

RISK MANAGEMENT STRATEGY



We consider risk management as an integral part of our business operations and we are committed to managing the risk in a proactive and effective manner. We try to anticipate and take preventive actions to avoid risks rather than dealing with the consequences.

A risk management committee was appointed by the president and the chairman is our financial director Chisato Nagamine.

The responsibilities of the Committee are:

- Identify, assess manage and monitor risk
- review and approve risk policy and objectives
- Review and make recommendations on corporate risk management

We pursue our commitment to risk management by eliminating risks which could expose Daito Kasei to:

- Unacceptable level of financial loss
- Non-compliance with regulations
- Damage to its reputation
- Unacceptable interruption to the provision of services to customers
- Damage to relationships with its customers and key stakeholders
- Health and safety issues

Economical/financial

The loss of any of our key customers could have a negative effect on our financial performance. Our strategy is to develop our business with new customers and to secure the relations with existing clients. Our success depends on our ability to maintain a robust pipeline of new products and improving the competitiveness and quality of existing products. DAITO follows emerging trends in the cosmetic market as well as the developments of new technology.

Human

Our business totally depend on our staff. Recruiting talented and motivated employees is essential. To retain and motivate the employees, Daito Kasei seek to provide an attractive work environment and economic conditions.

The transfer of knowledge across the group is crucial for the success of our company. We develop an adequate succession plan to backfill current leadership position and a tutelage system has been set-up.

Legal

DAITO operates in a field with various regulatory requirements. Sudden or unanticipated changes in regulations may affect our activity and result in a need for process or formulation adjustments. Monitoring and anticipating development regarding changing legislations are one of our priorities.

Supply chain

Changes in prices of raw materials may have a significant impact on DAITO's profitability.

In order to reduce the impact of raw material price fluctuation, DAITO try to establish fixed-priced contracts with its major suppliers.

Disruption of our supply chain could have a negative impact on our business. One example of risk mitigation measures is the development of alternative sources of raw materials.

During new product approval and before to approve any new suppliers, we evaluate the risk of sourcing the product or to work with the supplier (reputation, competitive position...).

Operational risks

Disaster risks like fire, floods and earthquakes can also affect our activities. In such events happen procedures have been designed to ensure continuity of activity. Strict internal safety and maintenance programs are in place. Our manufacturing facilities are located in Japan but are distant from several hundred of kilometers each other and we have a manufacturing site in France.

Information

Corruption, leakage or loss of our data can negatively affect our operations. Daito Kasei has an appropriate IT organization in place in order to reduce these risks. We have regularly contacts with IT specialists to manage security risk and ensure that adequate security measurement are in place. In our smaller units we have secured our activity in hosting our IT data at a cloud computing service. We use trusted and well-known partners.