



CORPORATE SOCIAL RESPONSIBILITY REPORT 2022-2023

About CSR report publication

At DAITO KASEI GROUP, we believe CSR is 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 contributes to a better society by answering stakeholders' needs.

For our company, CSR activities started as a demand from society to comply with industrial moral and ethical codes but now it has become an objective to make society more sustainable where 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 up 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, but we also put a great deal of effort in improving stakeholders trust and employees' well-being.

This report includes major topics from 2022 to the first half of 2023 and activities at exhibitions around the world. We hope that these will help you better understand the direction of our activities.

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

21st August 2022

DAITO KASEI KOGYO Co., Ltd
CSR bureau

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1. Company profile

1.1 Our activity

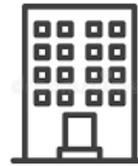
DAITO KASEI is a private manufacturer of cosmetic ingredients that was established in 1950 in Osaka, Japan. Our main range of products consists of surface-treated powders and pigments, but we also offer a variety of functional materials such as emulsifiers and film formers as well as plastics and inks 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

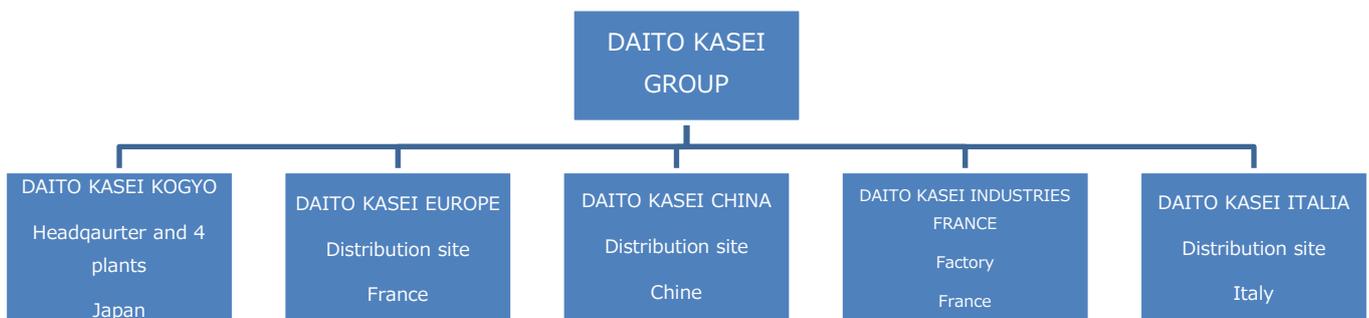
Our business is spread in more than **50** countries.



4 formula development labs



1.2 Organization



1.3 General data

Number of employees

Group: 296 employees (210 men, 86 women)

DAITO KASEI KOKYO : 235 people (182 men, 53 women)

DAITO KASEI EUROPE : 27 people (6 men, 21 women)

DAITO KASEI INDUSTRIES FRANCE : 25 people (19 men, 6 women)

DAITO KASEI CHINA : 5 people (2 men, 3 women)

DAITO KASEI ITALIA : 4 people (1 man, 3 women)

Managerial positions

Group: 45 people (26 men, 19 women)

Percentage of men with managerial position among male employees 12.4%

Percentage of women with managerial position among female employees 22.1%

The proportion female managers is double that of men proportionally.

R&D spending and production data in year 2022

DAITO KASEI KOGYO and DAITO KASEI INDUSTRIES FRANCE manufactured a combined total of 2650 tons of products in 2022, an increase of 500 tons compared to previous year.

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

Sales by territories

Sales for the year 2021 by region. Japan: 34%, Europe: 33%, other countries: 33%

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 making 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 (five companies in Japan, France, China, and Italy) applies the following.

3.1 Decision-making

The board of directors decides on 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 taken 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 the tax office for how well our finances are managed.

3.3 Fair transactions

Business transactions are conducted to be fair as regards 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 gifts and treats, 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 a business continuity plan for natural disasters.

4. Involvement in exhibition and major topics during the period

4.1 Acquisition of EFCI GMP Certification



In June and July 2022, our three factories in Okayama, Niigata, and Fukui obtained EFCI GMP for Cosmetic Ingredients (2017) certification, which is GMP for the production of cosmetic ingredients, thereby strengthening our system for managing product quality and safety.



EFCI GMP was created by the European Federation of Cosmetic Ingredients and adopts ISO9001 as its framework, but it includes GMP requirements that are not covered by ISO9001.

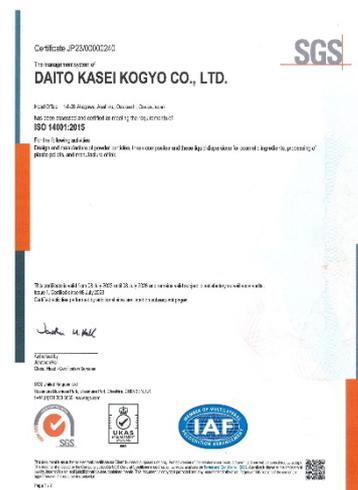
Currently, there are 10 factories in Japan that have obtained this certification, three of which are our three factories.

We will continue to manufacture under a strict quality control system to provide high-quality and safe cosmetic raw materials and deliver peace of mind to our customers.

4.2 ISO 14001 Certification

Daito Kasei Kogyo Co., Ltd. has undergone a multi-site certification audit for all of its sites: Head Office, Okayama Plant, Fukui Plant, Niigata Plant. In July 2023, the company received official certification.

The company has obtained ISO9001, EFCI GMP, and RSPO certifications as external certifications. certification for environmental management systems.



4.3 One podium and three poster presentations accepted at IFSCC 2022

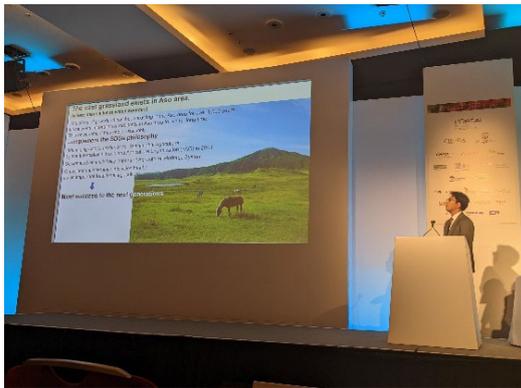
IFSCC : The International Federation of Societies of Cosmetic Chemists

The International Federation of Societies of Cosmetic Chemists (IFSCC), an umbrella organization for the Society of Cosmetic Chemists of Japan (SCCJ), has about 16,000 members in 49 societies around the world.

The Congress is held every two years at a site to be decided. Cosmetics engineers from around the world gather to present their latest research results and engage in lively discussions. Various awards are given to outstanding presentations.

At the 32nd IFSCC Congress held in London, England in 2022, one podium and three poster presentations were accepted.

PODIUM PRESENTATION



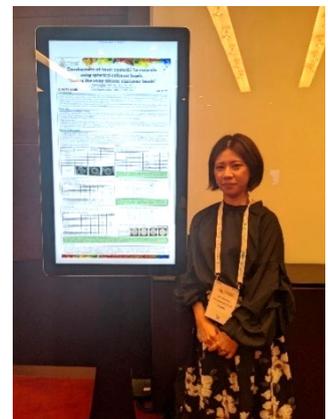
The approach for SDGs based on cultivation of Suizenji-nori, as a raw material of the ingredient, Sacran, for cosmetics (Teruaki Mori)

POSTER PRESENTATIONS

Development of novel cosmetic formulation using spherical cellulose beads, “feeling like using silicone elastomer beads” (Maki Kitanouma)



Characteristics of natural derived surface treated pigments for the achievement of SDGs (Reiichiro Tsuchiya)



Poster presentation Study of cosmetic applications with unmodified cellulose fiber as novel gel type ingredient (Atsuko Ota)

4.4 6th IPCE CONFERENCE



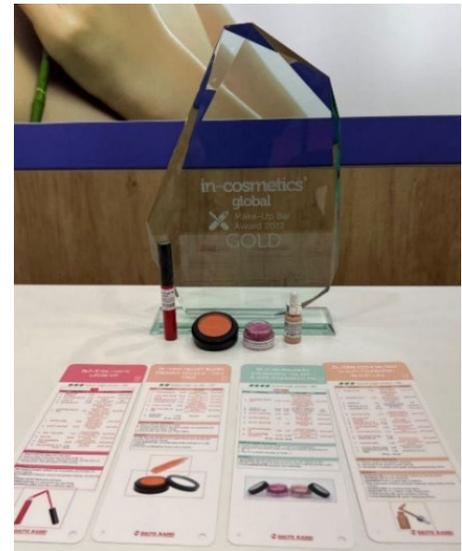
Characteristics of natural derived surface treated pigments for the achievement of SDGs (Reiichiro Tsuchiya)

While focusing on the development of environmentally friendly products, our research on natural surface treatment with a focus on SDGs was highly evaluated, and we were able to give an oral presentation at a conference in Sardinia, Italy, on June 7-8, 2023.

4.5 Winner of the Gold Make-Up Bar Award (for the second time)

At the in-cosmetics global 2022 France, held from April 5 to 7 2022, DAITO KASEI EUROPE presented four formulations titled Naturality & sustainability with high performance sensoriality. The company was awarded the Make-Up Award Gold Prize.

The formulas were developed based on the concept of focusing on naturalness and sustainability, but without sacrificing the excellent feel and finish.



4.6 CITE JAPAN – SILVER Award in the environmental category

Our product, SACRAN, was nominated at CITE JAPAN held on May 17-19, 2023, and received a SILVER AWARD as a result of the screening process.



In the environmental category of the CITE Awards, nominations are made for products that focus on product development and technological innovation with an emphasis on the sustainable use of resources, and six products were eligible for this year's awards.

SILVER AWARD WINNER! SACRAN", a natural skin barrier

SACRAN is a naturally derived ingredient extracted from the suizenjinori, which can only be found in a limited number of pure spring waters at the foot of Mount Aso. It not only acts as a moisturizer that provides moisture to the skin, but also, due to its unique molecular structure, creates a film on the skin when applied to the skin, protecting it from cigarette smoke and automobile exhaust fumes. It is possible to give skin care products properties that protect sensitive skin.

4.7 Activities at trade shows around the world

We set up booths at trade shows held around the world to introduce our products based on the concept of natural origin and sustainability.

April 5-7, 2022, in-cosmetics global 2022 France

DKE, our European branch, participated in the exhibition, titled Naturality & sustainability with high performance sensoriality, presenting four formulations that achieve a superior feel and finish with a focus on naturalness and sustainability.

At the exhibition, as mentioned above, we received the Make-Up Bar Award, which is given for the most innovative formulation. This award is given to the most innovative formulation.

October 25-27, 2022, ICI 2022

Indonesia November 7-9, 2022, in-cosmetics Asia Thailand

In cooperation with the local Chemico Group companies, at the two exhibitions we introduced the concept of "Perfect Long Lasting Makeup" supported by samples cosmetic ingredients and reference formulas.



March 28-30, 2023, in-cosmetics global Spain

DKE, our European branch, exhibited at the show and mainly introduced reference formulas based on the concept of eco-friendliness with many natural ingredients and the cosmetic ingredients used in these formulas.



May 17-19, 2023, CITE JAPAN 2023

Under the exhibition theme of "Fusion of Nature and Technology - Value-added Products", we introduced our products, focusing on raw materials of natural origin and examples of formulations. SACRAN", which was nominated for the "CITE Award", received the SILVER AWARD as a result of visitors' voting.



June 7-8, 2023, ICI 2023 Indonesia

We exhibited at ICI 2023 in Surabaya. Under the exhibition concept of "Natural × Natural", we introduced our natural ingredients and formulas for natural finish. We received many inquiries about our new lip balm formulation with glossy and long-lasting effects.



5. Quality Policy and Environmental Policy

At the beginning of each year, we revise our Quality Policy and Environmental Policy for the current year and disseminate them to all employees.

Each department and site determine its quality and environmental activities for the year based on the policy, annual management reviews, and internal and external issues that are also the output of these reviews, as well as targets, risks, and opportunities.

Activities are conducted in accordance with ISO9001, EFfCI GMP, and ISO14001, but we do not consider our activities to be solely for the purpose of obtaining and maintaining certification.

We view them as closely related to improving management issues and the environment and consider them important indicators of management with the aim of developing our business, realizing a rewarding workplace, and enhancing the trust of our stakeholders. Through these activities, we have been able to increase training and education opportunities for our employees, which has helped them improve their skills and improvement capabilities.

品質方針 (2023)

1. 何事に対しても、誠実・謙虚・挑戦を基本理念として、親切で丁寧、かつスピード感を持って、全社員個々の役割を確実に果たし、お客さまの役に立ちます。
2. お客さまの要求と期待を確実に理解し、常に創意工夫することにより、お客さまの満足と信頼を得ます。加えて、当社独自の技術を育み、それを応用し市場展開を図ることにより、社会的な要求事項を満たします。
3. 品質の維持・向上のために、2023 年度品質方針に基づき品質目標を設定し、計画的に推進し、さらに達成度を把握します。
4. ISO9001：2015、EFfCI GMP のみならず、すべての社会的・市場的要求に対する標準化の規制、グローバルな法的規制を誠実に遵守し、品質重視のマネジメントを推進します。
5. 品質目標は、品質マネジメントシステムを通して具体的に展開し、さらにそのシステムの有効性を高めるために、目標達成に向かって具体的な行動を計画し、展開し、評価します。
6. 品質の維持・向上のため、すべてのプロセスにおいてのリスクマネジメントを行い、リスク評価による未然の改善を継続的にを行います。
7. 品質の維持・向上のため、お客さまからのクレーム情報を分析し、様々な視点からの確かな再発防止を行います。また、起こりうるリスクの抽出を行うことにより事前のリスク回避を行います。
8. お客さまをはじめ、最終の消費者に対しても安心と安全、ご満足をお約束できるように常に細心の注意を払い、品質の確保に努めます。

2022 年 12 月 12 日
大東化成工業株式会社
代表取締役社長

脇 祥 哲

環境方針 (2023)

1. 何事に対しても、誠実・謙虚・挑戦を基本理念として、親切で丁寧、かつスピード感を持って、全社員個々の役割を確実に果たし、お客さまの役に立ちます。
2. 地球環境の保全および汚染の予防は、これからの文明と人類の繁栄に不可欠である最重要課題であることをしっかりと認識し、
 - ・ 新しい技術によるモノづくりを通して、明るく豊かな未来を創造します
 - ・ 自然と共生するための知恵と工夫を常に心がけます
3. (法規制) 関連する環境法規制の目的・内容を理解し、それを遵守します。
4. (環境負荷) 原料・資材調達から、製造、品質保証、営業、物流、在庫における企業活動の各場面において、環境負荷を低減する努力をします。
5. (環境保全・汚染の予防) 廃棄物の削減と水を含む天然資源やエネルギーを有効活用により生物多様性の保全、汚染の予防と持続可能な人類社会の持続可能性 (CSR) に努めます。
6. (環境マネジメントシステム) 環境目標を設定し、全員参加の環境保全活動により、その達成を目指します。同時に、その結果を向上させるため環境マネジメントシステムを継続的に改善します。
7. (利害関係者・ステークホルダー) 社員を始め、仕入先、顧客、地域社会、行政機関など、当社の企業活動に関わる利害関係者が、当社に何を期待しているのかを明確にし、リスクと機会に対する取り組みを決め、実行し、継続的に改善します。
8. (環境方針の開示) 環境方針は、文書化し、組織内の全社員ならびに、密接に関連する関係会社に伝達し、組織外からの要求に応じて開示します。

2023 年 4 月 3 日
大東化成工業株式会社
代表取締役社長

脇 祥 哲



6. 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.

6.1 Tolerant working conditions

Guarantying employees' rights 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 to their full potential. Similarly, salaries are paid without consideration for gender, race, age, or disability.

6.2 Compliance with labor laws and improvement of workplace

Protect employees' rights.

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

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

We also conduct harassment training for new employees at the time of their induction training.

Based on the idea that the work environment for an individual is determined by communication with several people around him or her, we also conducted training for on-site leaders in 2022.



Preventing corruption

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

Nurturing Youth to Create the Future

Youth Yell is a national certification program for small and medium-sized companies with less than 300 employees that are proactive in recruiting and training young people and have excellent employment management. As of the end of 2022, the number of certified companies in Osaka Prefecture is approximately 50.

Women friendly work environment

In 2022, 3 women took childcare leave (acquisition rate:100%). In 2022, one woman returned to work.

Male employees taking childcare leave

In 2022, 3 men took childcare leave. (acquisition rate: 50%)

Consideration for Employees' Health

When employees undergo periodic health checkups, they can also undergo examinations other than those required by law (breast cancer, colon cancer, cervical cancer, gastroscopy, etc.). In addition, health consultation is available for all employees during the industrial physician's visit. The company pays for all flu shots for employees and subsidizes a certain amount for family members who live with the employee.

Certification as an Excellent Health Corporation

In March 2022, we were certified as an excellent health corporation, as we have been since 2021, as a company that strategically manages the health of its employees.



Employment of People with Disabilities

In 2022, the number of employees with disabilities was 6, meeting the legally mandated employment ratio.

6.3 Employee's safety and hygiene

A safe and healthy environment is a fundamental right for all employees and is essential to ensure stable and efficient operations.

Working Hours

DAITO KASEI GROUP complies with local regulations regarding working hours, and the manufacturing department operates on two or three 7.5-hour shifts. In addition, flexible work arrangements such as telework, and staggered work hours have been introduced and have continued after the transition to corona virus epidemic. We believe that telecommuting and staggered work hours will help to improve the working environment by reducing workloads, such as avoiding commuting congestion, and by enabling more effective use of time.

Chemical Substance Management

Chemical substances are handled at our factories, and we ensure the safety of the working environment through technical safety measures and the wearing of appropriate protective equipment. In addition, SDSs for raw materials used in manufacturing are kept at each location, and employees can access them at any time.

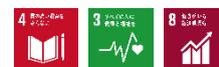
Risk Management

When new products are manufactured or new equipment is introduced, risk management is conducted to determine if there are any potential hazards to employees or the environment. A list of workplace chemicals, their storage locations, and inventory quantities is maintained and properly controlled. Exposure to chemicals or situations is controlled to the lowest possible level.

Health Consultation by Industrial Physician

In Japan, it is mandatory to appoint an industrial physician to workplaces with 50 or more employees. On the day of the inspection, individual employee health consultations are also available, and employees can meet with an industrial physician.

7. 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 employees are taught for four weeks about business manners, harassment, company policy and safety regulation among other things.

ISO9001 & EFfCI GMP Training

Training related to ISO9001 and EFfCI GMP (understanding of regulations and procedures) and training related to improvements are mainly conducted through on-the-job training. Training is conducted in accordance with each department's annual plan. Continuous training helps employees deepen their understanding of GMP and enables us to maintain and improve our quality management system with higher reliability.

ISO 14001 Training

In May 2022, a one-day internal auditor training was conducted by an external instructor, and 20 employees participated in the training. In addition, training (understanding of rules and procedures) and training on improvement are mainly provided through on-the-job training.

Harassment Training

We believe that it is an indispensable mission of a company to realize such an ideal workplace where "everyone can freely exchange opinions and work comfortably. In Japan, the Harassment Prevention Act will be enforced in 2020.

The Law for the Prevention of Harassment in Japan was enforced in 2020 and will apply to large companies. The law will be applied to small and medium-sized enterprises in 2022, but we will establish a system and voluntarily apply the law before that date. and conducted training for all employees.

Language Training

We provide English conversation and French conversation training (once a week) to employees who need it for their work.

External Training

Employees participate in basic cosmetics technology seminars held by their affiliated organizations, as well as external training on skills required by each division, at the discretion of division managers.

Rewards for those who acquire qualifications

Rewards are given to employees who acquire qualifications in hazardous materials, health management, and information processing to motivate them.

Personnel Evaluation Interview System

Interviews with supervisors or leaders are held every six months for general employees to foster communication and employee development.

Training for employees who receive salary increases and promotions



We are working to establish a company-wide personnel system, and as part of this effort, we have conducted training for employees who have been promoted to higher positions.

The training included an understanding of the company's current status, an understanding of basic company figures and exercises, and group work on the role of a manager. The training also provided an opportunity for interaction among the target group.

We encourage employees to participate in other seminars, exhibitions, and other educational and information-gathering opportunities necessary to improve their skills.

8. Product development and market expansion for a sustainable society



8.1 Aiming a reducing plastic pollution

CELLULOBEADS

Since the beginning of the 20th century, along with the development of petrochemistry, many synthetic polymers (plastics) have been produced to support people's lives. The total amount of plastics produced in the world today exceeds 300 million tons. However, this plastic waste is spreading into the world's oceans, causing environmental pollution and adverse effects on ecosystems. In particular, it is said that there are more than 5 trillion pieces of microplastics all over the world, defined as microplastics by the United Nations Environment Programme (UNEP), with a diameter of 5 mm or less.

Many cases of fish and birds mistakenly swallowing them have been reported, and their impact on the ecosystem has been confirmed. In addition, microplastics absorb high concentrations of toxic substances such as pesticides and flame retardants, which can affect humans through the food chain. As a countermeasure, many countries are restricting the use of microplastics and developing alternatives that are degradable in the ocean.



The "CELLULOBEADS" introduced here are spherical particles made of marine degradable cellulose and are naturally derived products using FSC

Certified wood¹ as the original raw material.

CELLULOBEADS" is already on the market as an alternative to marine degradable microplastics, and we plan to make further capital investments to increase production volume in the future.

In July 2021, we opened a page on "IPSRoS Pharmaceutical and Food Technology," a database site for pharmaceutical and food technology, and introduced plant-derived biodegradable spherical particles "CELLULOBEADS".

8.2 Protection the richness of water 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 does it provide 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.



8.3 Aiming at renewable resources provisioning

RSPO certification

Palm oil, obtained from oil palm trees in Africa, is widely used for consumer products such as processed foods, pharmaceuticals, cosmetics, and detergents, as well as biofuels.

About 70 million tons of palm oil are produced worldwide, which is about twice the amount produced 20 years ago. This has led to a rapid expansion of oil palm plantations, but improper plantation management and other factors are having a

¹ FSC certification: A system to deliver products from well-managed forests that meet environmental, social, and economic benefits to consumers and return economic benefits to producers. FSC certification is issued after an audit by an accredited independent third-party certification body, if it is determined that the product meets the standards.

serious impact on the environment. Problems such as deforestation, loss of natural forests and peat swamps with high conservation value, loss of biodiversity, and child labor have occurred.

Some of the raw materials we use are also derived from palm oil. We support environmental sustainability activities and human rights advocacy, and in March 2019 we obtained RSPO certification (Mass Balance)². We will continue to supply cosmetics manufacturers with products using appropriate raw materials, and in April 2022, we continued our supply chain certification.

Binchōtan powder

Trees in the mountains do not grow well without human intervention. Human intervention in the process of tree growth keeps the mountains alive and green. Ubame oak trees and other broadleaf forests that grow in clusters in the Kinan region contribute greatly to local mountain control, flood control, and nature conservation.



The fuel was developed in many parts of the world, where trees were not burned as-is to make fuel, but instead were steamed and roasted to make charcoal, which has a long-lasting fire without smoke or flames, and can be preserved. This technology was a major fuel revolution for mankind at the time. It is said that Kukai brought back the latest charcoal-making technology from China (Tang Dynasty) in the early 9th century, and it spread throughout Japan.



Over the years, Kishu has developed charcoal-making technology while protecting and nurturing broadleaf forests, and has perfected the technology for producing binchotan, a hard charcoal unparalleled anywhere in the world. Binchotan is known for its amazing hardness, harder than aluminum or stainless steel and approaching that of diamonds.

Binchotan powder is made from Kishu binchotan and is a naturally occurring powder, not a petroleum product such as carbon black. We have developed and marketed products made from binchotan powder.

² RSPO certification: A certification system based on the "Principles and Criteria" for sustainable palm oil.

Natural origin product

As previously mentioned, we are pursuing the development and use of natural origin ingredients to support sustainability in our society. For more details, please take a look at our product information on our HP(<https://www.daitokasei.com/product/chemical.php>).

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

9. Customer satisfaction



9.1 Quality control system

Quality management to maintain satisfaction

Proper quality control makes management more harmonious and efficient and improves business transparency. It also has a 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 for 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 February 2019, DAITO KASEI KOGYOU Co., Ltd. acquired ISO 9001:2015 certification for all of its business sites in addition to those that had previously acquired ISO 9001 certification.

In 2020, we started activities to obtain EFfCI (GMP for the production of cosmetic raw materials in Europe) certification, and by 2021, we will achieve the three principles of GMP: minimizing human error, preventing contamination and quality degradation, and designing a system that guarantees high quality, so that "everyone can work with the same quality and high quality products. We have continuously implemented activities to build a system that "produces products of the same quality and high quality no matter who is doing the work.

As a result, we were able to undergo audits for certification in 2022, and completed audits at the Okayama, Fukui, and Niigata plants, and obtained certification in July 2022.

Going forward, we will continue to improve our systems based on this international standard to enhance reliability and customer satisfaction.

9.2 CSR activity evaluation

We believe that our customers' evaluation of our CSR activities is essential for the future development of our business and for enabling an ongoing relationship of trust with our customers.

Respect for Third-Party Evaluations of CSR Activities

We are a member of EcoVadis and Sedex, international platforms for evaluating CSR activities, and we participate in the CDP. Our clients have access to the results of these assessments and can share them with us. We are also subject to on-site CSR audits by major clients on a site-by-site basis, and we cooperate with CSR surveys conducted by individual clients. We respect the results of these evaluations and reflect them in our improvement activities for a better CSR system.

Summary of evaluation results by EcoVadis, CDP, and Sedex and our response

The evaluation items of each platform and our latest evaluation results are as follows.

EcoVadis

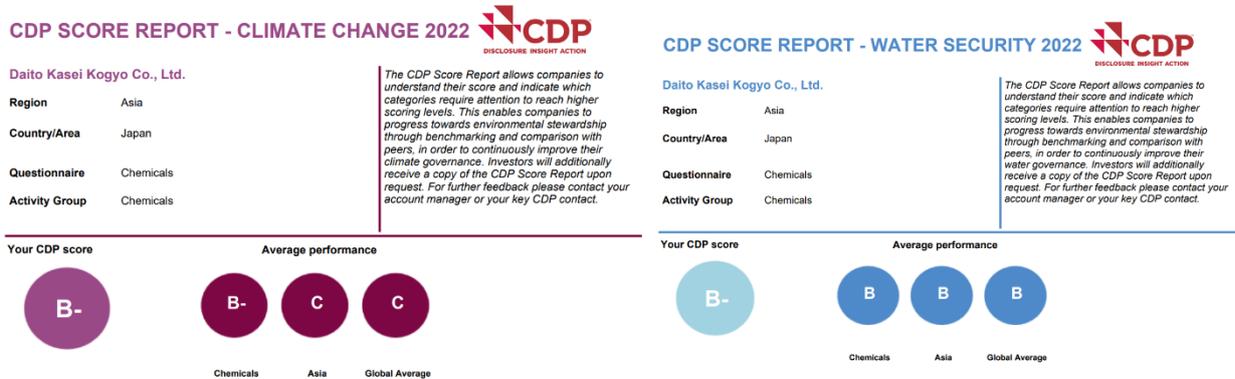
A comprehensive corporate social responsibility assessment service, EcoVadis is a platform that evaluates companies in four areas: environment, labor practices and human rights, ethics, and sustainable sourcing. We received a silver rating in the top 13% of eligible companies in the 2022 assessment.



CDP

The CDP is a platform that assesses companies on their climate change strategies and greenhouse gas emissions disclosure.

We received a B- rating for both climate change and water security in 2022.



Sedex

Sedex is a platform that assesses the management of risks related to labor practices in the supply chain. We received a high rating from a major customer for our response in 2021.

Respecting the Platform's Assessment

We respect the evaluation results and make company-wide efforts such as obtaining ISO 14001 certification in order to make further improvements.

We implement these efforts and acquire the certification in 2023.

10. 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 of our objective of making society more sustainable, to reduce greenhouse gas and preserve the environment in compliance with environmental laws.

10.1 Strict compliance with environmental laws

We believe that contributing to a sustainable society is a mission we must fulfill, and that our environmental initiatives in particular are fundamental to this mission. We will comply with environment-related laws and regulations, establish a company-wide environmental management system, reduce greenhouse gas emissions, and take other environmental conservation initiatives, and develop and market products that will help realize a sustainable society.

Compliance with Environment-Related Laws and Regulations

We have agreements with the local governments in which all DAITO KASEI GROUP manufacturing facilities are located regarding the environment and pollution in accordance with the laws and regulations (ordinances) set forth by each municipality in which we operate our plants. We receive regular audits from each municipality to ensure compliance with these agreements.

In addition to that, in 2019 in Japan, we conducted a company-wide compliance survey on environmental laws and regulations, including the Fire Service Law, Air Pollution Control Law, PRTR Law, Waste Disposal and Public Cleaning Law, and Energy Conservation Law. As a result, no major problems were found, but areas requiring improvement, such as record keeping, were identified, and immediately corrected.

We will continue to periodically survey the status of compliance as part of our ISO 14001 activities and continue our efforts for further improvement.

10.2 Individual Efforts to Reduce Greenhouse Gas Emissions and 2030 Emissions Targets

DAITO KASEI EUROPE, our sales subsidiary in France, uses renewable energy for all electricity consumption. DAITO KASEI INDUSTRIES FRANCE, our manufacturing base, also offsets carbon emissions from its use of natural gas.

DAITO KASEI KOGYO Co., Ltd. is progressively converted to LED lighting at all of its business sites, which was completed in 2021.

Regarding CO₂ reduction targets, the Group's targets were determined at a meeting held in France in 2022 in order to meet national guidelines and customer expectations. The combined target for Scope 1 and 2 was set at less than 2,250 tons by 2030.

Actual CO₂ emission in 2022 was 3,862 tons. Our target is 48% reduction over 2013.

11. Partnership



11.1 Answering stakeholders' needs

Our value of existence in society is to meet the expectations of our valued stakeholders and to conduct management that continuously contributes to a prosperous society. Our stakeholders are customers, suppliers, financial institutions, employees, shareholders, local governments, local communities, various affiliated organizations, and others who are directly affected by our corporate activities.

Stakeholders expect management to achieve "sustainability" of the earth, nature, society, and business by passing on the modern environment and culture to future generations without destroying them. To meet these expectations, we comply with laws

and regulations, respect the 10 principles of the UN Global Compact, ISO 26000, the guideline standard for CSR, and the 17 goals of the SDGs, and take various actions in our corporate activities. We believe that through the continuous accumulation of such actions, in addition to "sustainability," we can manage our business with consideration for various stakeholders and contribute to the realization of a "happier society" that is the goal of the SDGs.

11.2 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 SDGs.

- 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.

11.3 Job creation and local partnership

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

Suizenjinori aquaculture

The raw material for our marketed SACRAN - suizenjinori - is cultivated in Fukuoka and Kumamoto prefectures, and it is known that the subsoil water of Mt. Aso in Kyushu, a

clear 18-20 degree C water flow with high natural mineral content, is essential for its growth.

We are focusing on expanding our aquaculture business by working with the local community to increase the environment in which the suizenjinori grows in order to use suizenjinori and produce SACRAN. This will help preserve the environment and create 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 to 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.

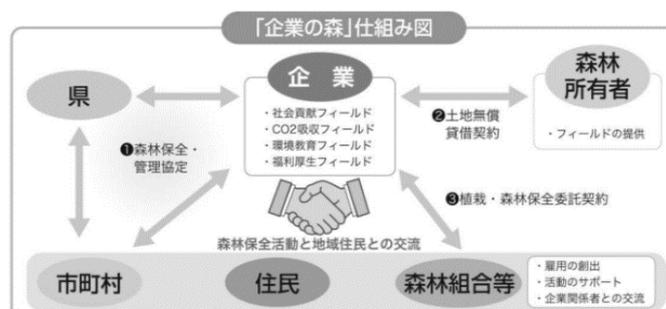
This project aims at promoting and keeping ancestral knowledge and techniques as well as valorizing and protecting nature. The owner of the forest, inhabitants, and employees of more than 80 participating companies teamed up together to achieve those goals.



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.



12. 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 matters: 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.

12.1 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.

Excellent Health 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.

12.2 Work condition

Continuation of Staggered Work Hours and Telecommuting

As part of our response to Corona, we have implemented staggered working hours and telecommuting, and will continue to offer both as flexible work arrangements after May 2023.

Granting of Annual Paid Leave to New Employees upon Joining the Company

Until now, in accordance with the law, 10 days of paid annual leave have been granted to new employees at the end of their first 6 months of employment. However, this sometimes resulted in employees being forced to go to work, which not only had a negative impact on their health, but also led to a decline in work efficiency. Therefore, we have decided to grant 5 days of annual paid leave in advance to new employees on their first day of work from April 2023.

Holiday Pay

According to the law, employees who work on one legal holiday per week are entitled to holiday pay (35% increase), but we pay holiday pay for all company holidays.

Late Night Surcharge

The law stipulates a 25% surcharge for late-night work (10 PM to 5 AM), but we apply a 40% surcharge to shift workers.

Going out and leaving early once a month

Employees are allowed to go out and leave early for short periods of time, up to two hours each month to attend to government offices, hospitals, childcare, etc. No salary deduction is made for this time.

Overtime

By law, employees are required to work at least 8 hours, but we require at least 7.5 hours.

Youth Yale Certification



This is a government certification program for small and medium-sized enterprises that are proactive in recruiting and training young people and have excellent employment management conditions (turnover rate, working hours, annual leave, health management, etc.).

12.3 Compensation for absence from work

Hospitalization assistance and additional death benefit

In the event of hospitalization due to personal injury or illness, the company provides hospitalization assistance for up to 80 days, as well as a company-paid death benefit plan (2 million yen, including work-related accidents).

12.4 Comfortable Workplace

Harassment Training

The Anti-Harassment Law has been in effect since June 2020. Although the law will apply to small and medium-sized enterprises from 2022, we agreed with the purpose of the law and conducted harassment training for all employees in 2020, not waiting for the law to apply, as part of our activities to realize a "comfortable and open workplace," which is the objective of the company's personnel system.

In addition, based on the idea that the work environment for an individual is determined by communication with several people around him or her, we also conducted training for field leaders in 2022.

We also continue to conduct training as an essential part of new employee education.

In-House Consultation Service

We have established an in-house consultation service for employees to consult on various issues.

12.5 In-house events and awards

New Year's party and long-service awards

Although the New Year's party could not be held in 2022 due to the impact of Corona, a New Year's party is held every year on the first day of work, where all employees gather together. At the New Year's party, we give New Year's greetings and present awards (plaques, commemorative gifts, small gifts, etc.) to employees who have been with the company for many years, providing an opportunity to deepen interaction among employees.

Employee Trips

Before Corona, a company trip was held once every five years to promote interaction among employees. We will continue to do so in the future, while keeping an eye on the situation at Corona. We select 3 or 4 destinations from among domestic and overseas destinations, and spouses are welcome to accompany their spouses.

12.6 Governance and Compliance

CPA Audits

We have our accounting audited annually by a certified public accountant as a third-party audit of our accounting. This is not a legally mandated audit, but one that we conduct on our own initiative. The audit is strictly conducted to ensure that accounting procedures are appropriate in order to maintain governance. In addition, we also undergo expense-related audits to ensure that there are no improper transactions.

Superior Taxpayer Filing Corporation

The tax office will honor corporations that continue to file appropriate tax returns and pay taxes in accordance with the purpose of the tax return system and are recognized as a model for other taxpayers. The evaluation is based on the proper storage, management, and organization of books, no confusion between public and private affairs, no unclear financial transactions by the representative, and efforts in tax awareness activities.

Anti-bribery and signatures from all employees

Since 2017, we have been explaining the prevention of bribery and conflicts of interest to all employees and asking them to sign a pledge upon understanding and agreeing to its content. The pledge is also explained and signed by new employees during their induction training. This is in line with our strong commitment not to engage in bribery or conflict of interest.

Establishment of a Complaint Consultation Desk

Bribery and harassment issues can occur not only within the company, but also outside the company. Relationships with honest suppliers are indispensable for maintaining mutual trust and are an important element of corporate compliance. We have set up a complaint counseling service especially for our major suppliers in the event of inappropriate responses by our employees and have notified them of the purpose of setting up the service.

Cooperation with the Social Insurance Labor Consultant Office

We exchange information with the office of the labor and social security attorney on a monthly basis regarding labor-related laws and various regulations, or personnel and labor matters within the company. We are working to create a better workplace and working environment by revising internal regulations and improving compensation.

Creating Local Employment

SACRAN's business creates employment for people involved in the cultivation of suizenjinori. In addition, the binchōtan powder business and the "Smile Forest" forest