

SETTLEMENT AGREEMENT

BETWEEN

CONSUMER ADVOCACY GROUP, INC.

AND

DAISO CALIFORNIA LLC; DAISO HOLDING USA INC.

Consumer Advocacy Group, Inc. (“CAG”) and Daiso California LLC and Daiso Holding USA Inc. (hereto collectively referred to as “Daiso”), (CAG and Daiso collectively referred to as, the “Parties”) enter into this agreement (“Settlement Agreement”) for the purpose of avoiding prolonged and costly litigation to settle CAG’s allegations that Daiso violated Proposition 65. The effective date of this Settlement Agreement shall be the date upon which it is fully executed by all Parties hereto (the “Effective Date”).

1.0 Introduction

1.1 CAG is a California-based entity that seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer and industrial products.

1.2 CAG alleges that Daiso previously sold, at various times:

1.2.1. “Daiso Japan Dimple Key Wire Lock, 60 cm x 10mm, UPC #4997179886411” (hereinafter “Key Wire Lock”);

1.2.2. “Beach Sandal, white with small hearts, UPC #4549131086041” (hereinafter “Hearts Sandal”);

- 1.2.3. “Beach Sandal, pink with white polka dot design, UPC #4549131086034” (hereinafter “Polka Dots Sandal”);
- 1.2.4. “Decoration Light, blue, 150 cm, UPC #4940921821574” (hereinafter “Decoration Light”);
- 1.2.5. “Video Cord 3P, 1.5m, UPC #4549131029642” (hereinafter “Video Cord”);
- 1.2.6. “Yellow Flip Flops with Multi-Color Floral Design, ‘BEACH SANDAL 19’, ‘Approx. 9.6”, Produced for DAISO JAPAN’, ‘24.5 cm’, ‘AR-13-20 TK-915’ UPC Code: 4 549131 155877” (hereinafter “Floral Flip Flops”);
- 1.2.7. “Pink Flip Flops with Red and White Floral Design, ‘BEACH SANDAL 20’, ‘Approx 9.6”, Produced for DAISO JAPAN’, ‘24.5 cm’, ‘AR-13-12 TK-915’ UPC Code: 4 549131 155884” (hereinafter “Pink Flip Flops”);
- 1.2.8. “Blue Flip Flops with American Flag Design, ‘BEACH SANDAL 22’, ‘Approx 10.6”, Produced for DAISO JAPAN’, ‘27 cm’, ‘AR-13-20 TK-915’ UPC Code: 4 549131 155907” (hereinafter “Blue Flip Flops”);
- 1.2.9. “Yellow Flip Flops with Textured Design and Green Straps, ‘BEACH SANDAL 27’, ‘Approx 10.6”, Produced for DAISO JAPAN’, ‘27 cm’, ‘AR-13-20 TK-915’ UPC Code: 4 549131 155952” (hereinafter “Textured Flip Flops”);

- 1.2.10. "Idea Kitchen Tool 26cm CORN CUTTER, "PEELER 13",
Produced for DAISO JAPAN, 'HR-13-^P12, TL-622' Barcode: 4
549131 104981" (hereinafter "Corn Cutter");
- 1.2.11. "METAL READING GLASSES, D106 Reading Glasses No. 5,
'Produced for DAISO JAPAN', 'AR-12-^P8' Barcode: 4 940921
819175" (hereinafter "Reading Glasses");
- 1.2.12. Metal Fashion Glasses, UV 400 Eye Protection, H075 Sunglasses
No. 7, 'Produced for DAISO JAPAN', 'AR-13^P-10' Barcode: 4
526324 058993" (hereinafter "Sunglasses");
- 1.2.13. "Pliers K No. 1' with Blue Grips; 'Grabs at pipes and nuts
tightly!'; 'Pliers 5 inch (13cm); For gripping round materials such as
pipes, for releasing big nuts!; Tempered body of pliers, Adjustment
and retaining of jaw opening in two open position'; 'PRODUCED
FOR DAISO JAPAN,' 'Materials: Carbon steel drop forged. Grip:
PVC' 'DAISO Industries Co., LTD. 1-4-14 Saijyo Yoshiyukihigashi,
Higashihiroshima, Hiroshima 739-8501, JAPAN' 'MADE IN
CHINA' Bar Code: 4549131040005" (hereinafter "Pliers 13cm");
- 1.2.14. "Pliers K No. 1" with Blue Grips; 'Grabs at pipes and nuts
tightly!; Pliers 6 inch (15cm); For gripping round materials such as
pipes, for releasing big nuts!; Tempered body of pliers, Adjustment
and retaining of jaw opening in two open position'; 'PRODUCED
FOR DAISO JAPAN,' 'Materials: Carbon steel drop forged. Grip:
PVC' 'DAISO Industries Co., LTD. 1-4-14 Saijyo Yoshiyukihigashi,

- Higashihiroshima, Hiroshima 739-8501, JAPAN' 'MADE IN CHINA' Bar Code: 4984343924642" (hereinafter "Pliers 15cm");
- 1.2.15. "Pliers A No. 1' with Blue and Yellow Grips; 'Mini Cutting Pliers equipped with a spring, suitable for folding or cutting work for gardening, handicrafts or other hobbies'; 'PRODUCED FOR DAISO JAPAN,' 'Materials: Carbon steel PVC' 'DAISO Industries Co., LTD. 1-4-14 Saijyo Yoshiyukihigashi, Higashihiroshima, Hiroshima 739-8501, JAPAN' 'MADE IN CHINA' Bar Code: 4979909857281" (hereinafter "Pliers A");
- 1.2.16. "Clear 'CORNER PROTECTOR' (4PCS) 'It protects from the injury and accident by corner portions, such as a desk, table etc.' '5.5cm x 3.3cm', 'PRODUCED FOR DAISO JAPAN' 'Material: PVC' 'DAISO Industries Co., LTD.' 'MADE IN CHINA' 'TL-85' Bar Code: 4 549131 047561" (hereinafter "Corner Protectors"); and
- 1.2.17. "Silver vinyl 'Sporty metallic Square Pouch' with light blue piping border and zipper, 'terre' written in light blue, 'Pouch No. 870; 'Produced for DAISO JAPAN,' 'MATERIAL/ Polyvinylchlorid75%, Silk cloth15%, Dioctylphthalate10%' 'DAISO Industries Co., LTD., JAPAN' 'MADE IN CHINA' Bar Code: 4549112818" (hereinafter "Pouches").
- 1.2.18. The products identified in paragraphs 1.2.1 to 1.2.17 collectively referred to throughout as the "Covered Products". The Covered Products are limited to those sold by Daiso only.

1.3 CAG alleges that Covered Products contain Di-n-Butyl Phthalate (“DBP”), Di (2-ethylhexyl) phthalate (“DEHP”), also known as Diethyl Hexyl Phthalate and Bis (2-ethylhexyl) phthalate, or lead, and that Daiso did not provide a required warning in compliance with the California Safe Drinking Water and Toxic Enforcement Act (*Cal. Health & Safety Code § 25249.5, et seq.* (“Proposition 65”)).

1.4 On December 2, 2005, the Governor of California added DBP to the list of chemicals known to the State to cause developmental, female, and male reproductive toxicity. These additions took place more than twenty (20) months before CAG served its “Sixty-Day Notice of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” which is further described below.

1.5 On January 1, 1988, the Governor of California added DEHP to the list of chemicals known to the State to cause cancer, and on October 24, 2003, the Governor added DEHP to the list of chemicals known to the State to cause developmental male reproductive toxicity. These additions took place more than twenty (20) months before CAG served its “Sixty-Day Notice of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” which is further described below.

1.6 On February 27, 1987, the Governor of California added lead to the list of chemicals known to the State to cause reproductive toxicity (*Cal. Code Regs. tit. 27, § 27001(c)*). Lead is known to the State to cause developmental, female, and male reproductive toxicity. On October 1, 1992, the Governor of California

added lead and lead compounds to the list of chemicals known to the State to cause cancer (*Cal. Code Regs. tit. 27, § 27001(b)*). Pursuant to Health and Safety Code sections 25249.9 and 25249.10, twenty (20) months after addition of lead and lead compounds to the list of chemicals known to the State to cause cancer and reproductive toxicity, lead and lead compounds became fully subject to Proposition 65 warning requirements and discharge prohibitions.

1.7 DBP, DEHP, and lead are collectively referred to hereafter as the “Listed Chemicals”.

1.8 On or about January 11, 2013, CAG served, Daiso, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Key Wire Lock containing DBP, Hearts Sandal and Polka Dots Sandal containing DBP, Decoration Light containing lead, and Video Cord containing lead.

1.9 On or about November 20, 2013, CAG served, Daiso, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Floral Flip Flops, Pink Flip Flops, Blue Flip Flops, and Textured Flip Flops containing DBP.

1.10 On or about December 13, 2013, CAG served, Daiso, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Corn Cutter containing DEHP.

1.11 On or about December 13, 2013, CAG served, Daiso, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Reading Glasses and Sunglasses containing DEHP.

1.12 On or about December 20, 2013, CAG served, Daiso, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Pliers 15cm, Pliers 13cm, and Pliers A containing DEHP.

1.13 On or about January 17, 2014, CAG served, Daiso, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Corner Protectors containing DEHP.

1.14 On or about January 17, 2014, CAG served, Daiso, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Pouches containing DEHP.

1.15 The Sixty-Day Notices (referred to as “Notices”) alleged that Daiso and the other noticed parties violated Proposition 65 by failing to warn consumers in California that use of Covered Products exposes persons to the Listed Chemicals.

1.16 The Parties enter into this Settlement Agreement to settle disputed claims between the Parties as set forth below concerning the Parties’ and the Covered Products’ compliance with Proposition 65 (the “Dispute”).

1.17 By execution of this Settlement Agreement, the Parties do not admit any facts or conclusions of law, including, but not limited to, any facts or conclusions of law regarding any violation of Proposition 65, or any other statutory, regulatory, common law, or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by the Parties of any fact, conclusion of law, issue of law, or violation of law. Nothing in this Settlement Agreement, nor compliance with its terms, shall constitute or be construed, considered, offered, or admitted as evidence of an admission or evidence of fault, wrongdoing, or liability by Daiso, its officers, directors, employees, or parents, subsidiaries or affiliated corporations, in any administrative or judicial proceeding or litigation in any court, agency, or forum. Except for the allegations settled and compromised, nothing in this Settlement Agreement shall prejudice, waive, or impair any right, remedy, argument, or defense that CAG or Daiso may have against one another in any other pending legal proceeding as to allegations unrelated to the Dispute or claims released herein.

2.0 Release

This Settlement Agreement is a full, final, and binding resolution between CAG, acting in its individual capacity, on the one hand, and (a) Daiso, and its owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, officers, directors, insurers, attorneys, predecessors, successors, and assigns (collectively “Releasees”) and (b) all entities to whom Releasees directly or indirectly provide, distribute, or sell the Covered Products, including but not limited to distributors, wholesalers, customers, retailers, franchisees, cooperative

members, and licensees (“Downstream Releasees”), on the other hand, of any violation(s) or claimed violation(s) of Proposition 65 or any statutory or common law claim that has been, could have been or may in the future be asserted against the Releasees and Downstream Releasees regarding exposing persons to DBP allegedly contained in the Key Wire Lock, Hearts Sandal, Polka Dots Sandal, Floral Flip Flops, Pink Flip Flops, Blue Flip Flops, and Textured Flip Flops; DEHP allegedly contained in the Corn Cutter, Reading Glasses, Sunglasses, Pliers 13cm, Pliers 15cm, Pliers A, Corner Protectors, and Pouches, and lead allegedly contained in the Decoration Light, and Video Cord, and the failure to warn about alleged exposure to DBP in connection with the Key Wire Lock, Hearts Sandal, Polka Dots Sandal, Floral Flip Flops, Pink Flip Flops, Blue Flip Flops, and Textured Flip Flops, DEHP in connection with the Corn Cutter, Reading Glasses, Sunglasses, Pliers 13cm, Pliers 15cm, Pliers A, Corner Protectors, Pouches, and lead in connection with the Decoration Light, and Video Cord arising only from Covered Products manufactured, shipped, and/or otherwise distributed prior to the Effective Date, even if sold by Downstream Releasees after the Effective Date. The Covered Products are limited to those sold by Daiso.

CAG, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives and releases with respect to the Covered Products all rights to institute or participate in, directly or indirectly, any form of legal action, including, without limitation, all actions, and causes of action, in law or in equity, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses (including, but not limited to, investigation fees, expert fees, and

attorneys' fees) (collectively "Claims"), against Releasees and/or Downstream Releasees that arise under Proposition 65 or any other statutory or common law claims that were or could have been asserted in respect of any Covered Products sold up to the Effective Date, including without limitation to the extent that such claims relate to Releasees' and/or Downstream Releasees' alleged exposure of persons to DBP contained in the Key Wire Lock, Hearts Sandal, Polka Dots Sandal, Floral Flip Flops, Pink Flip Flops, Blue Flip Flops, and Textured Flip Flops, DEHP contained in the Corn Cutter, Reading Glasses, Sunglasses, Pliers 13cm, Pliers 15cm, Pliers A, Corner Protectors, Pouches, and lead contained in the Decoration Light, and Video Cord or any failure by Releasees and Downstream Releasees to warn about exposures to DBP allegedly contained in the Key Wire Lock, Hearts Sandal, Polka Dots Sandal, Floral Flip Flops, Pink Flip Flops, Blue Flip Flops, and Textured Flip Flops, DEHP allegedly contained in the Corn Cutter, Reading Glasses, Sunglasses, Pliers 13cm, Pliers 15cm, Pliers A, Corner Protectors, Pouches, and lead allegedly contained in the Decoration Light, and Video Cord.

CAG acknowledges that it is familiar with Section 1542 of Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

CAG, its past and current agents, representatives, attorneys, successors, and/or assignees expressly waives and relinquishes any and all rights and benefits which it may have under, or which may be conferred on it by the provisions of Civil Code § 1542 as well as under any other state or federal statute or common law principle of similar effect, to the fullest extent that it may lawfully waive such rights or benefits pertaining to the released matters.

3.0 Daiso's Duties

3.1 Daiso agrees, promises, and represents that as of February 13, 2014 (“Reformulation Date”), Daiso shall reformulate any Covered Products manufactured after the Reformulation Date and offered for sale in California by Daiso to a point where the level of DEHP and DBP in the Covered Products does not exceed 0.1%, and the level of lead does not exceed 100ppm.

3.2 Daiso agrees, promises, and represents that, as of the Reformulation Date, to the extent it ships or sells any Covered Products in existing inventory that have not been reformulated, it will provide warnings on such Covered Products that comply with Proposition 65. The warnings shall be provided in such a conspicuously and prominent manner that will assure the message is made available and likely to be read, seen, or heard by the consumer prior to or at the time of the sale or purchase. The Parties agree that product labeling stating that “WARNING: This product contains chemicals known to the State of California to cause cancer, or birth defects, or other reproductive harm” shall constitute compliance with Proposition 65 with respect to the Listed Chemicals in the

Covered Products for any Covered Products in existing inventory that had not been reformulated and were distributed and/or sold by Releasees or Downstream Releasees after the Reformulation Date.

4.0 Payments

4.1 Daiso agrees to pay a total of one hundred and ten thousand dollars (\$110,000.00) in full and complete settlement of all monetary claims by CAG related to the Covered Products by separate checks apportioned as follows:

4.2 Within five (5) business days of the Effective Date, Daiso agrees to pay a total of sixty thousand dollars (\$60,000.00) apportioned as follows:

4.2.1 Payment to CAG: seven thousand five-hundred dollars (\$7,500.00) shall be paid to Consumer Advocacy Group, Inc. By the Effective Date, CAG shall provide Daiso with CAG's Employer Identification Number.

4.2.2 Attorneys' Fees and Costs: forty-five thousand dollars (\$45,000.00) of such payment shall be paid to Yeroushalmi & Associates, as CAG's attorneys, for reasonable investigation fees and costs, attorneys' fees, and any other costs incurred as a result of investigating and bringing this matter to Daiso's attention. By the Effective Date, Yeroushalmi & Associates shall provide Daiso with its Employer Identification Number.

4.2.3 Penalty: Daiso shall issue two separate checks for a total amount of seven thousand five-hundred dollars (\$7,500) as penalties pursuant to Health & Safety Code § 25249.12: (a) one check made payable to the State of California's Office of Environmental Health Hazard Assessment

(OEHHA) in the amount of five thousand six-hundred and twenty-five dollars (\$5,625.00), representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of one-thousand eight-hundred and seventy-five dollars (\$1,875.00), representing 25% of the total penalty. Additionally, two separate 1099s shall be issued for the above payments: The first 1099 shall be issued to OEHHA, P.O. Box 4010, Sacramento, CA 95184 (EIN: 68-0284486) in the amount of \$5,625.00. The second 1099 shall be issued in the amount of \$1,875.00 to CAG and delivered to: Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212.

- 4.3 On or before July 15th, 2014, Daiso agrees to pay a total of twenty thousand dollars (\$20,000.00) to be paid to Yeroushalmi & Associates.
- 4.4 On or before August 15th, 2014, Daiso agrees to pay a total of thirty thousand dollars (\$30,000.00) to be paid to Yeroushalmi & Associates.
- 4.5 All payment checks referenced in sections 4.2 et seq., 4.3, and 4.4 above shall be delivered to:

Reuben Yeroushalmi
Yeroushalmi & Associates
9100 Wilshire Boulevard, Suite 240W
Beverly Hills, California 90212

5.0 Authority to Enter Into Settlement Agreement

- 5.1 CAG represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind CAG to this Settlement Agreement.

5.2 Daiso represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Daiso to this Settlement Agreement.

6.0 Report of the Settlement Agreement to the Office of the Attorney General Of California

6.1 CAG shall report this Settlement Agreement to the Attorney General's Office within five (5) days of the Parties' execution of this Settlement Agreement.

7.0 Execution in Counterparts and Facsimile

7.1 This Settlement Agreement may be executed in counterparts, which taken together shall be deemed to constitute the same document. A facsimile or portable document format (PDF) signature shall be as valid as the original.

8.0 Modification of Settlement Agreement

8.1 Any modification to this Settlement Agreement shall be in writing and signed by the Parties.

9.0 Application of Settlement Agreement

9.1 This Settlement Agreement shall apply to, be binding upon, and inure to the benefit of, CAG and the Releasees and Downstream Releasees identified in Section 2 above.

10.0 Enforcement of Settlement Agreement

10.1 Any party may file suit before the Superior Court of the County of Los Angeles, consistent with the terms and conditions set forth in paragraphs 10.2 and 10.3 of this Settlement Agreement, to enforce the terms and conditions contained

in this Settlement Agreement. The prevailing party shall be entitled to its reasonable attorneys' fees and costs associated with such enforcement.

10.2 No action to enforce this Settlement Agreement may be commenced or maintained, and no notice of violation related to the Covered Products may be served or filed against Daiso by CAG, unless the party seeking enforcement or alleging violation notifies the other party of the specific acts alleged to breach this Settlement Agreement at least 90 days before serving or filing any action or Notice of Violation and the entity receiving the notice fails to comply with the requirements set forth in Section 10.3 below. Any notice to Daiso must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California without reformulation, (c) the store or other place at which the product was available for sale to consumers, and (d) any other evidence or other support for the allegations in the notice.

10.3 Within 30 days of receiving the notice described in Section 10.2, Daiso shall either (1) send the store or other place at which the product was available for sale to the public a letter directing that the offending product be immediately removed from inventory and returned to Daiso for full credit, including shipping costs, or (2) refute the information provided under Section 10.2. Should the parties be unable to resolve the dispute, any party may seek relief under Section 10.1.

11.0 Notification Requirements

11.1 Any notice required or permitted hereunder shall be effective only if given in writing and delivered in person, certified or registered mail return receipt requested, or traceable overnight delivery service, to the following designees:

For CAG:

Reuben Yeroushalmi, Esq.
YEROUSHALMI & ASSOCIATES
9100 Wilshire Boulevard, Suite 240W
Beverly Hills, CA 90212

For Daiso:

Elizabeth Shoemaker, Esq.
TERAOKA & PARTNERS LLP
One Embarcadero Center, Suite 1020
San Francisco CA 94111

Any party may change its designee(s) for purposes of notification by providing written notice of such change pursuant to this section.

12.0 SEVERABILITY

12.1 If, subsequent to the execution of this Settlement Agreement, any of the provisions of this Settlement Agreement are held by a court to be unenforceable, the validity of the enforceable provisions remaining shall not be adversely affected.

13.0 GOVERNING LAW

13.1 The terms of this Settlement Agreement shall be governed by the laws of the State of California and apply within the State of California. In the event that Proposition 65 is repealed, preempted or is otherwise rendered inapplicable by reason of law generally, or as to the Listed Chemical and/or the Covered

Products, then Daiso shall provide written notice to CAG of any asserted change in the law, and shall have no further obligations pursuant to this Settlement Agreement with respect to, and to the extent that, the Covered Products are so affected.

CONSUMER ADVOCACY GROUP, INC.

Dated: 6-27-14

By: 

Printed Name: MICHEL SASSOON

Title: EXECUTIVE DIRECTOR

DAISO CALIFORNIA LLC

Dated: 6/27/2014

By: 

Printed Name: YOSHIMIDE MURATA

Title: SENIOR VICE PRESIDENT

DAISO HOLDING USA INC.

Dated: 6/27/2014

By: 

Printed Name: YOSHIMIDE MURATA

Title: SENIOR VICE PRESIDENT