



# **CORPORATE SOCIAL RESPONSIBILITY REPORT 2023-2024**

## 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 published our annual CSR reports on our website since 2015. The value of our existence as a company lies in our CSR activities, which meet the expectations of our stakeholders and contribute to a sustainable society.

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.

For this reason, we have set important mid- to long-term issues for the continuation of our business. Furthermore, for each issue, we have drawn up mid- to long-term goals, KPIs and plans, and furthermore, we have clarified which SDGs each issue is related to and have introduced them in this report.

By continuing to address these issues, we believe that we can meet the expectations of our stakeholders, increase the value of our company, and lead to ethical growth. In addition to addressing important issues, our company has also been carrying out various CSR activities. By introducing these activities in the report, we hope that our stakeholders will be able to get to know our company better.

We may not be able to carry out CSR activities on a large scale, we will respect their significance and continue to work on them as the basis of our business operations, using our wisdom to make effective use of limited resources. In addition, we will regularly disclose the contents of our efforts in a transparent manner in the form of this CSR report.

11th July 2024

DAITO KASEI KOGYO Co., Ltd

CSR bureau

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## 1. Company Profile

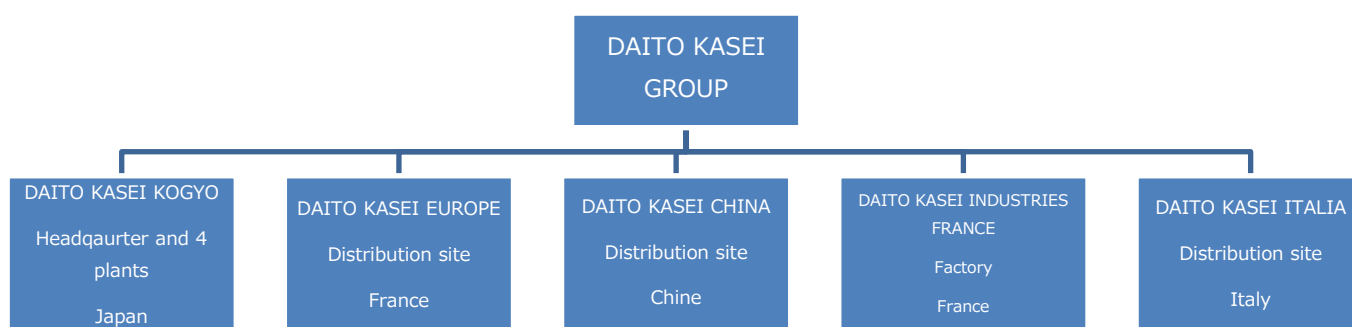
### 1.1 Our activity

DAITO KASEI is a private manufacturer of cosmetic ingredients that was established in 1950 in Osaka, Japan. We manufacture and sell cosmetic raw materials, inks, and process plastic compounds. In the chemical products division, our main range of products consists of surface-treated powders and pigments and differentiated raw materials with special functions as cosmetic ingredients. Cosmetic ingredients represent 90% of our products.

Our customers range from small businesses to multinational corporations.

### 1.2 Organization

The Daito Kasei Group is made up of five companies: the head office in Japan, two French subsidiary companies, one Italian subsidiary, and one Chinese subsidiary.



### 1.3 Manufacturing sites of group

Japan: Okayama Factory, Fukui Factory, Niigata Factory, Higashi Osaka Factory

Overseas: DAITO KASEI INDUSTRIES FRANCE



### 1.4 Group sales channels

Our business is spread in more than 50 countries.



### 1.5 Formula development labs

We have three formulation rooms in Japan, France and Thailand (Cooperation with Chemico) that conduct research and development of cosmetic formulations using our raw materials.



## 1.5 R&D

R&D is mainly conducted in Japan, and joint research is also conducted with universities and other institutions.

## 1.6 Sales ratio by region

The sales ratio by region in 2023 was as follows.

Japan: 28% Europe: 34% Other overseas: 38%

# 2. Employee information

## 2.1 Number of employees

Group Total : 2 9 7 (including 93 women)

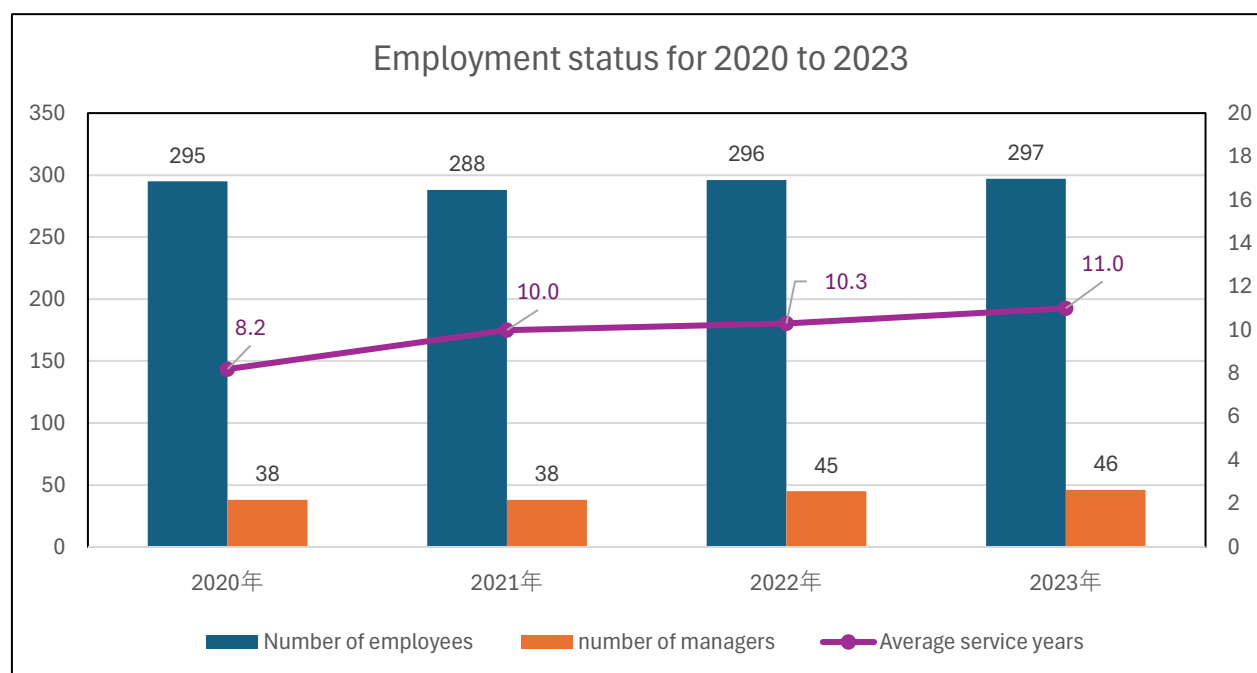
Breakdown : DAITO KASEI KOGYO : 2 3 8      DAITO KASEI EUROPE : 2 8

DAITO KASEI INDUSTRIES FRANCE : 2 1      DAITO KASEI CHINA : 6

DAITO KASEI ITALIA : 4

## 2.2 Employment status

The number of employees has remained the same over the past few years, but the number of managers has increased.

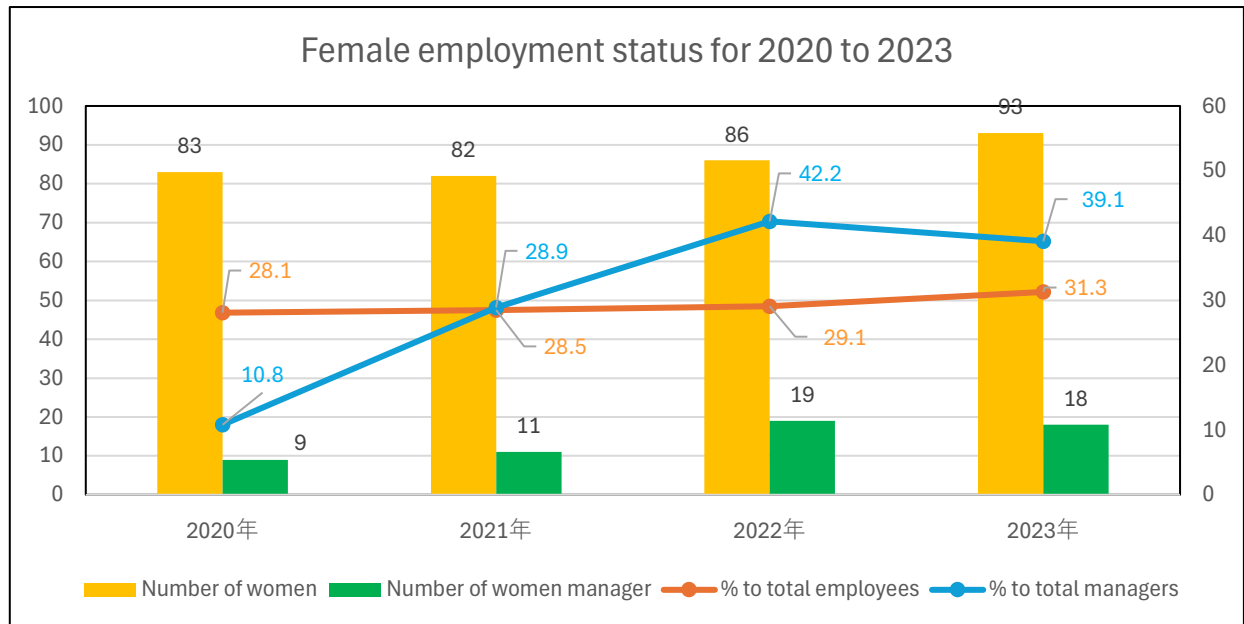


## 2.3 Women employment status

The proportion of women among all employees is expected to exceed 30% by 2023. In addition,

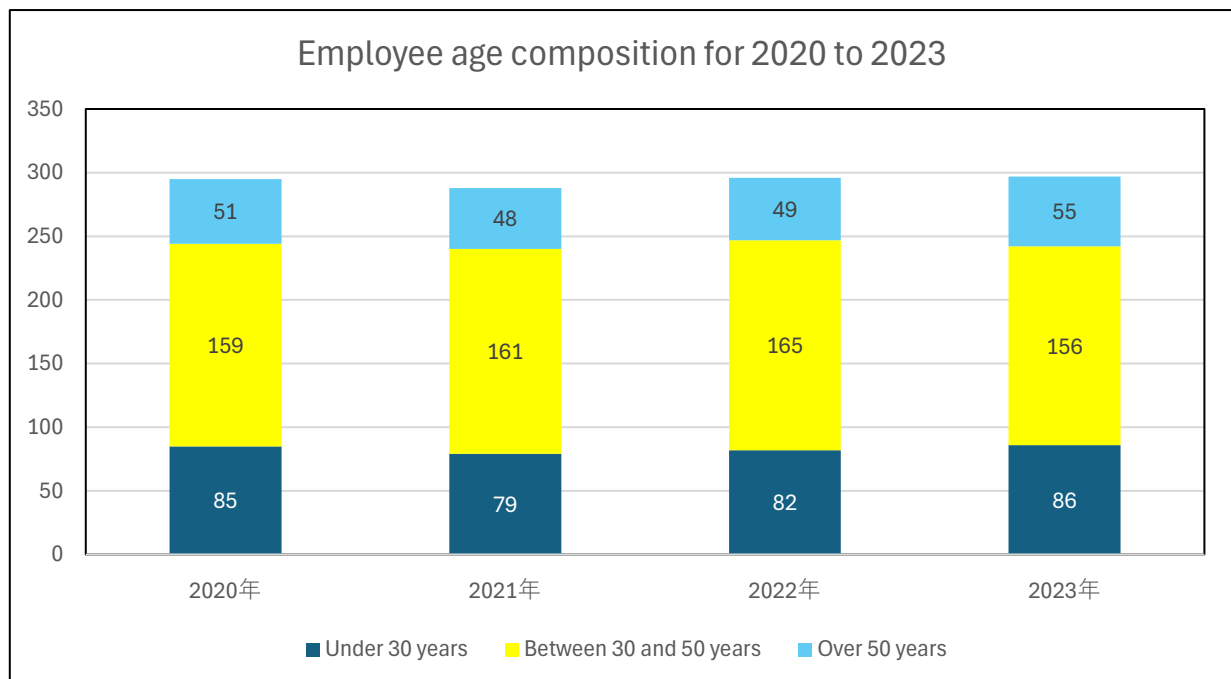
the proportion of female managers among all managerial positions was around 10% in 2020, but in recent years the ratio has increased significantly to a high level of about 40%.

Incidentally, the ratio of female managers to female employees is 19.4%, significantly higher than the ratio of male managers to male employees, which is 13.7%.



## 2.4 Employee's age composition

There has been no significant change in the composition of employees under 30, between 30 and 50, and over 50.



## **2.5 Maternity leave and parental leave**

Number of employees took maternity leave and parental leave : 6 (4 women and 2 men)

Number of employees returning to work after above leaves : 4 (2 women and 2 men)

In recent years, the number of male employees taking parental leave has increased.

Regardless of gender, they return to their previous jobs after taking parental leave.

## **2.6 Safety**

Total working hours : 525,863 hours Number of accidents at work with injury leave : 2

At each site, we regularly inspect the workplace for safety and health. When an accident occurs, we investigate the cause and plan and implement appropriate countermeasures.各

## **3. Appropriate business conduct**

On September 5, 2023, the Group's CSR meeting was held in France and it was decided to revise the previous standards, establish the following code of ethical conduct, and make it the Group's standard for conducting appropriate business.

### **ETHICAL CODE OF CONDUCT OF DAITO KASEI GROUP Issued on 2023.Sep.5**

Five Daito Kasei Group companies (DAITO KASEI KOGYO CO., LTD. (Japan), DAITO KASEI EUROPE SAS(France), DAITO KASEI INDUSTRIES FRANCE SAS(France), DAITO KASEI (Shanghai) Cosmetics Science and Technology Co., Ltd. (China), DAITO KASEI ITALIA SRL(Italy), hereinafter referred to as we) complies with relevant laws and international rules , and conducts its daily business with high ethical standards.

In addition, in order to contribute to the realization of a sustainable society, we will respect international norms such as the United Nations Global Compact and ISO26000, and promote concrete activities based on the SDGs.

### **HUMAN RIGHTS AND DIVERSITY**

We do not discriminate in employment or in the workplace on the basis of race, sex, age, language, religion, nationality, country/region of origin, illness, disability, sexual orientation, or any other irrational reason.

We comply with relevant laws and regulations, respect basic human rights, and do not engage in discrimination, abuse, child labor, or forced labor.

## **WORK ENVIRONMENT**

We will create a safe, clean, healthy and comfortable work environment and make continuous improvements.

We will strictly deal with harassment such as sexual harassment and power harassment in the workplace and create a work environment with high psychological safety.

We give top priority to the safety of our employees and their families in the event of a disaster.

We continuously conduct self-assessment to improve safety and work environment at each site.

## **RESPECT FOR A SUSTAINABLE SOCIETY**

We formulate an environmental policy based on the following and continuously work to reduce environmental impact.

- ▶ Compliance with laws and regulations
- ▶ Environmental conservation and pollution prevention
- ▶ Operation of environmental management system
- ▶ Increased environmental awareness among employees
- ▶ Reduction of environmental load
- ▶ Stakeholder expectations

We comply with regulations and develop and supply environmentally friendly products.

We will continue to monitor and reduce emissions of carbon dioxide, which accounts for the majority of GHS gases.

## **FAIR BUSINESS PRACTICES**

We respect our business partners and conduct fair and mutually acceptable transactions in good faith.

We comply with contracts with business partners and protect confidentiality between companies.

We prohibit all forms of bribery, embezzlement and conflicts of interest.

We comply with the tax systems of each country and pay taxes appropriately.

## **INFORMATION MANAGEMENT**

We will properly manage confidential information and personal information to prevent damage, leakage, loss, etc.

We will manage information properly when using the Internet and social media.

We regularly work with IT experts to check security risks and ensure safety.

We will appropriately protect and manage intellectual property rights such as patents owned by our company, and will not engage in business activities that infringe copyrights or intellectual property rights owned by third parties.



## **ELIMINATION OF ANTI-SOCIAL FORCES**

We do not have relationships with anti-social forces, which are individuals or groups that commit illegal acts such as threatening social order and safety.

If we receive unreasonable demands from anti-social forces, we will take a resolute attitude.

We will not use anti-social forces for our own gain.

## **BUSINESS CONTINUITY SYSTEM**

We prepare a business continuity system by creating a BCP for business continuity risks due to natural disasters and infectious diseases.

## **DISCLOSURE OF INFORMATION**

We disclose information to all stakeholders by introducing new news and posting CSR reports on our website.

## **SOCIAL CONTRIBUTION**

We will cooperate with local communities and other companies to contribute to environmental conservation and the creation of employment in local communities.

We will interact with local communities and local governments where our offices are located, and participate in activities that contribute to the local community.

## **LEGAL COMPLIANCE**

We comply with all laws regarding our business activities.

In addition, in order to respond quickly to changes in laws and regulations, we will respond appropriately by obtaining the cooperation of third parties in addition to our own efforts.

## **ACCOUNTING**

We conduct audits by certified public accountants and confirmation guidance by tax accountant carry out appropriate accounting and accounting procedures.

## **COEXISTENCE AND MUTUAL PROSPERITY WITH BUSINESS PARTNERS AND FAIR TRADE**

All of our domestic and international business partners are our good partners, and we aim for mutual prosperity and survival based on long-term relationships of trust.

In addition, we will comply with domestic and foreign laws and international guidelines with our business partners and conduct fair transactions on an equal footing.

We will comply with confidentiality obligations regarding confidential information and personal information obtained from business partners.

## CONSIDERTION FOR THE ENVIRONMENT

We will conduct activities in our supply chain to provide environmentally friendly products and services by eliminating wasted resources and energy, and will conduct procurement with consideration for the global environment.

## CONSIDERATION FOR HUMAN RIGHTS AND WORKING ENVIRONMENT

We will respect the human rights of our business partners and cooperate in improving the working environment and ensuring safety.

Suppliers are required to make improvements if violations of human rights, unfair discrimination, child labor or forced labor are confirmed.

## NO USE OF CONFLICT MINERALS

We do not procure conflict minerals that promote human rights violations (tin, tantalum, tungsten, gold, cobalt, etc.) or raw materials containing them.

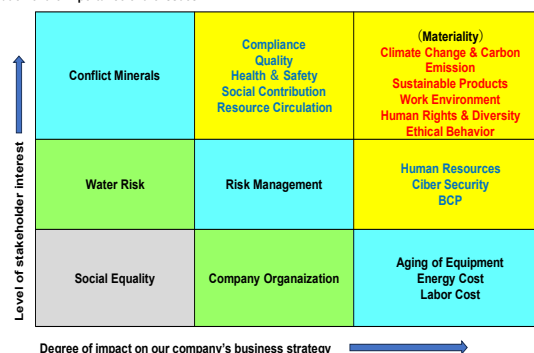
In the event that conflict minerals are included in the raw materials we purchased, we will take appropriate measures to eliminate them.

## 4. Identification of most important issues







In order to conduct sustainable business management, we have assessed the importance of medium- to long-term issues based on the level of stakeholder interest and the impact on our business strategy, and identified five items of highest priority (materiality) for the Group. We have positioned the five identified issues as our ESG initiatives.

Furthermore, we defined KPIs (key performance indicators) for each issue, drew up medium- to long-term goals, specific measures and plans, and identified which SDGs each issue relates to. We have formulated medium- to long-term action policies for the most important issues we have identified as follows. We will continue to work in accordance with the plan. We will also review the content at Group CSR meetings, etc.

Evaluation of the importance of the issues



## Action plans based on materiality

ESG Classification	Materiality	Issues	KPI	Target to 2030	SDGs
Environment	Climate Change	CO2 Emission reduction	Group-wide SCOPE1+2 emission	2,250 tons in 2030 (48% reduction compared to 2013)	
			SCOPE 3 target and calculation	Decided by 2025	
			SCOPE 3 emission	Calculated sequentially from 2024	
	Sustainable Product	Environmental load	Number of initiatives and results under ISO 14001	2 or more each year	 
		Natural origin products	Sales volume of products of chemical deviation	More than 40% in 2030	
Society	Work environment	Safety and health	Comfortable workplace	Continue actions every year	
			Number of accidents and severity rate	Reported annually	
		Compliance with environmental laws	Reviewed by ISO 14001 promotion committee	Reported more than 8 times every year	
	Human rights and diversity	Working environment free of discrimination of any kind	Number of legal violations	0 cases every year	
		Human rights DD covering the supply chain	Employee training	Training for all employees by 2025	
			Creation and informing to employees of human rights DD policy	Creation in 2024 and Continue training to 2030	
Governance	Ethical behavior	Business activities in accordance with the Group Ethical Code of Conduct	Number of written audits of suppliers	More than 70 % of suppliers	
			Internal review of business activities	1 time every year	

## 5. Product Development and Market expansion for a sustainable society



As items related to the identified materiality, our company has been carrying out the following activities to realize a sustainable society as items related to the identical materiality since several years ago.

### 5.1 CELLULOBEADS : Aiming a reducing plastic pollution

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 (UNED), 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.

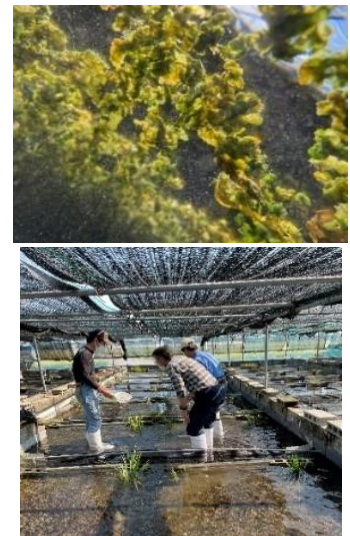
The "CELLULOBEADS" introduced here are spherical particles made of marine degradable cellulose and are naturally derived products using FSC

## **5.2 SACRAN : Contribute the richness of water**

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



## **5.3 RSPO certification : Aiming for sustainable resource**

### **procurement and contributing to protecting the human rights of producers**

Palm oil obtained from African oil palms is used widely in consumer goods such as processed foods, medicines, cosmetics, and detergents, as well as biofuels, and about 70 million tons are produced worldwide. This is about twice the production volume 20 years ago. As a result, oil palm plantations have expanded rapidly, but improper plantation management has had a 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 made from palm oil. We support environmental conservation activities and human rights protection, and obtained RSPO certification (Mass Balance) in March 2019 and continue to be certified.

## **5.4 Binchotan powder : Commercialization of natural products, contribution to biodiversity, and job creation**

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

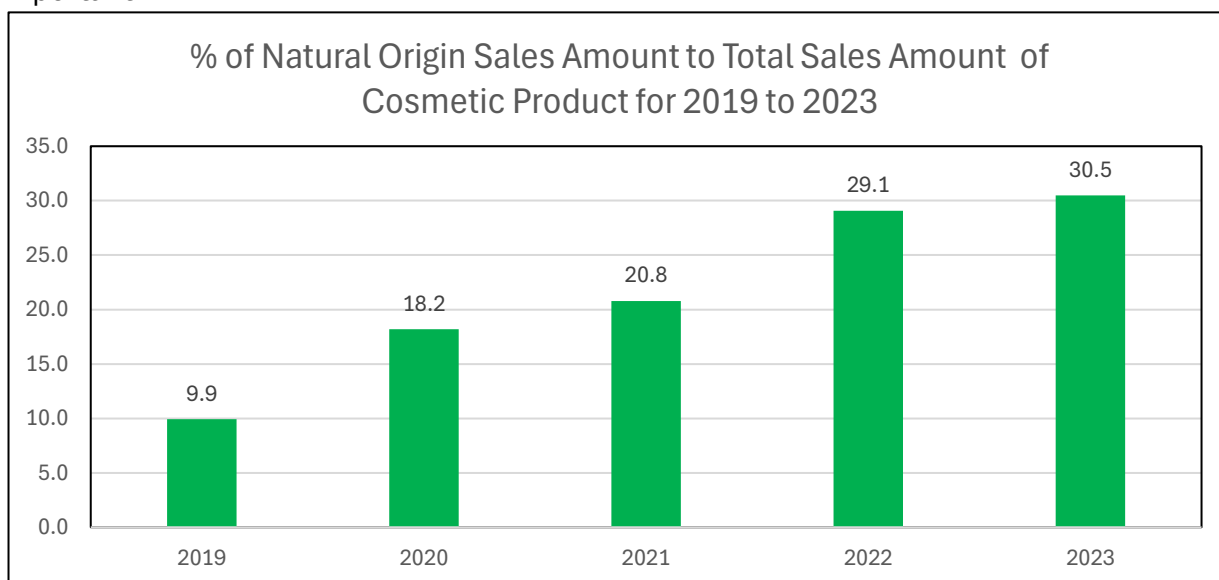
technology while protecting and nurturing broadleaf forests, and has perfected the technology for producing binchotan, a hard charcoal unparalleled anywhere in the world. Binchotan is known for its amazing hardness, harder than aluminum or stainless steel and approaching that of diamonds.

Binchotan powder is made from Kishu binchotan such as carbon black. We have developed and marketed products made from binchotan powder.

## 5.5 Natural origin product : Contribution to sustainable society

As previously mentioned, we are pursuing the development and use of natural origin ingredients to support sustainability in our society.

In terms of market development, the sales ratio of natural products in the total sales volume of cosmetic raw materials over the past five years has more than tripled from 9.9% in 2019 to 30.5% in 2023. We are now aiming to increase this ratio to over 40% by 2030 as our most important KPI.



For more details, please take a look at our product information on our HP(<https://www.daitokasei.com/product/chemical.php>).

We also have a range of more than 60 COSMOS certified products in response to customer requests.

## 6. Quality policy and Environmental policy

At the beginning of each year, we revise our quality policy and environmental policy for the current year and inform all employees. On January 5, 2024, we held a New Year's party for all employees at a hotel in Shin-Osaka. At the party, we announced the quality policy and environmental policy for the year, and also informed them of the "internal and external issues, risks, and opportunities, and the needs and expectations of stakeholders" that will serve as the basis for our annual activities related to ISO9001 and ISO14001.

Each department and base determines its annual activities related to quality and the environment based on the policy, the annual management review, and the internal and external issues that are also the output of the review, and determines its goals and initiatives for risks and opportunities. Our activities related to quality and the environment are carried out in the following cycle.

### Company-wide dissemination of policies

- ➡ Formulation of annual action plans
- ➡ Regular activities in each department and each location
- ➡ Reporting in management reviews
- ➡ Formulation of policies for the next year  
(Annual PDCA cycle)

These activities are carried out in accordance with ISO9001, EffCI GMP, and ISO14001, for which we have obtained certification, but we do not consider these activities to be solely for obtaining and maintaining certification. We consider them to be closely related to the improvement of management issues and the environment, and we consider them to be important management activities in which all employees participate, with the aim of developing the business, creating a rewarding workplace, and increasing the trust of stakeholders.

#### DAITO KASEI

##### 品質方針 (2024)

1. 何事に対しても、誠実・謙虚・挑戦を基本理念として、徹切で丁寧、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、お客様の役に立ちます。
2. お客様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、お客様の満足と信頼を得ます。加えて、当社独自の技術を開発し、それを応用し市場展開を図ることにより、社会的要  
求事項を満たします。
3. 品質の維持・向上のために、2024 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・市場的な要求に対する標準化の規範、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、目標達成に向け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進めます。
7. 品質の維持・向上のため、お客様のクレームを分析し、様々な視点から的確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. お客様をはじめ、最終の消費者に対して安心と安全、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。

2023 年 12 月 4 日  
大東化成工業株式会社  
代表取締役社長

脇 祥 哲

#### DAITO KASEI

##### 環境方針 (2024)

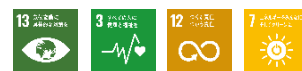
1. 何事に対しても、誠実・謙虚・挑戦を基本理念として、徹切で丁寧、かつスピード感を持って、全社員個々の役割を確実に果たし、お客様の役に立ちます。
2. 地球環境の保全および汚染の予防は、これからの文明と人間の繁栄に不可欠である重要な課題であるとししっかりと認識し、  
・新しい技術によるモノづくりを通して、明るく豊かな未来を創造します  
・自然と共生するための知恵と工夫を常に心がけます
3. (法規制) 関連する環境法規制の目的・内容を理解し、それを遵守します。
4. (環境負荷) 原料・資材調達から、製造、品質保証、営業、物流、在庫における企業活動の各場面において、環境負荷を低減する努力をします。
5. (環境安全・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、より  
多量多量の安全、汚染の予防と持続可能な人間社会の持続可能性 (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  
会社にも開示し、組織外からの要求に応じて開示します。

2023 年 12 月 21 日  
大東化成工業株式会社  
代表取締役社長

脇 祥 哲



## 7. Environmental conservation efforts – for a better future



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.

### 7.1 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.

### 7.2 Individual efforts to reduce CO2 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, in order to meet national guidelines and customer expectations, at a meeting held in France in 2023, the group's target was set at 2,250 tons or less for Scope 1 and 2 combined by 2030. Emissions in 2013 were 4,367 tons, so the target for 2030 is a reduction of more than 48.5% compared to 2013. In Japan, the national policy is to reduce CO2 emissions by 46% compared to 2013 by 2030. Regarding electricity, the Japanese government has drawn up a power source mix plan up to 2030. According to this, the proportion of fossil fuels such as coal and oil, which accounted for 90% in 2013, is to be reduced to about 40% by 2030. This is a policy to reduce CO2 emissions by increasing the proportion of non-fossil fuels such as renewable energy and nuclear power, which have zero CO2 emissions,

instead of fossil fuels. Naturally, this plan will result in a decrease in the CO2 emission coefficient year by year. We will continue to grasp our CO2 emissions based on the CO2 emission factor information issued annually by the Ministry of the Environment. We plan to purchase CO2-free electricity as necessary to achieve our 2030 target. As mentioned above, climate change and reducing the environmental load are one of our top materialities, and we will carry out environmental load reduction activities through ISO14001 activities as a company-wide initiative, and we will also verify the effect on CO2 emissions.

## 8. CSR-related information at each site

The four overseas companies in the group report the following items every year and reflect them in the CSR report.

Employment status : number of employees, number of managers, new hires, retirees,

Equality and diversity: number of female employees, number of female managers,  
employee age distribution, number of disabled employees

Health and safety : number of accidents, number of safety training attendees,  
total working hours

Maternity and childcare leave : number of employees who have taken leave  
number of employees returned and planned to return

In addition, DAITO KASEI INDUSTRIES FRANCE and DAITO KASEI EUROPE also compile CSR-related site information every year.

DAITO KASEI INDUSTRIES FRANCE, a manufacturing site, mainly compiles information on utilities, production volume, waste, etc.

DAITO KASEI EUROPE, a sales company, mainly compiles information on employment status, number of managers, well-being, utilities, waste, etc.

## 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.



## **9.2 Quality management system audited 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.

## **9.3 Improving employee's understanding quality system to respond global needs**

In February 2019, DAITO KASEI KOGYU Co., Ltd. acquired ISO 9001:2015 certification for all 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.

## **9.4 CSR activity evaluation**

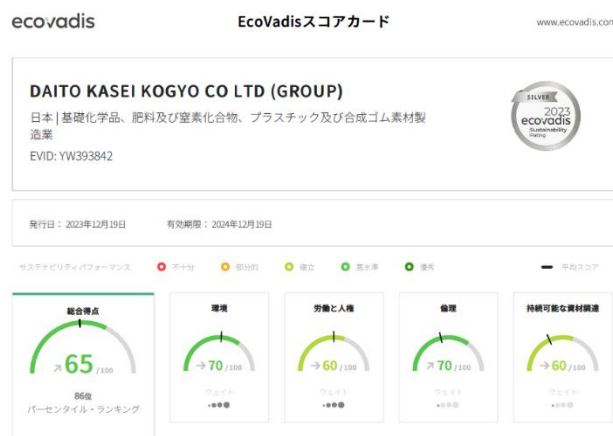
We believe that our customers' evaluation of our CSR activities is essential for the future development of our business and for enabling an ongoing relationship of trust with our customers.

### **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.

## Evaluation result of 2023 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 14% of eligible companies in the 2023 assessment.



## Future initiatives

In recent years, efforts regarding SCOPE 3 CO2 emissions have been required. Our company has not previously calculated its emissions, but in 2024 we plan to calculate emissions for three of the 15 SCOPE 3 emissions categories for the previous year. In addition, we plan to receive guidance from a third party and improve the level of our CSR activities toward 2025.

## 10. Exhibitions and topics during the period

Below are the topics from July 2023 to June 2024.

### 10.1 Publication of paper in IFCC Magazine

IFSCC MAGAZINE Volume 26, No.3, September 2023

#### Characteristics of Naturally Derived Surface-Treated Pigments for the Achievement of Sustainable Development Goals (SDGs)

*Reiichiro Tsuchiya, Maki Kitanouma, Atsuko Ota, Haruka Nishioka, Takehiro Goto, Takumi Tanaka, Urara Tsuchiya, Yoshimune Nonomura (Japan)*

### 10.2 Exhibition in Cosmetic Asia November 7- 9, 2023 Location: Bangkok, Thailand



### 10.3 Corporate Forest Certification December 21, 2023 Osaka Headquarters

We are pleased to announce that our environmental conservation activities, including the amount of carbon dioxide absorbed, at our "Smile Forest" have been certified by Wakayama Prefecture. The certified amount of CO<sub>2</sub> absorbed is 1,000 tons per 100 years.



### 10.4 Exhibition PCHi 2024 March 20-22, 2024 Location: Shanghai, China

We introduced natural ingredients and unique functional ingredients that are in line with recent market trends.

Many visitors showed interest in surface treatments with excellent adhesion and oil dispersibility (PDP, MST, PGQ treatments), a wide lineup of film materials (DAITOSOL), and functional ingredients that can be used in skin care formulations (CHARCOPOWDER, SACRAN, MAKIMOUSSE).



### 10.5 in-cosmetics global April 16-18, 2024 Location: Paris, France

At this exhibition, we mainly introduced reference formulations that focus on natural origins and cosmetic raw materials.



### 10.6 Exhibition ICI May 29-31, 2024 Location: Jakarta, Jakarta, Indonesia

We introduced ingredients that can be used in a variety of formulations, from makeup to sun care and skin care. We introduced reference formulations that make use of the characteristics of ingredients in each category, including base makeup, point makeup, sun care, and skin care.

## 1 1. 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 employee's workplace.

### 11.1 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.

### 11.2 Compliance with labor laws and improvement of workplace

#### Protect employee's 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 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 60.

#### Women friendly work environment

In 2023, 4 women took childcare leave and 3 woman returned to work.

**Men employees taking childcare leave**

In 2023, 2 men took childcare leave.

**Consideration for employee's 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**

The number of people with disabilities employed at the end of 2023 was 4..

The number of employees has decreased due to retirements during 2023.

We recognize the employment of people with disabilities as an important issue for the company, and are continually working to establish a system for employing people with disabilities, including the work environment, as part of our ISO14001 activities (addressing risks and opportunities).

**11.3 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.

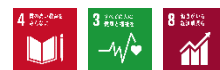
### **Risk management**

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.

## **12. 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 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.

### **New wage system/class-based education and training**

The previous wage system was a seniority-based system in which salaries increased as employees got older. However, in light of the current situation, we have introduced a wage system based on job function from April 2024. This system divides employees' job functions

into nine grades regardless of age or gender, and treats them fairly. At the same time, it clarifies what each person needs to do to grow and increases their motivation. We have also reviewed family allowances. In light of the fact that dual-income households are the norm and the problem of declining birthrates, we have reduced spouse allowances and increased child allowances. We have also introduced a personnel evaluation interview system for managers, which we did not previously implement. We are currently developing an education and training system for employee growth, such as by rank, under the guidance of a third party.

## 13. Partnership



### 13.1 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.

### 13.2 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.



### **13.3 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 is 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 “Kigyō no Mori” project which helps protecting forest in Wakayama.

This project aims at promoting and keeping ancestral knowledge and

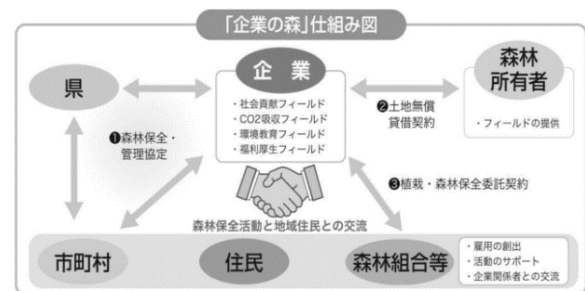


techniques as well as valorizing and protecting nature. The owner of the forest, inhabitants, and employees of more than 80 participating companies teamed up together to achieve those goals.

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 astonishing experience as we learnt a lot from each other, and all enjoyed the beauty of nature.

However, we were unable to conduct this action due to corona virus last few years. 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.



(Wakayama Prefecture website)

## 1 4 . 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.

### 14.1 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 than 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 company health management. For that, we received "Healthy company" certification by the Ministry of Economy, Trade, and Industry.

**14.2 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.).

## **14.3 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).

## **14.4 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.

## **14.5 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.

## **14.6 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.