



CORPORATE SOCIAL RESPONSIBILITY REPORT 2021

About CSR report publication

At DAITO KASEI GROUP, we believe CSR are at the core of our activities. This is why, for the past 10 years we have set standard of conduct, followed UN Global Compact and ISO26000 as well as pursued our CSR activities. We have since 2015 published our annual CSR reports on our website. This is because we believe that a company values dwells in part in its CSR which contribute to a better society by answering stakeholders' needs.

For our company, CSR activities started as demand from society to comply to industrial moral and ethical codes but now it has become an objective to make society more sustainable were both economic and social value coexist. It then became clear that we had to deal with SDGs.

We conduct our CSR activities with SDGs in mind. This CSR report was made based on the 17 SDGs as in previous years.

We think that by answering stakeholders' expectations, conducting CSR activities while respecting SDGs, we can increase our value to society and grow more ethically.

At DAITO KASEI GROUP, we have set a CSR promotion bureau which aims at spreading the words to every employee. The point is that everyone understands that 「individual actions」 can make the difference.

Furthermore, not only do we commit to respect laws and compliance, workers health and working conditions, we also put a great deal of effort in improving stakeholders trust and employees' well-being.

Our efforts to SDGs will be of humble scale but we will pursue our management effort. Our actions will be presented in every CSR reports in a transparent manner.

30th June 2022

DAITO KASEI KOGYO Co., Ltd

CSR bureau

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1. Company profile

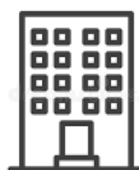
1.1 Our activity

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 as well as plastics and inks for the industry. Cosmetic ingredients represent 90% of our products.

Our customers range from small businesses to multinational corporations.



4 plants in Japan
1 plant in France



3 distribution sites in France, Italy and China

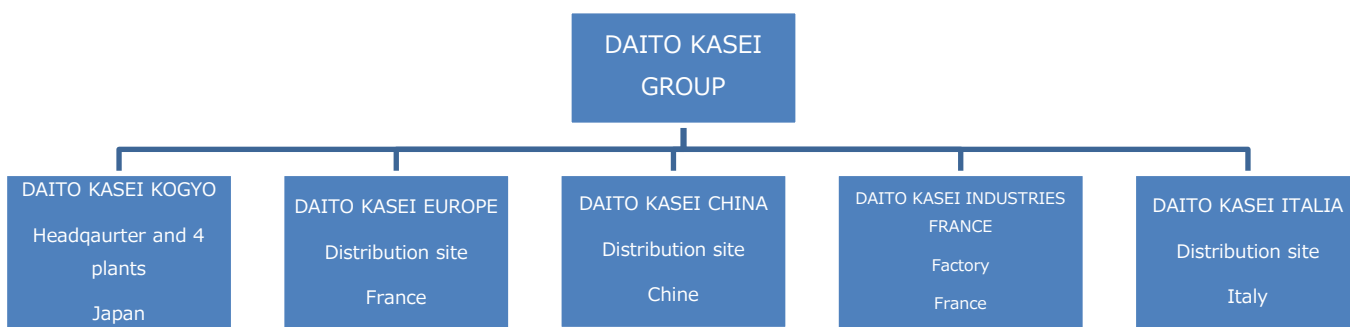
Our business is spread in more than **50** countries.



4 formula development labs



1.2 Organization



On 8th February 2021, DAITO KASEI ITALIA was established. The Italian cosmetic market is the third in Europe after Germany and France. More than 400 Italian OEM produce 65% of make-up products sold in the world.



1.3 General data

Number of employees

Group: 288 employees (206 men, 82 women)

DAITO KASEI KOGYO: 237 employees (181 men, 56 women)

DAITO KASEI INDUSTRIES FRANCE: 22 employees (17 men, 5 women)

DAITO KASEI CHINA: 4 employees (2 men, 2 women)

DAITO KASEI ITALIA: 2 employees (1man, 1 woman)

Managerial positions

Group: 38 people (27 men, 11 women)

Percentage of men with managerial position among male employees 13.1%

Percentage of women with managerial position among female employees 13.4%

The proportion of male and female managers in each group is equivalent.

R&D spending and production data in year 2021

DAITO KASEI KOGYO and DAITO KASEI INDUSTRIES FRANCE manufactured a combined total of 2400 tons of products in 2021.

R&D is mainly conducted in Japan sometime in cooperation with universities and other establishments. A total of 300 000 000 (about 2.2 million euros) was invested.

Sales by territories

Sales for the year 2021 by region. Japan: 36%, Europe: 27%, other countries: 37%

2. CSR commitment

2.1 CSR standard

We set the following 4 standards to strictly follow CSR.

- 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. More information is available on our website, in the “Sustainability” section.

2.2 Conducting activities with SDGs

Along with complying strictly with the action plan set in our standards we conduct our actions following SDGs. We think we can contribute to make a sustainable society where social and economic values coexist.

We conduct all our activities in respect of existing laws and social ethics.

3. Appropriate business conduct

In order to conduct our business in an appropriate way DAITO KASEI GROUP (Japan, France, China, and Italy’s 5 companies) applies the following.

3.1 Decision-making

The board of directors decides of management planning, business decisions, investments above a certain amount, organizational change, etc. To make decision-making faster, board meetings are organized immediately when needed and decisions are taking promptly.

3.2 Accounting

To prove the transparency of our financial situation we receive guidance and are regularly audited by certified public accountants with evaluation by a third-party. We received congratulations from tax office for how well our finances are managed.

3.3 Fair transactions

Business transactions are conducted to be fair as regard to the other party.

3.4 Intellectual property

We respect our company and our trade partners’ intellectual properties.

3.5 Corruption prevention

We do not get involved in activities such as bribery, excessive treating, conflicts of interest, and so on.

3.6 Rejection of criminal groups

We do not hold any relation with criminal groups.

3.7 Business continuity plan

We arrange for business continuity plan for natural disaster.

4. Aiming for a happy workplace



Protecting the rights of our employees and ensuring a friendly workplace is most important to us. We are constantly working to improve our employees' workplace.

4.1 Tolerant working conditions

Guarantying employee's right is indispensable to conduct business fairly. Without consideration for gender, race, age, or disability we behave equally towards every employee so that everyone can work at full potential. Similarly, salaries are paid without consideration for gender, race, age, or disability.

4.2 Compliance with labor laws and improvement of workplaceProtect employees' rights

In order to comply with labor laws, we conduct internally regulation training and information session with licensed social insurance consultant. We also consult lawyers when needed.

Regarding harassment and complaints an inquiry counter has been established and each employee has undergone a proper training in 2020.



Preventing corruption

We established a claim contact bureau for our supplier regarding any eventual harassment or bribery from our employees. We inform internally our employees about our policy regarding bribery and conflicts of interest and all must agree.

Training youth for the future

Youth Yell is a government program for small and medium-sized enterprises that certifies companies that propose particularly good conditions for employment and education to young people. We have received certification in 2017 since then we have been maintaining those standards.

In 2020, less than 50 companies have received this certification.

To a women-friendly workplace

In 2020, all of the 5 women who took maternity leaves, all got back to their original

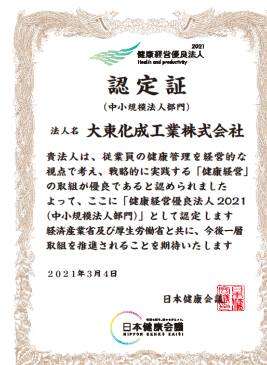
job when returning.

Consideration for employee's health

We organize medical examination regularly and propose additional examination to those mandatory by law such as (breast cancer, colorectal cancer, etc.). During the inspection tour of our industrial physician employees are free to consult and ask questions. Employee's vaccination against influenza is entirely covered and financial aid is granted for his/her family.

Healthy company certification

In March 2021, as a company that makes strategic efforts for employees health, DAITO KASEI KOGYO was recognized certified "Healthy company" by the Ministry of Economy, Trade, and Industry.



Disable persons employment

In 2020, there was 6 disabled persons, a rate complying with the law.

4.3 Employee's safety and hygiene

It is indispensable to operating a business properly and is a fundamental right to work in a safe and healthy environment.

Working hours

In DAITO KASEI GROUP, local regulation concerning working hours is strictly respected. Our manufacturing department operate in 2 or 3 shifts of 7.5h.

Chemicals management

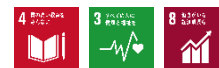
Chemicals are used in our plants, but workers' safety is guaranteed by technical safety measures, safety gears and clothing. SDS of chemicals are available to anyone in plants they are used.

Risk management

Thorough risk management examination in 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.

Welfare consultation with industrial physician

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. During the inspection tour of our industrial physician employees are free to consult and ask questions.



5. Employee's fulfilment through learning

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:

New employees' training

All new employee is taught four weeks about business manners, harassment, company policy and safety regulation among other things.

ISO9001 training

Each department conduct training for ISO9001 (rules and procedures) and improvement according to an annual plan by on-the-job training. With this continuous training, employees understanding deepens, which allows continuous improvement of a more reliable quality control system.

EFfCI training

In September 2020, two external consultants set two days of training in which 92 employees participated. In 2021, we pursued our efforts to obtain EFfCI certification with these 92 employees at the core of this endeavor. Okayama factory, Fukui factory, and Niigata factory were audited successfully by a third party. Official certification is to be obtained by 2022.

Harassment training

We believe it is indispensable to build a healthy work environment where everyone is free to express himself. In Japan harassment prevention law was passed in 2020 and has been applying to large size companies.

For small and medium size companies the law will apply from 2022. We are getting ready, every employee bis ongoing training.

Language training

French and English classes are proposed once a week to employees who request it.

External training

We conduct cosmetic technical training organized by partner organizations.

Compensation for professional certification

Employees certificated with handling hazardous substances, hygiene management or information management certification can claim special remuneration.

Staff evaluation interview system

Every six months employees take an interview with their superior/manager to discuss employees' satisfaction and fulfilment.

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Raise and promotion training

Among our corporate human resources system, we enforce a training for employees benefiting from raises and promotions.

During the training, they are taught about the situation of company and work in group to learn about their new work as managers.

We also encourage employees to participate in seminars and exhibitions, and other opportunity to gather information and learn new skills.



6. Product development and market expansion for a sustainable society



6.1 Aiming a reducing plastic pollution

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 FSC¹ certified 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.

In July 2021, we started promoting CELLULOBEADS on IPROS, a Japanese online database for food and consumer goods ingredients.

¹FSC stands for Forest Stewardship Council. It is an organization that ensure that wood products to go to the consumers are from forests that are properly managed for the benefit of the economy, society, and the environment. Certification is possible after audit performed by a third party.

6.2 Protection the richness of water



SACRAN

SACRAN is a polysaccharide extracted from suizenjinori, an algae 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.

6.3 Aiming at renewable resources provisioning 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 uncontrol clearcutting of forest, destruction 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 certification (Mass Balance). Since then, we have been able to supply suitable ingredients to our customers.

²RSPO SCC certification: a system of certification based on “standards and principles” for sustainable palm oil. We obtained the supply chain certificate.

Binchōtan powder

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



CHARCOPOWDER
紀州備長炭の新たな可能性

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.

Natural origin product

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](#).

For interested customers, we also have a range of more than 60 COSMOS certified products.

7. Customer satisfaction



7.1 Quality control system Quality management to maintain satisfaction

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.

Quality management system audit by big customers

We have been audited by large customers concerning our quality control system and except minor problems results were satisfactory. We are working on solving the problems that were pointed out rapidly and efficiently.

Improving employees understanding a quality system to respond to global needs

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.



In 2020 we started to move forward in order to obtain EFfCI (European Cosmetic Manufacturing GMP). We enforced in 2021 three GMP principles “reduce human errors to a minimum”, “prevent contamination and quality reduction” and “establish to system to guarantee high quality” and establish measures to “maintain high and identical quality regardless of who is on operation.

As a result, in 2022 we managed to be audited successfully in our factories at Okayama, Fukui and Niigata. Our EFfCI certification is due 2022.

From then on, we will commit to improve constantly our system based on international standards, as well as increase our customer's trust and satisfaction.

7.2 CSR activity evaluation

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

CSR activity third person evaluation

We are regularly evaluated by international sustainability rating agency such as EcoVadis, CDP and Sedex. 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.

Results and response to evaluation by EcoVadis, CDP, Sedex

Results of each platform are as below.

EcoVadis

EcoVadis focuses on four aspects in particular: environment, work habit, ethic, and materials sustainability. In 2021 were rated in top 10% and received a silver medal.

CDP

CDP rates the strategy of companies for climate change and disclosure of greenhouse effect gas. In 2021 were rated average as compared to Asia regarding climate change and water security.

Sedex

Sedex specialized in assessing risk management regarding labor practices in the supply chain. In 2021 we were rated highly by large customers.

Response in respect to evaluation platform

In consideration with results and in order to improve ourselves we order working obtaining ISO4001 certification.

8. Measures for protecting the environment for a better future



We believe contributing to a more sustainable society is a mission that we must

accomplish for us and our children. We develop new products and markets in consideration with our objective of making society more sustainable, to reduce greenhouse gas and preserve the environment in compliance with environmental laws.

8.1 Strict compliance with environmental laws

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.

8.2 Strengthening our effort for the environment

In Japan, we are working on obtaining ISO4001 certification before early 2023.

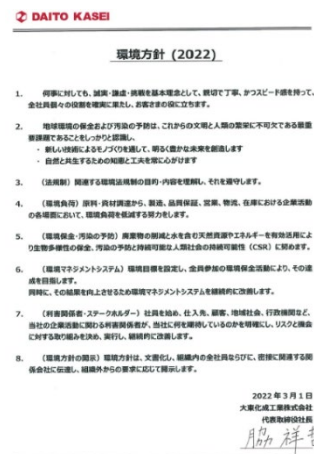
In early 2021, we establish a environmental manual that we updated to a roadmap for the environment in early 2022.

8.3 Individual efforts for greenhouse gas reduction

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

In Japan, at DAITO KASEI KOGYO, we shifted from regular lights to LED in 2021.

Lastly, in 2022 we established an objective for quantitative reduction of CO2 to be reached by 2030 to be in line with our country's and our customers' expectations.



9. Partnership



9.1 Answering stakeholders' needs

Our reason of being as a company is to have a management that is such as it contributes in making our society better while answering stakeholders' needs. We have a direct impact on our stakeholder's activities, suppliers, employees, financial institutions, local governments, and related institutions.

We are conducting many actions to comply with 17 SDGs and ISO2600 which are guideline for United Nations 10 Global Compacts.

9.2 Organizations to which we belong

DAITO KASEI belongs to the following organizations. By joining these organizations, we can earn and share information about regulation and laws. It also helps us reach of SDGs goals.

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

In April 2021, one of our employees became head of the Kansai committee.

- EFFCI – European Federation for Cosmetic Ingredients (DAITO KASEI EUROPE)
- Cosmetic Valley (DAITO KASEI INDUSTRIES)
- Tenma Association for Labor Standard
- General Incorporated Foundation - Japan Association for Safety of Hazardous Materials
- General Incorporated Foundation - Japan Traffic Safety Association
- Fukui Technoport Corporate Liaison Committee

The Fukui Technoport Corporate Liaison Committee is the biggest industrial park of Western Japan and is located in Sakai city and Fukui city in the Fukui prefecture.

There are more than 80 companies that cooperate together regarding issues in the park. In April 2021 one of our employees became chairman of the committee.

9.3 Job creation and local partnership

We contributed to local job creation, environmental protection by cooperating with local society.

Suizenjinori aquaculture

Suizenjinori enters in the composition of SACRAN, a product we are developing markets for. It grows in the pure mineral waters of mount Aso in Kyushu. In order to be able to keep using suizenjinori we pay most attention to local aquaculture and protection of the environment. It matters both for the environment and local jobs.

Cooperation with other company to produce environment friendly products

CELLULOBEADS outsourced production

CELLULOBEADS is a biodegradable alternative to microplastic developed mostly for western customers whose demand in growing. To be able answer the demand linked to an increase of attention to the environment we outsource production to Rengo Co., Ltd. We are working on spreading the use of CELLULOBEADS to contribute to the protection of the environment.

Protection of the environment with local stakeholders

Forest protection activity: “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, inhabitants, and employees of more than 80 participating companies teamed up together to achieve those goals.

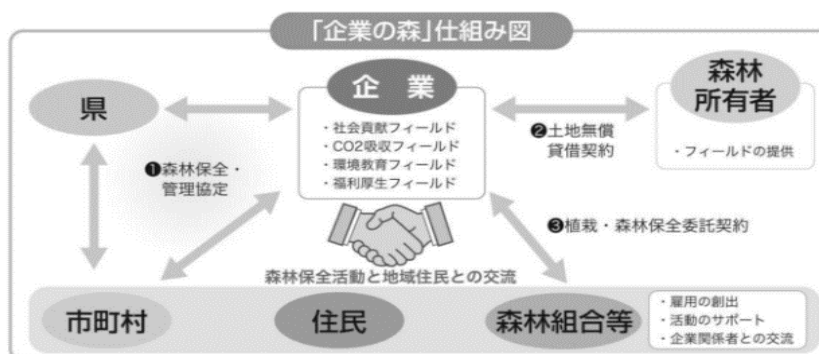


At DAITO KASEI, we have been taking care of a terrain of 2.53ha

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

However, in 2021 we were unable to conduct this action due to corona virus. We will resume our action as soon as possible.

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.



出典：和歌山県 HP 企業の森

10. DAITO KASEI original actions



At DAITO KASEI, we do not just comply with the law we go step further by enforcing a set of original measures. Some of them aim at improving employees' well-being and concern the following matter: health and work conditions, communication, and good governance. Other measures are meant to improve stakeholders' trust. We firmly believe that improving employees' well-being and stakeholders' trust is an important objective of CSR, this is why we intend to pursue our efforts continuously.

These measures are presented below.

10.1 Health monitoring of employees

Financial aid for influenza vaccine

We support 100% of influenza vaccine cost for our employees and provide an aid of 2000JPY (15EUR) to their household members.

Health check additional item and reexamination aid

In addition to legally mandatory items, we support the cost of examinations for breast cancer, prostate cancer, colorectal cancer, cervical cancer, endoscopy, and any required reexamination.

Industrial physician and health examination

At DAITO KASEI, industrial physicians regularly visit each of our locations regardless of how few employees there are, one step further that what is established by the law. During these visits employees can freely consult about their health in addition to undergoing physical examination.

Healthy company certification

As a company that considers employees' health is more than an individual matter but our responsibility, we have been conducting thorough health management company wide. For that reason, we received "Healthy company" certification by the Ministry of Economy, Trade, and Industry.

10.2 Work condition

Compensation of working on vacation day

The law requires companies to pay an extra 35% to employees that work on a vacation day up to once a week. At DAITO KASEI, we pay such compensation every

vacation day worked.

Late night extra pay

The law requires companies to pay an extra 25% to employees working between 10PM and 5AM. At DAITO KASEI we pay an extra 40%.

Leaving early once a month

Once a month, we let our employees leave early or go out for up to two hours for private reasons such as to go to hospital, city hall or take care of their children. These two hours are not deducted from their wage.

Overtime

In accordance with the law, companies are required to pay overtime after 8 hours of work per day. At DAITO KASEI, we pay after 7.5 hours.

Youth Yell



Youth Yell is a government program that certifies small and medium-sized companies that propose particularly good conditions for employment and education to young people. We have received certification in 2017 since then we have been maintaining those standards.

10.3 Aid during absence from work

Compensation

In accordance with the law an employee who was close contact to a covid-19 infected person should temporarily step back from work and benefit from a compensation equal to 60% of the wage. At DAITO KASEI we compensate at 100%.

Aid to hospitalization and death benefit

In addition to provide financial aid to injured or sick employees for 80 days after hospitalization DAITO KASEI also bears costs of death benefits.

10.4 Employee-friendly workplace

Harassment training

In June 2020, a law to prevent harassment in the workplace was passed than will be

enforce in 2022. At DAITO KASEI, we agree with the content of the law so in order to further improve our working conditions we conducted harassment trainings without waiting for 2022. Harassment training is also mandatory for new employees as part of their training.

Corporate listening cell

We established a listening cell for employees who have any concerns to ask for assistance.

10.5 Event and award system

New year event and award for long term service

Due to covid-19 we were unable to hold a new year event. However, we organize such an event every year for employees to meet and enjoy time together and during which employees who have been working continuously for long term are awarded.

Company trip

Before covid-19 we used to organize company trips to allow employees to exchange and know each other more. For then on, we will let employees choose between 3 or 4 destinations in Japan and abroad where they could join with their partner.

10.6 Good governance and compliance

Audit by certified public accountant

Every year, we are audited by a third party certified public accountant. This practice is not required by law but an initiative by DAITO KASEI. We particularly insist on monitoring good governance practices and expenditure.

Excellent tax declaration company

Excellent tax declaration company is an award system for companies that exhibits excellent tax declaration practices and transparency regarding book-keeping, corporate organization, mixing of public and private affairs among other things.

Anti-corruption measures

From 2017, all employees commit to not get involved in any corruption activity or conflicts of interest. Each employee signed an oath after being duly explained. Every new employee undergoes explanations and signs an oath as well.

Establishment of complaint office

Harassment and corruption may also occur outside of the company. Because we cannot conduct business with untrustful partners we established a complaint office for our business partners to contact us if they observed any unacceptable behavior from one of our employees.

Coordination with licensed social insurance consultant

Every month, we exchange information with licensed social insurance consultant about labor laws and corporate human resources. We believe it helps further improve corporate labor condition and company rules.

Creation of local job

We have created jobs in relation with the aquaculture of suizenjinori necessary to the production of SACRAN. Other jobs were created in relation to the management and preservation of “Egao no Mori” and the charcoal-making for CHARCOPOWDER.