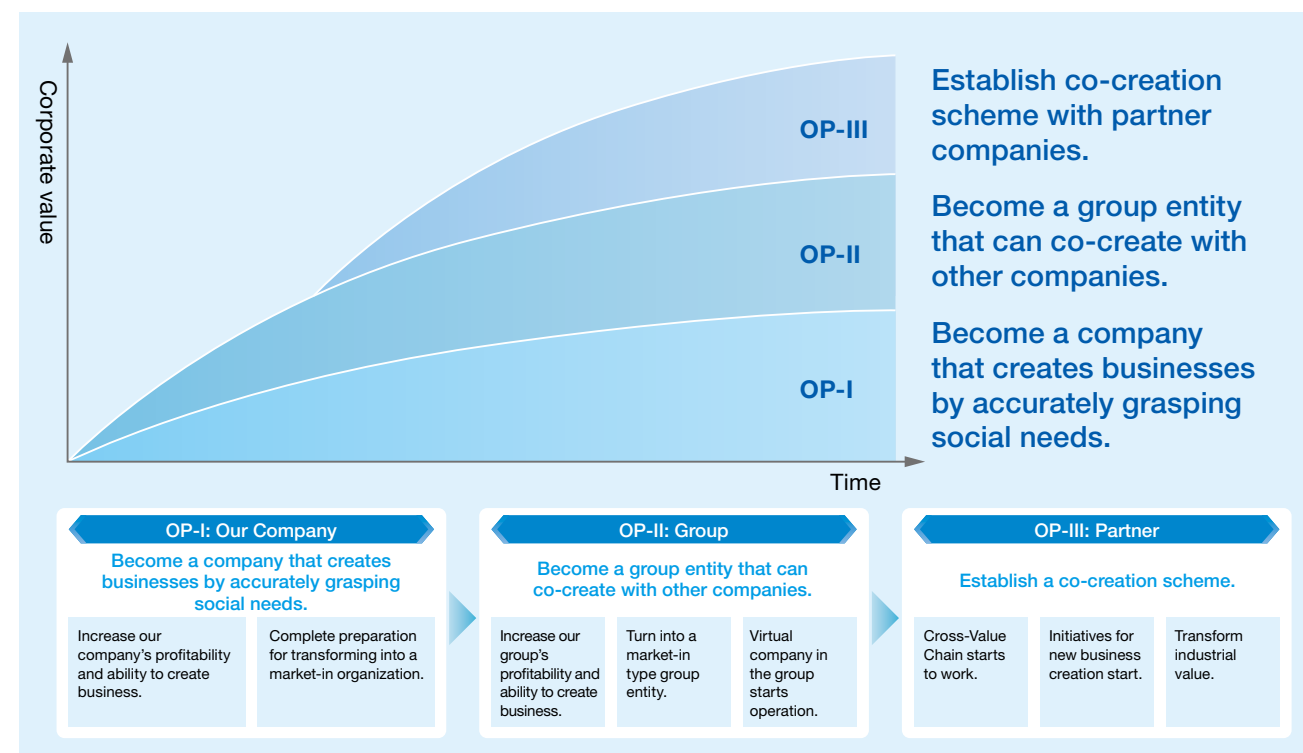
This special feature provides an overview of our Long-Term Vision and Mid-Term Management Strategy and explains our strategies and initiatives in terms of products, manufacturing processes, and employees.

■ How the Long-Term Vision Expresses Daicel's Resolve

- States the direction of the company's growth toward delivering valuable products and services to society, in ways that care for people and environment, while providing a sense of pride and fulfillment for employees
- Confirms that growth will be achieved by strengthening the competitiveness of the Daicel Group and the number of partners who share our aspirations to deliver even greater value to society

Path to Becoming a Company Making Lives Better by Co-Creating Value

The Long-Term Vision defines our path to construction of a co-creation entity in three Operations (OP).



Main Initiatives Outlined in the Mid-Term Management Strategy

In our Mid-Term Management Strategy, we sought to realize the three elements of the Sustainable Management Policy by categorizing concrete initiatives for each Operation described in the Long-Term Vision under the "Company-wide strategy," "Business strategy," and "Functional strategy."

Key Points of
the Company-
wide strategy

- Business selection and concentration through portfolio management
- Raise management efficiency by comprehensively reducing assets and costs (asset light strategy)

Key Points of
the Business
strategy

- Explore social needs and latent customer demand to develop new businesses and applications through organizational restructuring
- Create autonomous self-propelled organizations by delegating authority to quickly and flexibly take actions to meet the needs of their immediate markets and customers
- Realize the Cross-Value Chain by seeking business collaborations and M&A across supply chains both vertically and horizontally

Key Points of
the Functional
strategy

- **Business creation strategy:** strengthen exploration of social needs through independent R (research) and D (development) and proactive use of intellectual property
- **Production strategy:** engage in a thorough effort to reduce costs and boost productivity
- **DX strategy:** realize virtual companies by constructing a digital architecture
- **Personnel strategy:** enable diverse human resources to shine, and provide a personnel system that rewards effort

Goals of the Long-Term Vision and Mid-Term Management Strategy

By pursuing our Long-Term Vision and Mid-Term Management Strategy, we hope to ultimately deliver happiness to individuals and all of society as a company that contributes to building a circular society.

Formation of a New Business Group (Value Co-Creation Entity)

We will establish partnerships across departments, companies, and industries to co-create through a shared philosophy.

Provision of Happiness in Four Domains

We will provide new value in the business domains of Health, Safety/Security, Convenience/Comfort (Smart), and Environment, where we can meet social needs by applying the strengths of the Daicel Group.

Realization of New Biomass Product Trees

As our mission as a chemical company founded on cellulose, we will utilize dormant forest resources in Japan as a renewable resource to realize new product derivatives based on wood as the raw material while ensuring that both products and production processes are environmentally sound.

Implementation of Carbon Offsets and Energy Offsets

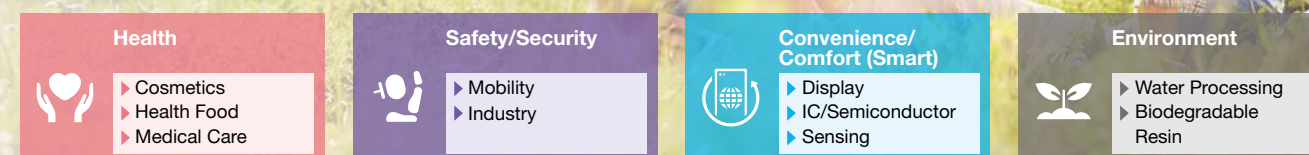
We will seek to reduce the burden on the global environment by creating mechanisms that maximize the efficiency of energy use and by developing technologies that enable the reuse and effective use of emitted carbon and energy.

Contributing to
Building a
Circular Society

Sustainable Product Contributing to the Happiness of Society and People

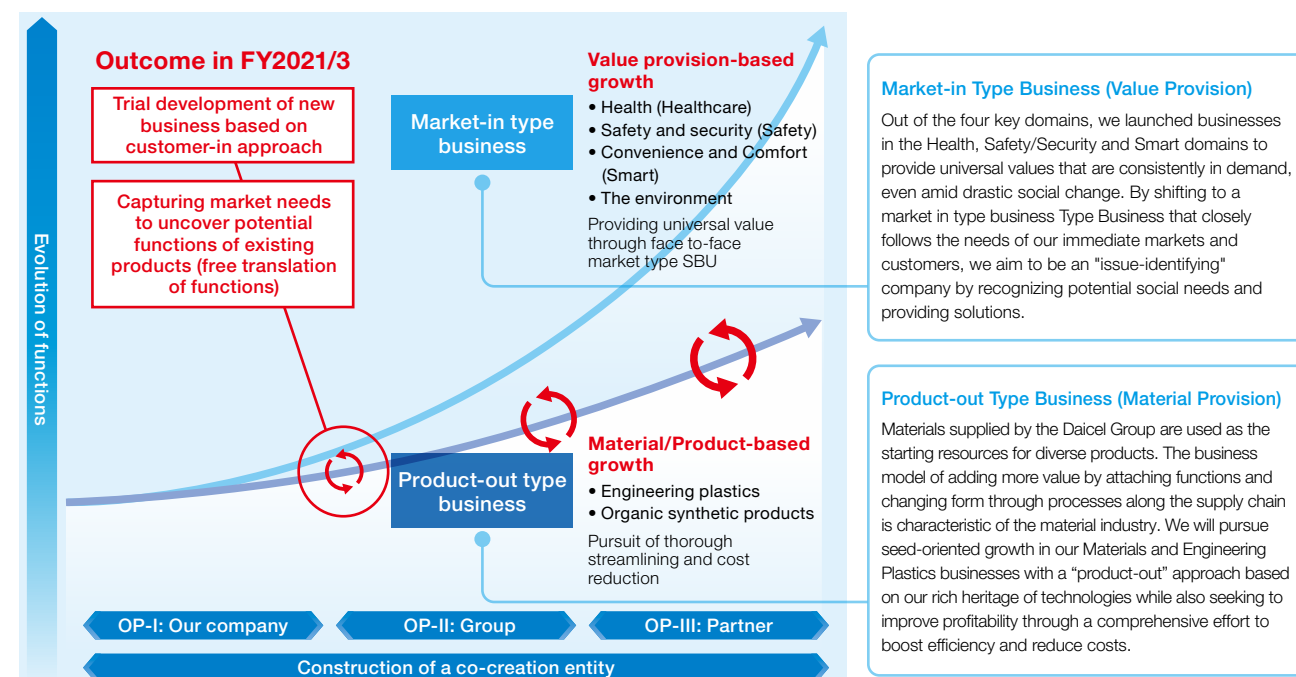
Based on our Sustainable Management Policy, the Daicel Group pursues monozukuri manufacturing that contributes to the happiness of people and society. Under our Long-Term Vision, we identified four domains from among numerous social issues, selected areas where demand is expected to rise and the Daicel Group can demonstrate our strengths, and then designated key markets for each domain. We will seek to achieve growth in our businesses while also creating new ones.

Four Domains and Market Focus



Two-Way Approach of Value-Providing Business and Material-Providing Business

In April 2020, we redefined our business categories that had been based on technologies and products to a system comprising three value-providing business units and two material-providing units. Further business growth will be driven by the twin wheels of a value providing (Market-in) business model focused on key markets and a material providing (Product-out) business model focused on technologies and materials that we have cultivated over the years.



Striving to Become an Issue-Identifying Company Example of Value Co-Creation with a Customer

Daicel Corporation and Daikin Industries, Ltd. began exchanging technologies about 20 years ago. Since 2016, we have been engaged in joint development that transcends our supplier-client relationship in order to create the world's first and the world's top-value products by leveraging our respective strengths. Spearheaded by management, we held a series of discussions through exchanges between engineers including seconding staff, while many relevant divisions within Daicel united to resolve issues by drawing upon our comprehensive abilities as a material manufacturer. As a result, in FY2021/3 we jointly developed a total heat exchange-type element coated with a permeable membrane used in ventilation equipment as well as a low-pressure loss filter for large-scale air conditioning units to address the growing global interest in air flow due to the COVID-19 pandemic.

Daicel Group think there is a limit to what a single company can do or one process can achieve in the creation of products. In our Mid-Term Management Strategy, we will raise efficiency in the investment of our resources while increasing the number of options for solving problems by co-creating value together with our business partners and customers connected with the supply chain.



Engineers from both companies who engaged in joint development (back row: Daikin Industries, front row: Daicel Corporation)

VOICE / Comment from a Customer



We commercialized a total heat exchange-type element using a permeable membrane sheet that offers the world's top energy-saving* and safety* features, and we did that at a very fast pace. This achievement was only possible through co-creation with Daicel. Mr. Ogawa, President and CEO of Daicel, said at a joint meeting on co-creation that “the material used for the products does not have to be our own as long as their development contributes to Daikin's business.” This left a strong impression on me, and I'm convinced that Daicel's speedy decision-making and unwavering commitment to seeing the project through led to this result. The project gave me a renewed awareness of the importance of developing materials to create highly differentiated products. I hope we can continue co-creating as a team of unrivaled technologies and products based on Daicel's superior material and production technologies and with a powerful relationship of trust with Daikin.

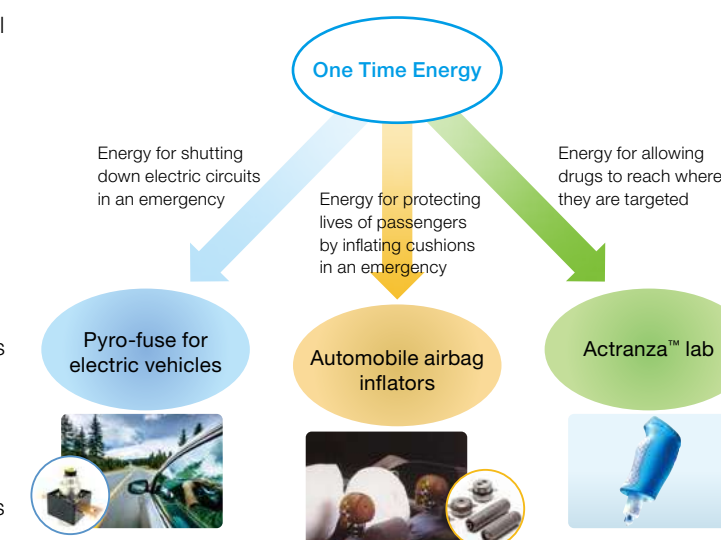
*Achieved enthalpy exchange efficiency of 80% and barrier rate of more than 99.99%

Kiyoshi Kuroi Senior Engineer, Group Leader, Technology and Innovation Center, Daikin Industries, Ltd.

Discovering Latent Applications for Products by Freely Translating Functions

Daicel describes its process of redefining the essential functions of a product to open up new markets and create new businesses as a “free translation of functions.”

One example is the air bag inflator for automobiles. Its essential function can be defined as a system for safely, securely, and instantly generating a single burst of optimum energy (One-Time Energy). One product inspired by this free translation is Actranza™ lab, a needle-free drug distribution device that does not require needles. We also applied the essential functions of One-Time Energy and developed the Pyro-fuse, which is mounted on electric vehicles and shuts down power in an emergency. Free translation of functions will enable us to discover new market needs we can meet with our technology and to promote new business creation based on the Daicel Group's genealogy.



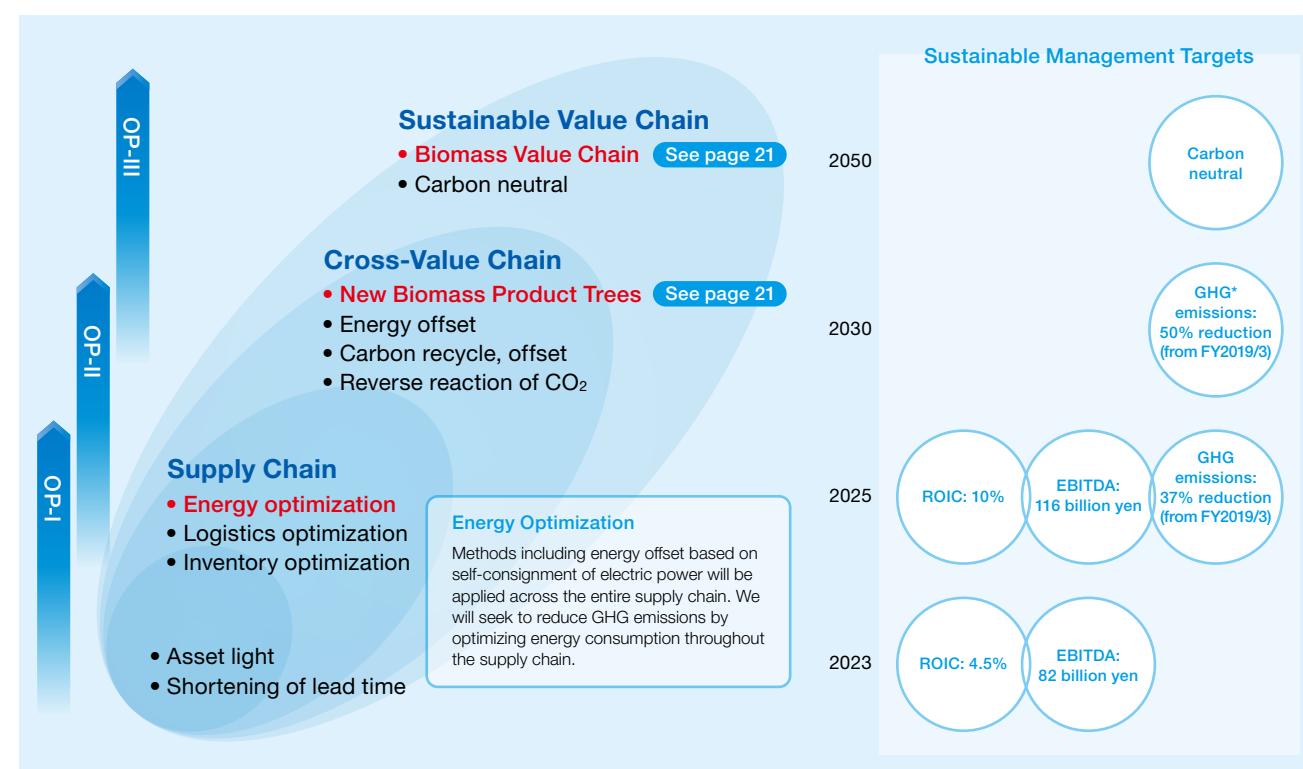
Sustainable Process Achieving Goals with Methods that Are Sound for the Environment and People

In addition to reducing the Daicel Group's greenhouse gas (GHG) emissions by pursuing an asset light strategy, we will take on significant challenges toward constructing a circular society, including offsetting energy across the supply chain with innovative production approaches and developing biomass product trees using completely new methods.



Creating Solutions that Reduce Environmental Impact

While the chemical industry provides beneficial materials for reducing environmental impact, its manufacturing processes are energy-intensive. The Daicel Group is addressing this by creating highly effective solutions in terms of its manufacturing processes. Saving energy in manufacturing will reduce environmental impact, cut costs, and improve productivity. Through these initiatives, we raise our competitiveness as a manufacturer and aim to achieve our business targets.



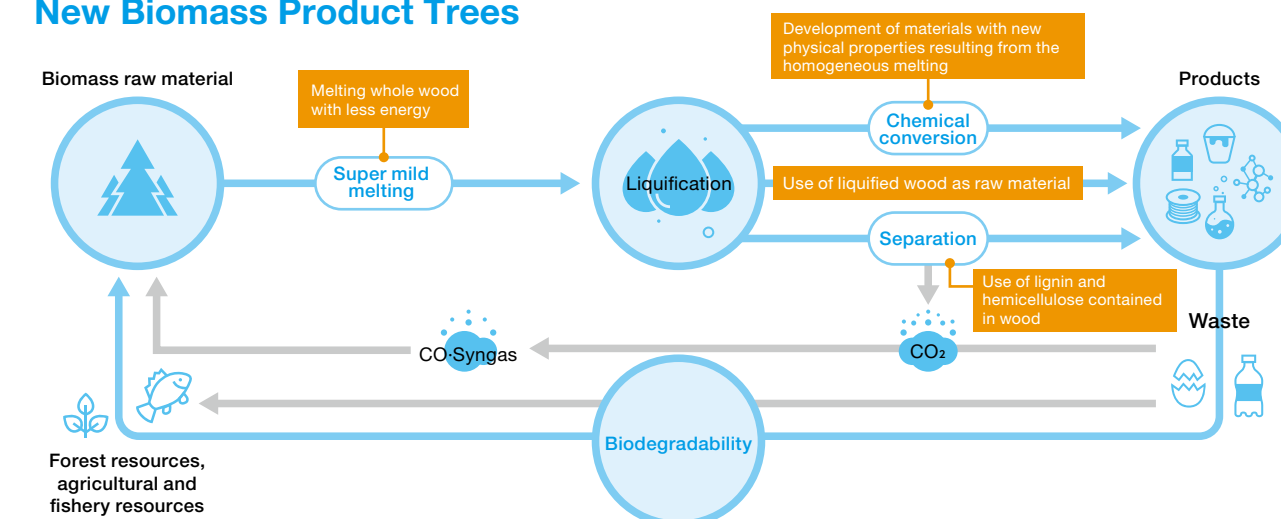
* Greenhouse gas

New Biomass Product Trees Hold the Key to Carbon Neutral Operations

Reducing the Environmental Impact in the Manufacturing Process and Transforming and Using a Whole Tree to Create High-Performance Products

Cellulose acetate, which is our key product, is a biomass product made with wood pulp as its main raw material. Natural polymers such as wood, does not dissolve easily, which creates an energy-intensive manufacturing process. Daicel is seeking to address this through joint research with Kanazawa University and Kyoto University toward establishing a technology for melting wood at room temperature and under normal pressure conditions, which requires less energy. In addition to cellulose, the technology has so far allowed us to separate highly reactive substances contained in wood, such as hemicellulose and lignin, which had until recently been underutilized in the conventional manufacturing process. We are beginning to see good prospects for developing materials with new physical properties by applying our method for homogeneous melting to cellulose. We seek to reduce the volume of CO₂ emissions in the manufacturing process by our new technology. However, even though CO₂ emissions are discharged into the atmosphere, we are also developing a technology for converting CO₂ to CO that can be reused for other purposes.

New Biomass Product Trees



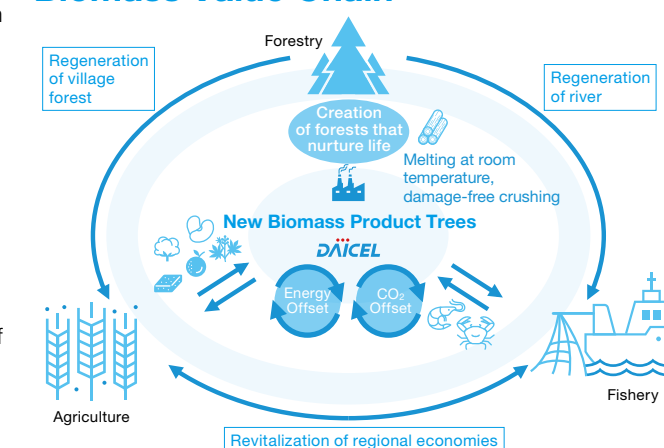
Towards realizing the Biomass Value Chain Concept

New technologies under development can be applied to separate beneficial ingredients from wood as well as agricultural and fishery waste. We are seeking to further enhance the economic viability of primary industries by creating cash value for the waste they generate that can be reused as raw materials in secondary industries. We believe this could lead to a new industrial ecosystem that links primary and secondary industries within a circular economy.

This type of economic cycle can revive the declining forestry industry, and sites for harvesting wood can be reborn as deciduous broad-leaved forests. By spreading their roots wide and deep, a forest of deciduous trees will improve the water retention of the mountains and reduce the risk of landslides. It will also contribute to restoring the natural ecosystem by promoting the circulation of water resources and nutrients between the mountains, rivers, and sea. Daicel is proposing to create such a circular system under its Biomass Value Chain concept.

We hope to collaboratively pursue this project with everyone who shares our aspiration, across the boundaries of industry, academia, and government.

Biomass Value Chain



Sustainable People Giving Employees a Sense of Fulfilment

The driving force for realizing the goals laid out by Daicel's Long-Term Vision and Mid-Term Management Strategy lies within each employee. The Daicel Group will pursue Human-Centered Management to become a company that grows while providing a sense of worth and fulfillment to its diverse employees.



Kotaro Sugimoto

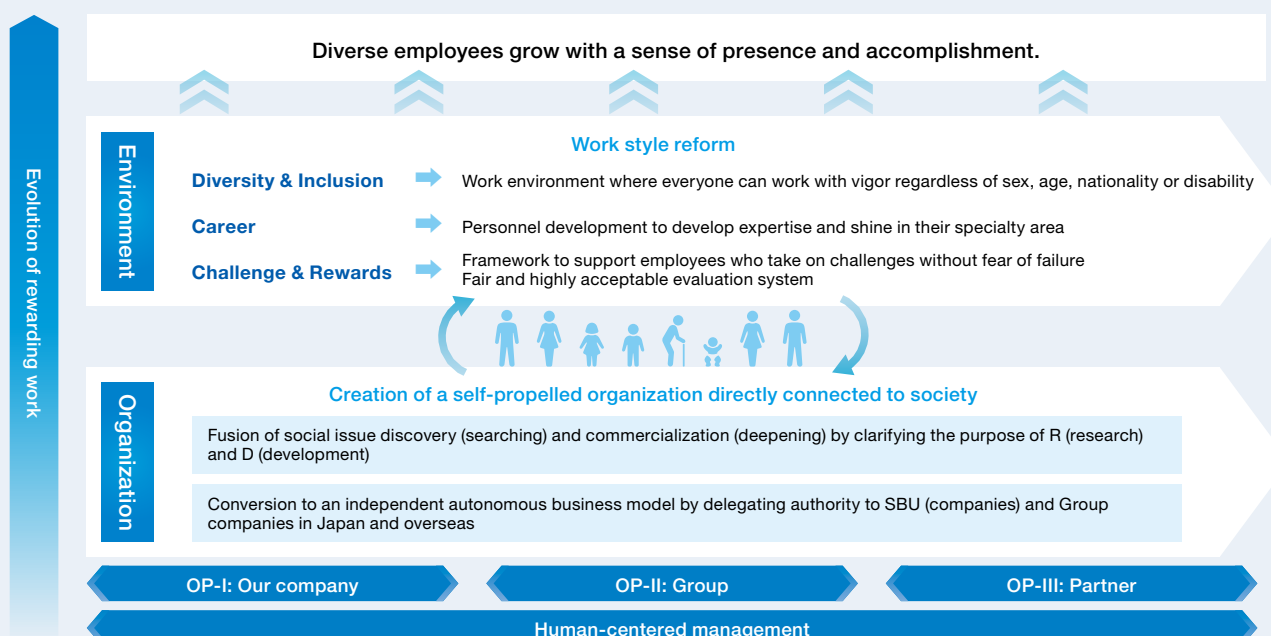
Representative Director,
Senior Managing Executive Officer,
General Manager of Corporate
Support Headquarters

Fair Evaluation and Support for Personal Growth to Achieve Employee Happiness will enhance the company's competitiveness

While each person may have a different motivation for working, all employees understand they will spend a considerable amount of time at work throughout their lives.

The Daicel Group aspires to be a company that gives employees a sense of fulfillment through their work. This is because pursuing and feeling fulfillment in work means that each employee can fully demonstrate their abilities as a professional, and we believe this is what gives a company its competitive edge.

In our Mid-Term Management Strategy, we sought to (1) transform into an autonomous and self-propelled organization and (2) reform work styles that encourage each employee to take on challenges while respecting diversity. We will seek to transform and manage an organizational structure that encourages all employees to be self-driven in taking on challenges and embody work styles that enable them to feel a sense of self-fulfillment and personal growth. Moreover, fair evaluation commensurate with the process and results also supports personal growth. We believe this benevolent cycle links the happiness of employees to the higher competitiveness of the company, and we will implement each measure toward achieving the Mid-Term Management Strategy through extensive discussions with all employees.



Transforming into an Autonomous and Self-driven Organization

In FY2021/3, Daicel carried out a large-scale organizational change. By creating autonomous units for the Research and Development Department based on their respective functions and reorganizing business units by their respective markets, we are seeking to clarify the goals, functions, and roles of each organization to become autonomous, self-driven, and capable of thinking on their own, swiftly make decisions, and act with flexibility. We are simultaneously implementing the necessary delegation of authority and appointments.

Reforming Work Styles to Encourage Every Employee to Take on Challenges while Embracing Diversity

In April 2021, we reviewed the human resources system and significantly updated the system for managerial positions in an effort to offer solid compensation for both the process and results.

Adoption of a multiple-track job grade system	<ul style="list-style-type: none"> Enable multi-track career planning by shifting from the generalist-oriented career development of the past to specialist/management career options Clarify abilities to be developed according to individual aptitude
Elimination of seniority	<ul style="list-style-type: none"> Abolish number of years of experience as a condition for promotion Enable diverse career development
Linking appointments to compensation	<ul style="list-style-type: none"> Clarify responsibilities and authority of each role based on a job-grade system Create a link between roles and compensation to realize a system in which performance is rewarded
Establishment of a restricted stock benefit system for employees	<ul style="list-style-type: none"> Encourage employees to contribute greatly to the success of the business Improve lifetime wages

Shifting to implementing Initiatives with an Onsite Perspective by Establishing the Human Resources Strategy Committee

In April 2020, we established the Human Resources Strategy Committee, composed of 15 members with diverse backgrounds in work location, affiliation, position (managerial position and/or union member), and other aspects. In the past, the Human Resources Division was mainly responsible for drawing up personnel policies. The committee was set up in response to a recommendation by members of a project team tasked with formulating Long-Term Vision to continue discussions on human resources strategy. We are actively incorporating the opinions of employees on the ground to improve the effectiveness and swift deployment of initiatives across the company.

In FY2021/3, the committee took action on the evaluation, post-retirement re-employment and personnel systems. We were able to identify new issues, and the results were reflected in the personnel system for managerial positions. In FY2022/3, we are focusing on revisions to the labor union system.

Looking ahead, we will continue to expand human resource initiatives that support the personal growth of employees by maintaining consistency with Daicel's Basic Philosophy, management policies, and strategies.

VOICE / System Developed through Dialogue with Employees



Listening to employees through the Human Resource Strategy Committee provided insight into the issues, questions, and expectations that differ by position and which were difficult to grasp by the Human Resources Division acting alone. We considered revisions to the system through repeated conversations with employees and sought to maintain two-way communication by offering a detailed explanation when we could not meet their expectations. At the same time, we frequently presented our recommendations to management and promptly incorporated the feedback and requests into the system, making it possible to revise the system quickly.

We will continue to explore personnel initiatives so that Daicel can remain as a company that provides employees with a sense of personal growth through their work every day.

Satoru Nose Leader of the Human Resources Strategy Committee, Division Manager of Innovation and Business Development Promotion, Innovation and Business Development Headquarters and Head of Innovation Strategy Department, Innovation Park

Special
Feature

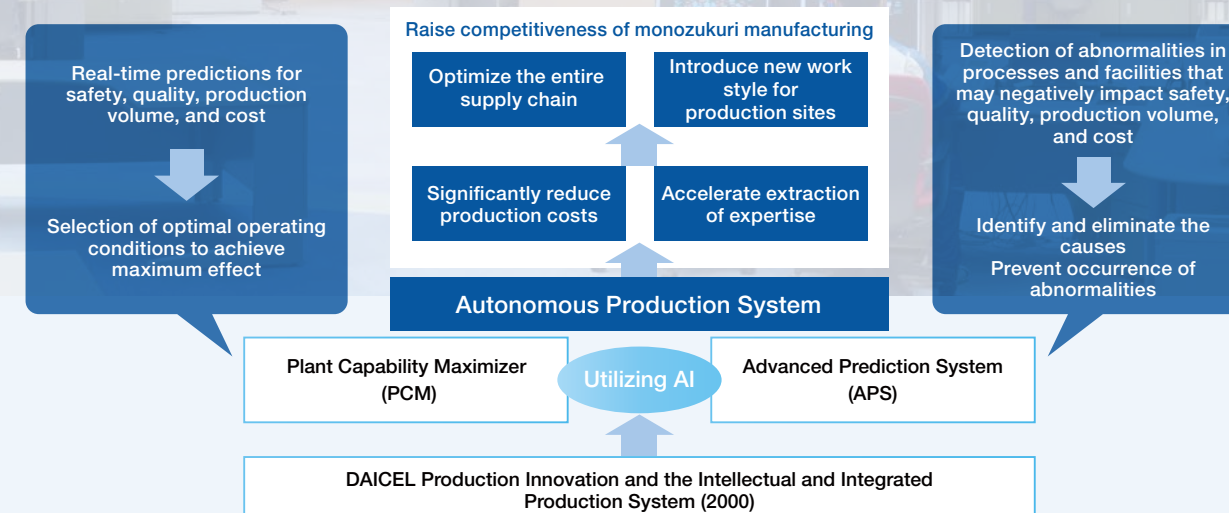
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Creating a Cycle of Happiness with Our Autonomous Production System

In FY2021/3, Daicel developed an Autonomous Production System that assists in implementing optimal solutions for monozukuri manufacturing at chemical plants. It represents an evolution of DAICEL Production Innovation completed 20 years ago. In addition to significantly cutting production costs, we sought to make extra time by reducing the workload toward developing a cyclical process for society in which people work with happiness and greater creativity.



Overview of the Autonomous Production System



Key Points of the Autonomous Production System

(1) Significant reduction in time, from the detection of an abnormality to decision-making and action

The system grasps the real-time status of the manufacturing facility and detects abnormalities before they materialize, thus reducing the need for manual monitoring and predicting operational status and leading to a dramatic reduction of the workload for onsite workers. Furthermore, since the system presents the causes of the abnormality along with countermeasures, operators can respond before the situation reaches the stage that previously required executive decisions.

(2) Support for taking the necessary actions to achieve production goals

Out of the many possibilities for improving plant operations, this system recognizes actions that are important to the production goals of each plant and presents only the essential alternatives, allowing operators to choose the optimal response.

to production, through which we will take the initiative to think through and propose solutions in advance instead of simply responding to customer requests.

Creating Happiness in Society through the Supply Chain

The common goal of both DAICEL Production Innovation and the Autonomous Production System is to proceed with reforms toward realizing a more creative work style and give workers a sense of fulfillment, which is synonymous with the joy of working. By exchanging information and creating value together with companies across the supply chain that share this philosophy, we can also realize optimal quality and cost as well as an environmentally sound supply chain.

“We are working to create a forest of companies connected to the supply chain. Even amid a changing business environment, it will allow us to maintain sustainable growth through mutual support. We hope to create a value chain that is connected to our suppliers and customers through a win-win relationship of trust and empathy.” — Fumihiro Miyoshi, head of the Monozukuri Production Innovation Center, General Manager Office of the President.

The use of AI has dramatically reduced the labor required for visualizing expertise, which constituted the heart of DAICEL Production Innovation, and it facilitates the introduction of the Autonomous Production System. We hope to ultimately use the system for connecting companies that share Daicel's aspirations and function as an information platform for creating a cycle of happiness.

DAICEL Production Innovation Forms the Basis of the Autonomous Production System

As opposed to the assembly industry, the manufacturing process in the chemical industry cannot be observed since it involves substances undergoing change inside pipes and tanks. With data obtained from sensors such as for pressure and temperature, operators in the control room can draw on their experience and intuition to make decisions on monitoring and operating the plant and on responding to abnormalities.

In the mid-1990s, Daicel faced the need to quickly make a generational shift and hand down plant operation skills ahead of the mass retirement of experienced employees. Our solution was DAICEL Production Innovation. Around four years after 1996, we visualized the flow of approximately 8.4 million instances of decision-making related to plant operations that were known by expert operators and which, until then, had been a part of their experience and intuition, and we incorporated them into the operation support system. As a result, productivity has almost tripled at our Aboshi Plant. Daicel deployed this method to its process-based plants in Japan while also spreading it outside the Group, which contributed to raising the competitiveness of the Japanese manufacturing sector. The purpose of DAICEL Production Innovation is not about making people move like machines. It reflects our will to realize a work style that enables people to focus on tasks that benefit from human creativity by combining the knowledge about plant operations acquired by individuals and using systems to standardize operations.

Inheriting the Will of Our Predecessors to Achieve an Evolution in Production Innovation by Utilizing AI

DAICEL Production Innovation allowed us to maintain safe operations and reduce the number of serious quality-related issues. We were unable, however, to effectively use of all the know-how and skills collected from experienced operators. It was too difficult for computing technology at the time to execute the complex arithmetic processing that involved pursuing higher quality while considering the additional elements of cost and energy balance for optimal plant operations. To make this possible, we created two AI-based applications in a joint project with the University of Tokyo and developed the Autonomous Production System in August 2020 as the evolutionary version of DAICEL Production Innovation.

Production Site Work Style Reform that Adds New Value

Implementation of the Autonomous Production System improves productivity and ensures stable quality, leading to substantially reduced production costs by helping correct the excessive cost of repairs in the course of preventing malfunctions and maintaining facilities. It will also help to reduce inventory through effective production. According to our estimates, we will be able to reduce production costs by up to ten billion yen once the system has been installed at all relevant plants in Japan.

Furthermore, we will raise the competitiveness of our manufacturing as we use the extra time freed up by the reduced workload to engage in more creative tasks. Through these innovations, we will adopt a more aggressive approach

Business Overview

FY2021/3 Results

FY2022/3 Forecasts

Review of FY2021/3 and Outlook for FY2022/3

Medical/ Healthcare ▶ P. 28	<p>Net sales ¥16.2 billion ↑7.4% year-on-year</p> <p>Operating income ¥1.6 billion ↑16.6% year-on-year</p> <p>Composition ratio 4.1% (Net sales), 3.3% (Operating income)</p>	<p>Net sales ¥19.0 billion ↑17.2% year-on-year</p> <p>Operating income ¥2.3 billion ↑47.3% year-on-year</p>	<p>While revenues fell in our Cosmetics and Health Foods Business as sales volume declined in the Japanese market, sales volume rose for our main product 1,3-BG, a raw material for cosmetics, in the wake of expanded sales in China following a recovery in demand. Revenues rose in the CPI Business due to increased sales of chiral columns and favorable performance in China and India. Operating income for the segment as a whole rode on the back of higher sales volume.</p> <p>Revenues and profits are expected to increase in FY2022/3 due to sales volume increase although high depreciation cost following the start of operations at the new 1,3-BG plant is expected. We will strive for mid- to long-term growth by aggressively expanding sales in the cosmetics market in Asia, where demand is strengthening.</p>												
Smart ▶ P. 30	<p>Net sales ¥24.7 billion ↓2.6% year-on-year</p> <p>Operating income ¥3.4 billion ↑1.9% year-on-year</p> <p>Composition ratio 6.3% (Net sales), 7.1% (Operating income)</p>	<p>Net sales ¥28.0 billion ↑13.4% year-on-year</p> <p>Operating income ¥4.2 billion ↑23.1% year-on-year</p>	<p>While revenues fell in our Display Business due to declining demand for LCDs in the first half of FY2021/3, sales of high-performance optical films, a new business, increased mainly due to sales expansion for automotive applications. Revenues rose in our IC/Semiconductor Business on the back of robust demand for semiconductors. Operating income for the segment as a whole increased due to the lower price of raw materials and fuels.</p> <p>Revenues and profits are expected to increase in FY2022/3 although costs associated with the development of the Sensing Business throughout the period of the Mid-Term Management Strategy and establishment of mass production system are planned, as sales volume in Display Business and IC/Semiconductor Business are expected to increase. Meanwhile, we plan to boost production of resist polymer and solvents for electrical materials to meet brisk demand from the semiconductor market during the period covered by the strategy.</p>												
Safety ▶ P. 32	<p>Net sales ¥67.2 billion ↓10.1% year-on-year</p> <p>Operating income ¥2.2 billion ↓32.4% year-on-year</p> <p>Composition ratio 17.1% (Net sales), 4.7% (Operating income)</p>	<p>Net sales ¥73.5 billion ↑9.3% year-on-year</p> <p>Operating income ¥6.5 billion ↑191.3% year-on-year</p>	<p>Revenues and profit for automobile airbag inflators (gas generator devices), the main product in this business, decreased due to the lingering effects of a slump in automobile production caused by the COVID-19 pandemic in the first half of FY2021/3. We were, however, able to minimize the decline in sales volume due to the recovery in automobile production and the market launch of a new grade of products in the latter half of the fiscal year.</p> <p>We expect sale volume for inflators to increase in FY2022/3 due to a recovery in the volume of automobile production and rise in demand for new products. We also anticipate an increase in revenues and profits as we continue to maintain thorough cost reductions at the production site and improve productivity.</p>												
Materials ▶ P. 34	<p>Net sales ¥104.2 billion ↓4.7% year-on-year</p> <p>Operating income ¥17.9 billion ↑13.3% year-on-year</p> <p>Composition ratio 26.5% (Net sales), 37.5% (Operating income)</p>	<p>Net sales ¥108.5 billion ↑4.1% year-on-year</p> <p>Operating income ¥14.0 billion ↓21.9% year-on-year</p>	<p>Revenues fell in this segment due to a decline in sales volume centered on chemical products, primarily caused by falling demand in the first half of FY2021/3. Nevertheless, operating income rose due to the impact of cost reductions and lower prices for raw materials and fuel. In FY2022/3, we expect profit to fall due to a decline in sales volume for CO (raw material for acetic acid) following upgrades to outdated plants and an increase in depreciation cost. However, demand in the Chemical Business for peracetic acid derivatives such as alicyclic epoxy and caprolactone recovered in the latter half of FY2021/3, and we expect further growth in sales volume in FY2022/3. During the period of the Mid-Term Management Strategy, we are also planning to boost production of alicyclic epoxy, which will drive future growth for the Daicel Group.</p>												
Engineering Plastics ▶ P. 36	<p>Net sales ¥168.6 billion ↓4.3% year-on-year</p> <p>Operating income ¥21.2 billion ↑1.3% year-on-year</p> <p>Composition ratio 42.8% (Net sales), 44.3% (Operating income)</p>	<p>Net sales ¥195.0 billion ↑15.7% year-on-year</p> <p>Operating income ¥23.0 billion ↑8.6% year-on-year</p>	<p>Polyplastics Co., Ltd. reported lower revenues due to the effects of a drop in demand from automobiles in the first half of FY2021/3. However, recovery in the volume of automobile production, which began in the latter half, was accompanied by a rapid recovery in sales volume for polyacetal (POM), polybutylene terephthalate (PBT), and polyphenylene sulfide (PPS) used in automobiles. Sales volume for liquid crystal polymer (LCP), mainly used as an electric material, continued to rise throughout the year due to growing demand from development of next-generation communication infrastructure. Operating income rose due mainly to the lower price of raw materials and fuel.</p> <p>We expect revenues and profits to rise in FY2022/3 amid an increase in sales volume following the recovery in demand from automotive applications and as a result of boosting production of cyclic olefin copolymer (COC), which is expected to contribute to recycling plastics, by removing bottle necks in the production process and achieving significant growth in sales volume.</p>												
Other	<p>Net sales ¥12.7 billion ↑4.9% year-on-year</p> <p>Operating income ¥1.5 billion ↑82.1% year-on-year</p> <p>Composition ratio 3.2% (Net sales), 3.1% (Operating income)</p>	<p>Net sales ¥11.0 billion ↓13.2% year-on-year</p> <p>Operating income ¥1.6 billion ↑8.0% year-on-year</p>	<table border="1"> <thead> <tr> <th colspan="2">FY2021/3 Results (Consolidated)</th> <th colspan="2">FY2022/3 Forecasts (Consolidated)</th> </tr> <tr> <th>Net sales</th> <th>Operating income</th> <th>Net sales</th> <th>Operating income</th> </tr> </thead> <tbody> <tr> <td>Total: ¥393.6 billion ↓4.7% year-on-year</td> <td>Total: ¥31.7 billion ↑7.0% year-on-year</td> <td>Total: ¥435.0 billion ↑10.5% year-on-year</td> <td>Total: ¥35.0 billion ↑10.3% year-on-year</td> </tr> </tbody> </table>	FY2021/3 Results (Consolidated)		FY2022/3 Forecasts (Consolidated)		Net sales	Operating income	Net sales	Operating income	Total: ¥393.6 billion ↓4.7% year-on-year	Total: ¥31.7 billion ↑7.0% year-on-year	Total: ¥435.0 billion ↑10.5% year-on-year	Total: ¥35.0 billion ↑10.3% year-on-year
FY2021/3 Results (Consolidated)		FY2022/3 Forecasts (Consolidated)													
Net sales	Operating income	Net sales	Operating income												
Total: ¥393.6 billion ↓4.7% year-on-year	Total: ¥31.7 billion ↑7.0% year-on-year	Total: ¥435.0 billion ↑10.5% year-on-year	Total: ¥35.0 billion ↑10.3% year-on-year												

Note: Consolidated operating income is calculated by subtracting a corporate expense of ¥16.1 billion for FY2021/3 and ¥16.5 billion for FY2022/3. Forecasts of FY2022/3 are figures which was announced on August 3, 2021.

Medical / Healthcare

Business Overview

Our Healthcare Business, consisting of the Cosmetics and Health Foods businesses, is focused on raising the quality of life by delivering high-quality raw materials for cosmetics and marine biodegradable spherical fine particles (cellulose acetate) used in cosmetics. It also focuses on unique nutritional raw materials and supplements derived from natural materials through natural-material extraction and bioconversion technologies. In the chiral separation business, we engage in the manufacture and sale of chiral columns used for separating and purifying optical isomers in pharmaceutical development and manufacturing processes, and we provide chiral separation services under consignment. Daicel boasts a large share of the global market for chiral columns.

Businesses	Main Products
Cosmetics	1,3-Butylene glycol (1,3-BG), polyglycerin, Spherical cellulose acetate particles, and other materials
Health Food	Equol, konjac ceramide, urolithin, and other materials
CPI	Chiral columns, chiral reagents, and analysis services

/ Mid-Term Management Strategy: Our Approach to the Business Strategy and Initiatives

Business Environment

- Growth of the cosmetics market in Asia, centered on China
- Expansion in demand for sustainable materials such as naturally derived or biodegradable products
- Growth of the supplement market due to increased health awareness
- Growth of the generic drug market
- Intensified drug-discovery needs and growing macromolecule drug market

Daicel's Strengths

- 1,3-BG used as a moisturizing ingredient in cosmetics and highly regarded in the growing Asian market for being odor-free
- Stable supply of 1,3-BG through dual product bases (operational from FY2022/3)
- Health food materials produced through bio (microbial) fermentation and natural-material extraction technologies developed over the years
- Network of pharmaceutical companies, universities, and research institutions in the small molecule drug field

Businesses	Policy	Concrete Measures
Cosmetics	<ul style="list-style-type: none"> • Expand the market share of products centered on 1,3-BG • Expand the lineup of sustainable materials 	<ul style="list-style-type: none"> • Provide a stable supply of 1,3-BG through dual production bases and implement a thorough quality upgrade at the new plant • Launch sales and expand business for marine biodegradable, spherical cellulose acetate fine particles (BELLOCEA®) for cosmetics applications (foundation, sunscreen, and other uses) • Collaborate with organizations inside and outside the Daicel Group as well as M&A
Health Food	<ul style="list-style-type: none"> • Introduction of materials and services focusing on intestinal flora • Bolster marketing and expand the product lineup under the theme of "beauty and health," targeting women in their 40s and older 	<ul style="list-style-type: none"> • Boost production of equol, an intestinal metabolite of soybean isoflavones • Expand the lineup of intestinal microbiome materials such as urolithin, an intestinal metabolite extracted from pomegranate • Collaborate with strategic partners and promote M&A
CPI	<ul style="list-style-type: none"> • Expand solutions in the rapidly growing areas of macromolecular drugs and biologics discovery 	<ul style="list-style-type: none"> • Establish new analysis and purification services in the genomics market • Collaborate with external corporate partners

Relevant SDGs



TOPICS Developing Cellulose Acetate Spherical Fine Particles [BELLOCEA®], an Environmentally Sound Cosmetic Material.

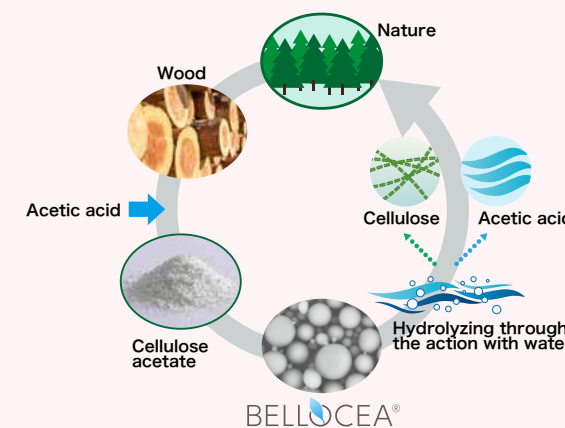
Daicel has been consistently developing and selling naturally derived materials for cosmetics with a focus on sustainability. As microplastics come under closer scrutiny for being harmful to the oceans, tighter regulations are being introduced in the cosmetics industry, which handles many products containing these plastics.

The spherical fine particle product BELLOCEA® was developed by processing our long-standing mainstay product of cellulose acetate using proprietary technology. Although flowing out in ocean, this environmentally sound, highly biodegradable material will be ultimately decomposes into acetate and cellulose which exists in nature. BELLOCEA® features a smooth surface due to its fine particles as well as superior dispersibility and spreadability, which make it softer on the skin than other naturally derived beads such as silica. Also, it is similar to synthetic particles such as nylon in the way that it spreads evenly on the skin.

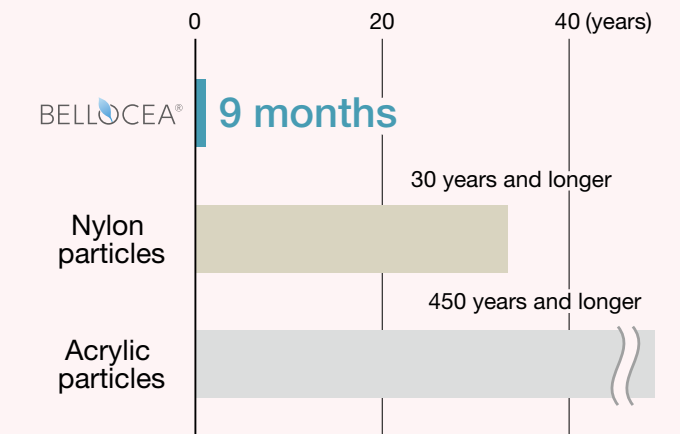
We are already providing samples with an eye on developing applications in foundations while considering the further enhancement of its functionality and expanding the product lineup. In addition, we have begun developing a new grade in biodegradability to comply with regulations of the European Chemicals Agency.

We will continue to provide raw materials with a higher degree of natural content to respond to the ongoing shift from synthetic to natural in the cosmetics industry.

Life-cycle of a natural material



Comparison of marine biodegradability



/ Mid-Term Management Strategy: Performance Targets, Capital Expenditures, Depreciation, R&D

Performance Targets

FY2021/3 Results	
Net sales	Operating income
¥16.2 billion	¥1.6 billion

FY2026/3	
Net sales	Operating income
¥25.0 billion	¥3.0 billion

Capital Expenditures, Depreciation, R&D

Cumulative Total from FY2022/3 to FY2026/3		
Capital expenditures	Depreciation	R&D
¥8.5 billion	¥20.0 billion	¥16.0 billion

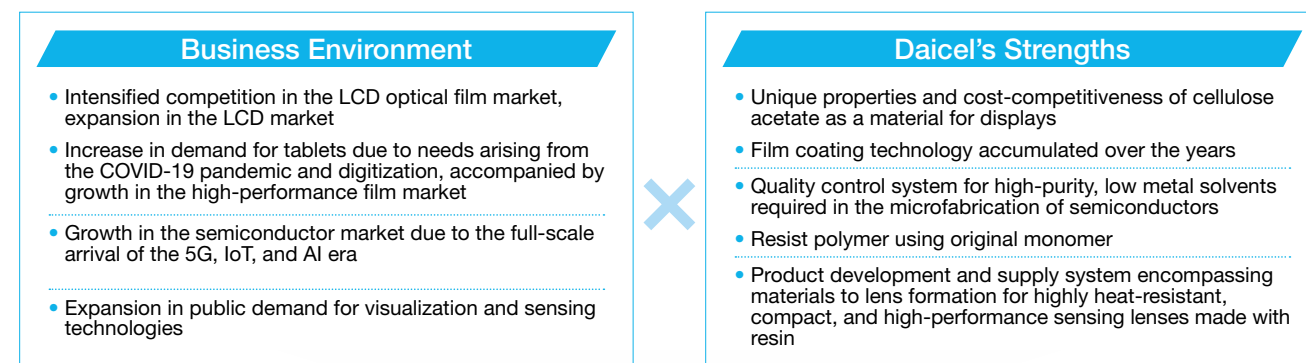
Smart

Business Overview

The Display Business is involved in the manufacture and sale of cellulose acetate for optical films for LCDs, for which Daicel commands a major share of the global market, and high-performance optical films that offer optimum displays in areas ranging from smartphones and tablets to in-vehicle units. The IC/Semiconductor Business develops and promotes high-performance resist materials and solvents for electronic materials used in the manufacturing processes of semiconductors and displays. In the Sensing Business, we are developing the growing sensor market by providing products such as high-performance wafer-level lenses and thin, bendable, low-power-consumption organic semiconductors.

Businesses	Main Products
Display	Tri-acetate cellulose (TAC) for LCD optical films, and high-performance optical films
IC/Semiconductor	Resist materials and solvents for electronic materials
Sensing	Wafer-level lenses, organic semiconductors, conductive ink

/ Mid-Term Management Strategy: Our Approach to the Business Strategy and Initiatives



Businesses	Policy	Concrete Measures
Display	<ul style="list-style-type: none"> Increase profitability of TAC business Develop multiple functions and expand business for high-performance optical films 	<ul style="list-style-type: none"> Improve quality to expand sales of TAC Implement ultimate cost reductions Bolster the development system for high-performance optical films Increase production of high-performance optical films
IC/Semiconductor	<ul style="list-style-type: none"> Strengthen semiconductor-related business that meets the needs of cutting-edge technologies 	<ul style="list-style-type: none"> Purify solvents for electronic materials and expand the product lineup Increase production of solvents for electronic materials (MMPGAC) Develop a resist polymer for EUV Increase production of a polymer for semiconductor resist
Sensing	<ul style="list-style-type: none"> Strengthen the system for seizing market growth opportunities 	<ul style="list-style-type: none"> Enhance the technical support system to expand the customer base Prepare for increased production by establishing production and manufacturing technologies at an early stage, constructing a production system, and bolstering quality control

Relevant SDGs



TOPICS We Support the Ever-Advancing Semiconductor Manufacturing Process while Contributing to the Development of an Environmentally Sound Smart Society

Electronic devices such as smartphones, tablets, PCs, and an ultra-thin TV as well as industrial robots and automobiles that are increasingly self-driven are all continuously becoming more sophisticated in terms of functionality. This has led to constant demand for more advanced features such as high-speed response and low power consumption.

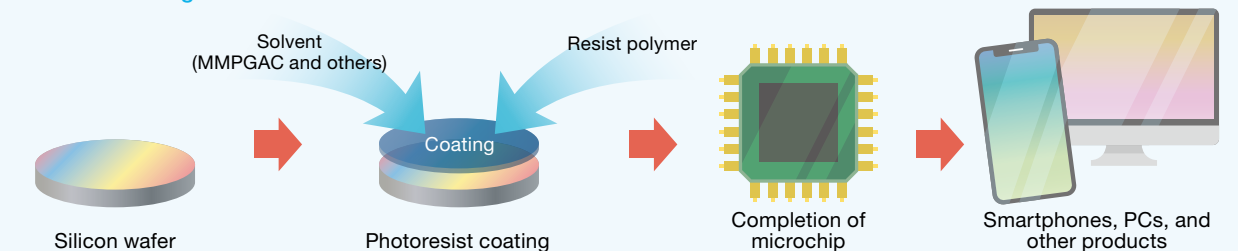
Meeting this demand will require enhancing the functionality of semiconductors, which constitute the core of logic circuits and memory. Daicel's solvents for electronic materials are used in various processes associated with manufacturing semiconductors, including rinsing and resist coating, and our resist polymers have become indispensable for creating electronic circuits.

Solvents for electronic materials such as MMPGAC are organic with high boiling points that offer such characteristic features as high solubility and low toxicity that make them environmentally sound. Their high purity and rheology control properties are also being applied to help reduce the size of condensers such as multi-layer ceramic capacitors (MLCCs), increase LCD resolution, and produce miniaturized and multi-layered semiconductors.

Daicel's acrylic and other resist polymers are used to produce the world's top-quality semiconductors such as liquid-immersion ArF, the most advanced semiconductor, that constitute today's mainstream. Our products are capable of meeting miniaturization needs and achieve a line width of 10 nm or thinner. We are also working with major manufacturers to jointly develop products for use in extreme ultraviolet (EUV) processes. In addition, our most advanced rinsing agents contribute to improving yield by removing as much residue as possible from the polishing process for high-density integration of semiconductors, and they are increasingly being adopted by manufacturers.

Daicel continues to expand its production volume of solvents for electronic materials and resist polymers to meet demand from semiconductor manufacturers. At the same time, we will consistently provide solutions based on the market-in approach to meet diverse demands and contribute to the development of a comfortable Smart Society with environmentally sound products.

Process Diagram for Resists



/ Mid-Term Management Strategy: Performance Targets, Capital Expenditures, Depreciation, R&D

Performance Targets

FY2021/3 Results		FY2026/3	
Net sales	Operating income	Net sales	Operating income
¥ 24.7 billion	¥ 3.4 billion	¥ 45.0 billion	¥ 8.0 billion

Capital Expenditures, Depreciation, R&D

Cumulative Total from FY2022/3 to FY2026/3		
Capital expenditures	Depreciation	R&D
¥ 28.0 billion	¥ 17.0 billion	¥ 15.5 billion

Safety

Business Overview

The main products of the Safety Business are automobile airbag inflators (gas generation devices), which protect the lives of occupants and pedestrians by inflating airbags within milliseconds after a collision. Our automobile airbag inflators are highly regarded as the key component of airbag systems. Meanwhile, our pyro-fuse, which safely, instantaneously, and pyrotechnically interrupt high-voltage and high-current electricity in the event of an emergency, are expected to be used in many products that will be automated by AI, not to mention the already burgeoning electric vehicle industry.

Businesses	Main Products
Mobility	Automobile airbag inflators
Industry	Pyro-fuse and gas generators for seat belt pretensioners (PGG)

/ Mid-Term Management Strategy: Our Approach to the Business Strategy and Initiatives

Business Environment

- Global recovery and growth of automobile production
- Stricter automotive safety standards in emerging countries
- Accelerated spread of electric vehicles and progress in automated driving technology

Daicel's Strengths

- Pyro technology that enables integrated production from a gas generant
- Cost reduction learned from the Toyota Production System (TPS)
- Quality control based on an image analysis system
- Solid relationship of trust with customers

Businesses	Policy	Concrete Measures
Mobility	• Strengthen cost-competitiveness	<ul style="list-style-type: none"> • Cataloging and integration of products • Develop a gas generant based on a new composite and shift the production method • Consolidate production bases to raise cost-competitiveness • Save labor by automating the production line • Shift to a "Half-cost line" through standardization, in-house production, and diversion of EOP (End of Production) line
	• Expand market share	<ul style="list-style-type: none"> • Set up a production base in India • Deepen collaboration with airbag module manufacturers
Industry	• Create new businesses in the area of EV and outside the automobile market	<ul style="list-style-type: none"> • Bolster development and marketing for pyro-fuse • Explore applications in other areas by branding Daicel technology • Create new businesses through co-creation with customers

■ Relevant SDGs



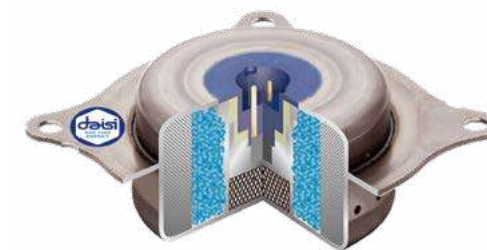
TOPICS DAISI Springs to Action, Only When Needed Launching Our DAISI One-Time Energy Technology Creating Value for Wide-ranging Fields from Automobiles to Medicine in an Era of Growing Anxiety

Over the years, Daicel has been cultivating technology safely, accurately, and instantaneously by generating a single burst of optimal energy used in automotive airbags that saves lives around the world. We have launched the "DAISI" brand by redefining this unique technology as "One Time Energy." We intend to continue creating and co-creating new value for diverse business domains by applying the technology to products such as pyro-fuse for an electric vehicle to prevent passengers from having an accident and being electrocuted as well as our cutting-edge medical device "Actranza™ lab."



One Time Energy DAISI

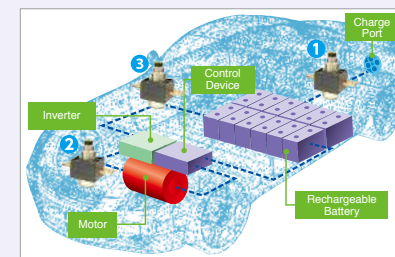
DAISI stands for DAICEL Saving Innovation. It is a power system that operates even under extreme conditions that offers flexible control over optimum pressure, time, and accuracy through the combination of short-, medium-, and long-range energy.



■ Actranza™ lab

From injection to jet permeation* it allows the drug solution to permeate the skin and reach the targeted cells by accurately controlling pressure and speed.

*Jet permeation is a term coined by Daicel to describe the function of injecting fluids inside the body by using a high-speed jet stream instead of a hypodermic needle.



■ Pyro-fuse

Instantly disconnecting high-voltage currents to prevent accidental electrocution involving EVs.



■ Airbag Inflators

We boast a track record of zero malfunctions and reliability by continuously protecting lives.

/ Mid-Term Management Strategy: Performance Targets, Capital Expenditures, Depreciation, R&D

■ Performance Targets

FY2021/3 Results	
Net sales	Operating income
¥ 67.2 billion	¥ 2.2 billion

FY2026/3	
Net sales	Operating income
¥ 100.0 billion	¥ 15.0 billion

■ Capital Expenditures, Depreciation, R&D

Cumulative Total from FY2022/3 to FY2026/3		
Capital expenditures	Depreciation	R&D
¥ 44.0 billion	¥ 31.0 billion	¥ 21.5 billion

Materials

Business Overview

The Materials Business provides various materials to diverse industries. Daicel is Japan's only manufacturer of acetic acid, which has a broad range of applications. Our Acetyl Business supplies acetic acid and acetic acid derivative chemicals. It also supplies cellulose acetate, made from cellulose derived from wood pulp or cotton, and acetate tow, obtained by spinning cellulose acetate. In the Chemical Business, we draw on the organic synthesis technologies we have accumulated over the years to manufacture and sell a range of chemicals, including peracetic acid derivatives such as alicyclic epoxy and caprolactone, based on a unique synthetic reaction, and amine and ketene chemicals.

Businesses	Main Products
Acetyl	Acetic acid, acetic acid derivatives (ethyl acetate, acetic anhydride, and other organic chemicals), cellulose acetate, and acetate tow
Chemical	Alicyclic epoxy, caprolactone derivatives, alkylamines, and ketene derivatives

/ Mid-Term Management Strategy: Our Approach to the Business Strategy and Initiatives

Business Environment

- Recovery in demand for products accompanying the resumption of economic activities
- Reduced demand from existing applications for acetate tow
- Growing expectations for cellulose acetate as a biomass material and marine biodegradable material

Daicel's Strengths

- Accumulated control technologies for the natural material of cellulose
- Integrated the production of acetyl chain products made of acetic acid
- Cost reduction achieved through DAICEL Production Innovation
- Ability to develop new products based on alicyclic epoxy, for which Daicel commands the top share of the global market



Businesses	Policy	Concrete Measures
Acetyl	• Develop new applications for cellulose acetate and acetate tow	• Convert applications of cellulose acetate using natural materials • Accelerate the pace of development through collaboration with partners both inside and outside the Group
	• Create stable cash flows	• Ultimate cost reduction due to measures such as expanding the use of low-cost pulp • Transition to an efficient production system while considering demand
Chemical	• Increase production of alicyclic epoxy	• Establish new production bases for alicyclic epoxy • Downsize production facilities by changing the production method and construct a flexible production system by numbering-up
	• Strengthen proposals on materials and functions of products with enhanced functionality and high added value	• Develop a new thermoset resin and collaborate with formulation manufacturers • Strengthen functional analysis technologies and establish global technical service systems

Relevant SDGs



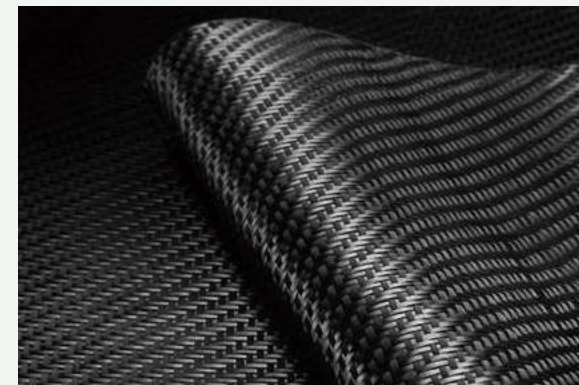
TOPICS Contributing Toward Realizing an Eco-friendly Decarbonized Society with the Power of Unique New Materials

Daicel is the only company that manufactures and sells ε-caprolactone and cycloaliphatic epoxy made by an oxidation reaction using peracetic acid. These products are widely used in such areas as automobiles, semiconductors, and displays.

In particular, we are the leading company in the area of cycloaliphatic epoxy, and our main product, Celloxide 2021P, can be used to create cured products with high crosslink density (high thermal resistance and high optical property) despite its low viscosity, and it is attracting attention as an indispensable raw material for highly advanced materials.

Electric vehicles are likely to gain more attention as a means of reducing CO₂ emissions and are expected to account for roughly 20% of all automobiles sold globally by 2030. There is growing demand for even more compact electronic components with higher power output, while carbon fiber reinforced plastics (CFRPs) are attracting attention as a promising alternative to metal for creating lightweight exterior parts. These next-generation components and CFRPs require workability, impregnating ability, and high thermal resistance, which is made possible using the physical properties of cycloaliphatic epoxy, for which further growth is expected.

Looking ahead, we will seek to expand our cycloaliphatic epoxy business by boosting our supply capacity by means of increasing production at multiple bases not to mention our lineup of high-performance, high value-added materials.



CFRP (Carbon Fiber Reinforced Plastics)



/ Mid-Term Management Strategy: Performance Targets, Capital Expenditures, Depreciation, R&D

Performance Targets

FY2021/3 Results	
Net sales	Operating income
¥ 104.2 billion	¥ 17.9 billion

FY2026/3	
Net sales	Operating income
¥ 105.0 billion	¥ 25.0 billion

Capital Expenditures, Depreciation, R&D

Cumulative Total from FY2022/3 to FY2026/3		
Capital expenditures	Depreciation	R&D
¥ 43.5 billion	¥ 73.5 billion	¥ 10.5 billion

Engineering Plastics

Business Overview

Polyplastics Co., Ltd. is a leading engineering plastics company offering specialized functions such as mechanical strength and resistance to heat and chemicals, and its solutions have contributed to lighter automobiles with more electric components and higher performance electrical devices. Daicel Miraizu Ltd. provides a broad range of products to diverse industries, including AS and ABS resins with wide-ranging applications, from daily items to automobiles, polymer alloys, and plastics compounds, as well as barrier films for food packaging with excellent moisture and oxygen barrier properties.

Major Group Company	Main Products
Polyplastics	Polyacetal (POM), polybutylene terephthalate (PBT), polyphenylene sulfide (PPS), liquid crystal polymer (LCP), and cyclic olefin copolymer (COC)
Daicel Miraizu	AS resin, ASB resin, various polymer alloys, plastic compounds, and barrier films for packaging

/ Mid-Term Management Strategy: Our Approach to the Business Strategy and Initiatives

Business Environment

- Global recovery and growth of automobile production
- Advances in self-driving technology for automobiles
- Acceleration of the spread of EVs
- Change in infrastructure, terminals, and services due to the introduction of 5G
- Growing interest in a circular economy

Daicel's Strengths

- Products with a high market share around the world (Polyplastics has the top global market share for POM and LCP)
- Technologies and products accumulated in Asia and a global service supply network
- Technical solution system for quickly responding to customer needs

Major Group Company	Policy	Concrete Measures
Polyplastics	• Enhance supply capacity and enrich the product portfolio	<ul style="list-style-type: none"> • COC debottlenecking (reinforcement work) • Increase production capacity for COC • Increase production capacity for LCP • Increase production capacity for POM • Increase compound capacity • Enhance the engineering plastics product lineup through collaboration and business acquisition
	• Increase the share in premium markets in the U.S. and Europe	<ul style="list-style-type: none"> • Develop the European and U.S. markets for LCP following dissolution of the merger • Bolster marketing through the Technical Solution Center
	• Create new businesses	<ul style="list-style-type: none"> • Create an eco-friendly plastics market → Development of products using sustainable polymers and raw materials → COC sales expansion that contributes to a circular economy
Daicel Miraizu	• Develop products from the perspectives of the environment, safety and security, and comfort	<ul style="list-style-type: none"> • Develop environmentally friendly resins based on a compound technology and conduct marketing • Expand sales of barrier films for packaging, which contributes to reducing food loss by maintaining its freshness

Note: Please see page 17 for more information on the synergistic effects of making Polyplastics a wholly owned subsidiary.

■ Relevant SDGs



TOPICS Reusing Parts Discarded after Molding Components as a Resource to Create Products at a Recycling Rate of 80% while Guaranteeing Quality Roughly Equivalent to Virgin Material

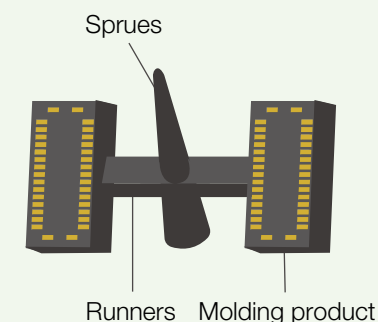
Polyplastics has acquired additional UL certification* for its product LAPEROS® LCP S475 Grade which verifies the fact that its quality (physical properties) at a recycled material usage rate of 80% is equivalent to that of a product made from virgin materials.

LAPEROS® LCP features high heat resistance and mechanical strength and is widely used in micro precision connectors for the latest IT devices, such as tablets and smartphones, which are becoming ever smaller. Normally, molding components requires ancillary parts such as sprues and runners that are subsequently discarded. As components become smaller, the percentage of ancillary parts relatively rises, causing a problem of more waste rate. Therefore, there is ongoing effort to reuse these parts as a recyclable resource for molding new products. There was also concern, however, about the quality of materials that use recycled sprues and runners. In this context, Polyplastics has acquired an additional UL certification for the S475 Grade of LAPEROS® LCP as capable of achieving required product quality, even at a recycled material usage rate of 80%.

Amid greater public demand for the effective use of resources, Polyplastics will continue to pursue further certifications and development of new products that can realize both effective resource utilization and reliable product quality for a sustainable and abundant future society, to become the No. 1 engineering plastic solutions provider.

*Certification provided by Underwriters Laboratory (UL), a third-party product safety and environmental assessment organization, which signifies that the product complies with North American safety requirements.

■ Sprues and Runners that Are Required for Molding Components



■ Micro Precision Connectors for the Latest IT Devices Using LAPEROS® LCP



/ Mid-Term Management Strategy: Performance Targets, Capital Expenditures, Depreciation, R&D

■ Performance Targets

FY2021/3 Results	
Net sales	Operating income
¥ 168.6 billion	¥ 21.2 billion

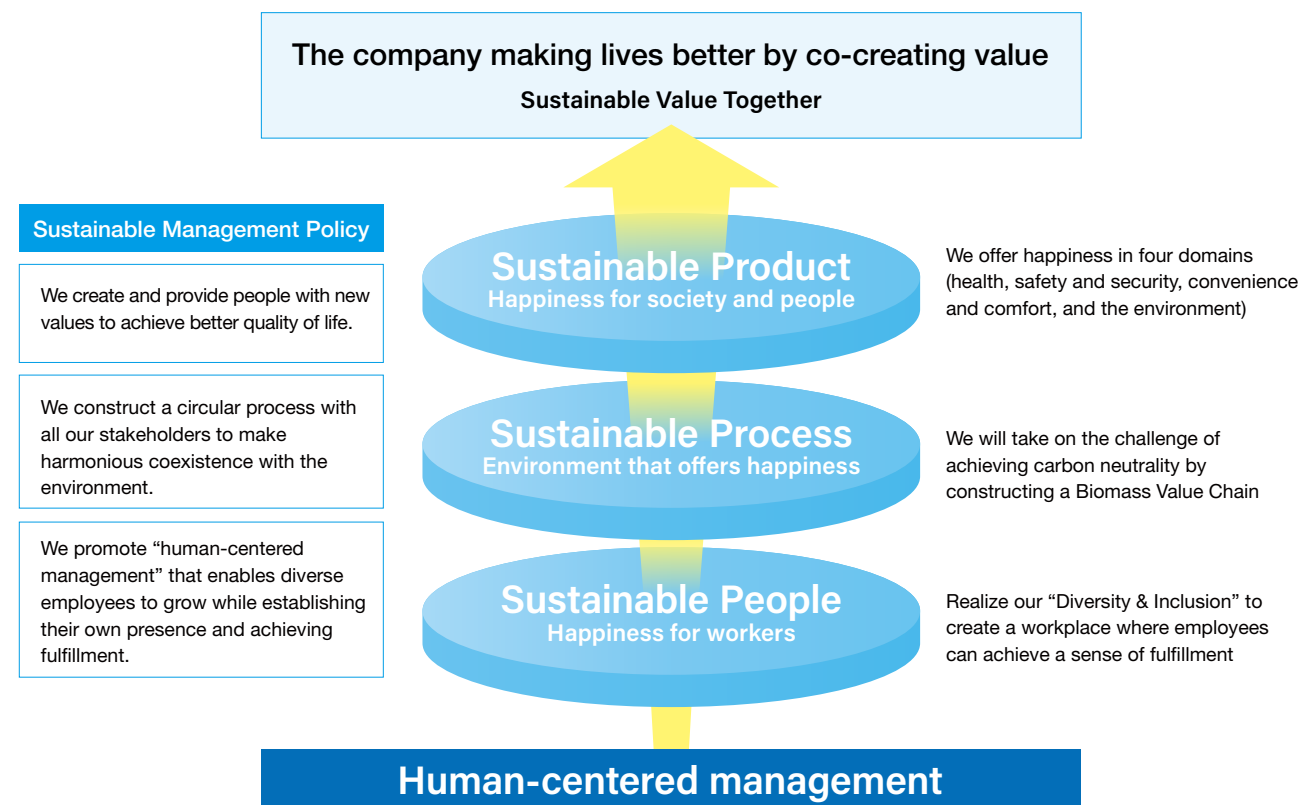
FY2026/3	
Net sales	Operating income
¥ 217.0 billion	¥ 35.0 billion

■ Capital Expenditures, Depreciation, R&D

Cumulative Total from FY2022/3 to FY2026/3		
Capital expenditures	Depreciation	R&D
¥ 67.0 billion	¥ 51.5 billion	¥ 20.5 billion

Sustainability Management

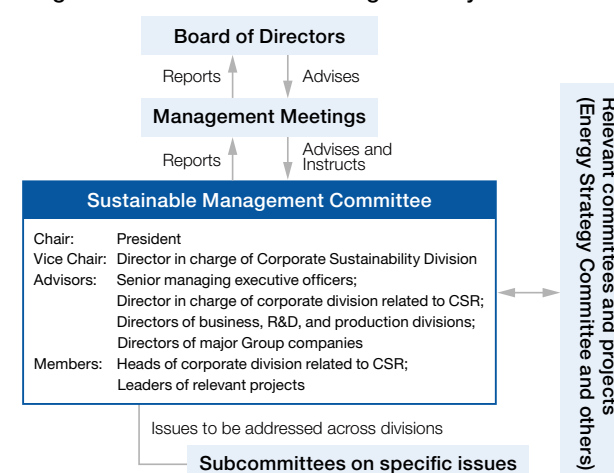
The Daicel Group's business activities are guided on a day-to-day basis by its basic philosophy of making people's lives better by co-creating value. Today, as public values are changing significantly in terms of realizing a sustainable society, the Group has sought to articulate its basic management 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 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.

Diagram of the Sustainable Management System



Joining the United Nations Global Compact

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. The Daicel Group will comply with and practice the Ten Principles to promote responsible corporate management as a means for contributing to the creation of a sustainable society.



Initiatives for Achieving the SDGs Toward Realizing a Sustainable Society

The Daicel Group believes its corporate mission is to recognize social issues and contribute to realizing a society characterized by sustainable products through business processes and in achieving the SDGs while creating new value for society. In FY2021/3, we sought to promote a greater understanding throughout the Group through the SDGs Ambassadors and activities to enable each employee, including those at Group companies, to develop their awareness of the SDGs and take the initiative to achieve the SDGs through their work.

SDGs Ambassador Activities

In FY2021/3, we established a community of SDGs Ambassadors, comprising employees who had volunteered from various worksites and job types or positions to engage in activities that promote SDGs awareness within the Group. A total of 74 ambassadors, including employees from Group companies and those on overseas assignments, participated in regular online study groups (held seven times in FY2021/3) that involved multiple business sites and led activities to raise awareness at each location.



SDGs Ambassadors at the Arai Plant

Initiatives on Eco-friendly Products

The Daicel Group pursues initiatives to develop eco-friendly products to help achieve the SDGs through its products.



Examples of products that contribute to Goal 12

Konjac-derived ceramide supplement for resource recycling



Tobiko (fly powder) from konjac tubers discarded in the past contain ceramides that are beneficial for maintaining health and beauty. Daicel developed a supplement by upcycling tobiko powder using patented manufacturing methods.

Floating labels that raise the recycling ratio of PET bottles



TOPAS® COC is being used as a material for labels with a smaller specific gravity than conventional labels, allowing them to float in water. Both materials can be collected as high-purity resin by efficiently separating labels and bottles.

Identifying Key Sustainability Issues (Materiality)

Under its basic philosophy of improving the quality of life by co-creating value, the Daicel Group pursues business activities based on its Sustainable Management Policy. In formulating the Accelerate 2025-II Mid-Term Management Strategy in FY2021/3, we identified the materiality that will drive our efforts to realize it. Going forward, we will continue to apply a CAPD cycle to address material issues for achieving a sustainable society.

Background and Approach to Identifying Our Materiality

We sought to identify our materiality by giving due consideration to how the Daicel Group could draw upon its strengths toward addressing social issues represented by the SDGs from the perspectives of the “Product, Process and People” in our Sustainable Management Policy. We also examined aspects related to safety, quality, and compliance as the priority foundation for our action.

Process of Identifying Materiality

Step 1
Extract social issues

Step 2
Prioritize

Step 3
Confirm validity

Step 4
Formulate materiality and KPIs

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.

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

The Corporate Sustainability Division 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 Meeting and subsequently endorsed by the Board of Directors.

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

Materiality Map

Importance to stakeholders

Importance to the Daicel Group

Important themes

		Materiality	Relevant SDGs
Materiality aimed at achieving growth of the Daicel Group and value co-creation	Sustainable Product Happiness for society and people	Contribute to beauty and health See page 28	
		Contribute to the Smart Society See page 30	
		Provide safety and security for society See page 32	
		Provide environmentally friendly materials and technology See page 34 and 36	
	Sustainable Process Environment that offers happiness	Contribute to the development of a circular society See page 20	
		Respond to climate change See page 42	
	Sustainable People Happiness for workers	Promote diversity and inclusion See page 46	
		Support personal growth	
Materiality related to the foundation for the Daicel Group's continuity and governance	Environment	Reduce environmental impact See page 43	
	Social	Ensure process safety and occupational health and safety See page 47	
		Ensure chemical safety and enhance product quality See page 47	
		Respect human rights See page 44	
		Foster a corporate culture that meets employee needs	
		Promote sustainable procurement See page 45	
	Governance	Strengthen foundation for Group governance and compliance See page 48-59	

Response to Climate Change



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. We will also embrace new technologies and renewable energy while switching fuels and optimizing energy consumption.

Designation of medium- to long- term target to achieve carbon neutrality by 2050.

Medium-term reduction target for GHG emissions
2050: Achieve carbon neutrality*1
2030: 50% reduction in GHG emissions (compared to FY2019/3)*2
2025: 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 2050, we designated a medium-term target of reducing GHG emissions by 50%, compared to FY2019/3 levels, by 2030. 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.

Bolstering our Structure for Promoting GHG Emission Reductions

To bolster our group-wide initiatives for saving energy and reducing GHG emissions, we established the Energy Strategy Committee in July 2020, which reports directly to the president, by expanding the scope of the Energy Saving Promotion Committee. The Energy Strategy Committee is chaired by the officer responsible for the Production Management Headquarters, with membership comprising the heads of our production, energy, and other corporate departments in Japan. The committee promotes energy savings and also constructs a circular process for the entire Group that is in harmony with the global environment to achieve the GHG emission reduction target, from the three aspects of GHG emissions in the current production process, the Energy Department, and innovative technology.

Initiatives for Reducing GHG Emissions

The Daicel Group's GHG emissions for FY2021/3 decreased by 5% year-on-year to 2,131 kt-CO₂ due to initiatives such as improving the tire-derived fuel ratio at the Ohtake Plant and shifting to highly efficient boilers at Polyplastics Asia Pacific Sdn. Bhd.

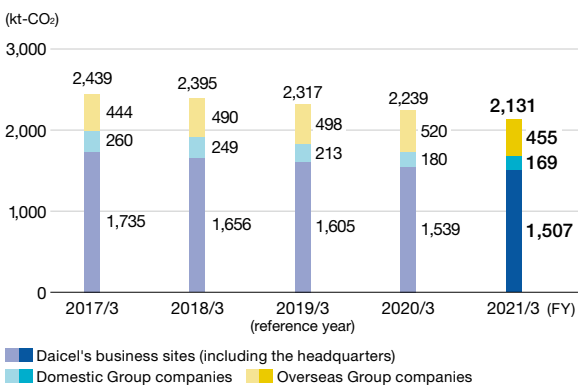
GHG Emissions by Scope (FY2021/3)

Categories		Emissions (kt-CO ₂)
Scope 1*1	Direct GHG emissions	1,469
Scope 2*1	Electricity indirect GHG emissions	38
Scope 3*2	Other indirect GHG emissions (categories 1 to 7)	1,121

*1 Daicel's business sites (including the headquarters)
*2 Boundaries for each category of Scope 3 are described in "Response to Climate Change"

<https://www.daicel.com/en/sustainability/environment/climate-change.html>

GHG emissions (Scope 1, 2)



Reducing Environmental Impact



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.

Mid-Term Target for Realizing a Recycling-Based Society

As our mid-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 95% 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.

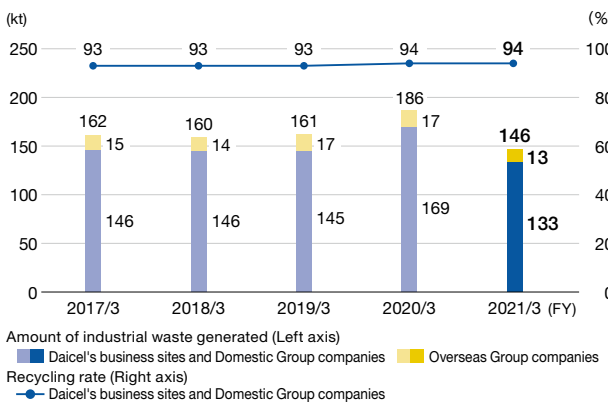
Mid-Term Targets through FY2026/3	Definition
Raise the recycling rate for Daicel's business sites and Domestic Group companies to 95% or higher	Recycling rate = $\frac{\text{Recycled materials*} + \text{Thermally recycled materials}}{\text{Total amount of industrial waste*}}$
Achieve zero emissions for Daicel's business sites and Domestic Group companies	Reduce landfill to less than 1% of the total amount of industrial waste*

*Includes valuables

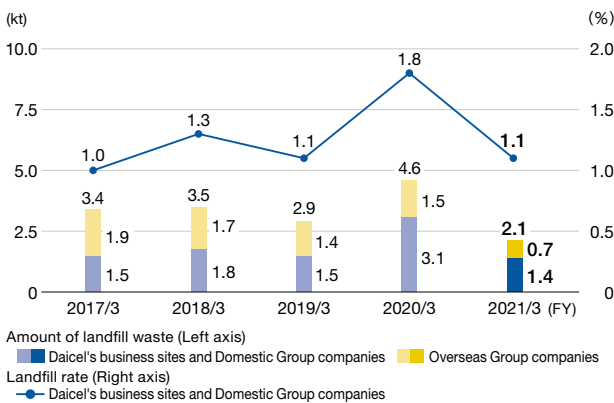
Initiatives for Reducing Industrial Waste

The Daicel Group intends to achieve zero emission status by promoting initiatives for reducing industrial waste centered on the 3Rs. In FY2021/3, the amount of industrial waste generated by the Group decreased by 21% compared to the previous fiscal year to 146 kilotonnes as plant removal work peaked and production of some products was adjusted. The amount of landfill waste fell 54% year-on-year to 2.1 kilotonnes. The recycling rate for Daicel's business sites and Domestic Group companies in FY2021/3 remained unchanged from the previous fiscal year at 94%. The landfill rate was 1.1%, and we will seek to achieve zero emissions as a new target from FY2022/3.

Amount of Industrial Waste Generated and Recycling Rate



Amount of Landfill Waste and Landfill Rate



Respect for Human Rights



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 establishes the Daicel Group Human Rights Policy.

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.

Initiatives for Group Companies

Daicel has been conducting risk assessments on human rights for Group companies both in and outside of Japan since FY2020/3. We are committed to pursuing initiatives for ensuring human rights due diligence at 100% of our major Group companies.

FY2020/3	<ul style="list-style-type: none">Sent a questionnaire on human rights and labor practices (12 Group companies in Japan and 10 overseas) Conducted interviews based on the responses (risk assessment)
FY2021/3	<ul style="list-style-type: none">Sent a questionnaire and requested responses to be submitted along with substantiating documents (12 Group companies in Japan mentioned above) Reviewed documents and conducted interviews based on a checklist (risk assessment)Sent a questionnaire to Group companies that had not been covered in risk assessment in FY2020/3 (8 Group companies overseas) Conducted interviews based on the responses (risk assessment)

Results

Revealed no human rights violations by Daicel Group companies and no cases requiring correction

Initiatives for the Supply Chain

The Daicel Group promotes initiatives that ensure respect for human rights across its supply chain by addressing issues concerning human rights and labor practices in the Daicel Group CSR Purchasing Guidelines, in addition to its Human Rights Policy. We ask major suppliers to fill in a Self-Assessment-Questionnaire (SAQ) on CSR procurement, which includes assessment items concerning human rights and labor practices to identify human rights risks in our supply chain.

Human Rights Education and Training

In FY2021/3, we implemented human rights education and training along with other topics through e-learning for Daicel Corporation and Group companies in Japan. We also distributed the educational materials on corporate ethics each month throughout the Daicel Group. These materials include content related to human rights, such as harassment based on sexual orientation and gender identity (SOGI) and working with persons with different backgrounds. Moreover, we invited a lecturer who identifies as LGBT and held human rights education on LGBT specific issues for Directors of Daicel Corporation and Group companies in Japan. The video of this lecture was shared with all Group companies in Japan. By using the film, each department implemented human rights education.

In July, 2021, we implemented e-learning dedicated to human rights. 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 for learning about the Human Rights Policy and about specific human rights issues arising from the COVID-19 pandemic.

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.

System for Promoting Sustainable Procurement

In FY2021/3, the Daicel Group established 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 Center, Corporate Sustainability Division, 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 five times in FY2021/3.

Initiatives for Sustainable Procurement

Selection Process for New Suppliers

When initiating transactions for purchasing major raw materials and fuels from a new supplier, we confirm the status of the supplier's initiatives on realizing a sustainable society, according to the content of the transaction. Specifically, we examine the supplier's activities across a wide range of areas, including items related to quality assurance and stable supply, corporate governance, fair trade, human rights, labor conditions, health and safety, business management, contribution to local communities, information security, and promotion of CSR, and expansion of initiatives across the supply chain. We plan to conduct a comprehensive assessment based on the results and use them as criteria for deciding whether to initiate business with a supplier.

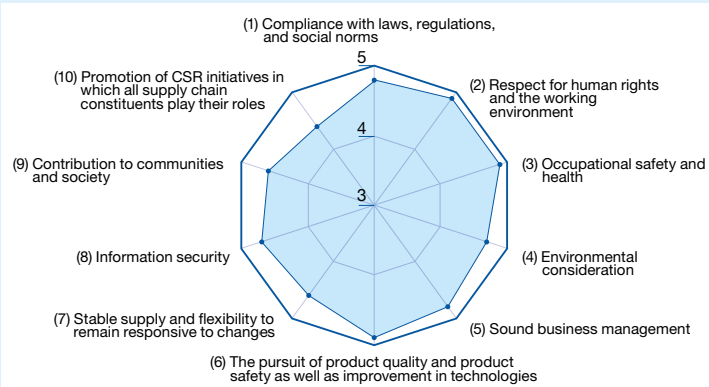
Self-Assessment-Questionnaire (SAQ) on CSR Procurement

To assess the sustainability initiatives of suppliers, the Daicel Group created an SAQ by referring to the SAQ created by the UN Global Compact Network Japan. We seek to raise awareness among suppliers and reduce environmental and social risks by using our SAQ to periodically assess such risks and by offering feedback.

Result of Self-Assessment Questionnaire on CSR Procurement

In FY2021/3, we conducted an SAQ targeting 797 major suppliers of the Daicel Group, accounting for over 85% of total procurement, and received responses from 664 companies, an 83% response rate. For the 173 companies that were deemed to be lacking, we will confirm the issues with each supplier and support improvement efforts. We value communicating with our suppliers and will work together to develop a sustainable supply chain.

Survey Results of Major Raw Materials and Fuel Suppliers



Social Report Growth of the Daicel Group and value co-creation

Promoting Diversity and Inclusion



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” that enables diverse employees to grow while establishing their own presence and achieving fulfillment. In this regard, it is creating a workplace environment that supports diversified human resources and in which each employee can fully demonstrate their talents.

Promoting Diversity with the WellBe Project, Launched in January 2020

WellBe comprises volunteers from each Daicel department, with the company's President and CEO serving as lead supporter. Aimed at making employees happier, the project organizes special events and training sessions to raise their awareness about certain issues. The Human Resources Division collaborates with the project to introduce new workstyles and develop initiatives to improve the working environment. One project catchphrase for FY2021/3 was “Home katsu no ohitashi-zoe de arigato,” a play on words in Japanese meaning “offer praise, refrain from scolding, offer help, declare support and express gratitude.” By encouraging employees to practice these through online seminars, the corporate intranet, and employee surveys, the project fosters a corporate culture of mutual respect within a diverse workforce.

Advancing Women in the Workplace

Daicel promotes diversity with a focus on advancing female employees. We support the career development of motivated women through measures such as seminars for developing female leaders while also cultivating an environment that supports a healthy balance between work and personal life by, for example, introducing a telework system and raising the annual paid leave acquisition ratio. These efforts help to create workplace settings and systems for a diverse group of employees including women in order to fully demonstrate their talents. In April 2021, Daicel Corporation updated its five-year action plan and set new targets.

Action Plan (Daicel Corporation, April 2021 through March 2026)

- Target 1** Maintain at least two female directors, including executive officers (one female director as of April 2021)
Aim: Maintain and improve corporate governance by incorporating diverse perspectives at every level of the corporate workforce.
- Target 2** Increase the ratio of women in management positions to at least 10% (4% as of April 2021)
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.
- Target 3** Raise the ratio of women in positions immediately under section managers to 15% or higher (10% as of April 2021)
Aim: Bring the company-wide gender ratio closer to equal and develop a working environment in which everyone can work with vigor.
- Target 4** Ensure that all employees take a five-day holiday 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 holidays.

Promoting Employment of Persons with Disabilities

Achieving the statutory employment rate of persons with disabilities in the total workforce is a corporate social responsibility. Daicel systematically strives to hire persons with disabilities so they can contribute as members of society and leverage their capabilities to the greatest extent possible. As of June 1, 2021, the rate of persons with disabilities was 2.43% (non-consolidated). To ensure that each individual can contribute in the best possible way at each work site, we pay the utmost attention to assigning suitable jobs according to the degree of disability. In FY2021/3, we sought the cooperation of the public employment security office and held an online seminar on cultivating supporters for persons with mental and developmental disorders. We are developing a disability-confident workplace by deepening understanding among their colleagues.



Social Report Foundation for the Daicel Group's continuity and governance

Process Safety and Occupational Health and Safety



Initiatives on Process Safety and Disaster Prevention

Under the Daicel Group Basic Policies for Responsible Care, the Daicel Group designates safety as one of the priority foundation that is protected by conducting assessments to identify, eliminate, and mitigate any risks associated with ensuring safe processes and preventing disasters. In the event of an incident involving process safety, we take action based on BCP guidelines for minimizing damage.

Initiatives for Preventing Occupational Accidents

The Daicel Group is working to improve occupational health and safety under the leadership of safety management supervisors assigned to each business site through a system of responsible care under the direct supervision of the president and CEO. Management and business sites exchange information on occupational accidents and process safety incidents using a database specifically designed for that purpose. Supervisors of the environmental and safety divisions meet once a month to determine the root causes of accidents and reported incidents, identify similar cases, and implement countermeasures across relevant business sites.

The number of occupational accidents in FY2021/3 decreased by 23 year-on-year to 53. There were no accidents with fatalities. In FY2021/3, the occupational accident frequency rate improved by 0.66 points from 2.64 in the previous fiscal year to 1.98.

Chemicals Safety and Product Quality



Initiatives on Chemicals Management

Under the Daicel Group Basic Policies for Responsible Care, the Daicel Group implements chemicals management based on risks that arise across the product life cycle, from development and manufacturing to use, consumption, and disposal. We maintain compliance with domestic and international laws and regulations on chemical product management by gathering information on the latest regulatory trends and revisions and by periodically holding exchanges to share information on regulations governing chemical products.

Initiatives for Enhancing Product Quality

The Daicel Group seeks to ensure and enhance quality based on its Quality Policy. We also pursue continuous improvement by developing a quality management system supervised by the general manager of each production site.

We respond to complaints and inquiries from customers by conducting a primary investigation to verify process failures and signs of abnormality at each stage and promptly provide feedback. Furthermore, we work to prevent a recurrence by following up with investigations into the causes of the incident or leakage and implement corrective and preventive action.

Main Initiatives

- Periodic internal audits and Quality Assurance Committee meetings
- Formulation of improvement goals for enhancing quality
- Assessment of health hazards of products

Roundtable Discussion with Outside Directors

Expectations for the Mid-Term Management Strategy and the Importance of Risk Management

Accelerate 2025-II has just been launched as our Mid-Term Management Strategy for contributing to the development of a circular society. We took this opportunity to invite three of our outside directors representing different backgrounds to share their expectations for the strategy and their views on the importance of risk management in a roundtable discussion with Kotaro Sugimoto, Representative Director of Daicel Corporation.



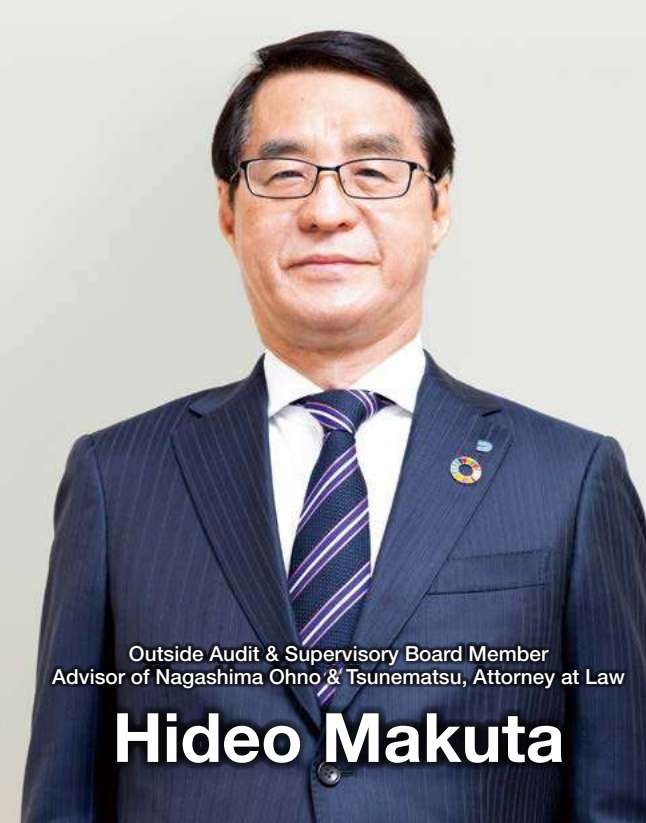
Outside Director,
Member of the Nomination and Compensation Committee,
Honorary Advisor of Sumitomo Mitsui Banking Corporation

Teisuke Kitayama



Outside Director,
Member of the Nomination and Compensation Committee,
Outside Director of Japan Airlines Co., Ltd.,
Outside Director of Maruha Nichiro Corporation

Sonoko Hacchoji



Outside Audit & Supervisory Board Member
Advisor of Nagashima Ohno & Tsunematsu, Attorney at Law

Hideo Makuta



Representative Director, Senior Managing Executive Officer,
General Manager of Corporate Support Headquarters,
Member of the Nomination and Compensation Committee,
Member of the Management Advisory Committee

Kotaro Sugimoto

Directors Engage in a Free Exchange of Views During Board Meetings

Sugimoto Let me begin by asking about your impressions of Daicel's Board of Directors.

Makuta I joined the board in June last year and felt there was a lively exchange of opinions led by outside directors. Some of their views are quite critical, and I have also freely expressed my opinions during meetings.

Kitayama I have been a board member for the past three years and have felt that the atmosphere at Daicel has made it much easier to offer one's opinions than that of other companies.

Hacchoji The open minded atmosphere and disciplined proceedings work together to ensure good progress in the board meetings. I think we engage in meaningful board meetings that allow us a free exchange of views among members.

Looking Back on Major Agendas of FY2021/3 from the Perspective of Effectiveness

Sugimoto How effective was the board in discussing major agendas, which were the large-scale investment for making Polyplastics a wholly owned subsidiary and formulation of the Mid-Term Management Strategy?

Makuta I was confronted with a major management decision concerning Polyplastics immediately after my appointment and felt a little lost at first. However, I participated in the discussion thanks to the detailed explanation offered by Chairperson Fudaba. Daicel makes a sincere effort to share information openly with outside directors and ensure that we have adequate reference materials and time to make confident decisions. The Company operates a highly effective Board of Directors in the sense that it honors its stewardship responsibilities and

guarantees in a safe environment which allow members to make management decisions.

Hacchoji In formulating the Mid-Term Management Strategy, I pointed out the possibility that investors and employees may not understand expressions that are unique to Daicel or words that are used differently from their normal context. I focused on bridging the gap based on an outsider's perspective to ensure that Daicel's passionate aspirations are conveyed to others.

Sugimoto As an inside member of the board, I tried to provide the information in advance so as to facilitate appropriate deliberation by outside directors, such as M&A projects including the Polyplastics case. Regarding the latest Mid-Term Management Strategy, outside directors offered numerous opinions and spent much time on discussing the issues, which provides me with the sense of truly working together to formulate this strategy. Please comment on the content of the strategy.

Mid-Term Management Strategy: Honing Daicel's Competitive Edge with a New Approach and an Unchanging Corporate DNA

Kitayama As Mr. Sugimoto pointed out, the Mid-Term Management Strategy was made public after holding four or five discussions following the initial stage. It upholds the new corporate mission of contributing to the development of a circular society and presents a carefully crafted strategy for fulfilling this mission. I believe that Daicel's innovative creations will accelerate based on the customer-in approach adopted as a commitment to address social issues and customer needs directly. As seen in the joint development project with Daikin Industries, Ltd. (page 19), I have great expectations that the broad range of technologies and unique product lineups that characterize Daicel will directly lead to greater possibilities for

Roundtable Discussion with Outside Directors



co-creating new value both within the Group and with other companies.

Makuta I would like to see Daicel surprise the world with significant innovations by accumulating the experience of co-creating value with various companies, including startups, in a unified team effort on new business development across all departments. As evidenced by DAICEL Production Innovation, Daicel's competence lies in its ability to take on the challenges of manufacturing head on and seeing it through to completion. The Company is likely to encounter major challenges in the course of executing its grand Mid-Term Management Strategy, but I am convinced that the targets will be met by tenaciously taking one steady step at a time.



Hacchoji Daicel will shift from a stance of delivering technologies and products based on its own perspective to a customer-in approach of solving problems alongside customers as an issue-identifying company. I hope this change will further strengthen Daicel's excellent corporate DNA of seeking new applications for its existing technologies based on flexible thinking, as in the case of its pyrotechnology used in airbag inflators, which has been applied to create Actranza™ lab., a device for injecting medicine under the skin without using needles. I also give high marks to the Mid-Term Management Strategy from the perspective of fostering employees who will inherit this DNA.

Sugimoto Under the strategy, it is important to implement change as needed while maintaining Daicel's positive DNA. By continuing Human-centered Management, we will also focus on creating vibrant workplaces for our employees.

Importance of Risk Management

Sugimoto The economic impact of the COVID-19 pandemic has deepened our awareness by providing a lesson on the importance of risk management. Amid the dramatic changes in the business environment, I feel there are broad issues we must address in that area. What are your views as outside directors with regard to Daicel's current status and issues?

Kitayama As well as disasters and economic volatility, climate risks have become more significant since the Japanese government committed to achieving carbon-neutral status by 2050. The Accelerate 2025-II Mid-Term Management Strategy has upheld the goals of reducing emission of greenhouse gas by 50% by 2030 and achieving carbon-neutral status by 2050, but this will require commensurate costs. I will be carefully watching how these costs play out amid the need for other strategic investments.

Hacchoji Daicel seeks to contribute to the development of a circular society and includes climate change initiatives in its sustainable management policy, which show that it recognizes climate change not only in terms of Business Continuity Plans and risk management but also as a vital concern for chemical manufacturers.

Makuta While long-term verification is required to assess the impact of environmental and social risks such as climate change and human rights, the very survival of a company may be threatened if it comes under fire over these issues. On the other hand, a sincere response to these issues may enhance corporate value. This is a theme that must be tackled under President Ogawa's strong leadership.

Sugimoto Since chemical manufacturing is an energy intensive industry, we have continuously sought to reduce energy consumption as we contribute to society through business. However, seeking a response amid expectations of a

further rise in costs poses a major challenge.

Makuta Speaking from my experience with various industries, Daicel is capable of making an earnest effort to address environmental and social issues. And my view is strengthened by Daicel's stance on quality control. Many companies consider quality defects as an individual issue that can be resolved through employee training, but Daicel tries to identify the root cause of defects and considers measures at the facility and raw material levels with the aim of preventing a recurrence. It is a company that invests generously where necessary to ensure steady improvement, so I am convinced that it will sincerely face up to environmental and social risks. That said, I think it can do better at sharing risk information with outside directors. We can make decisions and offer advice that are more appropriate if the Company will consistently share such information.

Sugimoto As Mr. Makuta pointed out, we often receive feedback on providing much clear information on risks and are aware that this is an area in which we can do better. We pride ourselves on being an honest company that discloses information sincerely and will consider ways to share risk information with outside directors.

Hacchoji What I fear most are risks that we cannot even imagine, such as the ongoing COVID-19 pandemic. It is our responsibility as outside directors to keep such cases in mind to uncover latent risks in each major project from an external perspective. And it is important to expand the scope of the risk map by doing so.

Makuta At the same time, a company needs to pursue aggressive governance and take risks from time to time in order to achieve business growth. It is our role as outside directors to offer objective opinions based on knowledge in our respective areas of expertise to encourage executive officers so they can steer the Company toward a rational course between risk-taking and risk management.

Fostering Manager Candidates for the Next Generation

Sugimoto We recognize that fostering future managers is another major issue. I would like to hear the views of Mr. Kitayama and Ms. Hacchoji, who are also members of the Nomination and Compensation Committee.

Kitayama With regard to fostering future managers, I would like to see the Company create an organization in which employees can express their opinions to their superiors without hesitation. In ancient China, there were officers appointed to warn and advise the Emperor on political matters. Taizong, the second Emperor in the Tang dynasty, is said to have ruled well by listening closely even to scathing criticism from his subjects. I hope Daicel will make this kind of management its goal and



foster personnel who can directly express their views on various strategies and initiatives.

Hacchoji A leader who can make employees happy must have enough experience of overcoming hardship. I believe the only way to foster future leaders is through experience. While employees can acquire knowledge on management through training sessions, they cannot develop leadership without practical experience. So, I hope individuals will gain management skills through experience to become excellent leaders.

Sugimoto Thank you very much for your time today. We will certainly strive to live up to your expectations by incorporating your candid remarks in managing the Company.



Directors, Audit & Supervisory Board Members, and Executive Officers (as of June 25, 2021)

Directors

	Misao Fudaba Chairperson of Board of Directors, Member of the Nomination and Compensation Committee
April 1979	Joined the Company
June 2006	Executive Officer Deputy Head of Corporate Support Center Head of Raw Material Purchasing Center
June 2008	President and CEO
June 2010	Chairperson of Board of Directors
June 2019	(incumbent)

	Kotaro Sugimoto Representative Director, Senior Managing Executive Officer, Member of the Nomination and Compensation Committee, Member of the Management Advisory Committee, General Manager of Corporate Support Headquarters, Responsible for Corporate Compliance Program, Responsible for Corporate Sustainability
April 1984	Joined the Company
June 2011	Head of Raw Material Purchasing Center
June 2014	Executive Officer, President of Daicel Logistics Service Co., Ltd.
June 2017	Managing Executive Officer
June 2019	Representative Director (incumbent)
June 2020	Senior Managing Executive Officer (incumbent)

	Masafumi Nogimori* Outside Director, Chairperson of the Nomination and Compensation Committee
April 2005	Executive Vice President and Representative Director of Astellas Pharma Inc.
June 2006	President & CEO and Representative Director of Astellas Pharma Inc.
June 2011	Chairperson and Representative Director of Astellas Pharma Inc.
June 2016	Retired from Chairperson and Representative Director of Astellas Pharma Inc.
June 2017	Director of Daicel Corporation (incumbent)

	Toshio Asano* Outside Director, Member of the Nomination and Compensation Committee
April 2010	President & Representative Director, Presidential Executive Officer of Asahi Kasei Pharma Corporation
April 2014	Presidential Executive Officer of Asahi Kasei Corporation
June 2014	President & Representative Director and Presidential Executive Officer of Asahi Kasei Corporation
April 2016	Director and Standing Advisor of Asahi Kasei Corporation
June 2016	Standing Advisor of Asahi Kasei Corporation (incumbent)
June 2019	Director of Daicel Corporation (incumbent)

	Yoshimi Ogawa Representative Director, President and CEO, Member of the Nomination and Compensation Committee, Chairperson of the Management Advisory Committee, Responsible for Research Center, and Executive Consultant, Polyplastics Co., Ltd.
April 1983	Joined the Company
April 2002	Head of Business Process Innovation
June 2006	Executive Officer, Deputy Head of Aerospace & Defense Systems/Safety Systems Company
June 2009	Head of Production Technology
June 2011	Director (incumbent)
June 2013	Managing Executive Officer
April 2014	General Manager of Production Technology Headquarters
June 2017	Senior Managing Executive Officer
June 2019	Representative Director, President and CEO (incumbent)

	Yasuhiro Sakaki Director, Senior Managing Executive Officer, Member of the Management Advisory Committee, General Manager of Corporate Planning & Strategy Headquarters, Responsible for Safety SBU, and Healthcare SBU, Responsible for Raw Material Purchasing Center
April 1984	Joined the Company
June 2012	Head of Organic Chemical Products Company
June 2014	Executive Officer
June 2016	Head of Aerospace & Defense Systems/Safety Systems Company
June 2017	Managing Executive Officer
June 2019	Senior Managing Executive Officer (incumbent)
June 2020	Director (incumbent)

	Teisuke Kitayama* Outside Director, Member of the Nomination and Compensation Committee
June 2005	Director President (Representative Director) of Sumitomo Mitsui Financial Group, Inc., Chairperson of the Board (Representative Director) of Sumitomo Mitsui Banking Corporation
April 2011	Retired from Director of Sumitomo Mitsui Financial Group, Inc., Chairperson of the Board of Sumitomo Mitsui Banking Corporation
April 2017	Director of Sumitomo Mitsui Banking Corporation
June 2017	Advisor of Sumitomo Mitsui Banking Corporation
June 2018	Director of Daicel Corporation (incumbent)
October 2018	Honorary Advisor of Sumitomo Mitsui Banking Corporation (incumbent)

	Takeshi Furuichi* Outside Director, Member of the Nomination and Compensation Committee
March 2010	Representative Director and Senior Managing Executive Officer of Nippon Life Insurance Company
March 2012	Representative Director and Executive Vice President of Nippon Life Insurance Company
July 2016	Representative Director and Vice Chairperson of Nippon Life Insurance Company (incumbent)
June 2020	Director of Daicel Corporation (incumbent)

	Akihisa Takabe Director, Managing Executive Officer, Member of the Management Advisory Committee, Head of Innovation and Business Development Headquarters, Responsible for Intellectual Property Center, Responsible for CPI Company
April 1984	Joined the Company
June 2008	President of Daicel Safety Systems Inc.
April 2014	Head of Central Research Center Head of Corporate Research Center of R&D Headquarters
February 2015	Deputy General Manager of R&D Headquarters
June 2015	Executive Officer
June 2019	Director (incumbent)
June 2020	Managing Executive Officer (incumbent)

	Sonoko Hacchoji* Outside Director, Member of the Nomination and Compensation Committee
November 1993	Vice President of IBJ International Plc., UK securities subsidiary of The Industrial Bank of Japan, Ltd.
March 2002	Executive Officer of IBJ Leasing Co., Ltd.
January 2006	Director (General Manager of Administration Division) of Yuki Management & Research Co., Ltd.
March 2011	Managing Director and Managing Executive Officer of FUJITA KANKO INC. (Chief of Planning Group and Deputy Chief of Business Operations Division)
April 2017	Special Advisor to the President (Chief Strategy Officer) of Tsuda University
June 2019	Director of Daicel Corporation (incumbent)
April 2020	Special Advisor to the President of Tsuda University

Standing Audit & Supervisory Board Members

Shinji Fujita Hisanori Imanaka

Senior Managing Executive Officers

Hidekage Kojima
Responsible for Material SBU, and Smart SBU

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

Outside Audit & Supervisory Board Members

Ryo Ichida* Certified Public Accountant, Tax Accountant, Ryo Ichida Certified Public Accountant Office	Junichi Mizuo* Representative Director and Chairperson of the Japan Compliance & Governance Institute, Honorary Professor of Surugadai University; Ph.D. in Business Administration	Hideo Makuta* Attorney at Law Advisor of Nagashima Ohno & Tsunematsu
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Managing Executive Officers

Naotaka Kawaguchi General Manager of Safety SBU, Chairperson of Daicel Safety Systems (Jiangsu) Co., Ltd., Chairperson of Daicel Safety Technologies (Jiangsu) Co., Ltd., Chairperson of Daicel Safety Systems Americas, Inc.	Takashi Miyamoto Head of Material SBU
Masamichi Mitsuuchi Responsible for Engineering Center	Takashi Iiyama General Manager of Production Management Headquarters, Company Head of Chain Production Company, Responsible for Monozukuri Production Innovation Center

Executive Officers

Hitoshi Hayashi Deputy General Manager of Innovation and Business Development Headquarters	Seiji Yamakado Head of Customer Center, Responsible for Digital Strategy Division	Takaharu Takikawa Head of Engineering Center, Division manager of Plant Engineering of Engineering Center
Masaaki Fujio Head of Responsible Care	Nobuhiko Ikeda Head of Multiple Production Company, General Manager of Harima Plant of Multiple Production Company	Yoichi Nemoto Deputy General Manager of Corporate Support Headquarters
Akio Kojima General Manager of Smart SBU	Kazuya Kurosawa President of Daicel Miraizu Ltd., Chairperson of Shanghai Daicel Polymers, Ltd.	
Haruyoshi Tashika General Manager of Ohtake Plant of Chain Production Company	Kei Yamane Head of Research Center	

* Independent Director or Independent Audit & Supervisory Board Member

Governance

Corporate Governance

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.

History of Strengthening Corporate Governance

	2000	2010	2020
Separation of supervisory from business execution functions	●1999 Introduced the Executive Officer System ●2000 Appointed Outside Directors		●2015 Increased the ratio of Outside Directors to 50%
Clarification of management responsibilities, Building a system that responds quickly to changes	●2003 Shortened the term of office for Directors from two years to one		
Establishment of various committees	●2000 Established the Nomination and Compensation Committee ●2002 Established the Management Advisory Committee ●2006 Established the Information Disclosure Committee / the Risk Management Committee ●2010 Established the Internal Control Council		
Effectiveness Evaluation of the Board of Directors	●2016 Started to evaluate the effectiveness of the Board of Directors ●2020 Improved the method for evaluating the effectiveness of the Board of Directors		

Corporate Governance Framework

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

Specifically, by welcoming Outside Directors and allowing them to provide opinions and advice based on their expertise, Daicel is working to ensure that the decisions made by its Board of Directors are appropriate and the execution of Director duties is effectively supervised. Moreover, we have adopted an Executive Officer System that has enabled us to clearly separate our decision-making, supervisory, and business execution functions. Such a clear division of roles has allowed us to bolster our business management structure and, consequently, corporate activities.

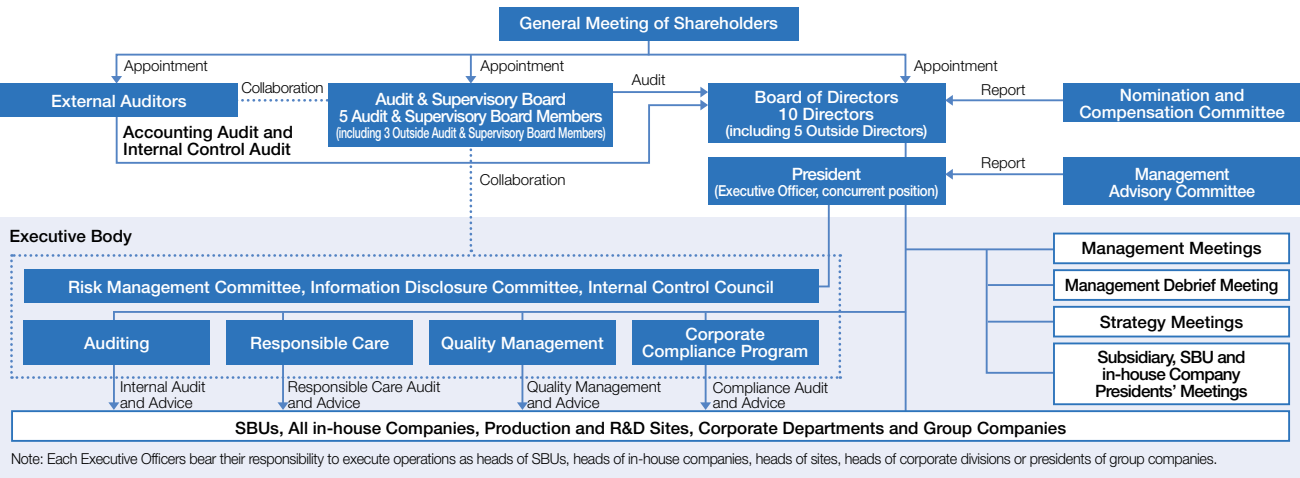
[WEB Corporate Governance Report \(July 20, 2021\)](https://www.daicel.com/en/sustainability/pdf/governance/cg_report_20210720.pdf)
https://www.daicel.com/en/sustainability/pdf/governance/cg_report_20210720.pdf

[WEB Standards for Independence of Outside Directors and Outside Audit & Supervisory Board Members](https://www.daicel.com/en/sustainability/pdf/governance/Standards_for_Independence.pdf)
https://www.daicel.com/en/sustainability/pdf/governance/Standards_for_Independence.pdf

Outline of the Corporate Governance Framework (as of June 25, 2021)

Item	Content
Type of organizational structure	Company with Audit & Supervisory Board
Chairperson of the Board of Directors	Director, Chairperson of Board of Directors
Number of Directors	10 (including 1 female director)
Number of Outside Directors	5 (all 5 are independent directors)
Number of Audit & Supervisory Board Members	5
Number of Outside Audit & Supervisory Board Members	3 (all 3 are independent Audit & Supervisory Board members)
Number of Executive Officers	20 (including 4 officers concurrently serving as directors)
Number of Board of Director meetings held in FY2021/3 (Average attendance rate of outside directors / outside Audit & Supervisory Board members)	16 (96.3% /100%)
Number of Audit & Supervisory Board meetings held in FY2021/3 (Average attendance rate of outside Audit & Supervisory Board members)	15 (100%)
Term of office for directors	1 year
Term of office for Audit & Supervisory Board members	4 years
Average term in office for directors	3.8 years
Average term in office for Audit & Supervisory Board members	2.8 years
External Auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework (as of June 25, 2021)



Board of Directors

The Board of Directors meets to make decisions concerning important management issues in line with the regulations of the Board of Directors. Furthermore, the Board of Directors supervises the execution of business and business operations. Every outside director at Daicel is tasked with providing advice and supervisory functions according to their experience and expertise. The Company's 5 outside directors have each been designated as independent directors. In addition to regular monthly meetings, a special meeting of the Board of Directors is also convened as needed.

Nomination and Compensation Committee

The Nomination and Compensation Committee deliberates and 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 the chairperson of the Audit & Supervisory Board. The committee comprises a chairperson who is an outside director, as well as the other outside directors, the chairperson of the Board of Directors, and representative directors. The committee is chaired by an outside director to ensure the objectivity and transparency of nominations and compensation, and 5 out of 8 members, or the majority, are outside directors.

Audit & Supervisory Board

The Audit & Supervisory Board holds meeting to share information, deliberate on, and make decisions about important issues related to the Company's audits. In addition, Standing Audit & Supervisory Board members are required to attend meetings such as the Management Meetings, Management Debrief Meetings and other important meetings, enabling them to audit the overall management of corporate affairs. Audit & Supervisory Board members regularly receive reports from the Company's internal auditing divisions and external auditors. They collaborate through the exchange of information and opinions as needed.

Management Advisory Committee

The Management Advisory Committee serves as an advisory body for the president and CEO and is in charge of deliberating important corporate matters such as the planning of Group strategies and consequent business restructuring. The committee comprises the president and CEO, directors (excluding outside directors) and executive officers designated by the president and CEO and is convened as needed.

Composition of Each Body and Status of Director Activities (as of June 25, 2021)

Note: Attendance rate is the actual result in FY2021/3.

Name	Position	Independent Director	Board of Directors (Attendance rate)	Audit & Supervisory Board (Attendance rate)	Nomination and Compensation Committee (Attendance rate)	Management Advisory Committee (Attendance rate)
Misao Fudaba	Chairperson of Board of Directors		●(100%)		●(100%)	
Yoshimi Ogawa	Representative Director President and CEO		●(100%)		●(100%)	●(100%)
Kotaro Sugimoto	Representative Director		●(100%)		●(100%)	●(100%)
Yasuhiro Sakaki	Director		●(91.7%)			●(100%)
Akihisa Takabe	Director		●(100%)			●(100%)
Masafumi Nogimori	Outside Director	●	●(100%)		●(100%)	
Teisuke Kitayama	Outside Director	●	●(100%)		●(100%)	
Sonoko Hacchoji	Outside Director	●	●(93.8%)		●(100%)	
Toshio Asano	Outside Director	●	●(100%)		●(100%)	
Takeshi Furuichi	Outside Director	●	●(91.7%)		●(100%)	
Shinji Fujita	Standing Audit & Supervisory Board Member		●(100%)	●(100%)		
Hisanori Imanaka	Standing Audit & Supervisory Board Member		●(100%)	●(100%)		
Ryo Ichida	Outside Audit & Supervisory Board Member	●	●(100%)	●(100%)		
Junichi Mizuo	Outside Audit & Supervisory Board Member	●	●(100%)	●(100%)		
Hideo Makuta	Outside Audit & Supervisory Board Member	●	●(100%)	●(100%)		

Governance

Corporate Governance

Reasons for Appointment of Directors and Audit & Supervisory Board Members (as of June 25, 2021)

Name	Position	Term of Office	Business execution	Reason for Appointment	Remarks
Misao Fudaba	Chairperson of Board of Directors	11 years		Mr. Fudaba has been contributing to raising Daicel's corporate value during his tenure as president and CEO of the Company from 2010 to 2019 and subsequently as the chairperson of the Board of Directors. We determined that he was qualified to manage the Daicel Group and its global businesses given his track record and wealth of experience, achievements and insight related to the overall management of Daicel.	Chairperson of Board of Directors
Yoshimi Ogawa	Representative Director President and CEO	10 years	●	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.	Chairperson of Management Advisory Committee
Kotaro Sugimoto	Representative Director	2 years	●	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.	
Yasuhiro Sakaki	Director	1 years	●	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	2 years	●	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	4 years		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.	Chairperson of the Nomination and Compensation Committee
Teisuke Kitayama	Outside Director	3 years		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	2 years		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	2 years		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	1 years		Mr. Furuichi possesses a wealth of insight and experience fostered as a manager of a financial institution, which we hope he will apply to the management of Daicel.	
Shinji Fujita	Standing Audit & Supervisory Board Member	2 years		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.	Chairperson of the Audit & Supervisory Board
Hisanori Imanaka	Standing Audit & Supervisory Board Member	1 years		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.	
Ryo Ichida	Outside Audit & Supervisory Board Member	7 years		Mr. Ichida possesses highly specialized knowledge, insight and experience gained through his practice of accounting and tax affairs. 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.	
Junichi Mizuo	Outside Audit & Supervisory Board Member	3 years		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	1 years		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.	

Note: Directors were appointed on June 25, 2021, and Audit & Supervisory Board members were appointed as of the date of the General Meeting of Shareholders held in the past fiscal years.

Effectiveness Evaluation of the Board of Directors

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

In view of the Effectiveness Evaluation of FY2020/3, the Board of Directors has been engaged in initiatives for spending more time on issues related to determining management strategy, such as the formulation of medium-term strategies for deliberation by the Board of Directors.

FY2021/3 Effectiveness Evaluation of the Board of Directors

Evaluated	10 Directors and 5 Audit & Supervisory Board Members
Evaluation methods	Conducted a questionnaire and individual interviews on the Board of Directors with regard to its composition, content of deliberation, resolutions and reports, and management method of meeting.
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. Main issues pointed out:</p> <p>(1) Board composition issues</p> <ul style="list-style-type: none">●Addressing diversity in the Board of Directors <p>(2) Board deliberation issues</p> <ul style="list-style-type: none">●Setting the themes that are particularly appropriate for board deliberations●Sharing information with the Board of Directors in an appropriate way●The ideal way for the Board of Directors to monitor progress on the execution of management strategies <p>(3) Board operation issues</p> <ul style="list-style-type: none">●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)●Ways for effectively using remote board meetings

Compensation for Directors and Audit & Supervisory Board Members

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.

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-based Bonuses	Performance-based bonuses of directors are paid in accordance with the accomplishment of performance indicators designated by the Board of Directors. Currently, net sales and operating income are used as the indicators to emphasize 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.
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.

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

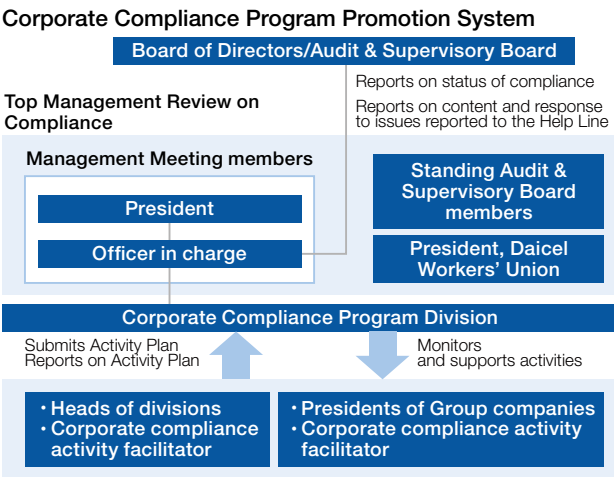
Governance

Corporate ethics (compliance)

Corporate ethics (compliance) constitutes one of the foundations upon which we pursue sustainable management. The Daicel Group’s corporate compliance activities are synonymous with practicing the Daicel Group Conduct Policy, which is based on our Basic Philosophy of being “the company making lives better by co-creating value,” as well as each Group company’s Code of Conduct, which have been established to embody the policy.

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. Mainly, establishing key objectives and activity plans, and exchanging views with each organization which has internal control perspective are conducted and if any issues which may significantly impact corporate management is identified, 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.



Education and Training Programs

At Daicel Group, we systematically provide 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. Also, we set Compliance Enforcement Period, conduct e-learning regarding contents such as prevention of corruption and anti-competitive behavior, and conduct discussion based on case study of illegal acts.

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, through which employees can report compliance-related issues and receive consultation if they are unable to do so using the regular reporting line. In addition to internal contact points, we have set external contact points which allows to report and consult through external institutions and also have made it possible for persons outside the Company to consult us on compliance issues via our corporate website.

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, anti-competitive behavior, corruption, bribery, human rights violations, harassment, employment environment, environmental pollution, and other compliance violations)
Contact points:	(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

Number of Reports and Consultations of Daicel Group which were reported to Corporate Compliance Program Division			
	2019/3	2020/3	2021/3
Reports and consultations	52 (35)	51 (39)	54 (25)
Including cases that significantly affected management	0 (0)	0 (0)	0 (0)
Not applicable	0 (0)	0 (0)	0 (0)

Note: Figures in brackets represent the numbers of reports and consultations received from Group companies outside Japan.
Note: Reported cases including those which were not confirmed as fact

Risk Management

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.

Overview of Risk Management

Daicel established the Risk Management Committee in 2006 to coordinate and promote risk management for Daicel Corporation and its Group companies. Chaired by the corporate compliance officer and comprising the heads of each support department 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 for the fiscal year, and each organization confirms and reviews their measures against these risks.

The committee reports on its discussions about the focus points for each fiscal year, progress on countermeasures addressing risks that could have 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 Meeting and Board of Directors’ Meeting at the end of each fiscal year.

Strengthening Business Continuity Plans (BCP) Management

Daicel formulates and manages BCP 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 BCP, from “Preparedness” (BCP I) to “Initial contingency response” (BCP II) and “Resumption of operations” (BCP III). We plan and prepare measures to limit any decline in performance associated with a disaster or incurred damage and to quickly resume business.

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. For some products, we conducted disaster response drills across the supply chain from the standpoint of being able to respond accordingly with the BCP requirements for specific products in FY2021/3.

Measures Against the COVID-19 Pandemic

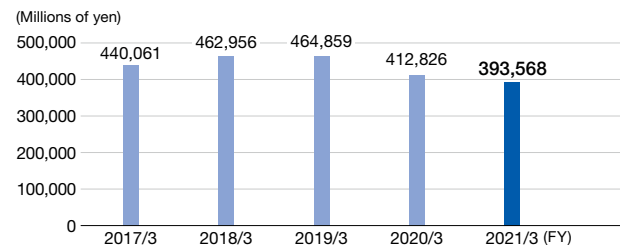
In response to the global spread of COVID-19, we established the Daicel Group Countermeasures Headquarters, headed by the President, on February 5, 2020, followed by local countermeasures headquarters at each business site. Based on information provided by the central government, we have been implementing wide-ranging measures to prevent infections. This is from the perspective of maintaining plant operations and stable continuation of business to ensure the safety and well-being of our employees and their family members while also fulfilling our social responsibility as a manufacturer that supports daily life.

The Daicel Group Countermeasures Headquarters has formulated ‘Guidelines for Measures Against COVID-19’ in accordance with those provided by the government and Keidanren (Japan Business Federation). The Guidelines are regularly updated in response to government policies and the status of infections.

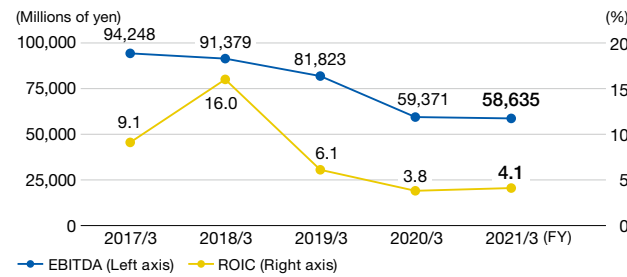
Financial/Non-Financial Highlights

Financial Highlights (Consolidated)

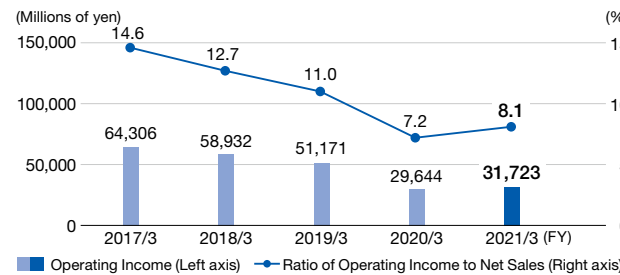
Net Sales



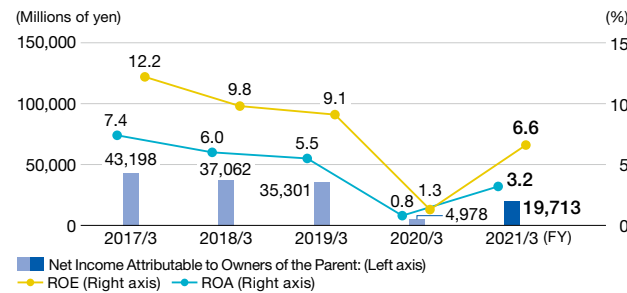
EBITDA / ROIC



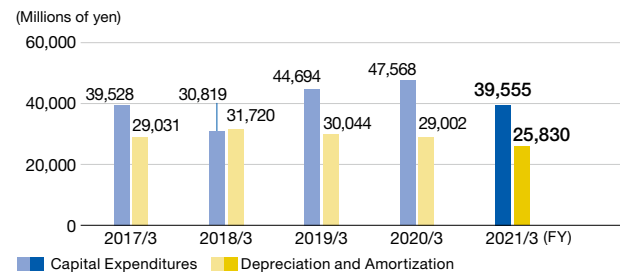
Operating Income/Ratio of Operating Income to Net Sales



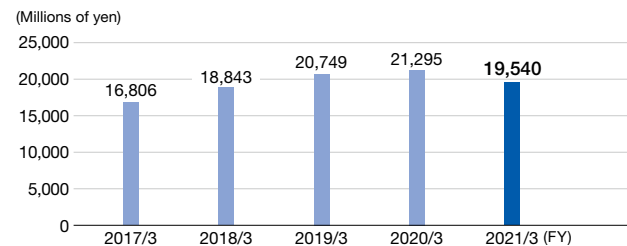
Net Income Attributable to Owners of the Parent / ROE / ROA



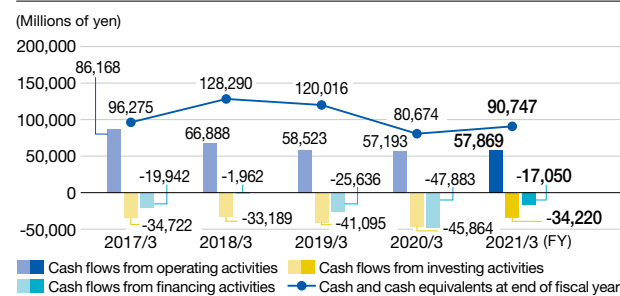
Capital Expenditures / Depreciation and Amortization



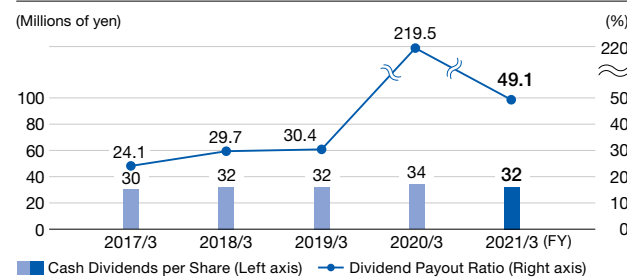
Research and Development Expenses



Cash Flows

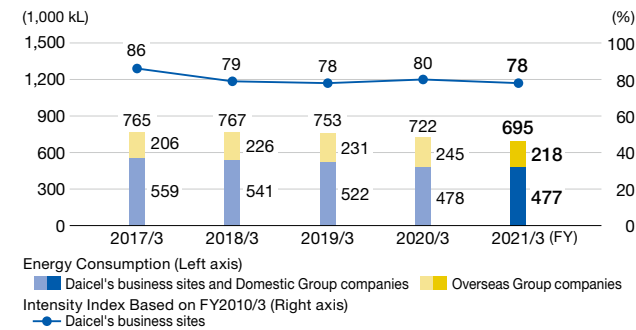


Cash Dividends per Share / Dividend Payout Ratio

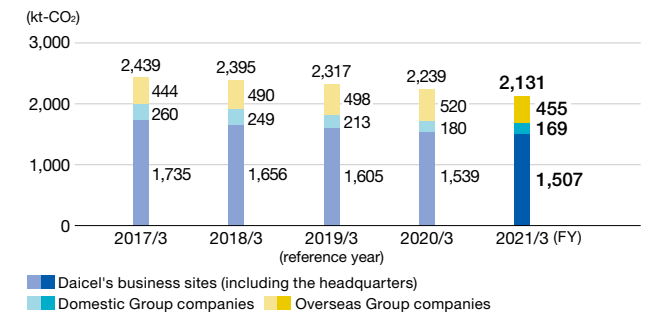


Non-Financial Highlights

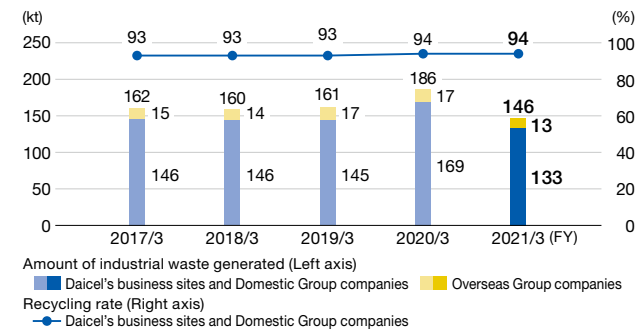
Energy Consumption and Intensity Index



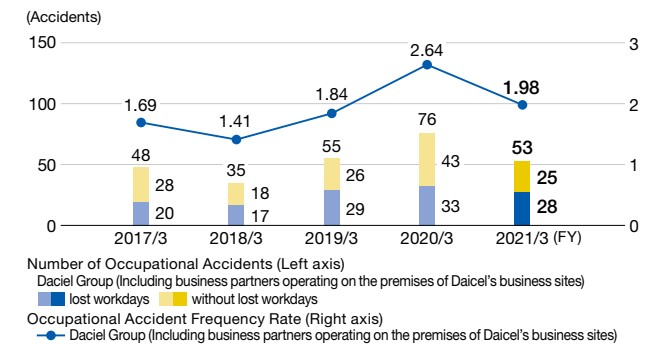
GHG Emission (Scope 1, 2)



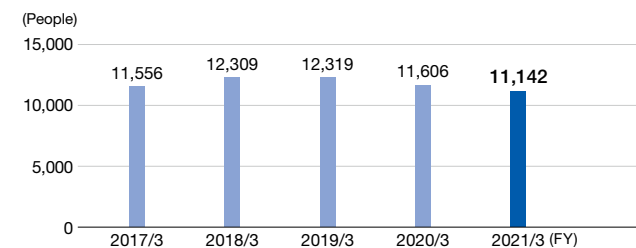
Amount of Industrial Waste Generated and Recycling Rate



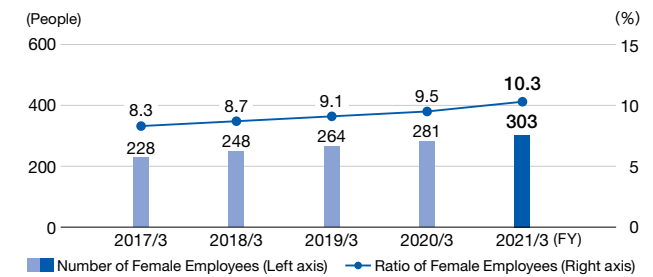
Number and Frequency Rate*1 of Occupational Accidents



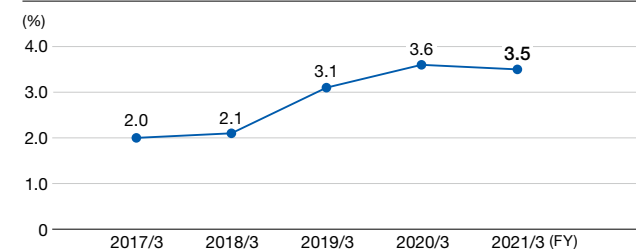
Number of Employees (Regular Employees, Consolidated)



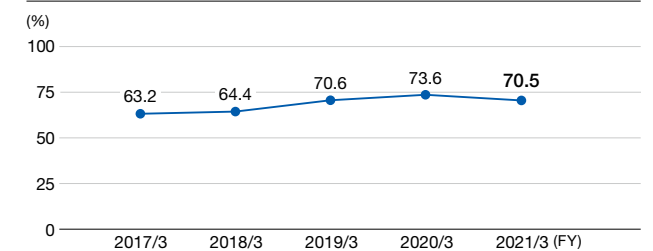
Number and Ratio of Female Employees (Regular Employees*2, Non-Consolidated)



Ratio of Female Managers (Non-Consolidated)



Annual Paid Leave Acquisition Ratio (Non-Consolidated)



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

*2 Includes employees seconded to Group subsidiaries and other Group companies.

Financial Information

Consolidated Eleven-Year Summary

As of and for the years ended March 31

Millions of Yen
(Except net income per share and other information)

	FY2011/3	2012/3	2013/3	2014/3		2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Operating Results												
Net sales	¥ 353,684	¥ 341,942	¥ 358,513	¥ 413,786		¥ 443,775	¥ 449,878	¥ 440,061	¥ 462,956	¥ 464,859	¥ 412,826	¥ 393, 568
Operating income	32,711	20,426	26,196	37,912		51,303	64,349	64,306	58,932	51,171	29,644	31,723
Net income attributable to owners of the parent	16,802	11,827	15,372	22,843		31,252	40,313	43,198	37,062	35,301	4,978	19,713
Financial Position												
Net assets	¥ 235,336	¥ 234,711	¥ 262,899	¥ 295,805		¥ 356,177	¥ 368,720	¥ 399,429	¥ 413,541	¥ 423,243	¥ 392,583	¥ 245,000
Total assets	411,071	398,196	461,512	509,834		565,332	560,190	599,708	644,078	654,791	597,992	640,385
Interest-bearing debt	94,357	83,249	99,224	105,917		86,981	71,276	72,291	99,743	104,306	92,787	270,938
Cash Flows												
Cash flows from operating activities	¥ 53,428	¥ 34,000	¥ 44,480	¥ 44,777		¥ 57,412	¥ 65,419	¥ 86,168	¥ 66,888	¥ 58,523	¥ 57,193	¥ 57,869
Cash flows from investing activities	(20,141)	(9,190)	(35,312)	(34,984)		(30,283)	(31,407)	(34,722)	(33,189)	(41,095)	(45,864)	(34,220)
Cash flows from financing activities	(28,170)	(25,044)	5,737	(4,472)		(29,230)	(31,470)	(19,942)	(1,962)	(25,636)	(47,883)	(17,050)
Cash and cash equivalents, end of year	33,724	33,435	53,238	62,573		66,737	65,237	96,275	128,290	120,016	80,674	90,747
Per Share Information												
Basic net income per share (yen)	¥ 47.22	¥ 33.46	¥ 43.71	¥ 64.98		¥ 88.95	¥ 115.02	¥ 124.61	¥ 107.81	¥ 105.38	¥ 15.49	¥ 65.18
Net assets per share (yen)	596.06	618.94	685.11	764.51		922.71	966.36	1,067.63	1,136.32	1,198.77	1,166.56	789.34
Cash dividends per share (yen)	10.00	10.00	12.00	15.00		21.00	26.00	30.00	32.00	32.00	34.00	32.00
Financial Indicators												
Ratio of operating income to net sales (%)	9.2	6.0	7.3	9.2		11.6	14.3	14.6	12.7	11.0	7.2	8.1
ROE (%)	8.0	5.5	6.7	9.0		10.5	12.2	12.2	9.8	9.1	1.3	6.6
Rate of earnings on total capital (%)	4.0	2.9	3.6	4.7		5.8	7.2	7.4	6.0	5.5	0.8	3.2
Total asset turnover (times/year)	0.8	0.8	0.8	0.9		0.8	0.8	0.8	0.7	0.7	0.7	0.6
Equity ratio (%)	51.6	54.7	52.2	52.7		57.3	60.2	61.6	59.8	60.1	60.6	37.1
Dividend payout ratio (%)	21.2	29.9	27.5	23.1		23.6	22.6	24.1	29.7	30.4	219.5	49.1
Total return ratio (%)	21.2	45.2	27.5	23.1		23.6	32.5	33.3	56.6	67.2	577.3	91.1
Others												
Capital expenditures	¥ 9,912	¥ 18,740	¥ 27,217	¥ 25,617		¥ 30,629	¥ 40,256	¥ 39,528	¥ 30,819	¥ 44,694	¥ 47,568	¥ 39,555
Depreciation and amortization	32,786	28,316	24,026	23,669		23,409	23,914	29,031	31,720	30,044	29,002	25,830
Research and development expenses	11,970	12,730	12,875	13,360		14,031	15,306	16,806	18,843	20,749	21,295	19,540
Number of employees (at year-end)	7,747	8,149	9,233	9,700		10,173	10,709	11,556	12,309	12,319	11,606	11,142

Note: Amortization of goodwill is not included in depreciation and amortization.

Consolidated Balance Sheets

Daicel Corporation and Consolidated Subsidiaries
March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020/3	2021/3	2021/3
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 80,674	¥ 90,747	\$ 817,540
Securities (Notes 4 and 18)	629	709	6,387
Receivables (Note 18):			
Trade notes	2,667	3,906	35,189
Trade accounts	76,318	88,369	796,117
Unconsolidated subsidiaries and associated companies	4,013	3,526	31,765
Allowance for doubtful accounts	(66)	(31)	(279)
Inventories (Note 5)	117,414	108,659	978,909
Other current assets	16,389	16,637	149,882
Total current assets	298,040	312,524	2,815,531
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 21):			
Land	30,132	30,306	273,027
Buildings and structures	169,092	173,530	1,563,333
Machinery and equipment	589,742	600,575	5,410,585
Construction in progress	42,354	55,082	496,234
Total	831,332	859,496	7,743,207
Accumulated depreciation	(626,975)	(639,776)	(5,763,747)
Net property, plant and equipment	204,346	219,720	1,979,459
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 18)	57,992	71,562	644,702
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 18)	10,584	12,001	108,117
Deferred tax assets (Note 13)	3,444	1,522	13,711
Retirement benefit asset (Note 9)	6,235	7,781	70,099
Other assets	17,348	15,272	137,585
Total investments and other assets	95,605	108,140	974,234
TOTAL	¥ 597,992	¥ 640,385	\$ 5,769,234

Please see the notes to consolidated financial statements in Financial Section.

https://www.daicel.com/en/sustainability/pdf/library/2021_01.pdf

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020/3	2021/3	2021/3
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank borrowings (Notes 7 and 18)	¥ 6,902	¥ 7,024	\$ 63,279
Current portion of long-term borrowings (Notes 7, 8, 18 and 20)	10,336	5,003	45,072
Payables (Notes 18 and 20):			
Trade notes	256	168	1,513
Trade accounts	43,462	48,164	433,909
Nontrade accounts	15,234	13,375	120,495
Construction	8,781	10,849	97,738
Unconsolidated subsidiaries and associated companies	1,599	1,420	12,792
Income taxes payable (Notes 13 and 18)	2,240	4,582	41,279
Provision for environmental measures	1,725		
Other current liabilities	15,687	21,976	197,981
Total current liabilities	106,226	112,566	1,014,108
LONG-TERM LIABILITIES:			
Long-term borrowings (Notes 7, 8, 18 and 20)	72,200	255,572	2,302,450
Retirement benefit liability (Note 9)	11,055	8,003	72,099
Provision for environmental measures	547	195	1,756
Asset retirement obligations (Note 10)	1,229	1,268	11,423
Deferred tax liabilities (Note 13)	7,861	13,684	123,279
Other long-term liabilities	6,287	4,094	36,882
Total long-term liabilities	99,182	282,818	2,547,909
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 17, 19 and 23)			
EQUITY (Notes 11 and 26):			
Share capital			
Common stock, authorized, 1,450,000,000 shares in 2021 and 2020;			
issued, 302,942,682 shares in 2021 and 315,942,682 shares in 2020	36,275	36,275	326,801
Capital surplus	31,692		
Retained earnings	271,762	152,816	1,376,720
Treasury shares			
Treasury stock - at cost, 1,609,633 shares in 2021 and 5,160,966 shares in 2020	(5,050)	(1,446)	(13,027)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	26,582	36,884	332,288
Deferred gains or losses on hedges	(69)	(27)	(243)
Foreign currency translation adjustments	(656)	8,689	78,279
Remeasurements of defined benefit plans	2,009	4,660	41,981
Total	362,545	237,852	2,142,810
Non-controlling interests	30,038	7,148	64,396
Total equity	392,583	245,000	2,207,207
TOTAL	¥ 597,992	¥ 640,385	\$ 5,769,234

Consolidated Statements of Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020/3	2021/3	2021/3
NET SALES	¥ 412,826	¥ 393,568	\$ 3,545,657
COST OF SALES (Notes 14 and 20)	301,774	282,136	2,541,765
Gross profit	111,051	111,431	1,003,882
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 14 and 15)	81,406	79,708	718,090
Operating profit	29,644	31,723	285,792
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,932	1,861	16,765
Gain on sales of investment securities	2,616	3,182	28,666
Share of profit of entities accounted for using equity method	1,772	1,785	16,081
Interest expense (Note 20)	(1,173)	(1,195)	(10,765)
Foreign exchange gain (loss)	(802)	53	477
Loss on retirement of non-current assets	(3,098)	(1,099)	(9,900)
Impairment loss (Note 22)	(14,757)	(3,786)	(34,108)
Other – net	522	516	4,648
Other income (expenses) – net	(12,988)	1,317	11,864
PROFIT BEFORE INCOME TAXES	16,656	33,040	297,657
INCOME TAXES (Note 13):			
Current	4,882	8,272	74,522
Deferred	333	2,333	21,018
Total income taxes	5,215	10,605	95,540
NET PROFIT	11,440	22,435	202,117
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	6,462	2,722	24,522
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 4,978	¥ 19,713	\$ 177,594

	Yen	U.S. Dollars (Note 1)	
	2020/3	2021/3	2021/3
PER SHARE INFORMATION (Notes 2.s and 16):			
Basic net profit	¥ 15.49	¥ 65.18	\$ 0.58
Cash dividends applicable to the year	32.00	34.00	0.30

Please see the notes to consolidated financial statements in Financial Section.

https://www.daicel.com/en/sustainability/pdf/library/2021_01.pdf

Consolidated Statements of Comprehensive Income

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2021 and 2020

	Millions of Yen	Thousands of U.S. Dollars (Note 1)	
	2020/3	2021/3	2021/3
NET PROFIT	¥ 11,440	¥ 22,435	\$ 202,117
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24):			
Valuation difference on available-for-sale securities	(2,528)	10,357	93,306
Deferred gains or losses on hedges	(155)	46	414
Foreign currency translation adjustments	(6,089)	8,826	79,513
Remeasurements of defined benefit plans	116	2,693	24,261
Share of other comprehensive income (loss) of entities accounted for using equity method	(484)	854	7,693
Total other comprehensive income (loss)	(9,141)	22,779	205,216
COMPREHENSIVE INCOME	¥ 2,299	¥ 45,214	\$ 407,333
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (2,980)	¥ 42,055	\$ 378,873
Non-controlling interests	5,280	3,159	28,459

Please see the notes to consolidated financial statements in Financial Section.

https://www.daicel.com/en/sustainability/pdf/library/2021_01.pdf

Consolidated Statements of Changes in Equity

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2021 and 2020

	Millions of Yen											
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Non- controlling Interests	Total Equity
						Valuation Difference on Available- for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans			
BALANCE, APRIL 1, 2019	328,333,508	¥ 36,275	¥ 31,692	¥ 294,149	¥ (4,344)	¥ 29,024	¥ 13	¥ 4,968	¥ 1,817	¥ 393,597	¥ 29,645	¥ 423,243
Net profit attributable to owners of the parent				4,978						4,978		4,978
Cash dividends, ¥32.00 per share				(10,414)						(10,414)		(10,414)
Restricted stock awards	160,049			(24)	181					157		157
Repurchase of treasury stock	(17,711,935)				(17,814)					(17,814)		(17,814)
Disposal of treasury stock				(0)	0					0		0
Retirement of treasury stock	94			(16,927)	16,927							
Net change in the year						(2,442)	(83)	(5,625)	192	(7,959)	392	(7,566)
BALANCE, MARCH 31, 2020	310,781,761	36,275	31,692	271,762	(5,050)	26,582	(69)	(656)	2,009	362,545	30,038	392,583
Net profit attributable to owners of the parent				19,713						19,713		19,713
Cash dividends, ¥34.00 per share				(10,415)						(10,415)		(10,415)
Restricted stock awards	232,604											
Repurchase of treasury stock	(9,681,271)				(8,286)					(8,286)		(8,286)
Disposal of treasury stock				(35)	209					173		173
Retirement of treasury stock				(11,681)	11,681							
Change in ownership interest of parent due to transactions with non-controlling interests (Note 12)			(31,692)	(116,527)						(148,220)	(19,110)	(167,330)
Net change in the year						10,301	42	9,346	2,651	22,341	(3,780)	18,561
BALANCE, MARCH 31, 2021	301,333,049	¥ 36,275		¥ 152,816	¥ (1,446)	¥ 36,884	¥ (27)	¥ 8,689	¥ 4,660	¥ 237,852	¥ 7,148	¥ 245,000

	Thousands of U.S. Dollars (Note 1)										
	Accumulated Other Comprehensive Income										Total Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total	Non-controlling Interests	
BALANCE, MARCH 31, 2020	\$ 326,801	\$ 285,513	\$ 2,448,306	\$ (45,495)	\$ 239,477	\$ (621)	\$ (5,909)	\$ 18,099	\$ 3,266,171	\$ 270,612	\$ 3,536,783
Net profit attributable to owners of the parent			177,594						177,594		177,594
Cash dividends, \$0.30 per share			(93,828)						(93,828)		(93,828)
Restricted stock awards											
Repurchase of treasury stock				(74,648)					(74,648)		(74,648)
Disposal of treasury stock			(315)	1,882					1,558		1,558
Retirement of treasury stock			(105,234)	105,234							
Change in ownership interest of parent due to transactions with non-controlling interests (Note 12)		(285,513)	(1,049,792)						(1,335,315)	(172,162)	(1,507,477)
Net change in the year					92,801	378	84,198	23,882	201,270	(34,054)	167,216
BALANCE, MARCH 31, 2021	\$ 326,801		\$ 1,376,720	\$ (13,027)	\$ 332,288	\$ (243)	\$ 78,279	\$ 41,981	\$ 2,142,810	\$ 64,396	\$ 2,207,207

Please see the notes to consolidated financial statements in Financial Section.

https://www.daicel.com/en/sustainability/pdf/library/2021_01.pdf

Consolidated Statements of Cash Flows

Daicel Corporation and Consolidated Subsidiaries
Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2020/3	2021/3	2021/3	
OPERATING ACTIVITIES:				
Profit before income taxes	¥ 16,656	¥ 33,040	\$ 297,657	
Adjustments for:				
Income taxes paid	(10,459)	(9,976)	(89,873)	
Income taxes refund	639	3,385	30,495	
Depreciation	29,396	26,323	237,144	
Impairment loss	14,757	3,786	34,108	
Amortization of goodwill	723	1,081	9,738	
Loss on retirement of non-current assets	3,098	1,099	9,900	
Increase (decrease) in provision for environmental measures	(2,992)	(2,077)	(18,711)	
Loss (gain) on sales of investment securities	(2,616)	(3,182)	(28,666)	
Share of loss (profit) of entities accounted for using equity method	(1,772)	(1,785)	(16,081)	
Changes in assets and liabilities:				
Decrease (increase) in trade receivable	8,699	(10,846)	(97,711)	
Decrease (increase) in inventories	5,709	11,091	99,918	
Increase (decrease) in trade payable	(7,885)	2,183	19,666	
Other – net	3,239	3,745	33,738	
Net cash provided by operating activities	57,193	57,869	521,342	
INVESTING ACTIVITIES:				
Net decrease (increase) in time deposits	139	1	9	
Capital expenditures	(46,313)	(36,790)	(331,441)	
Purchase of investment securities	(266)	(916)	(8,252)	
Proceeds from sales and redemption of investment securities	4,653	5,048	45,477	
Proceeds from sales of property, plant and equipment	148	74	666	
Purchase of shares of subsidiaries and associates	(1,760)			
Loan advances	(234)	(18)	(162)	
Collection of finance receivables	217	809	7,288	
Other – net	(2,448)	(2,427)	(21,864)	
Net cash used in investing activities	(45,864)	(34,220)	(308,288)	
FINANCING ACTIVITIES:				
Net increase (decrease) in short-term borrowings	(2,581)	(238)	(2,144)	
Proceeds from long-term borrowings	7,231	88,177	794,387	
Repayments of long-term borrowings	(18,537)	(10,484)	(94,450)	
Proceeds from issuance of bonds		99,542	896,774	
Dividends paid	(10,410)	(10,415)	(93,828)	
Dividends paid to non-controlling interests	(4,878)	(6,940)	(62,522)	
Purchase of treasury shares	(17,814)	(8,286)	(74,648)	
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(167,330)	(1,507,477)	
Repayments of lease liabilities	(892)	(1,076)	(9,693)	
Net cash used in financing activities	(47,883)	(17,050)	(153,603)	
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(2,787)	3,475	31,306	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39,342)	10,073	90,747	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	120,016	80,674	726,792	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 80,674	¥ 90,747	\$ 817,540	

Please see the notes to consolidated financial statements in Financial Section.

https://www.daicel.com/en/sustainability/pdf/library/2021_01.pdf

Corporate Information Global Network (as of March 31, 2021)

Daciel Group Developing Business Globally



393.6 billion yen

Consolidated net sales
(FY2021/3)



31.7 billion yen

Consolidated operating income
(FY2021/3)



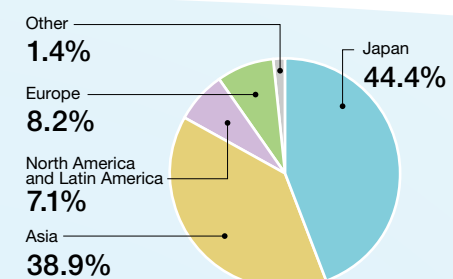
75 companies

Number of Group Companies

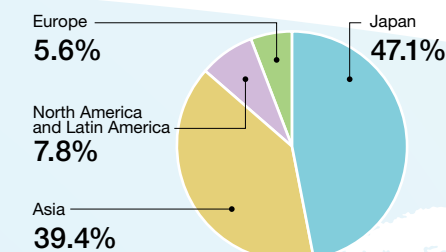


11,142

Number of Group Employees
(Daicel and consolidated Subsidiaries)



Ratio of net sales by area



Ratio of employees by area

Europe

Net sales

32.4 billion yen

Number of Group Companies

8 companies

Number of Group Employees

629

Asia

Net sales

152.9 billion yen

Number of Group Companies

32 companies

Number of Group Employees

4,389

Japan

Net sales

174.7 billion yen

Number of Group Companies

28 companies

Number of Group Employees

5,252

North America and Latin America

Net sales

28.1 billion yen

Number of Group Companies

7 companies

Number of Group Employees

872

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

Note: Net sales of 5.5 billion yen in other areas

Company Data (as of March 31, 2021)

Corporate Overview

Corporate Name:	Daicel Corporation
Establishment:	September 8, 1919
Capital:	¥36,275,440,089
Number of employees:	11,142 (Consolidated); 2,597 (Non-consolidated)

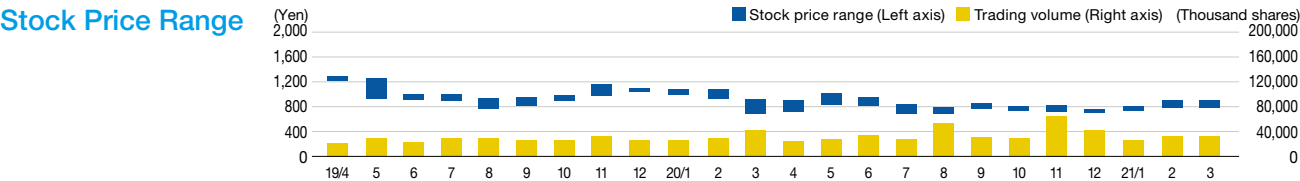
Status of Stock

Common stock authorized:	1,450,000,000 shares
Issued:	302,942,682 shares
Listing:	Tokyo Stock Exchange (First Section)
Shareholder registry administrator:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Number of shareholders:	23,779
Accounting auditor:	Deloitte Touche Tohmatsu LLC

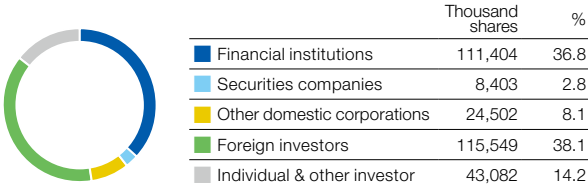
Principal Domestic Locations

Office
■ Osaka Head Office Grand Front Osaka Tower-B, 3-1, Ofuka-cho, Kita-ku, Osaka 530-0011 Tel: +81-6-7639-7171 Fax: +81-6-7639-7181
■ Tokyo Head Office JR Shinagawa East Bldg., 2-18-1, Konan, Minato-ku, Tokyo 108-8230 Tel: +81-3-6711-8111 Fax: +81-3-6711-8100
■ Tokyo Head Office Satellite Shinagawa HEART, 1-8-23, Konan, Minato-ku, Tokyo 108-0075 Tel: +81-3-6711-8333 Fax: +81-3-6711-8300
■ Nagoya Sales Office JP Tower Nagoya, 1-1-1, Meieki, Nakamura-ku, Nagoya, Aichi 450-6325 Tel: +81-52-582-8511 Fax: +81-52-582-7943
Training Center
■ H.R. Training Center 14-1, Kouto 3-chome, Kamigori-cho, Akou-gun, Hyogo 678-1205
Innovation Park
1239, Shinzaike, Aboshi-ku, Himeji-shi, Hyogo 671-1283
Plant
■ Himeji Production Sector/Aboshi Plant 1239, Shinzaike, Aboshi-ku, Himeji-shi, Hyogo 671-1281
■ Himeji Production Sector/Hirohata Plant 12, Fuji-cho, Hirohata-ku, Himeji-shi, Hyogo 671-1123
■ Harima Plant 805, Umaba, Ibogawa-cho, Tatsuno-shi, Hyogo 671-1681
■ Arai Plant 1-1, Shinko-cho, Myoko-shi, Niigata 944-8550
■ Ohtake Plant 1-4, Higashisakae 2-chome, Otake-shi, Hiroshima 739-0695
■ Kanzaki Plant 12-1, Kanzaki-cho, Amagasaki-shi, Hyogo 661-0964

Stock Information



Shareholder Composition (as of March 31, 2021)



Top 10 Shareholders (as of March 31, 2021)

	Thousand shares	Distribution of shares issued and outstanding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,478	7.79
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	18,168	6.02
Nippon Life Insurance Company	17,402	5.77
Custody Bank of Japan, Ltd. (Trust Account)	14,349	4.76
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	10,351	3.43
FUJIFILM Holdings Corporation	8,390	2.78
Sumitomo Mitsui Banking Corporation	7,096	2.35
MISAKI ENGAGEMENT MASTER FUND	6,687	2.21
MUFG Bank, Ltd	6,503	2.15
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	6,346	2.10

*Each rate of shareholding was calculated after deducting the number of treasury shares from the number of shares outstanding.

Independent Third Party Assurance Report



Independent Assurance Statement

August 16, 2021

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 FY2021/3, which are 1,469 thousand t-CO₂e (Scope1), 38 thousand t-CO₂e (Scope2 Market-Based) and 1,121 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.