



CORPORATE SOCIAL RESPONSIBILITY REPORT 2019

Index

About CSR report publication	p.3
1 .Company profile	p.4
1.1. Our business.....	p.4
1.2. Organization	p.4
2 . CSR commitment.....	p.6
3 . Customer value	p.6
3.1. Customer satisfaction.....	p.6
3.2. Quality control system	p.7
4 . Contributing to a more sustainable and eco-friendly society	p.7
4.1. Environment.....	p.7
Local initiative.....	p.7
4.2. Contributing to a more sustainable society	p.8
CELLULOBEADS	p.8
RSPO certification.....	p.8
SACRAN	p.9
Binchōtan powder (high-grade charcoal).....	p.10
“Egao no Mori”, the forest of smiles	p.10
COSMOS NATURAL	p.10
Natural origin ingredients	p.11
5 . Communication with society.....	p.11
5.1. Stakeholders.....	p.11
5.2. Partner Organizations	p.11
6 . Human right.....	p.12
7 . Employee training and education	p.12
8 . Safety and hygiene	p.13

About CSR report publication



First and foremost, DAITO KASEI would like to thank health workers from all around the world for their dedication in fighting this epidemic of COVID 19. Also, we would also like to express compassion to all who suffered from this terrible illness.

Thanks to new technologies, more and more people have access to the latest means of communication available which allows every one of us to see the reality of issues like health, discriminations and environmental disasters. This raise in public awareness has led us to believe that it is our duty at DAITO KASEI to take part in making the world a better place for us and our children.

In an effort to improve our business sustainability and transparency, we have been actively developing more and more eco-friendly products. I the meantime, adoption of GMPs have helped us improve our manufacturing processes and quality control.

We hope safer products of higher quality will bring greater satisfaction to our customers.

Yoshinori WAKI
President

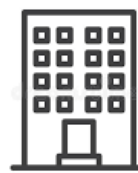
1. Company profile

1.1. Our business

DAITO KASEI is a private manufacturer of cosmetic ingredients that was established in 1950 in Osaka, Japan. Our main range of products consists of surface-treated powders and pigments, but we also propose a variety of functional materials such as emulsifiers and film formers. Our customers range from small businesses to multinational corporations.



4 factories in Japan
1 factory in France



2 distribution sites in China and France

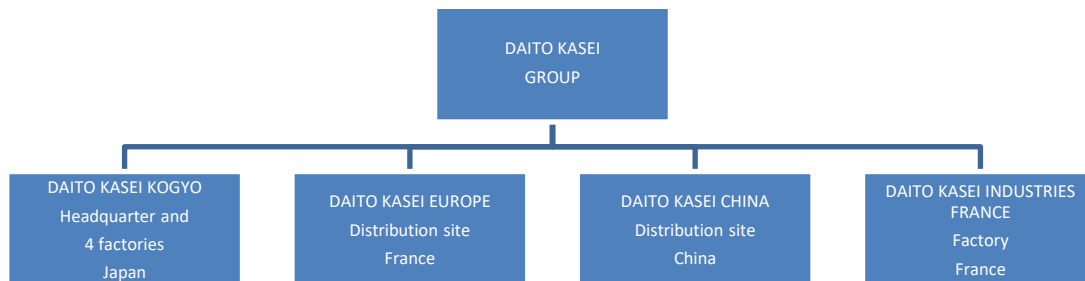
Our business is spread in more than **50** countries



4 formula development labs



1.2. Organization



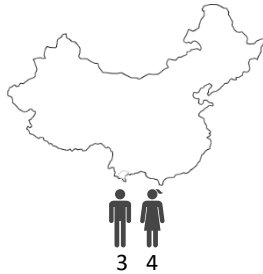
Figures and statistics



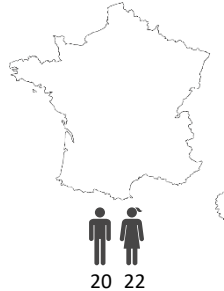
301 employees (full-time and others)

Employees breakdown by region and gender as of 31 December 2019

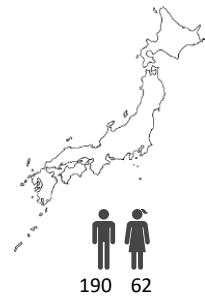
2% in China



13% in FRANCE



85% in JAPAN



3 Million \$ in R&D expenditure

R&D activities are mainly conducted in Japan. We also engage in joint-development with universities and other research establishments.

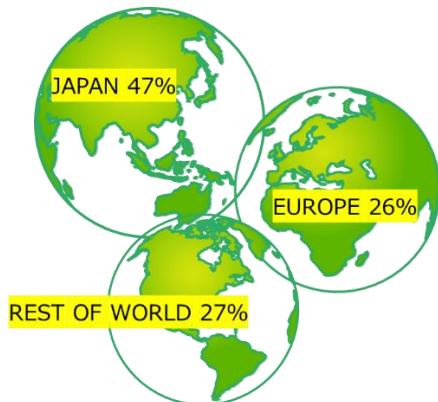


More than **3000 tons** of products manufactured



More than **200** suppliers across the world

Global sales breakdown by area



Japanese market is the biggest market for DAITO KASEI with about half of global sales. Europe is the second most important area with more than a quarter of sales.

2. CSR commitment

The following four standards make the framework of our CSR policy:

- Code of ethics
- Environmental policy
- Risk management policy
- Responsible purchasing policy

The above standards were established based on the 10 principles of the United Nations Global Compact. They constitute our essential guidelines for corporate ethics, labor, human rights, environment and sustainability.

3. Customer value

We reckon that the evaluation of our CSR activities by our customers is indispensable to maintaining a trustful relation and ensuring future business development.

3.1. Customer satisfaction

We are regularly evaluated by international sustainability rating agency such as EcoVadis¹, CDP² and Sedex³. We disclose the results of those evaluations so that our customers can review them freely. We guarantee that our facilities are inspected separately by independent parties and that we cooperate with our customer to fill up their CSR questionnaires.

In September 2019 our main factory of Fukui was inspected by an independent contractor. The inspection lasted two days and dealt with many environmental aspects of our business such as emission of carbon dioxide, energy consumption, waste and water treatment, environment management system, as well as compliance of laws regarding labor rights, safety measures and human rights.

The results of the evaluation showed that most of the items inspected were deemed highly satisfactory with an average grade of 9.9 out of 10 for environmental items.

¹ EcoVadis focuses on four aspects in particular: environment, work habit, ethic and materials sustainability.

² CDP rates the strategy of companies for climate change and disclosure of greenhouse effect gas.

³ Sedex specialized in assessing risk management regarding labor practices in the supply chain.

3.2. Quality control system

Proper quality control makes management more harmonious and efficient and improves business transparency. It also has positive impact on work environment and use of resource by decrease energy consumption and waste or reducing employee working hours for example.

We are conscious that quality control goes beyond CSR activities, that it is an essential part of our work. We think it also benefits our stakeholders and customers.

In Japan, in addition to the offices and factories that were certified ISO9001, all have obtained ISO9001:2015. We are now preparing for EffCI certification.

From now on, based on international standard, we will determine our plan of action, review it occasionally to increase customer's satisfaction and trust and improve our system.

4. Contributing to a sustainable and eco-friendly society

Contributing to a more sustainable society is a mission that we must accomplish for us and our children. Among other things, this endeavor is based on multiple environmental initiative born from corporate or individual initiatives.

4.1. Environment



All production facilities of DAIKO KASEI GROUP comply with laws and regulations established by local government. These facilities undergo government audit regularly to check levels of compliancy.

In addition to those government audits, we also investigated in 2019 on our own initiative all our Japanese facilities. We reviewed compliancy regarding environmental laws, energy consumption, waste treatment, PRTR law (Pollutant Release and Transfer Register), atmospheric pollution, fire law, etc. No major problem was discovered but measures for improvement were taken. We are committed in conducting such investigation on regular basis.

Local independent initiative

In our French subsidiary, DAITO KASEI EUROPE, all electricity is renewable. In our factory DAITO KASEI INDUSTRIES carbon offset is respected.

In Japan, we are shifting from regular lights to LED with completion planned for 2021.

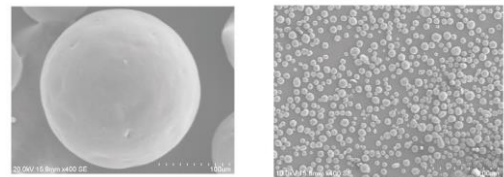
4.2. Contributing to a more sustainable society

CELLULOBEADS



Since the early 20th century, synthetic molecules have been developed thanks to progress made in oil chemistry. This technology undoubtedly changed our way of life. But among the three hundred million tons of synthetic molecules produced last year, plastic wastes have proved to be problematic as they have had a greatly negative impact on the environment. Microplastics, which the United Nations Environment Programme defines as being below 5mm in diameter, are found absolutely everywhere in the environment. Concerns about the ecosystem and the food chain have been growing. In fact, in some regions where microplastic pollution is particularly severe, many birds and fish were found dead with their stomach full of those plastic waste. Also, microplastics have the property of absorbing hazardous products like flame-retardant and insecticide which worsens even more their impact on the environment. As a response, many countries passed laws to limit their usage and many alternative products with good marine biodegradability are being developed.

CELLULOBEADS is a natural product made of marine biodegradable beads of cellulose from wood. Its properties make it a great alternative to microplastic beads. The increase in demand in the past years let us to invest in new equipment and increase production.



RSPO certification

Palm oil from African palm tree is used in biofuels and consumer goods such as processed food, medical goods, cosmetics and detergents. This year seventy thousand tons were produced, twice more than twenty years ago. The surface dedicated to palm oil tree cultivation have increased steadily but this growth has lacked proper environmental management. This led to uncontrolled clearcutting of forest, destruction of a high conservation value virgin forest and peats, decrease in biodiversity, child labor, etc.

DAITO KASEI uses palm oil as an ingredient in many products. However, because we support the preservation of the environment and human rights, we obtained RSPO SCC certification⁴ (Mass Balance). Since then we have been able to supply suitable ingredients to our customers.

⁴RSPO SCC certification: a system of certification based on “standards and principles” for sustainable palm oil. We obtained the supply chain certificate.

SACRAN



SACRAN is a polysaccharide extracted from *suizenjinori*, an alga that only grows in the pure water springs located at the foot of Mt. Aso volcano in Kumamoto prefecture. Thanks to its excellent water-retaining capacity, not only it provides moisture to the skin, but it also forms a protective layer. However, *suizenjinori* is a delicate endangered species that requires the purest water to live.

At DAITO KASEI, we are committed with local villagers to protect and develop the habitat of *suizenjinori* to allow it to thrive and prosper.

Binchōtan powder (high-grade charcoal)

With the care of human, mountain trees can grow more beautifully to the benefits of the mountain entire ecosystem. The *ubamegashi* trees which grow in the Kinan region of Japan greatly contribute the flood and landslide control. Those trees have been used for more than a millennium to make *binchōtan* a typical Japanese charcoal of high quality. The tree is not just burnt to make fuel, it is first steamed in order to make burning long-lasting and prevent production of flame and smoke. This technique, a revolution for the people of the time, was brought from China by a Japanese monk called Kūkai in the 9th century. It spread rapidly all over the archipelago.

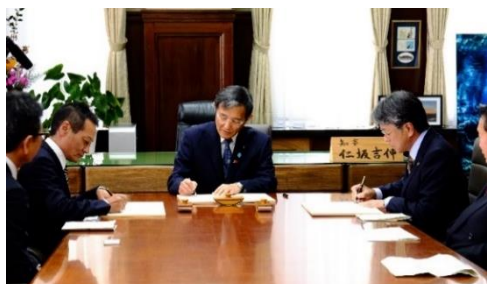


Since that time the Kishū region have specialized in cultivating flat-leaf trees and protecting them to produce a uniquely hard, slow-burning binchōtan. Once pulverized in very thin powder it can be used as a cosmetic ingredient of entirely natural origin and notably as an alternative to carbon black, an oil origin product.



“Egao no Mori”, the forest of smiles

In 2017 we joined the “Kogyō no Mori” project which helps protecting forest in Wakayama.



This project aims at promoting and keeping ancestral knowledge and techniques as well as valorizing and protecting nature. The owner of the forest, the inhabitants and employees of more than 80 participating companies teamed up together to achieve those goals.

At DAITO KASEI, we have been taking care of a terrain that we baptized “Egao no Mori”, the forest of smiles. Employees from our subsidiaries in France and China joined our Japanese employees in May 2018 to plant trees with the assistance of the inhabitants and local associations. This was a profoundly astonish experience as we learnt a lot from each other, and all enjoyed the beauty of nature.



In September 2019, in respect with our policy for employees’ well-being we organized a trip there. At this occasion, we cut invasive grass and plants to allow three to grow freely. We will pursue such activities regularly with the support of the community.

We started with 3,000 *ubamegashi* trees and now have more than 6,000 trees. In the future, when they are bigger, we estimate that they will absorb about 10,700kg of carbon dioxide per year.

COSMOS NATURAL

COSMOS NATURAL certification is granted to ingredients that respect biodiversity. Similarly, ingredients can be certified for ECOCERT NATURAL formulations which guarantee a certain level of naturality. At DAITO KASEI, we have been increasing the number of certified ingredients in our catalogue as shown in the table below.

Year	2017	2018	2019
ECOCERT	66	60	60
COSMOS	28	36	60
Total certifications	94	96	120

Natural origin ingredients

As previously mentioned, we are pursuing the development and use of natural origin ingredient to support sustainability in our society. For more details, please take a look at our [online catalogue](#).

5. Communication with society

5.1. Stakeholders



Beyond making business we also maintain close ties with other companies and individuals in a stakeholder relation where equilibrium is key for trust and profit. We are committed in complying with laws and regulations as well as maintaining a high level of consideration to our partners.

The following diagram introduces our valuable stakeholders.



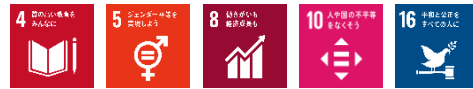
5.2. Partner Organizations

DAITO KASEI belongs to the following organizations:

- Osaka Chamber of Commerce and Industry
- Osaka Prefectural Manufacturing & Industrial Association
- The Society of Cosmetic Chemists of Japan
- West-Japan Cosmetic Industry Association

- EFCI – European Federation for Cosmetic Ingredients (DAITO KASEI EUROPE)
- Cosmetic Valley (DAITO KASEI INDUSTRIES)
- Osaka Chamber of Commerce and Industry’s CSR workshop
- Tenma Association for Labor Standard
- General Incorporated Foundation – Japan Association for Safety of Hazardous Materials
- General Incorporated Foundation - Japan Traffic Safety Association

6. Human rights



It is indispensable that we protect the right of our employees as it is a moral obligation and a necessity to conduct our business properly. There should be no discrimination of either kind in accomplishing equality in the workplace so that each and every one can demonstrate his/her full potential.

Here below are the measures taken at DAITO KASEI to ensure our employee:

- Strict respect of labor laws
- Wage structure unrelated to gender, race, handicap, etc.
- Establishment of a consultation desk for harassment and complaint in the workplace
- Establishment of a claim consultation counter for customers
- Introduction and announcement of rules against conflict of interest and corruption
- Establishment of consultation system with occupational physician
- Youth Yell certification standard (government program for young graduate employment)

The following shows the parental leave history. All employees who have taken a parental leave came back to work at their original job position.

Year	2017	2018	2019
Number of parental leave beneficiaries	4	1	2

7. Employee training and education



Building a work environment where employees can fulfil themselves is related to the possibility for them to learn new abilities and be satisfied overall. There is absolutely no doubt that employees’ fulfillment is necessary to company growth. To make this possible, we enforce the following measures:

- Training for new employees: all new employee is taught four weeks about business manners, harassment, company policy and safety regulation among other things.

- Foreign languages: French and English classes are proposed to employees who need it.
- External training: cosmetic technical training organized by partner organizations
- Reward for professional certification: employees certificated with handling hazardous substances, hygiene management or information management certification can claim special remuneration.
- Human resources evaluation: every six months employees take an interview with their superior/manager to discuss employees' satisfaction and fulfilment.
- Other seminars and exhibition: employees are encouraged to participate in seminars and exhibitions related to their work field to boost their skills.

8. Safety and hygiene



It is indispensable to guarantee a healthy and safe environment to all employees if we are to conduct our business properly. At DAITO KASEI GROUP, local regulation concerning working hours is strictly observed. To protect our employees, we enforce strict measures regarding the safe and appropriate handling of chemicals. In each manufacturing sites, safety data sheets are always accessible to all in a dedicated location. Thorough risk management examination is conducted when new products are being developed to ensure the safety of both our employees and the environment.

Lists of all stored chemicals are made that include storage location as well as quantity in order to guarantee proper management. Limits are also established to limit exposure as much as possible and limit world-related injuries. We are steadily working on improving these measures for the protection of our employees.

The table below shows the number occurrences of work-related injuries:

Year	2017	2018	2019
Number of incidents in plants	3	0	1
Number of injury leaves	1	0	0

In Japan, workplaces of more than 50 persons are bound by law to appoint an occupational physician. We do so even in facilities with fewer employees.