

ESG Report 2021

Daiseki Co., Ltd.



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Top Message

Addressing Five Priority Issues to Become the No. 1 Recycling Company in Asia and Help Realize a Sustainable Society

Steady Efforts Aimed at Achieving the VISION 2030 Long-term Vision

With industrial waste liquid recycling as our core business for more than 60 years since our founding, the Daiseki Group has grown into one of Japan's leading resource recycling companies. In 2018, we formulated VISION 2030, our long-term management vision for FY2031, with the aim of becoming the No. 1 recycling company in Japan and throughout Asia, both in terms of quality and quantity.

In FY2021, ended February 28, 2021, the social environment underwent tremendous changes due to the spread of COVID-19, significantly impacting the Daiseki Group's business. However, business is steadily improving in line with the resumption of production by customers in the manufacturing industry. The challenge in FY2022 will be returning business performance to pre-COVID-19 levels and achieving even more.

Under VISION 2030, we are targeting consolidated net sales of JPY150bn and operating profit of JPY25bn

in FY2031, which will be achieved by developing businesses in three main locations, establishing three new core businesses and capturing a 30% market share at its core domestic businesses. In April 2021, the Daiseki Group announced its Medium-term Management Plan for the period FY2022–2024, which sets targets for the achievement of VISION 2030. The new Harima plant will commence operations by FY2023, and by FY2024, we will enhance processing capabilities at our Kansai, Kyushu and Kanto Works in an attempt to expand business.

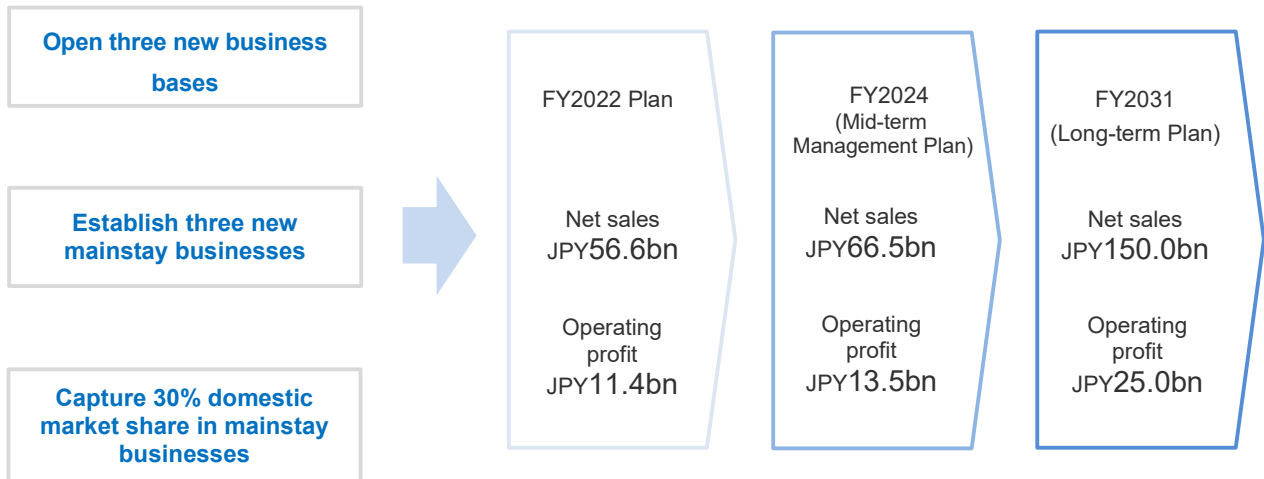
From FY2022 onward, we will continue to expand market share in Japan through the acquisition of new customers and M&A projects. We are also examining and reviewing new sites in collaboration with related departments. We solicited new business ideas from employees three times and are considering commercializing some of these proposals. In these ways, we will continue working to establish these three pillars.



Hideki Hashira
President and Representative Director
Daiseki Co., Ltd.

Vision 2030 Long-term Vision

Daiseki aims to triple net sales and operating profit compared to FY2018 and become the sun of the industrial waste industry.



Net sales and operating profit figures are on a consolidated basis.

Promoting Five Priority Issue Initiatives in Line with the SDGs

The Daiseki Group has identified five priority issues: environment, people, safety, communities and society, and compliance, and promotes initiatives in line with the United Nations Sustainable Development Goals (SDGs) for realizing sustainable communities and society.

Among these issues, the environment is at the heart of Daiseki Group business, which contributes to the creation of a recycling-oriented society through the appropriate treatment and recycling as a resource of wastewater, waste oil, sludge and other waste generated from customer production activities.

In October 2020, the Japanese government declared its commitment to achieving carbon neutrality (virtually zero greenhouse gas emissions) by 2050 with the aim of realizing a carbon-free society. As the movement toward decarbonization spreads across the world, there is growing demand for recycled fuel manufactured and sold by Daiseki as a substitute for coal. To meet these needs, we are moving forward with capital investments based on long-term plans to increase the processing capacity and recycled fuel production capacity of each site.

In terms of people, we aim to realize comfortable workplaces for employees and operational efficiency through various measures including paperless offices and the promotion of systematization. Going forward, we will continue to create comfortable workplaces facilitating employee physical and mental health with the aim of being certified as an Outstanding Health & Productivity Management Company by the Ministry of Economy, Trade and Industry.

Safety and compliance are positioned as the basis of our activities. Safety efforts include the promotion of Company-wide work accident prevention activities and safety countermeasure enhancements.

With respect to communities and society, the entire Group engages in activities that contribute to communities and societies. For example, in FY2021, Daiseki Eco. Solution received a letter of commendation from the Minister of the Environment for assisting with the transportation of wastewater from the Diamond Princess cruise ship stranded due to COVID-19.

Regarding compliance, again in FY2021 we held study sessions for all employees on important themes in line with annual planning. Employees conducted discussions during these study sessions, initiating an interactive approach to answering questions raised.

Daiseki Five Priority Issues and Related SDGs

▷ **Environment** Related SDGs No. **6,7,9,12,13,14,15**

We strive to promote recycling based on the philosophy of “making the best use of limited resources” and work to prevent odors and other adverse impacts and reduce burdens on the environment.

▷ **People** Related SDGs No. **3,4,5,8**

While fulfilling our responsibilities as a company involved in recycling, Daiseki promotes a work-life balance through the pursuit of meaningful work and lifestyles for all employees.

▷ **Safety** Related SDGs No. **3,4**

Daiseki takes great care in the handling of waste containing highly dangerous and harmful chemical substances with the aim of eliminating accidental spills and chemical reactions.

▷ **Local Communities** Related SDGs No. **12,17**

Without understanding from the people living near our facilities, Daiseki would not be able to engage in business. We strive to exchange opinions, engage in dialogues and perform community contribution activities.

▷ **Compliance** Related SDGs No. **4,10**

This is the most important issue for the Daiseki Group, which operates business under a license from the local government, thus we make an effort to provide continuous education and training to increase employee awareness.



Proactively Communicating Company Position on Environmental and Social Contributions from the Standpoint of ESG

The Daiseki Group is working on five priority issues from the three perspectives of ESG.

In FY2021, we disclosed information for the first time to ESG ratings agency Carbon Disclosure Project (CDP), held our first ESG briefing for institutional investors, participated in the Virtual Japan Pavilion online environmental exhibition sponsored by the Ministry of the Environment and made other efforts to proactively communicate Daiseki initiatives. We also publicly announced our intention to engage in climate change countermeasures, including our endorsement of Task Force on Climate-related Financial Disclosures (TCFD¹) recommendations and participation in the Japan Climate Initiative (JCI²).

In terms of governance, in May 2020 Daiseki introduced an executive officer system, welcoming a female external director in consideration of diversity. Additionally, in recognition of our efforts to expand employment for women and promote women to sales and managerial positions, in December 2020, the Daiseki Group was included for the first time in the MSCI Japan Empowering Women Index (WIN), one of the ESG-related stock indexes comprising companies that excel in gender diversity. Further, in response to Corporate Governance Code revisions in June 2021, the Daiseki Group conducted scenario analyses related to climate change problems based on TCFD¹ recommendations to begin analyzing risks and opportunities assuming a world in which sufficient measures are taken for relative mitigation of climate change (2°C or lower scenario) as well as a world in which these measures are insufficient and climate change intensifies (4°C rise scenario). We also expanded the disclosure of information regarding Group initiatives in English.

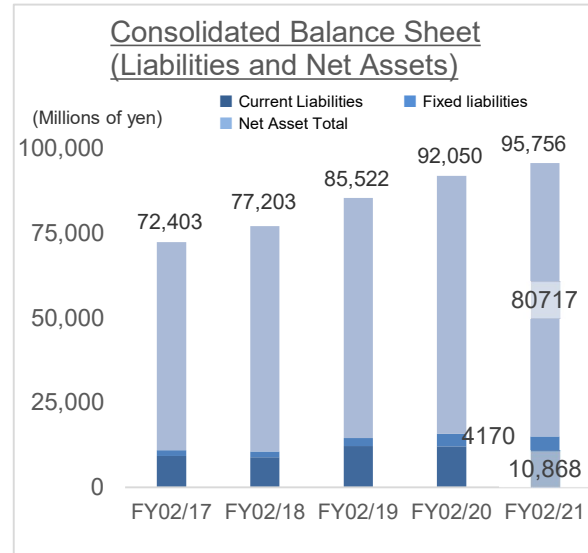
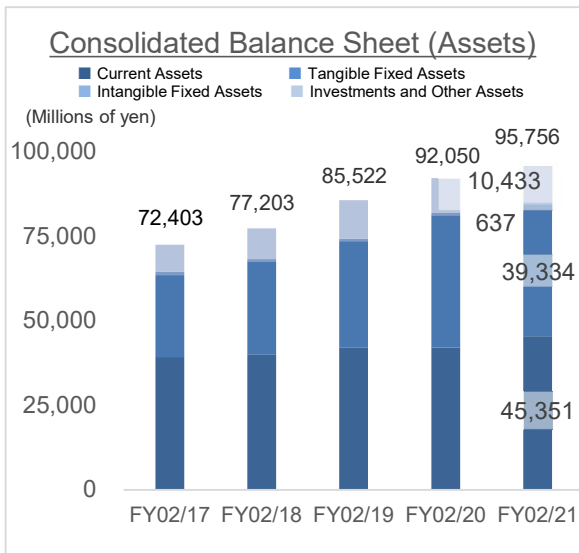
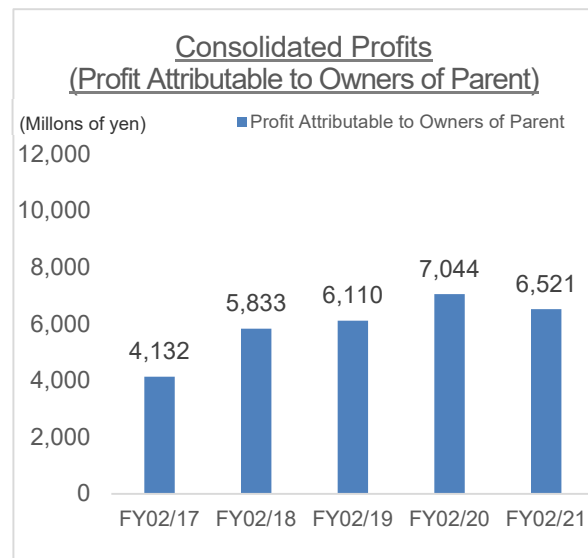
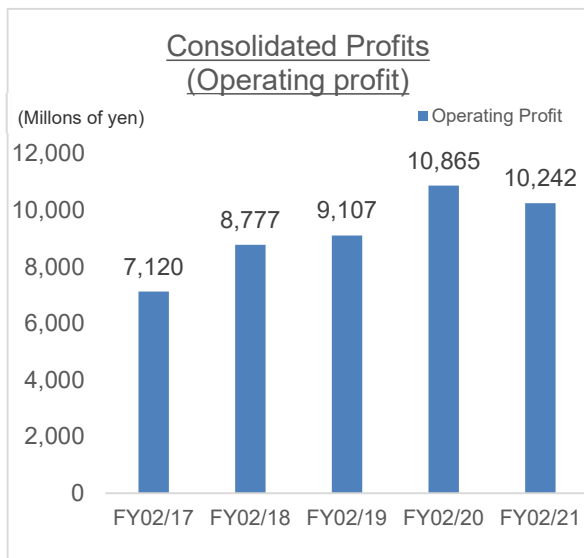
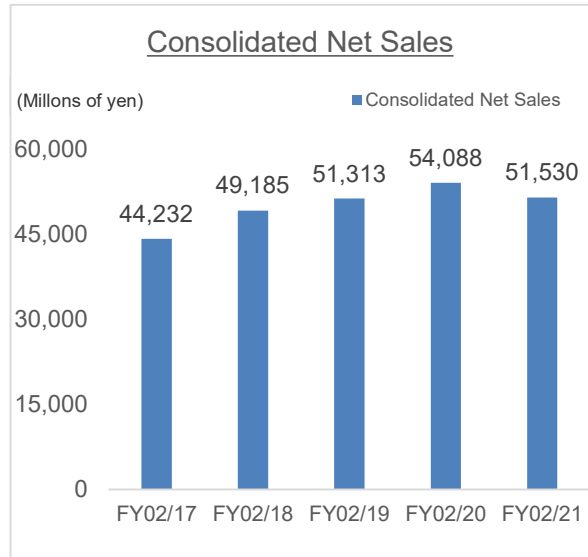
Through the proactive disclosure of information, we want to increase the number of people who support the Daiseki Group and enhance its corporate value.

1. TCFD: Established in 2015 by the global organization Financial Stability Board in an attempt to stabilize the financial system.
Promotes the corporate disclosure of information related to the climate.
2. JCI: Network established in 2018 to enhance the dissemination of information and exchange of opinions among companies, municipalities, research institutions, NPOs, NGOs and other organizations proactively engaged in climate change countermeasures.

Hideki Hashira, President and Representative Director

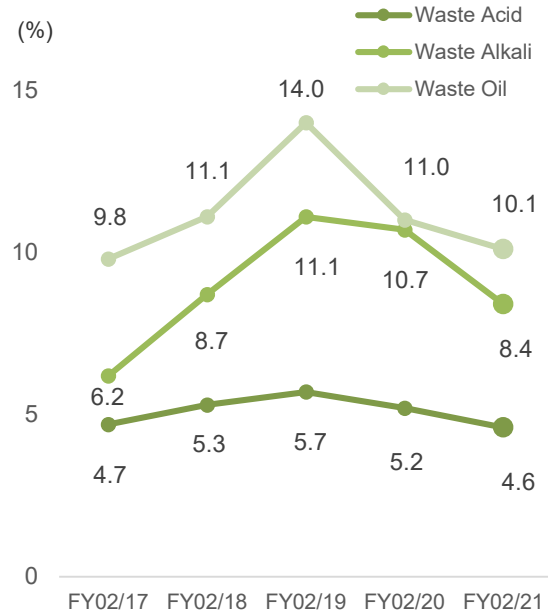
Financial and Non-Financial Highlights

Financial Highlights

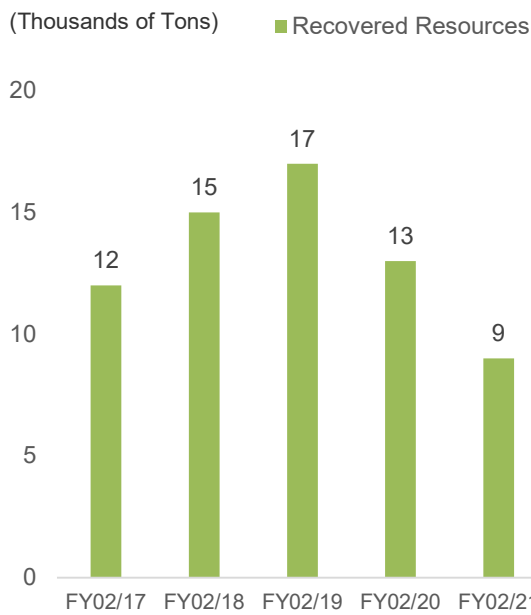


Non-financial Highlights

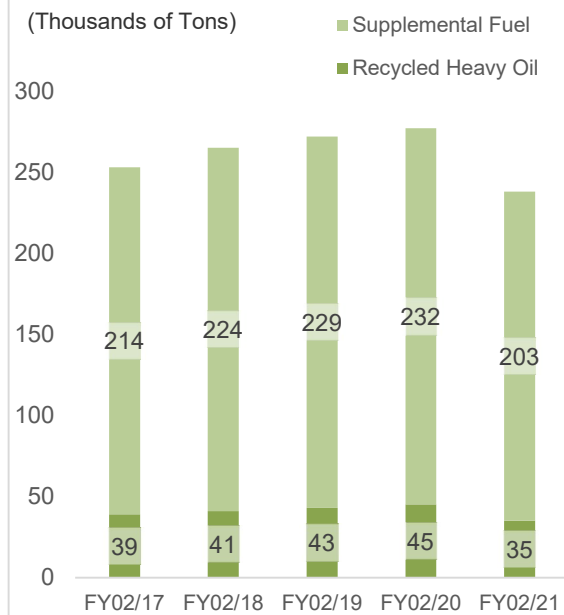
Amount of Domestic Industrial Waste*¹ Recycled by Daiseki



Amount of Recovered Resources (Useful Metals)



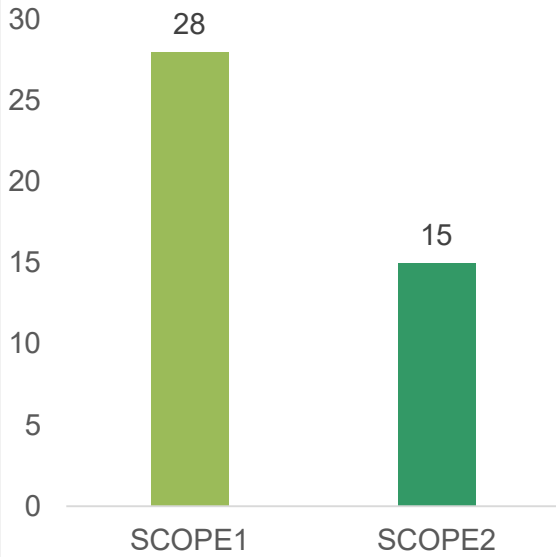
Recycled Heavy Oil and Supplemental Fuel Shipments



Note: Resources refer to useful resources generated from the recycling in line with industrial waste treatment.

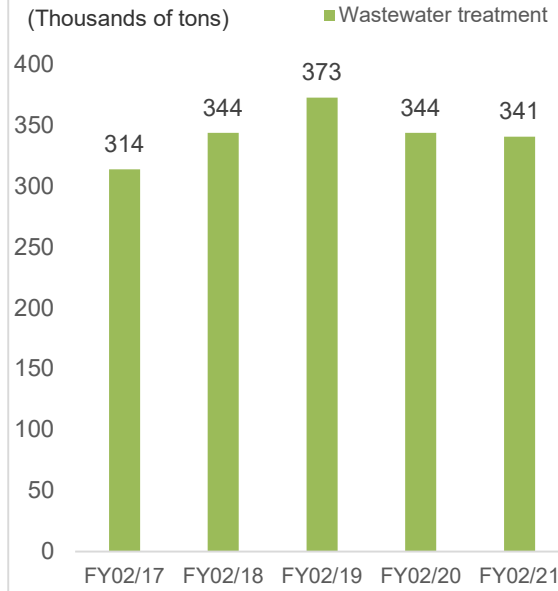
**Breakdown of Overall Daiseki Group
Scope 1, 2²emissions (FY2021)**

(Thousand tons of CO₂)



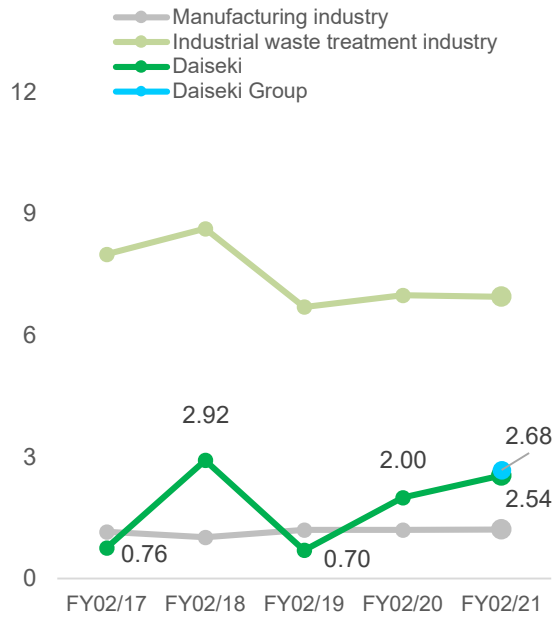
Wastewater Purification

(Thousands of tons)

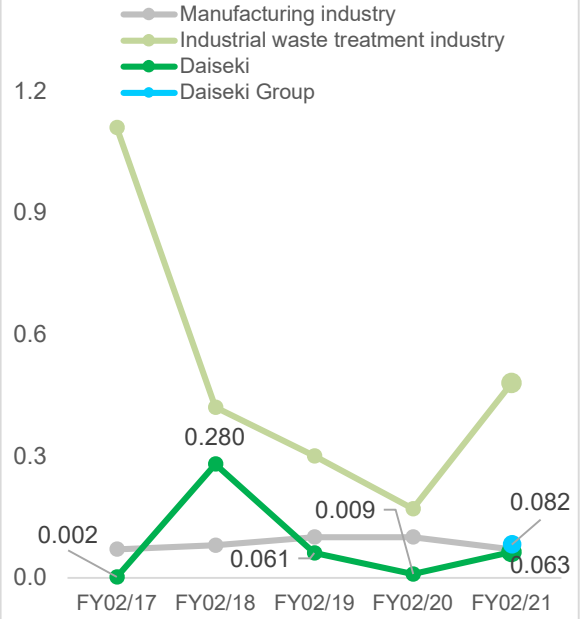


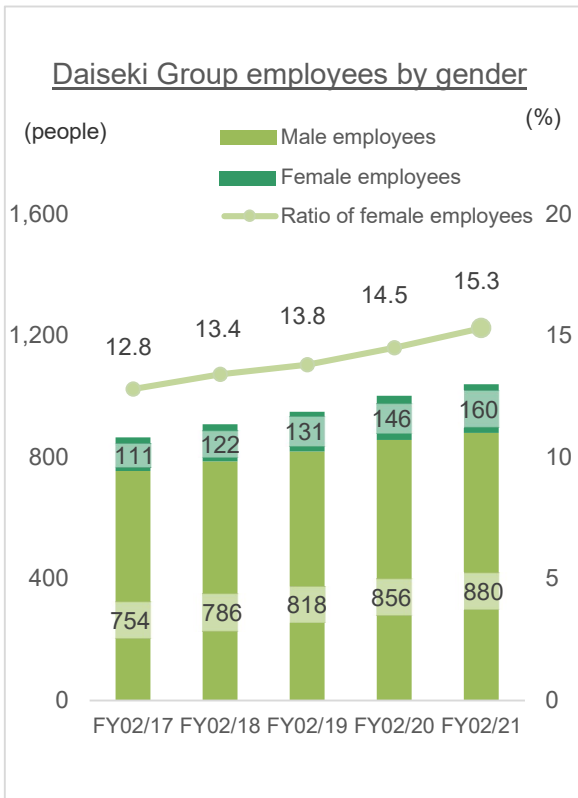
Note: Calculated assuming "annual neutralization treatment volume = wastewater purification treatment volume."

**Occupational accidents
(frequency rate)^{*3}**

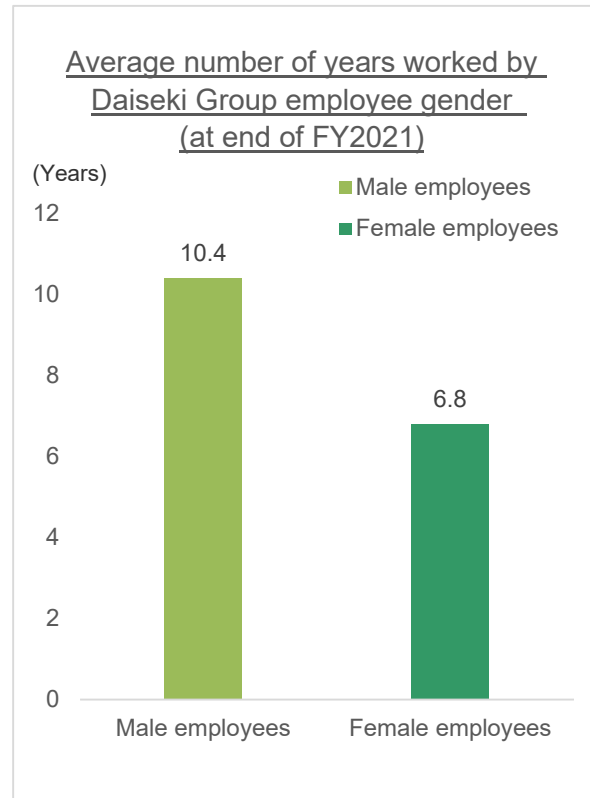


**Occupational accident rate
(intensity)^{*4}**

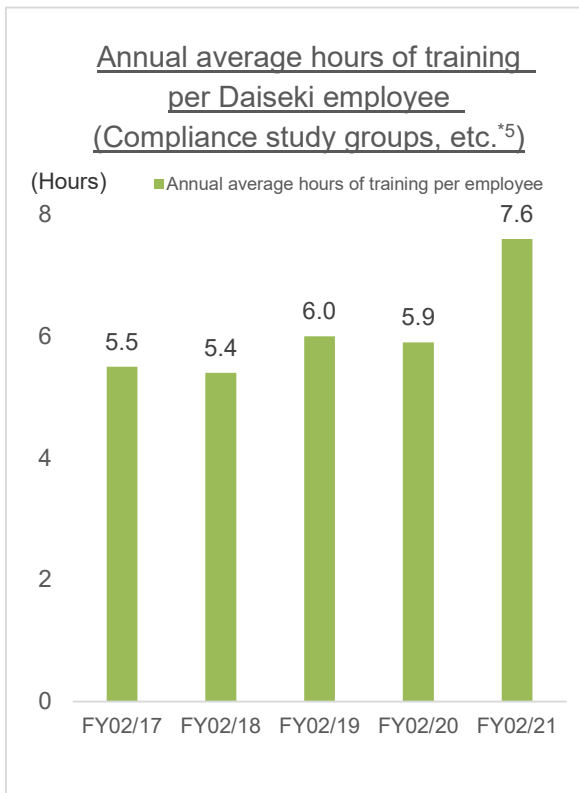




Note: The number of employees excludes those dispatched from the Daiseki Group to outside the Group and includes those dispatched from outside the Group to the Daiseki Group.



Note: Average number of years worked for full-time employees only.



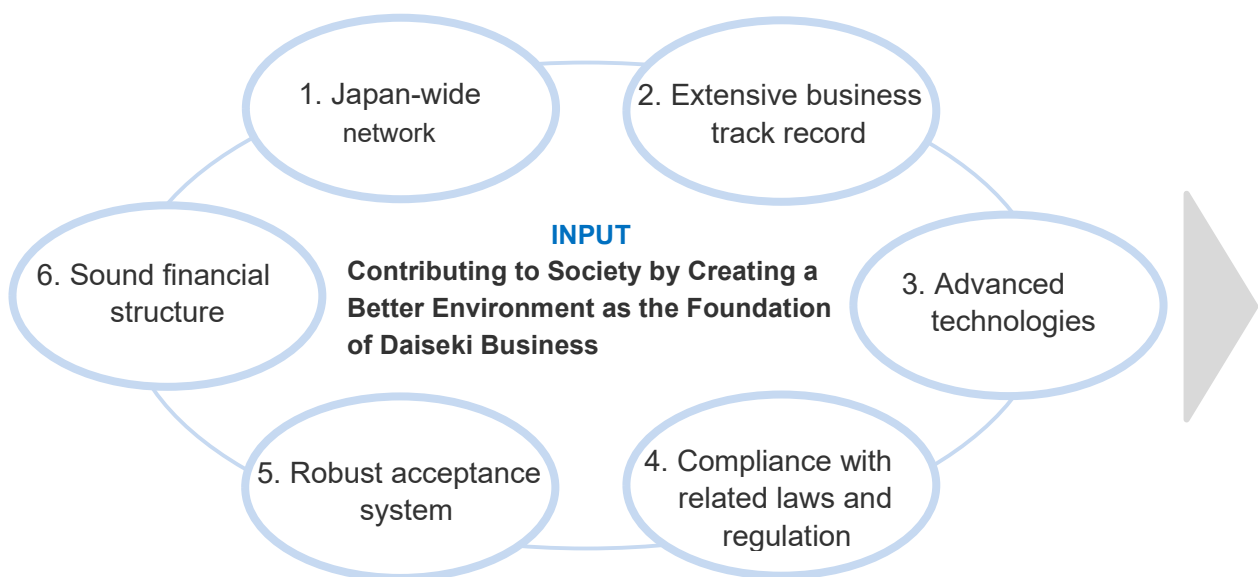
- *1. Domestic industrial waste emissions taken from the Ministry of the Environment Industrial Waste Emissions and Treatment Status Survey Report. However, as data for FY2021 has not yet been released, FY2020 data is used instead.
- *2. SCOPE 1: Direct greenhouse gas emissions by the Daiseki Group (from energy sources only). See Third-party Verification on page 54.
SCOPE 2: Indirect emissions due to the use of electricity, heat, and steam supplied by other companies (only electricity for the Daiseki Group).
- *3. Frequency rate: Number of casualties due to occupational accidents per million total working hours (accident frequency).
- *4. Intensity: Number of working days lost per 1,000 total actual working hours (degree of accident severity).
- *5. Training time includes regular compliance study sessions and education provided upon joining the Company.

Value Creation Process

As the premier company in Japan’s “venous industry” (waste management and recycling), Daiseki is engaged in the creation of value demanded by society.

The recycling and industrial waste treatment industry is referred to as the “venous industry.” Like veins that carry blood from the heart via arteries throughout the body, then return it back to the heart, the Daiseki Group sees its role as recycling waste generated by manufacturers’ production processes as fuel and raw materials, then returning these to the manufacturers for reuse.

Daiseki has been in business since its founding in 1958, when the word “recycle” was not commonplace, and as Japan’s leading venous industry company, we will continue to contribute to the establishment of a recycling-oriented society and create the value demanded by society by resolving social issues.



1. With a network of 41 bases across Japan, the Daiseki Group provides comprehensive services related to industrial waste treatment and resource recycling.
2. Boasting a track record of doing business with over 10,000 companies, Daiseki supports the Japanese manufacturing industry by proposing optimal recycling methods in response to requests from customers in all industries. Daiseki Eco. Solution conducts more than 1,000 soil surveys and soil treatments annually.
3. Within chemical pretreatment, in some cases, Daiseki may be able to treat waste that is difficult for other companies to deal with using proprietary composite treatment technologies that reduce treatment difficulty by combining waste liquids that are difficult to treat. So that Daiseki and Hokuriku Daiseki are able to use limited petroleum resources effectively, we outsource the recycling of lubricating oil for our customers and collect waste oil that is processing according to its composition and properties. As a company specializing in soil remediation, Daiseki Eco. Solution can provide optimal research methods and various purification technologies. Daiseki MCR recycles Japanese Industrial Standard (JIS) lead from used batteries using cutting-edge equipment. System Kikou uses the crude oil washing (COW) method, which is the standard for sludge treatment and crude oil tank cleaning, providing a safe, high-quality environment for the safely, quick and low-cost collection and discharge of sludge accumulation inside tanks.
4. Daiseki staff have a deep understanding of the Waste Management and Public Cleansing Act, which is difficult to understand and differ according to the municipality handling them, enabling staff to provide accurate guidance to customers from the perspective of legal compliance. Daiseki Eco. Solution staff are very knowledgeable regarding laws and regulations including the Soil Pollution Countermeasures Act, the Construction Industry Act, the Building Lots and Buildings Transaction Business Act and the Construction Material Recycling Law. These laws change frequently, thus knowledge and experience is a must for responding appropriately.
5. Daiseki completed preparations for an acceptance system able to process and properly dispose of more than one million tons of waste annually. Since before the passage of the Soil Pollution Countermeasures Act, Daiseki Eco. Solution has handled numerous decontamination projects with sales and technical staff well-prepared to meet customer needs.

OUTCOME

Creating Value through the Resolution of Social Issues

Recycling-oriented Society

Providing customers with recycled materials as products that conserve resources and contribute to the creation of a recycling-oriented society.

Environmental Protection

By purifying waste, Daiseki supports environmental protection efforts by customers who produce waste.

Fossil Fuel Avoidance

Daiseki manufactures and sells waste-derived fuel in accordance with government policies and market needs pertaining to fossil fuel avoidance.

BUSINESS

Viewing Industrial Waste as a Resource Aimed at the Resolution of Social Issues

Daiseiki

Group companies

Waste oil

Processing and recycling



Waste oil treatment (vibration sieving machine)



Waste oil treatment (centrifuge)

Crude oil tank

Processing and recycling



Crude oil tank cleaning

Sludge

Processing and recycling



Dehydrator



Drying device

Construction sludge

Processing and recycling



Intermediate processing of construction sludge

Wastewater

Processing / recycling



Activated sludge treatment



Metal recovery device

Used batteries

Recycling



Waste lead melting process (rotary gas melting furnace)

OUTPUT

Combining Various Technologies to Convert Industrial Waste into Resources to the Fullest Extent Possible

Recycled fuels



Cement raw material



Metal slag



Inside tank after cleaning



Lead ingot



Arterial industries (manufacturing industries)



Sale



Product assembly



Material and parts processing



Raw material procurement



Environmental conservation by Daiseki

Three Pillars of Environmental Protection

Environmental Protection Pillar 1

Maintain High Recycling Rate

At Daiseki, approximately 80% of waste received from customers is recycled into metal slag, cement raw materials and recycled fuel, which leads to recycling.

**Recycling rate
(excluding drainage water)**
(FY2021)

79.9%

**Recycling rate
(including drainage water)**
(FY2021)

88.3%

Note: See page 21 for recycling rate definition.

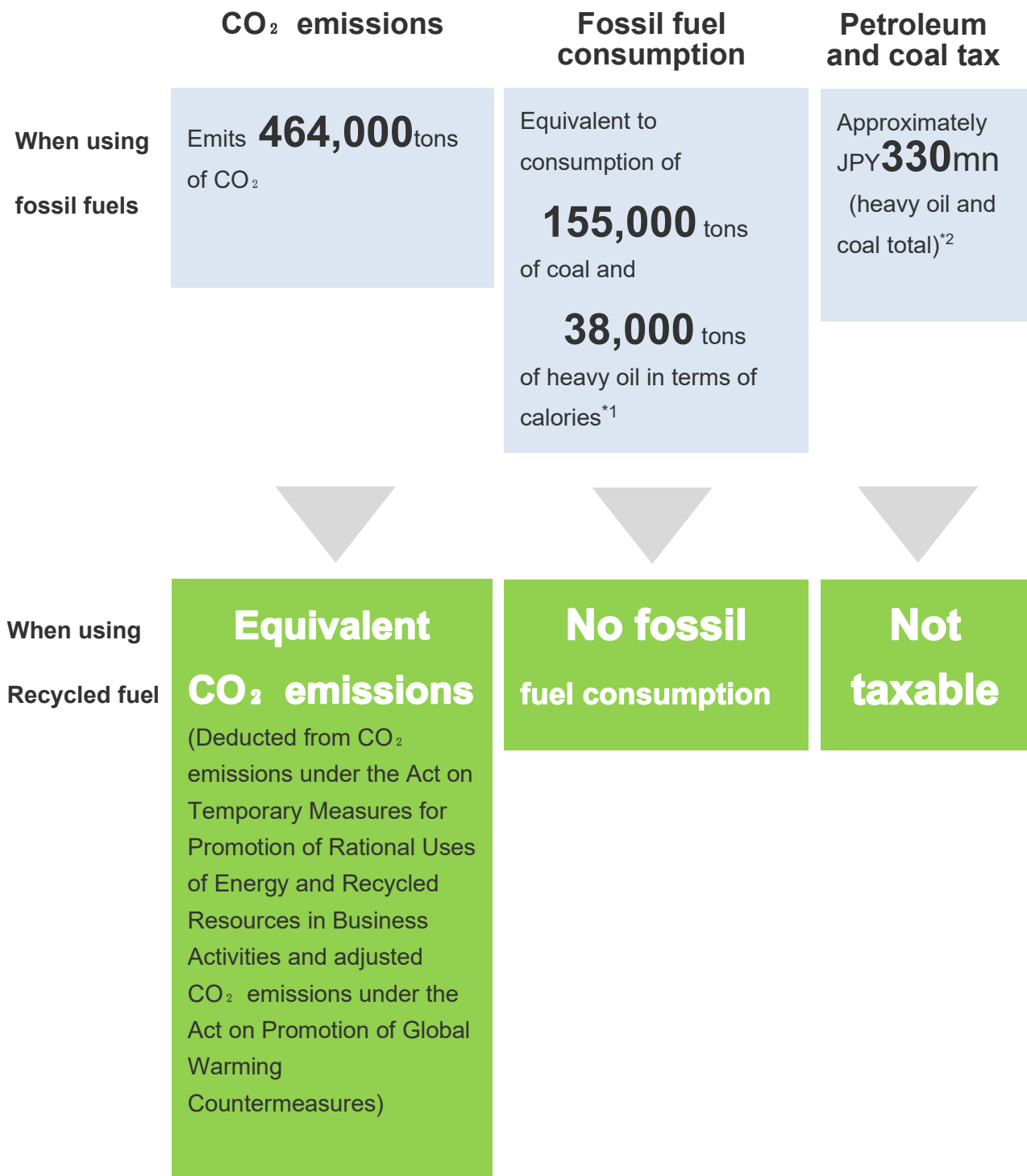
Environmental Protection Pillar 2

Reduce Fossil Fuel Consumption, Replace with Recycled Fuel

Daiseki accepts used waste oil from customers and recycles it into supplemental fuel, recycled heavy oil and other fuels.

Supplemental fuel is mainly used as a substitute for coal, while recycled heavy oil is mainly used as a substitute for Bunker A fuel oil. The use of these recycled fuels enables reductions in fossil fuel consumption. In FY2021, we produced recycled fuels equivalent to approximately 464,000 tons of CO₂.

In reporting greenhouse gas emissions based on the Law Concerning the Promotion of Measures to Cope with Global Warming, adjusted emissions are reported together with basic greenhouse gas emissions. Greenhouse gas emissions associated with the use of waste raw materials and fuels are deducted from the adjusted emissions. Additionally, greenhouse gas emissions associated with the use of waste raw materials and fuel are excluded from the scope of greenhouse gas reports based on the Act on Temporary Measures for Promotion of Rational Uses of Energy and Recycled Resources in Business Activities. Cement companies in particular are proactively promoting efforts to reduce the use of fossil fuels through the use of Daiseki recycled fuels.



*1. Calorie conversion value for supplemental fuel and recycled heavy oil produced by Daiseki into coal and Bunker A fuel oil having equivalent calorific values.

*2. Taxes of JPY2,800 per kiloliter of petroleum products and JPY1,370 per ton of coal are levied on fossil fuel users (2020 Agency for Natural Resources and Energy "Taxation on Coal in Accordance with Petroleum and Coal Tax Law Revisions"). The taxed amount includes fossil fuel usage in industries that are currently exempt.

Environmental Protection Pillar 3

Low-Greenhouse Gas Emissions Waste Treatment

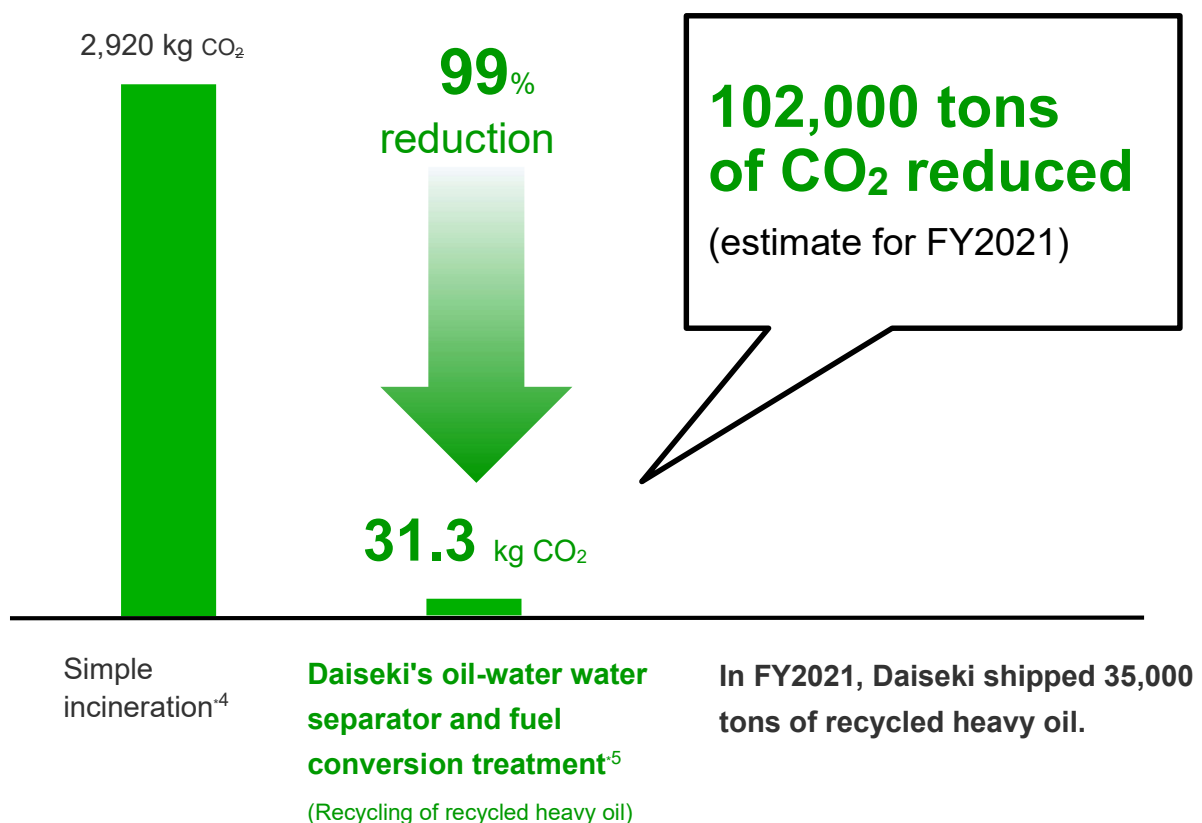
Although incinerating untreated industrial waste emits significant amounts of CO₂, Daiseki is able to dispose of untreated industrial waste with less CO₂ emissions than incinerating. For waste oil and sludge, outsourcing recycling processing to Daiseki reduces customer SCOPE 3 Category 5 (Waste Generated in Operations) to zero. ^{*3}

Outsourcing to Daiseki enables customers to also reduce greenhouse gases under SCOPE 3 when reporting to CDP and other environmental ratings agencies.

^{*3}. In the “Emissions Intensity Database for Corporate GHG Emissions Accounting Over the Supply Chain (Version 3.1)” published by the Ministry of the Environment, the emissions intensity when recycling waste oil and sludge is set to zero.

Note: The following trial calculations are based on treatment results in FY2021 pertaining to Daiseki’s oil-water separator and converted fuel treatment methods. This is a theoretical value that estimates the effect of reducing CO₂ emissions compared to scenarios in which the customer simply incinerates waste.

Comparison when processing one ton of waste oil

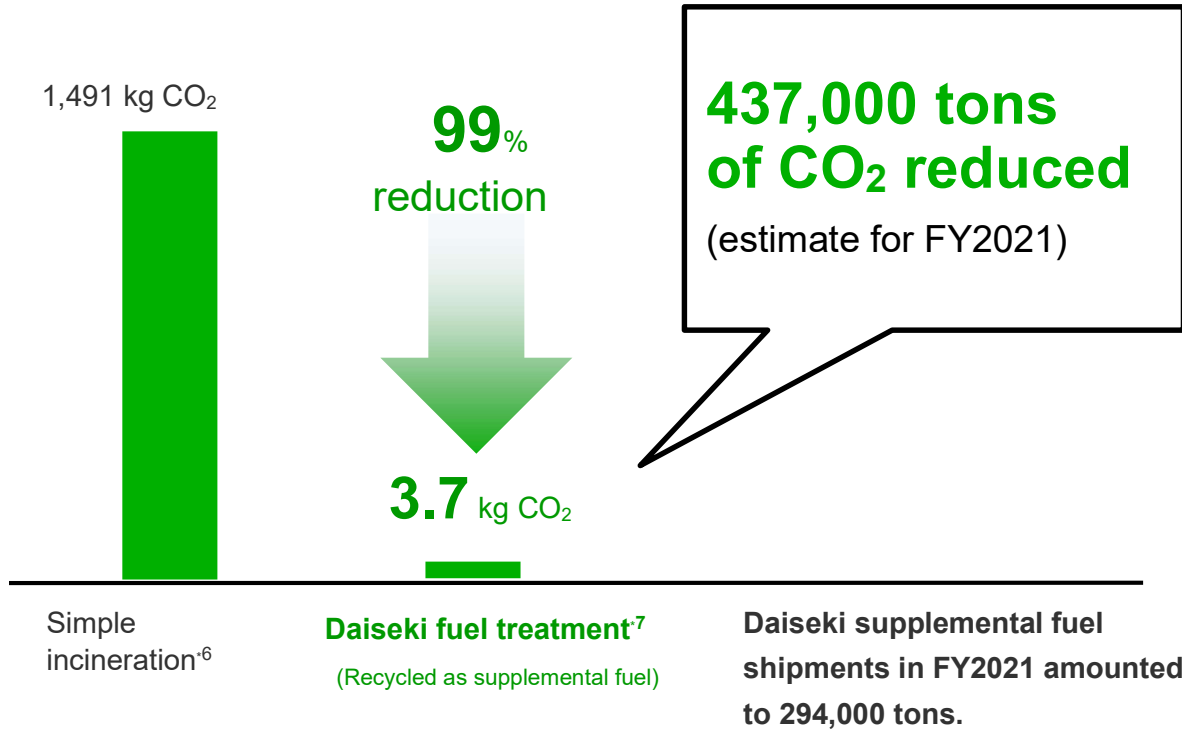


^{*4}. Calculates carbon-derived CO₂ contained in waste (Source: “Guideline for Greenhouse Gas Emissions Reporting Manual,” Ministry of the Environment).

^{*5}. Calculated as total of 1–3 below (from Daiseki FY2021 processing results):

- (1) CO₂ generated by fuel consumed by boilers used for oil-water separation
- (2) CO₂ calculated from the amount of electricity used for neutralization, biological treatment and other processes.
- (3) CO₂ calculated by converting CH₄ and N₂O generated from wastewater treatment

Comparison when treating one ton of waste solvent



*6. Considering the shipment volumes of supplemental and other fuels in FY2021 as a mixture of 150,000 tons of waste solvent and 144,000 tons of water, CO₂ emissions during simple incineration are calculated by multiplying the waste oil emission factor by the waste solvent ratio. These figures fluctuate every year depending on the ratio of waste solvent to water in shipments. In FY2021, the proportion of water in supplemental fuel increased 1.5% compared to FY2020, thus the figure for simple incinerator treatment is lower than in FY2020.

*7. CO₂ calculated from the amount of fuel consumed and the amount of electricity used for fuel conversion as follows (FY2021 processing results).

Over 539,000 tons of CO₂ reduced

Equivalent to CO₂ emissions^{*8} emitted from 190,000 households in one year.

*8. Annual CO₂ emissions per household is 2.8 tCO₂ / household (based on time comparison of major categories in the Ministry of the Environment Survey on Actual CO₂ Emissions in the Household Sector).

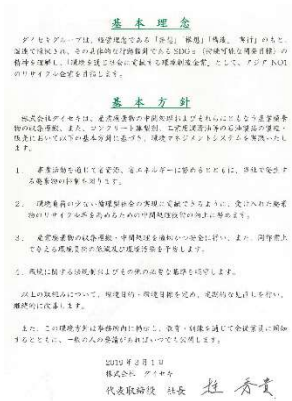
Environment

As a venous enterprise running through society feeding into manufacturing and other arterial industries, Daiseki recycles industrial waste to the fullest extent possible, utilizes resources effectively and strives to reduce environmental burdens in the waste treatment process.

Promoting Environmental Management

Formulation and Promotion of Environmental Policies

In formulating environmental policies and inculcating them among employees, Daiseki approaches the achievement of targets as an environmental company.



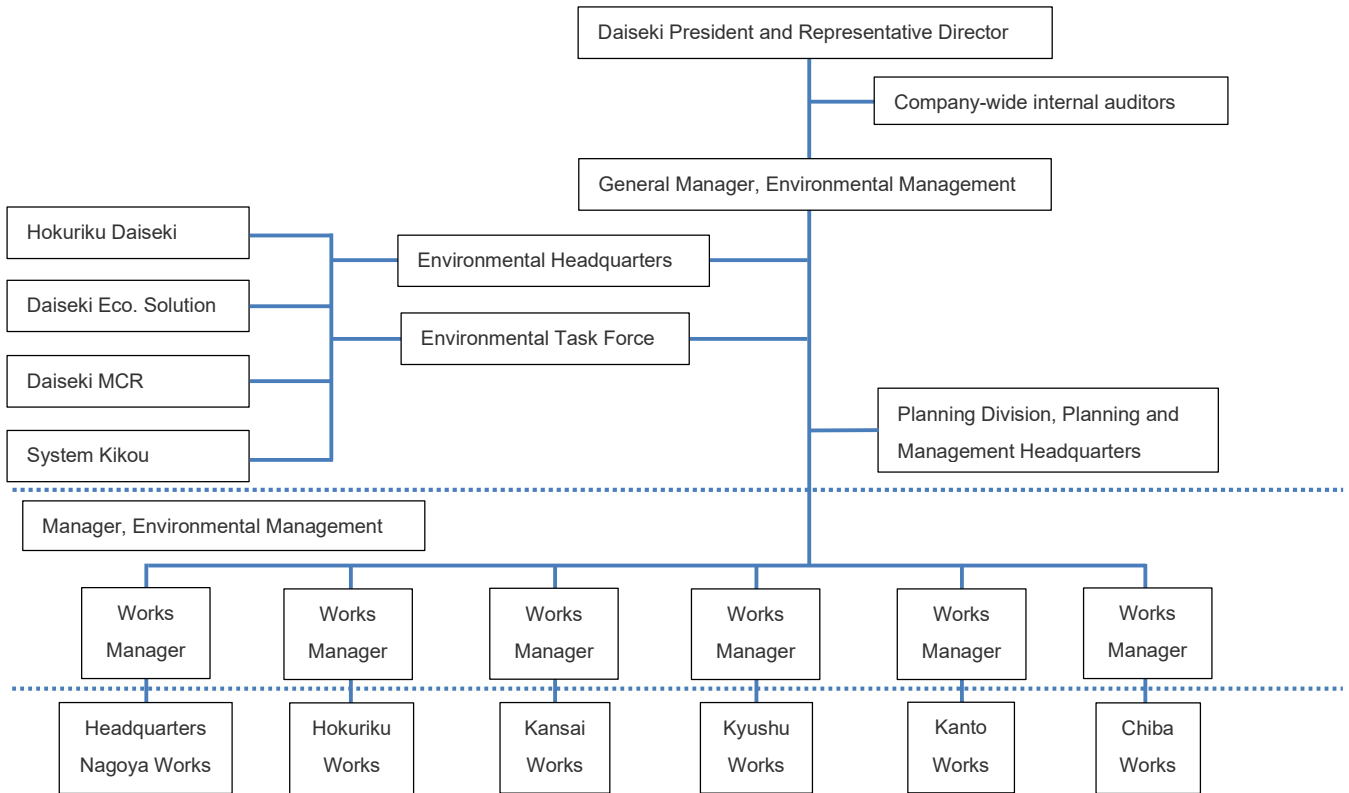
Environmental Policies

Establishing a Management Structure Complying with Environmental Laws and Regulations

Daiseki has acquired ISO14001 certification and manages compliance in accordance with environmental laws and regulations through ISO activities at all business sites. In FY2021, we did not receive any administrative sanctions (orders for improvement, orders for action, or business suspension orders) based on the Wastes Disposal and Public Cleansing Act, Air Pollution Control Act, Noise Regulation Act, Water Pollution Prevention Act, Offensive Odor Control Act. Additionally, Daiseki incurred no fines or penalties with regard to environmental matters. Further, under ISO14001, no serious issues have been identified in periodic inspections conducted annually or renewal inspections conducted once every three years.

To continuously improve ISO activities, Daiseki implements internal audits at all business sites every year to improve ISO activities at each site. Education focused on ISO14001 is provided to newly hired employees and at compliance study sessions held annually to deepen understanding.

Environmental Management Structure (Non-consolidated)



Environmental Planning and FY2021 Achievements (Non-consolidated)

In terms of environmental planning, Daiseki sets targets and engages in efforts at each business site focused on improving recycling rates and controlling waste, preventing accidents and pollution, and halting global warming.

Improved Recycling Rates and Reduction of Waste

FY2021 Targets			FY2021 Results	Target met?	FY2022 Targets	Page
Company-wide Targets	FY2021 Target: Overall Company-wide Recycling	569,000 tons/year or more	498,000 tons/year	No	Company-wide recycling rate: 88.1% or higher*	P21

Note: From FY2022, the target indicators have been changed to Recycling Rate (2) for evaluation purposes.

Preventing Accidents and Pollution

FY2021 Targets		FY2021 Achievements	Target met?	FY2022 Targets	Page
Complaints from locals: 0 at all works	Complaints about odor or dust: 0 (all six works)	Complaints: 0	Yes	Complaints: 0 (ongoing)	P31
Working with customers and partner companies to prevent accidents	Monthly accidents: 0 (all six works)	Accidents in January 2021: 0	No	Monthly accidents: 0 (ongoing)	-
	Industrial accidents: 0 (all six works)	Achieved by Hokuriku Works	No	Industrial accidents: 0 (ongoing)	P40
	Leaks and chemical reactions during collection, transport and treatment: 0	Achieved by all works except Kansai Works	No	Leakage incidents: 0 (ongoing)	-
	Waste Data Sheet (WDS) acquisition: 100%	100%	Yes	Waste Data Sheet (WDS) acquisition: 100% (ongoing)	-
	Communication regarding problems with received materials and requests for customers: 100%	100%	Yes	Communication rate: 100% (ongoing)	-

Global Warming Prevention

FY2021 Targets			FY2021 Achievements	Target met?	FY2022 Targets	Page
Company-wide Targets	CO ₂ emissions intensity*	27.9kg- CO ₂ /ton or less	28.8kg- CO ₂ /ton	No	27.9kg- CO ₂ /ton or less	P20
					Implement efforts to reduce CO ₂ emissions	

*Intensity: Calculated using the amount of waste processed by Daiseki added to the amount of petroleum products produced in the denominator and the amount of energy used in the numerator.

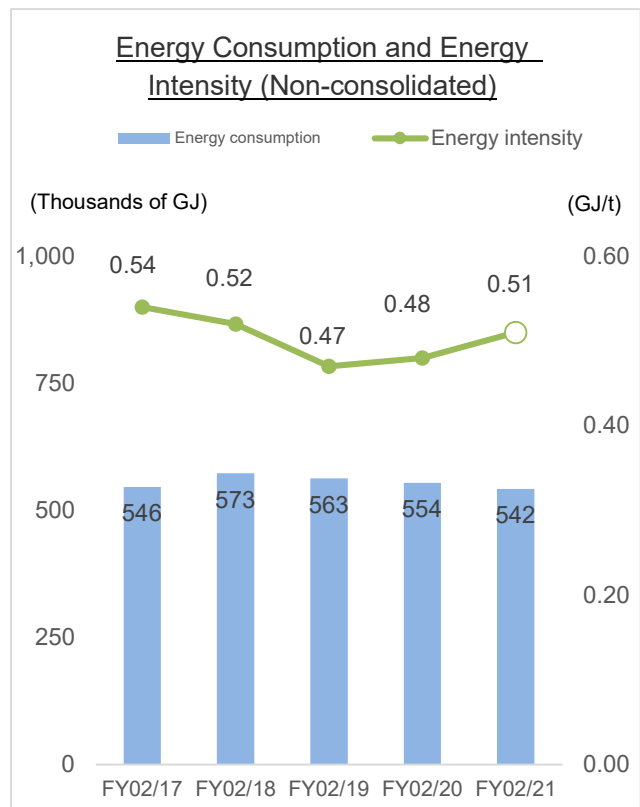
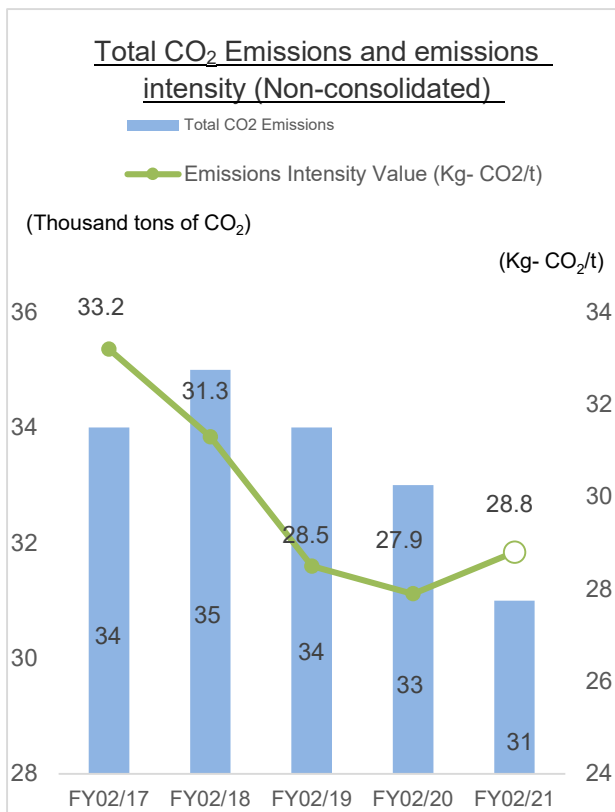
Trends in total CO₂ Emissions

In FY2021, Daiseki's total CO₂ emissions were 31,000 tons, with an emission intensity of 28.8kg- CO₂/ton. In FY2021, we continued switch over to LED lighting and the use of fuels that emit less CO₂ at all works.

Energy Conservation Promotion

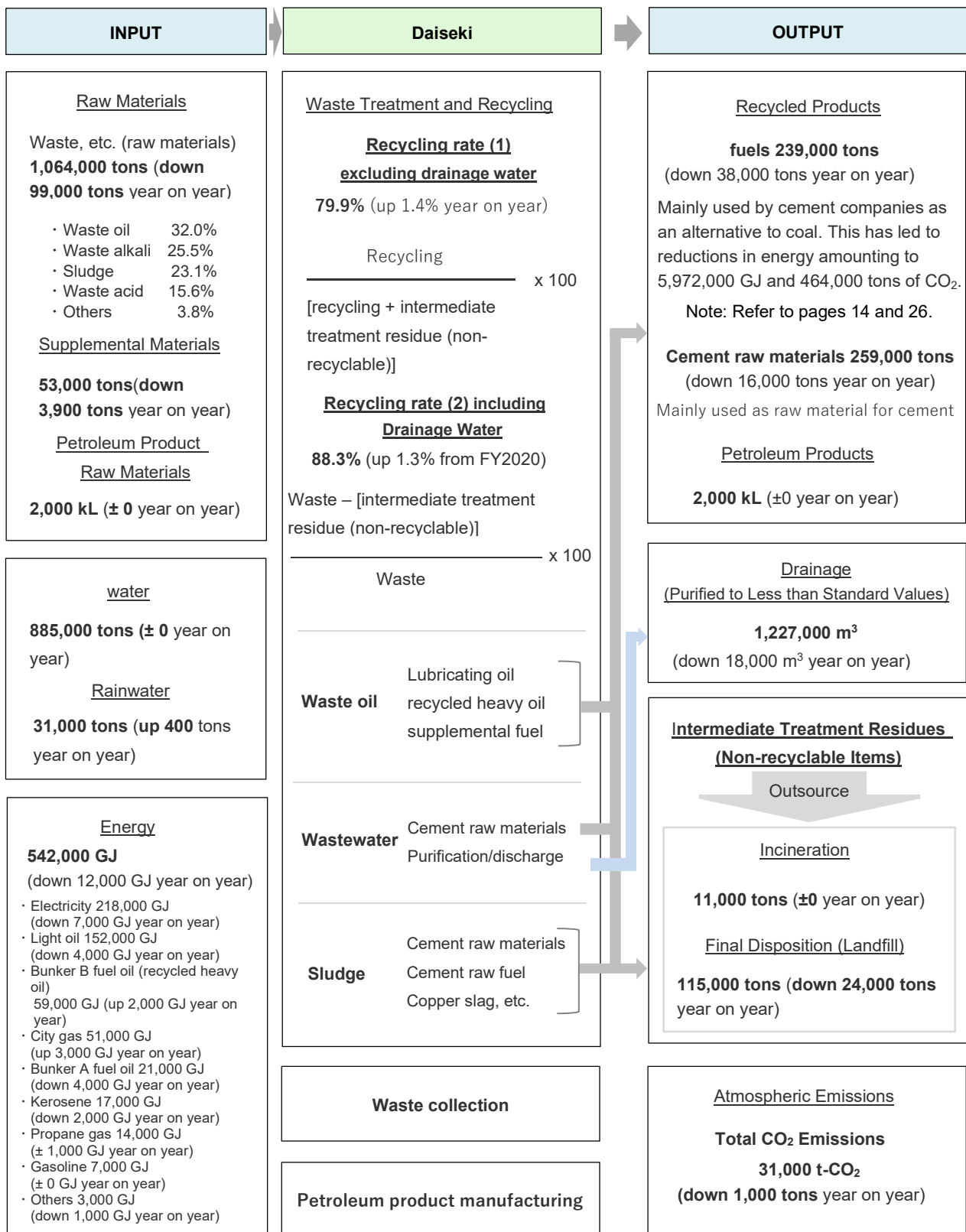
In FY2021, energy consumption* decreased 2.4% compared to the previous fiscal year, while energy intensity* increased 6.3%. The main reason for decreased energy consumption was lower fuel consumption in line with a decline in the amount of industrial waste received due to the spread of COVID-19 (down 99,000 tons compared to FY2020). This decline resulted in lower waste treatment efficiency and higher energy intensity..

*Energy Intensity: Includes the amount of energy used at works and in offices as well as fuel consumed in Daiseiki collection, transportation and sales activities.



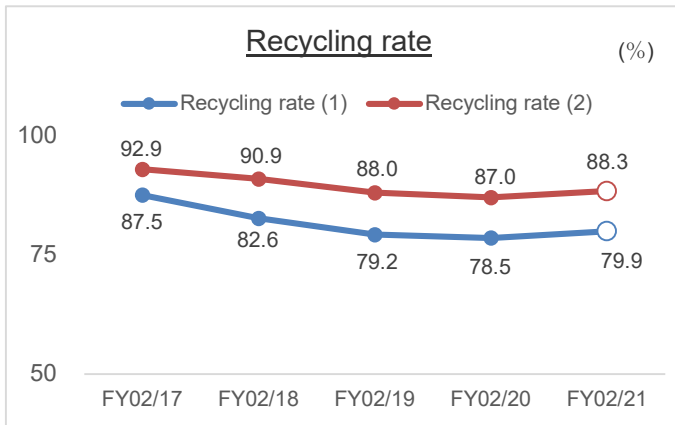
Overall Environmental Impact of Waste Treatment Business (Non-consolidated)

Daiseki engages in the reduction of adverse environmental impacts by maintaining an awareness at all stages of the treatment process, from the collection, transportation and processing of waste and other raw materials, to the taking in of recycled products and final disposal.



Recycling Rates and Recycled Product Shipment Improvements

Daiseki has proactively accepted industrial waste that is difficult for customers to dispose of in an effort to reuse it as resource. In FY2021, recycling rate (1) increased by 1.4% and recycling rate (2) increased by 1.3% from FY2020 due to the establishment of new recycling technologies. We will strive to further improve these recycling rates based on the idea of making the best use of limited resource



Recycling Approach

After neutralization, wastewater that arrives at Daiseki meets effluent standard values set by national and local governments and is discharged into sewers and rivers. To ascertain results, including wastewater treatment, which is one of the pillars of Daiseki's intermediate treatment, we have set recycling rate (1), which excludes drainage water, and recycling rate (2), which includes drainage water.

Climate Change Problem Scenario Analysis (Consolidated)

The Daiseki Group endorses the Recommendations of the Task Force on Climate-related Financial Disclosures final report published in 2017 by the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and conducted scenario analyses related to climate change problems. Daiseki assumed two scenarios—one in which insufficient countermeasures and large greenhouse gas emissions lead to a 4.0°C rise in temperatures compared to the Industrial Revolution in the year 2100, and another where strict climate change countermeasures are implemented, and the temperature rise in 2100 is limited to well below 2°C. We conducted financial impact analyses on the physical and transition risks posed by climate change, evaluated the impact on the business and examined countermeasures.

Scenarios well below 2°C

Scenarios	Impact on the Daiseki Group
<p>Tightening regulations to promote decarbonization and low-carbon initiatives</p> <ul style="list-style-type: none"> • Tougher measures including carbon taxes, emissions trading and carbon pricing systems • Increasing customer preference for low-carbon and decarbonization • Technological developments targeting low-carbon and decarbonization initiatives such as CCUS and hydrogen utilization • Increasing need for modes of transportation with low CO₂ emissions 	<p>Low-carbon needs</p> <ul style="list-style-type: none"> • Growing customer needs for the Daiseki Group treatment of industrial waste with low CO₂ emissions • Increasing customer needs for recycled fuels offering low CO₂ emissions produced and sold by the Daiseki Group • Increase in Daiseki Group electricity and fuel usage costs • Need to consider new businesses contributing to the low-carbon shift and decarbonization into the future
Negatives (Issues)	Advantages (Opportunities)
<p>Increased costs and business disruption</p> <ul style="list-style-type: none"> • Increased costs due to carbon taxes and energy source switchover • Decreased asset value of existing vehicles and equipment • Increased costs due to delayed introduction of low-carbon vehicles • Increased R&D expenses and capital investment in line with the development of new technologies 	<p>Building the foundation of sustainable business</p> <ul style="list-style-type: none"> • Increased demand for Daiseki Group recycled fuels aimed at reducing carbon tax liabilities due to low carbonization • Improved operational efficiency due to vehicle and equipment upgrades • Positive customer evaluations in line with the low-carbon shift and decarbonization • Profit growth driven by new businesses

4.0°C Temperature Rise Scenario

Scenarios	Impact on the Daiseki Group
<p>Acute physical risks (natural disasters)</p> <ul style="list-style-type: none"> ● Increase in typhoons and other extreme weather ● Intensification of natural disasters such as torrential rainfall <p>Chronic physical risks (changes in the natural environment)</p> <ul style="list-style-type: none"> ● Changes in the terrestrial environment ● Changes in the marine environment ● Sea level rise 	<p>Necessary preparations for disaster (natural disasters)</p> <ul style="list-style-type: none"> ● Increased possibility of damage to Daiseki Group bases ● Increased likelihood of damage to customer factories ● Increased likelihood that Daiseki Group will receive requests for disaster relief <p>Response to ocean surface area expansion (changes in the natural environment)</p> <ul style="list-style-type: none"> ● As the surface area of oceans expands, countermeasures may be necessary at Daiseki Group coastal factories. ● Customer coastal factories may become inoperable due to increased ocean surface area
Negatives (Issues)	Advantages (Opportunities)
<p>Decreased profits, increased costs</p> <ul style="list-style-type: none"> ● Potential for decreased profits due to shutdowns at Daiseki Group or customer factories ● Potential for cost increases due to levee protection and regrading efforts 	<p>Building disaster-resistant systems</p> <ul style="list-style-type: none"> ● Increased demand for support in line with enhancements to systems providing immediate support in the event of a disaster ● Expansion of disaster waste treatment business

Scenarios Other than Climate Change

Scenarios	Impact on the Daiseki Group
<p>Various environmental impacts</p> <ul style="list-style-type: none"> ● Harmful waste emissions ● Loss of biodiversity ● Depletion of fossil fuels and natural resources 	<p>Need to prepare for tightening regulations</p> <ul style="list-style-type: none"> ● Hazardous waste emissions regulations may tighten ● Regulations may tighten to maintain biodiversity ● Regulations on the use of natural resources may tighten
Negatives (Issues)	Advantages (Opportunities)
<p>Higher requirements for industrial waste treatment</p> <ul style="list-style-type: none"> ● Higher standards will be required for the treatment of industrial waste, which may increase treatment difficulty. 	<p>Growing demand for recycled products</p> <ul style="list-style-type: none"> ● Daiseki Group's recycled fuels, cement raw materials and other recycled products may increase in demand as alternatives to natural resources

Strategy: Analyze the impacts of risks and opportunities on business (consolidated)

Risks and opportunities associated with impact on business

■: Risks ■: Opportunities

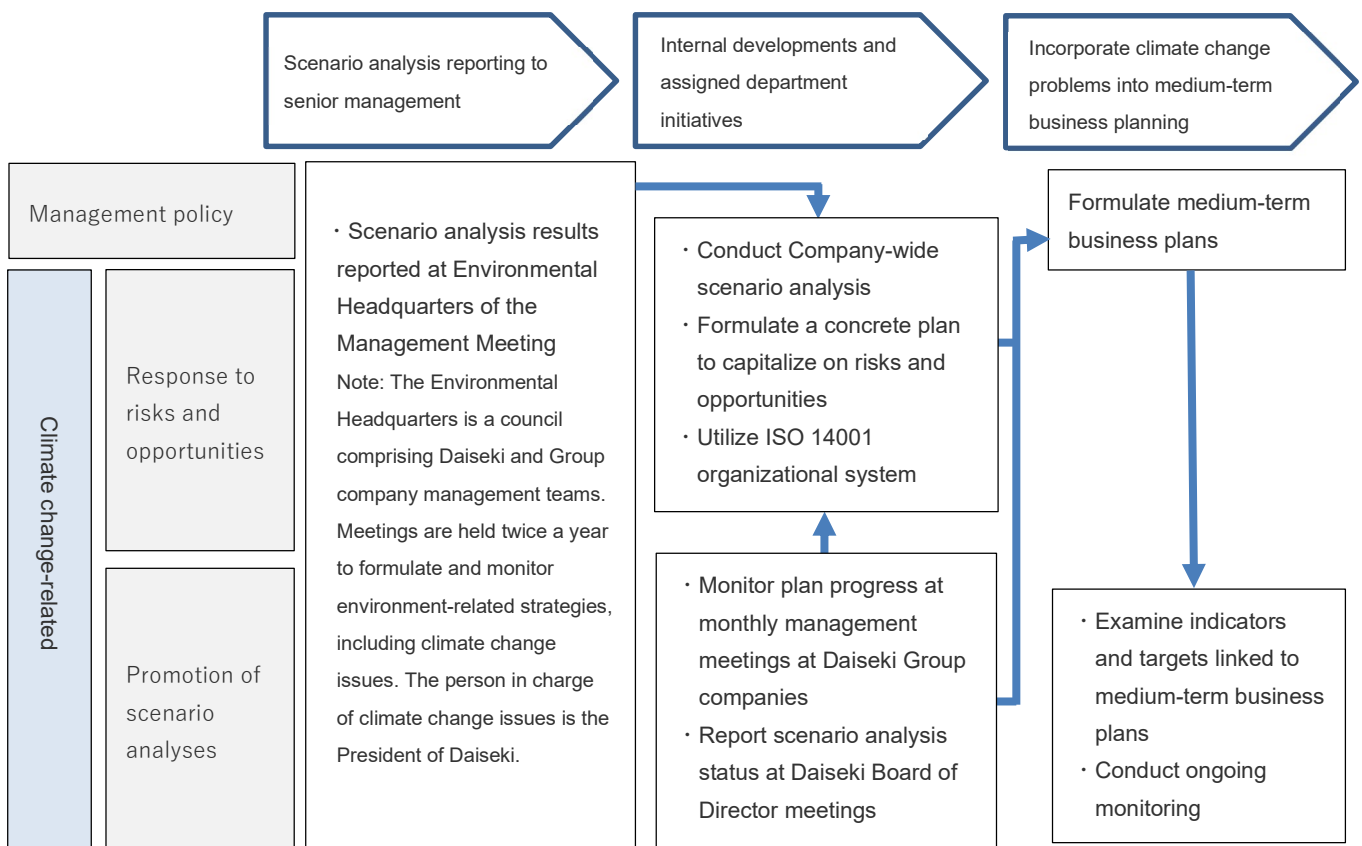
Business impact		Laws and regulations	Technologies	Markets
<div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: #4a86e8; margin-right: 5px;"></div> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">Business impact</div> </div>	Large	<ul style="list-style-type: none"> ■ Tightening regulations including carbon taxes, emissions trading and carbon pricing systems 		<ul style="list-style-type: none"> ■ Increasing demand for recycled fuel ■ Launch of new low-carbon businesses
	Medium		<ul style="list-style-type: none"> ■ Increased technology development costs and capital investment costs for low-carbon technologies ■ Higher standards required for industrial waste treatment and increased processing costs 	<ul style="list-style-type: none"> ■ Suspension of deliveries and shipments due to customer damage ■ Increased demand for the support and strengthening of rapid response systems in the event of a disaster
	Small	<ul style="list-style-type: none"> ■ Reduced tax burden via low carbonization 	<ul style="list-style-type: none"> ■ Improved operational efficiency with updated vehicles and equipment ■ Decrease in asset value of existing vehicles and equipment 	<ul style="list-style-type: none"> ■ Delayed introduction of low-carbon vehicles and equipment hinders delivery operations and reduces profits

Business impact		Reputation	Physical risks (acute)	Physical risks (chronic)
<div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: #4a86e8; margin-right: 5px;"></div> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">Business impact</div> </div>	Large			
	Medium	<ul style="list-style-type: none"> ■ Improve customer evaluations through low carbonization ■ Reputation worsens due to lack of low-carbon efforts 	<ul style="list-style-type: none"> ■ Recovery costs associated with damage to Daiseki Group factories 	
	Small			<ul style="list-style-type: none"> ■ Cost increases due to levee protection and regrading efforts

Risk Management: Risk and opportunity management process (consolidated)

	Risk and opportunity items	Daiseki Group response status
Laws and Regulations	Introduction of carbon taxes, emissions trading and carbon pricing systems	The Daiseki Group carefully investigates trends and impacts regarding laws and regulations related to carbon taxes, emissions trading and carbon pricing systems, and deliberates appropriate responses.
	Tightening regulations on industrial waste treatment	We disclose information on Daiseki Group efforts regarding the treatment of harmful waste and biodiversity protection in the ESG report.
Technologies	Low-carbon technology technical developments and capital investments	We have no plans for large-scale, technological developments or capital investments at this juncture. However, we are considering specific measures in the future to achieve our long-term goals by 2030.
	Upgrading of vehicles and equipment to reduce carbon	We have set a goal to reduce SCOPE 2 emissions to zero by 2025 by switching to CO ₂ -free electricity. Additionally, we will increase the number of commercial hybrid vehicles from one-third as of 2020, to one-half by 2023 to reduce SCOPE 1 emissions.
Markets	Increasing demand for recycled fuel	Recycled fuel can reduce CO ₂ emissions compared to virgin fuel. Daiseki will promote the benefits of recycled fuel among customers and expand their application.
	New low-carbon business	As an environmental business company, Daiseki will consider new businesses that can contribute to the low carbonization of our customers.
	Suspension of deliveries and shipments due to customer damage	We establish business relationships with a large number of customers to reduce the risk of business interruption.
	Accelerating disaster responses, increase demand for support	Leveraging Daiseki experience with support efforts in the event of a large-scale disaster, we are always prepared to respond promptly when necessary.
	Delays in introducing low-carbon vehicles and equipment	Since FY2021, we have been examining the introduction of low-carbon vehicles. As there are no low-carbon vehicles on the market at this time, we will switch from potential equipment to low-carbon specifications.
Reputation	Reputation among customers due to low-carbonization	While supporting customer low-carbonization efforts, Daiseki will also promote low carbonization throughout the Daiseki Group. We will strive to earn the trust of customers through the positive evaluations of international environmental rating agencies such as CDP.
Physical risks (acute)	Recovery costs associated with damage to Daiseki Group factories	Impacts are estimated based on the cost of factory shutdowns and restorations when Daiseki factories were damaged by typhoons and other disasters in the past. We will implement disaster prevention measures to minimize the damage in the event of a disaster.
Physical risks (chronic)	Cost increases due to levee protection and regrading efforts	Daiseki recognizes that, if sea levels rise due to climate change, levee protection and regrading efforts will be required at factories located in coastal areas. However, at present the impact is considered minor.

Governance: Climate Change Risk and Opportunity Monitoring System (Consolidated)



Decarbonization and Low-Carbonization Initiatives (Group Companies)

At the Climate Change Summit held in April 2021, Prime Minister Suga declared Japan would achieve a 46% reduction in greenhouse gases by 2030 with the aim of achieving carbon neutrality by 2050. In response, Daiseiki is considering a 30% reduction in SCOPE 1 + SCOPE 2 by 2025 across the entire Group. To achieve this goal, we are specifically promoting the following initiatives.

Switching Over to Electricity Emitting Zero CO₂

Group-wide CO₂ emissions in FY2021 were 28,000 tons of CO₂ emitted under SCOPE 1 and 15,000 tons of CO₂ emitted under SCOPE 2. The Daiseiki Group will continue to reduce CO₂ emissions with the aim of receiving reduction target certification under SBT*. We will examine switching over to electricity with zero CO₂ emissions by 2025, reducing SCOPE 2 emission to zero and reducing SCOPE1 and SCOPE 2 emissions 30% across the entire Group. To reduce SCOPE 1 emissions, Daiseiki is examining the introduction of large vehicles with low CO₂ emissions. As EV tanker trucks are not on the market at present, we will first aim for the low-carbon shift by replacing our vehicle fleet for sales activities with hybrid vehicles. At present in FY2021, the ratio of hybrid to gasoline-powered vehicles is about one-third and expected to increase to one-half by FY2024. Daiseiki is also upgrading to equipment that emits less CO₂, switching to fossil fuel alternatives and installing LED lighting. In FY2022, the entire Daiseiki Group identified what it can do to reduce carbon and verify the effects. From FY2023, we will set numerical targets and monitor our progress toward them.

Note: SBT (Science-Based Target) is a greenhouse gas reduction target set by companies looking 5–15 years ahead that conform to levels required under the Paris Agreement.

Industrial Waste Processing Business with Low CO₂ Emissions

To understand how much CO₂ could be reduced within oil-water separation and fuel conversion—Daiseki’s main methods of treatment—compared to cases where the customer simply incinerates waste, we calculated a theoretical value based on FY2021 treatment volumes, resulting in a reduction effect of 539,000 tons of CO₂ (see details). In terms of waste oil and sludge, SCOPE 3* Category (5) (waste) that is outsourced to Daiseki for processing reduces customer emission to zero. Customers who outsource waste disposal to Daiseki can reduce the amount of SCOPE 3* greenhouse gas emissions reported to the CDP and other environmental rating agencies.

Note: SCOPE 3 Refers to other indirect greenhouse gas emissions, and in particular, greenhouse gas emissions during the manufacturing of goods purchased by the company, greenhouse gas emissions when consumers use the products and greenhouse gas emissions when waste is treated. In the *Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain* (Ver. 3.0) published by the Ministry of the Environment, emissions intensity is set to zero when waste oil, sludge and other waste is recycled.

Reducing CO₂ Emissions with Recycled Fuel

Daiseki collects used waste oil from customers and recycles it into recycled fuel such as recycled heavy oil and supplemental fuel. In using recycled fuel, customers are using waste instead of fossil fuel, which contributes to the reduction of CO₂ emissions from energy sources. Greenhouse gases can also be reduced when reported based on the Act on Temporary Measures for Promotion of Rational Uses of Energy and Recycled Resources in Business Activities*. In FY2021, Daiseki produced recycled fuel equivalent to approximately 464,000 tons CO₂ (see page 13 for details). Recycled heavy oil produced by Daiseki was equivalent to about 38,000 tons of Bunker A fuel oil, while supplemental fuel was equivalent to approximately 155,000 tons of coal. This use of Daiseki’s recycled fuel enables fossil fuel consumption to be reduced as indicated above. Additionally, taxes including JPY2,800/kl for petroleum products and JPY1,370/ton for coal are levied on users of fossil fuels, but not recycled fuel as it is not fossil fuel (*Regarding Taxation of Coal in Accordance with Revisions to the Petroleum and Coal Tax Act*, Agency for Natural Resources and Energy, 2020). If all the recycled fuel produced by Daiseki in FY2021 had been converted from fossil fuels, a petroleum and coal tax of approximately JPY330mn could have been avoided.

Note: According to the Act on Temporary Measures for Promotion of Rational Uses of Energy and Recycled Resources in Business Activities (Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy, 2018), business fields directly regulated by the Act on Temporary Measures for Promotion of Rational Uses of Energy and Recycled Resources in Business Activities applicable to energy users include factories, business establishments and the transportation field. Businesses of a certain size or larger are required to report information such as energy usage status, and if efforts are insufficient, guidance, advice and instructions for creating a rationalization plan are provided. The act applies to energy, including fuel, heat and electricity. It does not apply to energy recovered from waste and non-fossil energy, such as wind and solar power.

Indicators and Goals for Evaluating and Managing Climate-related Risks and Opportunities

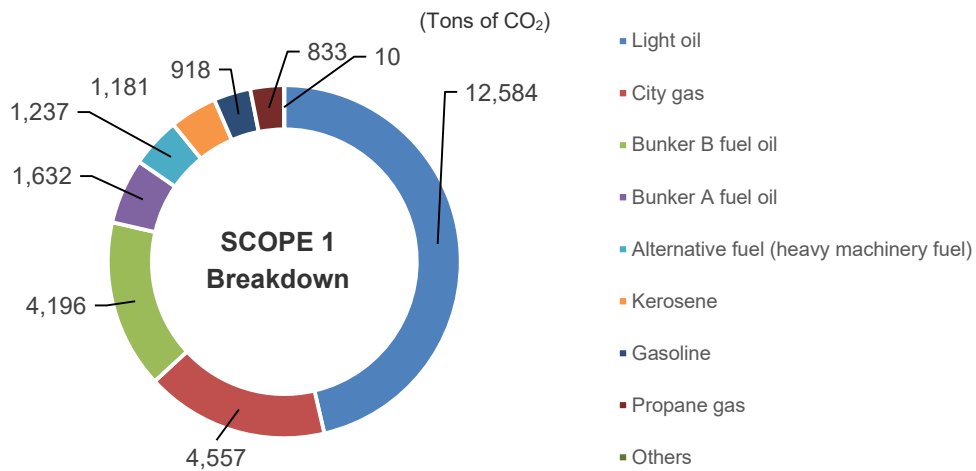
Having evaluated emissions, we learned that SCOPE1 emissions are high and identified the reduction of CO₂ emissions associated with the use of tanker trucks and other large vehicles as an issue. However, as there are no large vehicles with low carbon specifications on the market at this time, we will engage in SCOPE 1 countermeasures to the extent possible.

Breakdown of FY2021 Daiseki Group SCOPE1-2-3 Emissions

See Third-party Verification on page 54.

(Thousand tons of CO₂)

	SCOPE 1 Direct emission of greenhouse gases by the Daiseki Group (energy-derived emissions only)	SCOPE 2 Indirect emissions from use of electricity, heat and steam supplied by other companies (electricity only at the Daiseki Group)	SCOPE 3 Indirect emission other than SCOPE 1-2 (emissions of other companies related to business activities)
Daiseki Group emissions (thousand tons of CO ₂)	28	15	106
Ratio	66%	34%	-



Initiatives toward a Recycling-oriented Society (Non-consolidated)

To create a recycling-oriented society, Daiseki is engaged in the development of treatment technologies that effectively utilize resources and improve the recycling rate of waste shipments.

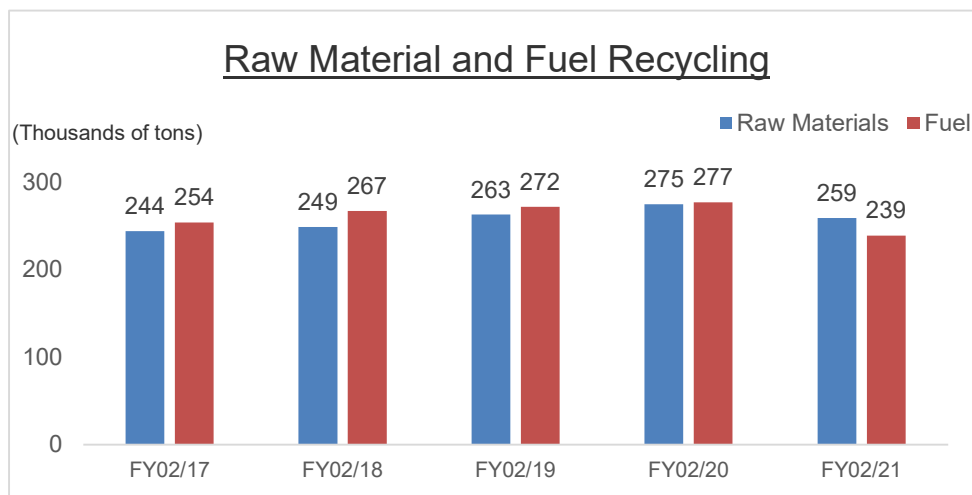
Recycling Promotion Efforts (Non-consolidated)

Trends in Raw Material Recycling

In addition to providing sludge as a raw material for cement meeting individual user standards, Daiseki promotes a wide range of other effective uses for sludge as solid fuel combining wood chips and oil mud to cement companies. Raw material recycling in FY2021 decreased by 16,000 tons year on year, to 259,000 tons. This reflects a decrease in the amount of waste received due to the impact of the COVID-19 pandemic.

Trends in Fuel Recycling

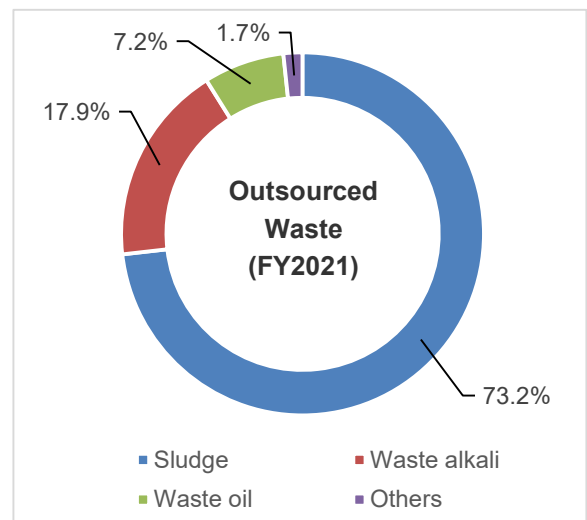
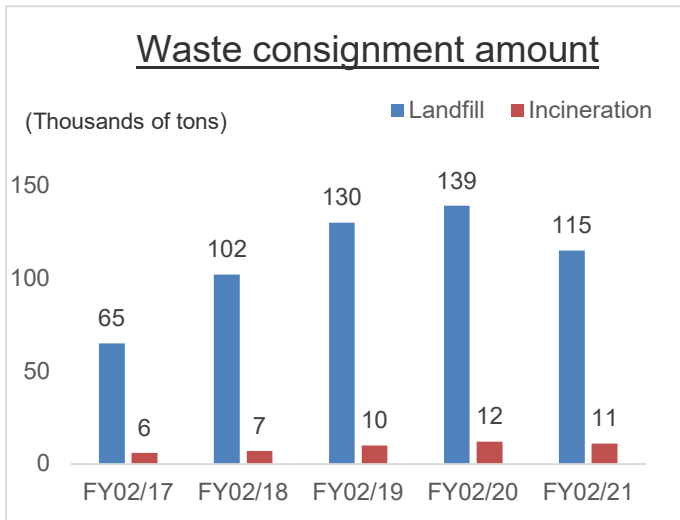
Daiseki manufactures recycled heavy oil and supplemental fuel using waste oil from customers, which is then delivered to cement makers and a variety of other companies. In FY2021, fuel recycling decreased by 40,000 tons year on year, to 239,000 tons. As with raw materials, the COVID-19 pandemic had an adverse impact on the amount of waste received, while a drop in crude oil market prices has dampened demand for recycled heavy oil.



Eliminating the Generation of Waste (Non-consolidated)

Waste generated by Daiseki includes mainly the packaging in which waste arrives, used personal protective equipment and residue from intermediate treatment of industrial waste. A portion of intermediate treatment residue is outsourced to landfills and incinerators amid ongoing efforts to reduce the amount outsourced. Outsourcing to landfills mainly involves sludge, while outsourcing to incinerators involves waste oil and flammable waste oil.

In FY2021, although the amount of sludge disposed in landfills decreased in line with lower volumes of waste received due to the COVID-19 pandemic, we are receiving increasingly larger volumes of waste that cannot easily be recycled into raw materials for cement, thus landfill sludge has been on the rise in recent years. Daiseki is engaged in a variety of initiatives including the use of waste as a substitute for solidifying agents to reduce the amount of sludge disposed in landfills.



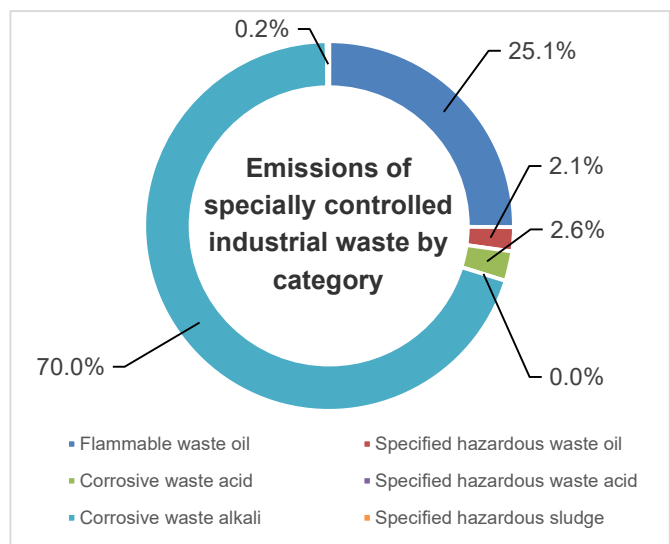
Special Control Industrial Waste Emissions (Consolidated)

Among the waste generated by the Daiseki Group, the amount of specially controlled industrial waste discharged was 12,069 tons. In terms of items, this comprised paint residue, corrosive waste alkali and other flammable waste oils. While the Daiseki Group recycles to the full extent possible in an attempt to reduce the amount of intermediate treatment residue outsourced for disposal, specially controlled industrial waste, which is unavoidable in the waste treatment process, is outsourced for incineration.

Special Control Industrial Waste by Emission Item (Consolidated)

Unit (tons)

Emitted Items in FY2021	Emissions
Flammable waste oil	3,031
Specified hazardous waste oil	253
Corrosive waste acid	312
Specified hazardous waste acid	253
Corrosive waste alkali	8,452
Specified hazardous sludge	18
Total	12,069



Efforts to Prevent Odors and Conserve Biodiversity (Non-consolidated)

Daiseki recognizes the prevention of odors and noise as important issues connected to the recycling of waste, thus we have introduced various equipment and make ongoing efforts to manage and counter their impact. We also strive to protect biodiversity and the natural environment.

Odor and Dust Countermeasures

Odor Complaint Status and Response

In FY2021, there were no complaints about odors at any business site. Most of the wastewater, sludge, and waste oil handled by Daiseki has a distinctive odor, and if mistakes happen, there is a risk of adversely affecting the lives of local residents. For this reason, Daiseki employees at each business site regularly conduct odor patrols in and around the site to confirm there are no offensive odors. Based on pollution control agreements with local communities, Daiseki created a system whereby worksites regularly measure odors and another system in which local residents can contact us as “odor monitors” if they sense something is amiss.

Odor Countermeasures for Received Waste

In terms of odor countermeasures for waste received, waste samples are analyzed in advance to determine whether or not to accept delivery and how to dispose of the waste if it generates significant odor. If odor is present when picking up at the customer site or unloading at a Daiseki storage facility, we use deodorizer to prevent the odor from spreading. To prevent odors in works, we installed fans that sprays deodorizer on storage pits and the yard apertures. Additionally, scrubber systems, activated charcoal absorbers, combustion deodorizers and other odor-removal equipment have been installed at all works to appropriately handle odors regardless of type or degree of intensity.

Treatment of Easily Dispersible Pulverulent Body Waste

Customer pulverulent body waste is delivered to Daiseki in flexible container packs and bags that generate fine particles when opened. To prevent these particles from dispersing, we installed an apparatus that automatically humidifies pulverulent body waste inside the processing equipment as well as large dust collectors combining bag filters and mist sprayers at facilities where sludge is treated. Dust collectors are being installed or upgraded at all works to improve dust collection capabilities.

Noise and Vibration Prevention

With regard to noise and vibrations, Daiseki submits reports from all works and applicable facilities in accordance with laws and ordinances. Daiseki facilities are designed to be sound- and vibration-proof, with no complaints thus far.

To prevent noise and vibrations, we inspect, manage and monitor equipment on a daily basis, measuring noise and vibrations based on agreements with local communities.

Support for Biodiversity

Daiseki contributes to the preservation of biodiversity through business activities as follows.

1. We strive to reduce environmental burdens and manage environmental risks associated with the collection, transportation and treatment of waste.
2. Our wastewater purification treatment efforts contribute to the improvement of animal and plant habitats and growth environments.
3. We strive to reduce adverse impacts on biodiversity through the reduction of greenhouse gas emissions and the provision of recycled fuel and other recycled products.

4. We strive to beautify and green all Daiseki facility premises and surroundings and promote the protection of local flora and fauna.

Topics: Environmental Ratings Agency Score

Daiseki Group management discusses specific plans pertaining to climate change, pollution and other environmental issues, confirming the progress of these plans at meetings (for details, see P26). We are promoting initiatives that contribute to environmental conservation and Daiseki Group business expansion, and in FY2021, we disclosed the status of these efforts to CDP* and obtained a score. In FY2022, we will continue to promote environmental conservation efforts to obtain an even higher score.

Note: CDP(Carbon Disclosure Project)

This project publicly announces corporate efforts to respond to climate change and reduce greenhouse gas emissions. Companies answer a set of questions and CDP evaluates, scores and makes public their efforts. The CDP is an important indicator of corporate value.

Environmental Pollution Prevention and Water Resource Conservation (Non-consolidated)

Daiseki thoroughly controls exhaust gas and wastewater discharged from works and prevents soil and groundwater pollution as the basis of environmental management efforts. We are also working to conserve water resources through wastewater treatment and purification.

Controlling the Emission of Air Pollutants

Daiseki outsources the incineration of residue left over after recycling waste into recycled fuel as we do not own incineration facilities covered under the Air Pollution Control Act and the Act on Special Measures against Dioxins. At the same time, all works have small boilers, so we measure SOx, NOx and other air pollutant emissions biannually. In FY2021, all works maintained emissions at or below standard values.

Managing the Quality of Drainage Water and Recycling Water Resources

After neutralizing, coagulating and dehydrating wastewater, it is treated biologically using the activated sludge method and discharged into sewers or rivers. In terms of managing drainage water quality, Daiseki uses activated sludge to manage water quality at each worksite and is creating a system for the rapid detection of abnormalities. Additionally, we established drainage water release standards that are stricter than legal requirements and formulated emergency response procedures for when there is a risk of falling short of our own standards. In FY2021, no Daiseki worksites failed to meet these standards.

In FY2021, Daiseki purified approximately 341,000 tons of wastewater, contributing to the recycling of water resources. Further, to reduce the amount of groundwater, industrial water, clean water and other water resources used at our worksites, the Nagoya and Kanto works collect and utilize rainwater. The amount of rainwater collected and used in FY2021 amounts to 31,000 m³, which is approximately 3.4% of overall water resources used by Daiseki.

Trends in Wastewater Purification Volumes over the Past Five Years (Non-consolidated)

	Unit (thousand tons)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Purification process volume	314	344	373	344	341

Management of Chemical Substances Subjected to the PRTR System

Daiseki ascertains and reports the amount of chemical substances handled based on the Pollutant Release and Transfer Registers (PRTR) system.*

Note: The PRTR System is a mechanism enabling the national government, business groups and other institutions to ascertain, aggregate and publicize information regarding the source, environmental emission and offsite movement of harmful chemical substances.

Reporting Chemical Substances Used as Fuel

- Nagoya Works: Kerosene (xylene, 1,2,4-trimethylbenzene)
- Hokuriku Works: Bunker A fuel oil (methylnaphthalene)
- Kyushu Works: Bunker A fuel oil (methylnaphthalene)
- Kanto Works: Kerosene (xylene, 1,2,4-trimethylbenzene)

In addition to the above, Daiseki reported nine substances from the Hokuriku Works.

Annual Discharge to Public Waters and Average Effluent Concentration (Non-consolidated)

	Annual discharge (kg)					FY2021 Effluent	
	FY2017	FY2018	FY2019	FY2020	FY2021	Drainage standard (mg / L)	Average concentration (mg / L)
Copper	180	120	72	140	140	3	0.5
Zinc	71	64	65	76	35	2	0.1
Manganese	18	49	34	52	30	10	0.1
Fluorine	690	990	1,148	1,200	790	8	2.8
Boron	940	740	971	510	440	10	1.5
Total chromium	3.7	8.5	0.6	0	1.3	2	<0.025
Hexavalent chromium	2.4	4.2	0	0	0.9	0.5	<0.025
1,4-dioxane	0.3	8.7	5.6	1.7	1.6	0.5	0.01
Benzene	0.3	0	0	0	0	0.1	<0.001

Preventing Outside Leakage from Worksites

Daiseki installs dikes around storage tanks to prevent waste liquids from seeping into the soil, groundwater or offsite. Works are paved with concrete to prevent waste liquid from seeping into the soil or underground. To prevent the offsite leakage of waste liquid, we installed gutters, emergency storage tanks for waste liquid and oil-water separation tanks at all Daiseki works. Storage tanks are managed daily to detect and repair aging parts as soon as possible.

To prevent leakage during waste collection and transportation, we inspect the exterior of drums and other containers before loading them onto trucks or having a partner company collect and transport them. For items that have deteriorated or are in danger of leaking from containers during transportation, we take measures such as replacing containers to ensure safety before transporting.

People

To continue growing 100 years from now, we strive to create a Company where all employees can work long-term in a healthy and fulfilling environment, develop human resources and promote diversity.

Supporting the Realization of a Work-Life Balance

To support employees in balancing work and family, Daiseki established childcare leave and nursing care leave systems in accordance with laws and regulations so that employees can take leave for childcare, nursing care and infant nursing. In FY2021, five Daiseki employees utilized childcare leave, of which two were male employees. Additionally, in terms of COVID-19 countermeasures, we introduced a staggered commute system, a telework system and a special leave system for employees with young children who need to care for them at home due to kindergarten and elementary school closures.

Acquisition of Paid Leave and Maternity/Childcare Leave (Non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Paid leave acquisition rate (%)	48.7	49.8	53.9	66.0	61.9
Utilized maternity leave (people)	1	1	3	2	3
Utilized childcare leave (people)	0	1	4	2	5

Overwork Countermeasures

In FY2016, Daiseki introduced an overtime work goal management system as an employee overwork countermeasure. In February 2019 we introduced a new attendance system enabling employees to apply and receive online approval facilitating paperless workplaces and higher efficiency. It also enables us to visualize overtime work, making it easier to reduce long working hours.

Working Hours (Non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Average annual overtime	47	49	50	48	45

Unit (Hours)

36 Agreement (Non-consolidated)

		Crew	Non-crew
Scheduled working hours		Eight hours/day	Eight hours/day
Number of hours exceeding legal working hours		Seven hours/day 50 hours in two weeks	10 hours/day
	One month	80 hours	45 hours
	One year	960 hours	360 hours
Number of legal holidays on which employees can work		One day every two weeks	Four days/month

Note: Excluding special provisions

Introduction of Employee Health Consultation Services

Daiseki provides health consultation services for its employees. This service enables employees and their families to receive (1) 24-hour telephone consultations regarding health, medical care, nursing care and childcare, (2) mental health counseling, and (3) second opinion services. The Daiseki Group is continuously enhancing welfare programs so that employees can work in good health on a daily basis. While our employee turnover rate is already relatively low, we will continue striving to create an environment in which employees can work with peace of mind over the long term.

Turnover Rate (Consolidated)

	Unit (%)	
	Personal reasons	Company reasons
Turnover Rate	2.4	0

Note: The turnover rate is a ratio comparing the number of employees who resigned in FY2021 to the number of regular Group employees as of February 2021.

Enhancing Employee Welfare Systems

To enhance our employee welfare program, the Daiseki Group is a member of the Life Support Club, which enables members to take advantage of contracted hotels, golf courses and other recreational facilities throughout Japan. These are used by many Daiseki employees every year, providing them with relaxation and fun. Further, all officers and employees are eligible to participate in the employee stock ownership program, which is advantageous as Daiseki provides subsidies to participating employees.

Welfare System (Consolidated)

	Unit (people)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Total Number of Life Support Club Users	823	1,493	2,224	3,001	2,019

Employee Stock Ownership Program Membership (Consolidated) at FY2021 End

	Unit (people)	
	Eligible employees	Members
Employees	983	625

Creating Workplaces Where Women Play Active Roles and Promoting Diversity

Daiseki is engaged in providing employment environments and creating workplaces where women are able to play active roles and promoting diversity.

Initiatives Supporting the Active Participation of Women (Non-consolidated)

Having achieved the objectives as an action plan to promote women's active participation, in FY2022 Daiseki formulated two new action plans targeting 10 or more women working in sales positions and a difference in average number of years worked between men and women of less than three years. As of the end of FY2021, Daiseki had 74 sales positions for men and 5 for women, and the average length of service was 11.9 years for men and 7.5 years for women (consolidated: 10.4 years for men and 6.8 years for women).

In FY2021, Daiseki welcomed a woman director from outside the Company who will promote diversity. Additionally, two general office employees were converted to career-track positions. In FY2022, we promoted one woman to a managerial position. Going forward, we will continue to create internal systems and work environments making it easy and comfortable for women to work after marriage or childbirth, while striving to achieve the aforementioned action plans.

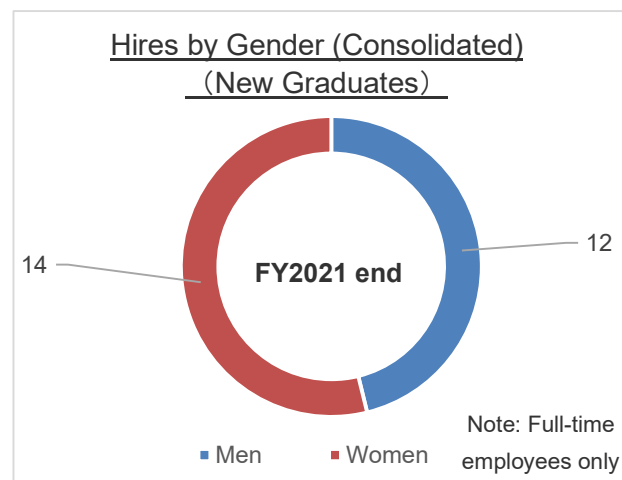
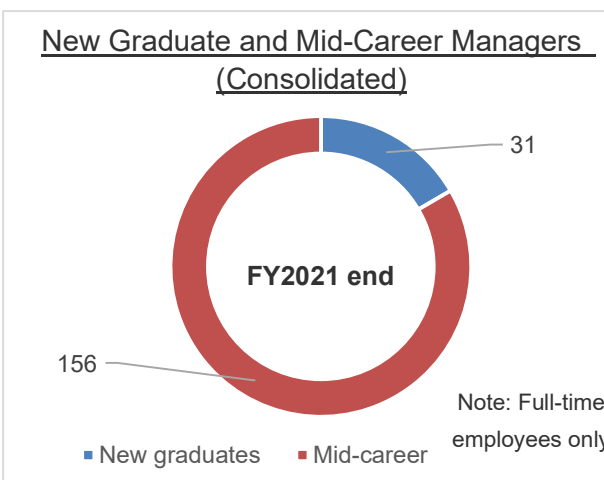
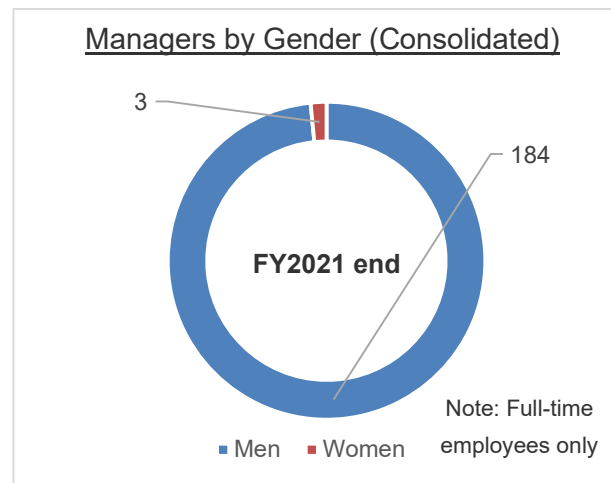
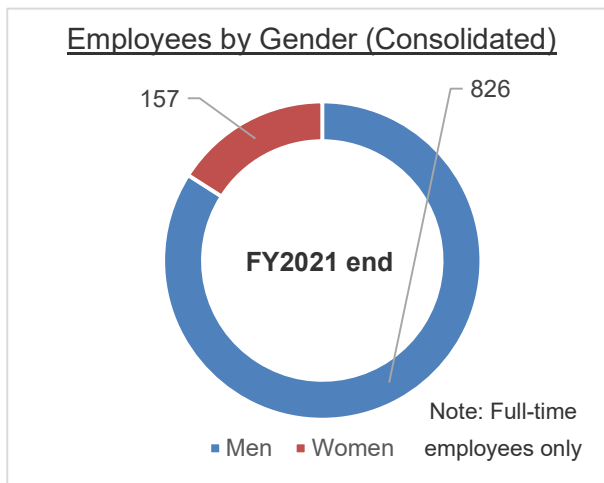
Daiseki is involved in the Aichi Women’s Active Participations Promotion Project led by Aichi Prefecture, the details of which are as follows.

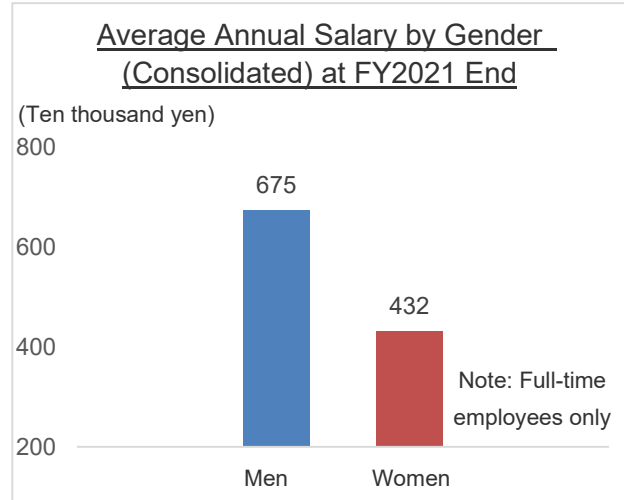
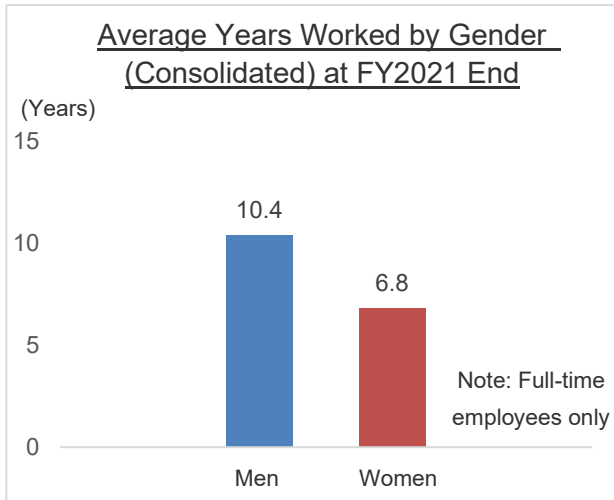
Declaration of Support for the Active Participation of Women Details

Based on the philosophy of contributing to society by creating a better environment, Daiseki is proactively engaged in creating workplaces enabling the active participation of women by actively increasing the number of female employees hired or promoted to important positions.

Promotion of Diversity (Consolidated)

At the Daiseki Group, we are increasing the number of women hired, while actively hiring mid-career employees for management positions.





Female Sales Personnel (Non-consolidated)

	Unit (people)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Female Sales Personnel	1	1	2	5	5

Female Employees Converted to Career-Track Positions (Non-consolidated)

	Unit (people)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Female Employees Converted to Career-Track Positions	1	4	3	1	2

Efforts to Balance Work and Childrearing

To makes it easier for employees to balance work and childrearing, Daiseki formulated an action plan enabling employees to fully demonstrate their abilities by creating an environment where all employees can work comfortably. To make it even easier for employees to take maternity and childcare leave or paid holidays, during the five-year period starting in FY2022 we will engage in the following activities.

Duration: Five years, from May 16, 2021, to May 15, 2026

Goal 1: Provide and disseminate information on maternity leave, childcare leave, childcare leave benefits and exemptions from social insurance premiums while on childcare leave to create an environment in which male and female employees can easily utilize childcare leave.

Measure 1: Starting in May 2021: Examine various systems based on the law Starting in March 2022: Distribute pamphlets about systems to employees

Goal 2: Increase annual utilization of paid leave to 70% or more

Measure 2: Starting in May 2021: Understanding current utilization rates

Starting in March 2022: Annual training for managers to encourage regular utilization

Human Resource Development and Workplace Improvement Efforts

Daiseki strives to enhance training for the development of human resources who will lead the future. We provide training in accordance with each skill and experience level, including new employee training, skill enhancement training conducted several years after employees join the company and training for new managers appointed for the first time.

Further, we conduct monthly compliance study sessions in which all employees participate, safety education for employees involved in waste treatment and training for Vice Office Managers on how to conduct individual employee interviews.

Starting in FY2022, we are utilizing e-learning to conduct training for Vice Office Managers and Factory Directors to inculcate organizational, leadership, strategic, marketing, business ethics, accounting and finance and other skills necessary in their future role of manager. Going forward, we will further refine the scope and enhance the content of training programs to develop human resources capable of driving the future of Daiseki.

Promoting the Employment of Diverse Human Resources

Daiseki regards ongoing hiring and retention of employees as an important management issue. We have never reduced our number of employees even once in the past, and we regularly hire new graduates. We are also engaged in ongoing efforts to hire people with disabilities to ensure sufficient human resource diversity. At Daiseki, rather than establishing a special subsidiary where people with disabilities engage in non-core business activities, they are given the same tasks as regular employees, whom they work alongside on a daily basis.

For employees who wish to be rehired after retirement and meet conditions established by the Company, we established a reemployment system enabling employees to continue working with peace of mind until they reach 65 years of age.

At present, although Daiseki does not employ any foreign nationals, we have plans to hire foreign nationals as needed when expanding overseas in the future.

Employment of People with Disabilities and Rehired Employees (Non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of Employees with Disabilities (people)	13	12	12	12	13
Employees Seeking to Be Rehired After Retirement (%)	100	100	75	100	92
Rehired Employees (%)	100	100	100	100	100

Work Environment Improvement Project Activities

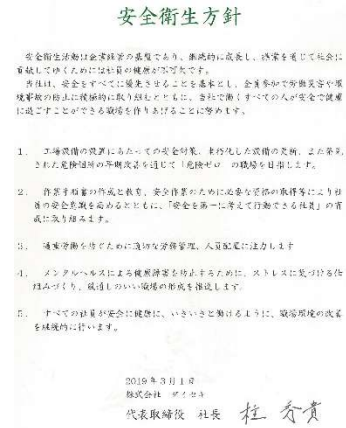
Since FY2020, Daiseki has been engaged in the Work Environment Improvement Project. This involves in-house improvement activities aimed at creating a workplace where all employees can work in health and safety. Improvement proposals are posted on the Daiseki in-house bulletin board as improvement reports for all employees to review. In FY2021, we streamlined shipping operations by converting paper delivery documents to PDF, revised document storage limit requirements to sort out unnecessary documents, expanded subsidies for flu shots, systematized our year-end tax adjustment application and outsourced confirmation work, created a manual for handling unwanted phone calls and established a safety management system to safely check incoming industrial waste. In FY2022, we introduced air-conditioned suits to prevent heatstroke and established a system granting special leave for COVID-19 vaccinations. We want to make it even easier for employees to work so Daiseki can grow sustainably. Going forward, we will continue responding to employee requests and feedback leading to a better Daiseki.

Safety

To ensure employee safety, we are revising our safety management system and expanding safety and health activities.

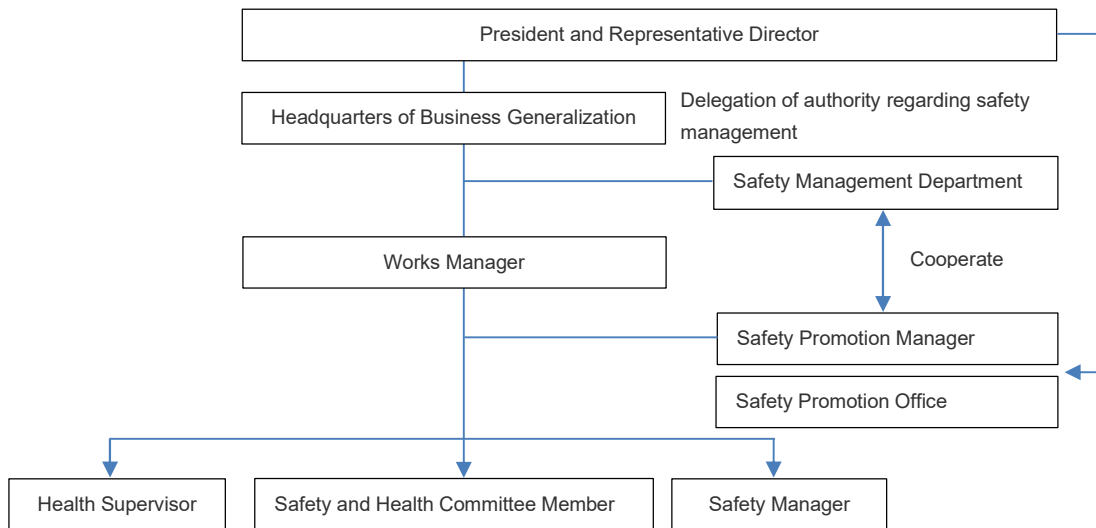
Safety and Health Efforts

Daiseki established a safety and health policy and management system with the President in charge that conducts activities such as safety competitions, unsafe incident scenario training and risk assessments at all business sites.



Safety and Health Policy

Safety and Health Management System



Note: At the Chiba Works, which has less than 50 employees, it is not necessary to appoint a Safety and Health Manager, thus a Safety and Health Promoter has been appointed.

Safety Promotion Manager Appointment

Safety Promotion Offices have been established at each business site managed by Safety Promotion Managers appointed to promote safety. The President delegates the authority to promote safety to a person in charge at each worksite who provides guidance to staff and implements various safety measures.



Safety Promotion Manager appointment (Hokuriku Works)



Danger Prediction Training (Kansai Works)

Safety Promotion Efforts Led by the Safety Promotion Office

At Daiseki, Safety Promotion Offices at each business site play a central role in accident prevention efforts. To prevent accidents during waste collection and cleanup at the customer worksites, since FY2021 we have invited professional outside lecturers to all business sites, with a total of 84 employees educated on the correct danger prediction (“kiken yochi”: KY) procedures (in FY2022, Daiseki employees will acquire instructor qualifications to serve as instructors providing in-house training on danger prediction). Additionally, Safety Promotion Office staff accompany collection teams to customer sites and confirm dangers at pick-up locations. Details are then provided to sales staff, enabling us to share workplace information and request customers make improvements. If an accident occurs, the Safety Promotion Office conducts in-depth inquiries into causal factors and persons involved in the accident, establishing systems leading to the examination of effective countermeasures.

Daiseki holds regular safety meetings attended by Safety Promotion Managers who share the progress of safety activities at each business site. At these meetings, opinions are exchanged on progress and problems related to the promotion of safety and health activities and the prevention of accident recurrence at all business sites.

Work-related Safety and Health Initiatives

Daiseki strives to create a safe working environment through efforts to prevent work-related accidents and ensure the physical and mental health of all employees.

Work-related Accidents in FY2021

In FY2021, there were eight accidents accompanied by lost worktime and one accident not accompanied by lost worktime in the Daiseki Group. Work-related accidents include falls and fractures occurring during pickup work. The majority of work-related accidents are caused by unsafe behaviors, such as the failure to confirm safety before engaging in work.

Work-related Accidents (Consolidated)	Unit (accidents)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Fatalities	0	0	0	0	0
Accidents accompanied by lost worktime	7	7	5	7	8
Accidents not accompanied by lost worktime	10	10	12	4	1

Unsafe Incident Proposal System

Daiseki has an unsafe incident proposal system and implements risk assessments every month. In FY2021, there were 6,531 proposals and 31 serious unsafe incidents at a monthly submission rate of 84.9%. Of the proposed unsafe incidents, those posing the highest risks are addressed by the Safety Promotion Office, which monitors the progress of swift countermeasures.

Concerns for Healthy Employee Minds and Bodies

Regular Medical Checkups and Comprehensive Health Examinations

Daiseki continues to provide medical exams for all employees to maintain and improve health. We also facilitate comprehensive health examinations for employees aged 35 and over to ensure the early detection and treatment of illness.

Stress Checks

Daiseki has been conducting stress checks at all business sites since FY2017. Employees experiencing high levels of stress are reassigned appropriately based on their requests as well as interviews and consultations with physicians.

Stress Checks (Non-consolidated)	Unit (%)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Stress check implementation rate	97.4	99.3	99.8	99.1	99.3
Proportion of highly stressed employees	7.6	7.0	5.9	3.7	4.5

Preventing Vehicle Accidents, Promoting Security and Disaster Prevention

Emphasizing impacts on communities and the natural environment, Daiseki strives to prevent environmental pollution accidents during the collection and transportation of waste to ensure safety and prevent disasters.

Vehicle Accident Prevention Initiatives

Daiseki uses a variety of heavy machinery and commercial vehicles in waste collection and sales activities and takes the prevention of driving accidents seriously. Tanker trucks, vacuum trucks and other large vehicles are regularly inspected on both a daily and quarterly basis. In an effort to prevent accidents, Daiseki employees carry yellow safety cards and a copy of business work standards that include emergency contact information as well as cargo product names and associated hazards.

In FY2021, Daiseki equipped all vehicles with dashcam recorders to regularly monitor employee driving habits to ensure safe driving. Additionally, we installed digital tachographs in large vehicles to evaluate employees driving and eliminate dangerous driving habits.

Subcontractors that collect and transport waste are asked to attend Safety Council meetings held regularly at all business sites to enhance safety awareness.

Promoting Security and Disaster Prevention

Daiseki operates hazardous material facilities at each worksite and makes every effort to ensure the safety and prevent accidents in accordance with the Fire Service Act. To prepare for the Nankai Trough megathrust and other major earthquakes, disaster prevention drills are held annually at all worksites assuming tsunami and fire scenarios. From FY2022, we conduct launch training to ready the Disaster Response Headquarters at the Head Office. The purpose of this training is to ascertain damage at each business site and smoothly provide instructions in the event of a disaster. Further, Daiseki introduced a safety confirmation system enabling the Company to confirm the location and safety of all employees. Satellite phones were also installed at all works to quickly ascertain employee safety and confirm damage to facilities. Emergency food and survival equipment are always available at all business sites in preparation for accidents or natural disasters.

As an industrial waste disposal company, the rapid restoration of facilities is critical for promptly providing reconstruction support that includes the disposal of rubble, debris and other waste generated when disasters occur. Additionally, all Daiseki worksites formulate business continuity plans (BCP)* and remain prepared to respond in the event of a disaster. In particular, with regard to the maintenance of activated sludge facilities critical to waste treatment, mobile generators and generator connection switching equipment have been installed at all works so Daiseki facilities can quickly resume operations when a disaster strikes. Small generators are installed in offices so that administrative operations can also be quickly restored.

Note: Business continuity plans set forth actions to be taken in normal as well as emergency operation scenarios in the event a company is affected by natural disasters, catastrophes, terrorist attacks or other emergencies, enabling business to continue or quickly recover with minimal damage to business assets.



Fire Extinguisher Training
(Nagoya Works)

Local Communities

The understanding of neighboring communities and businesses is essential for the operation of an industrial waste treatment business. While striving to engage in proactive dialogues and exchanges, Daiseki is also engaged in social contributions leading to the invigoration of local communities.

Conducting Tours at Daiseki Works

Daiseki conducts tours at its works, mainly for customers that generate industrial waste, on an irregular basis. In FY2021, 1,029 people from 652 companies participated in these tours. Tour attendees are asked to participate in a survey evaluating the works in terms of tidiness and organization, safety conditions, employee attitudes and other factors on a scale of 0–5 points. Respondents gave Daiseki an average high rating of 4.6 or more points between March–June 2021. We make an effort to incorporate the results of this survey into our business by sharing them with employees, identifying issues that need to be addressed and providing recommendations for improvement to relevant employees. In addition to customers, every year Daiseki invites local residents and odor monitors to tour our facilities so we can explain our activities and initiatives. Going forward, we plan to hold video tours for customers who have difficulty visiting Daiseki works due to the COVID-19 pandemic.



Tour for local residents (Nagoya Works)



Odor monitor roundtable (Hokuriku Works)

Support for Recovery from Environmental Pollution and Other Accidents Caused by Natural Disasters

Each Daiseki business site engages in recovery activities in the event of environmental pollution accidents that occur at nearby factories, on roads, in rivers or other locations due to typhoons and other natural disasters. In FY2021, the Hokuriku Works collected and treated approximately 150 tons of waste liquids that flowed into a regulating pond at a nearby factory in support of resuming its operations. Further, at the Kanto Works, waste liquids were collected and processed from factories in areas where power outages occurred due to the February 2021 Fukushima Prefecture Offshore Earthquake. Going forward, Daiseki will continue to improve these systems to contribute to rapid recovery after environmental pollution accidents caused by natural disasters.

Disseminating and Exchanging Information with Local Communities

Daiseki makes an effort to engage in dialogues with residents living near our facilities, participating in and sponsoring local revitalization, cleanup and beautification activities. We also strive to disseminate information through events that attract attention related to the environment and briefing sessions for investors and other stakeholders.

Industry-Academia Collaboration Efforts with Universities

In April 2020, a group from the Urban Infrastructure Planning Laboratory at the Nagoya Institute of Technology led by Professor Hideshima visited Daiseki to inspect our works and exchange opinions on Daiseki's industrial waste treatment and recycling initiatives. Going forward, Daiseki will proactively promote industry-academia collaborations.



Group from the Urban Infrastructure Planning Laboratory, Nagoya Institute of Technology

ESG Briefings for Institutional Investors

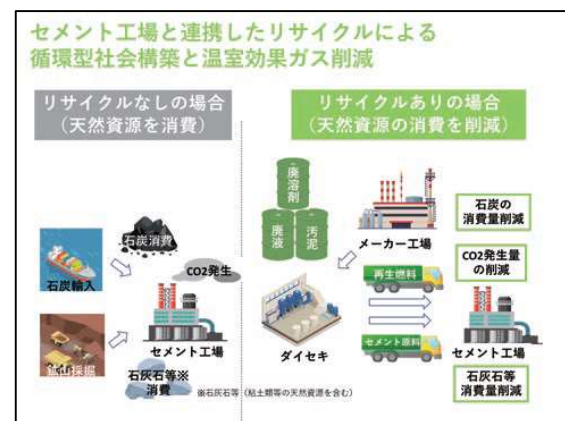
For the first time in 2021, we held an ESG briefing session for institutional investors to explain Daiseki's ESG activities. Our aim is to help people understand that Daiseki contributes to society from the perspective of the SDGs by reducing greenhouse gas emissions, purifying water, recycling resources and providing disaster relief. At this year's briefing, concrete examples of Daiseki's environmental (E) efforts, which are a noteworthy feature of Daiseki ESG activities, were presented. Through these efforts, we hope to increase the number of people who understand and support our business.



ESG briefing slide

Virtual Japan Pavilion Exhibition

In March 2021, Daiseki exhibited at the Virtual Japan Pavilion, organized by the Ministry of the Environment and positioned as a COP26 preparatory event. Daiseki's recycled products include recycled fuel and cement raw materials. Although large amounts of coal and limestone (including natural resources such as clay) are used in cement production, the amounts used can be reduced by substituting coal for recycled fuel and limestone for cement raw materials. In this way, Daiseki works with cement companies to contribute to reduced fossil fuel usage and the creation of a recycling-oriented society.



Virtual Japan Pavilion slide

Compliance

For the Daiseki Group, which operates under licenses, ensuring thorough compliance and fulfilling social and public responsibilities is our most important management issue.

Basic Approach to Corporate Governance

Daiseki positions corporate activities that comply with laws and social norms as the most important issue for improving transparency and soundness in corporate management. We adopted the Company with Audit and Supervisory Committee system, with an Audit and Supervisory Committee comprising three outside directors, further enhancing the supervisory function of directors. Further, one director is a woman, who offers recommendations from a feminine perspective.

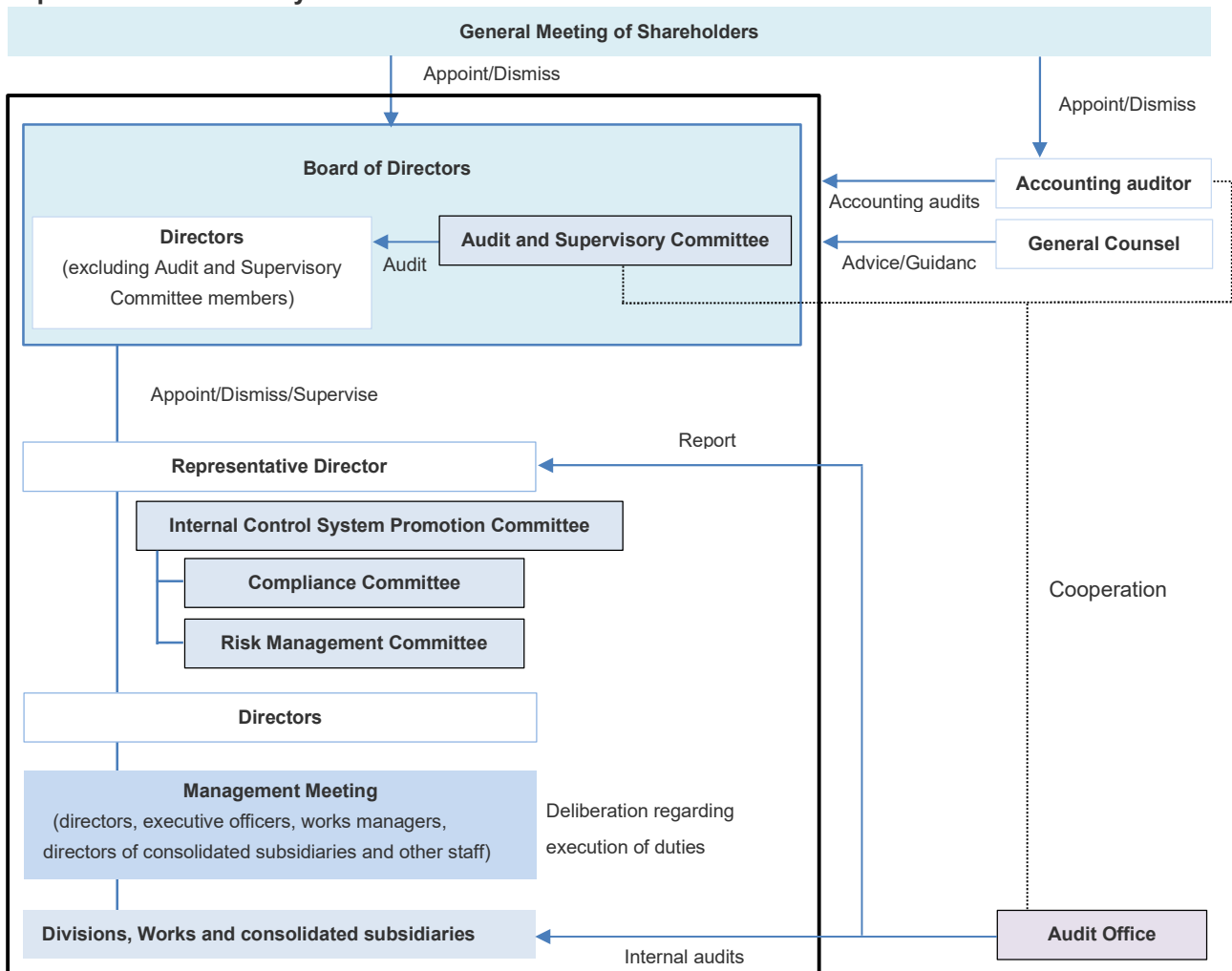
In May 2020, Daiseki introduced an executive officer system with the aim of clarifying business execution responsibilities, streamlining management and accelerating decision-making. Further, the authority necessary for conducting daily corporate activities is delegated to the works managers at each of the six worksites and the presidents of six Group companies, with the Management Meeting held with the participation of directors, executive officers, works managers, directors of consolidated subsidiaries and other staff.

The Board of Directors passed a resolution to establish the Internal Control Basic Policy, a system for ensuring appropriate Daiseki operations.

Corporate Governance System

The following chart shows the status of Daiseki management decision making, internal control and corporate governance systems.

Corporate Governance System



Basic Approach to Internal Controls

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, Daiseki established the following system for ensuring the appropriateness of operations (hereinafter, the "internal control system").

Note : see Page 50 for details

1. Within the Daiseki Ethics Charter, Daiseki established three guidelines for corporate behavior that convey its stance on growing and developing alongside society: Social roles and responsibilities, compliance with laws and regulations, respect for human rights and the fostering of a free and open corporate culture. To achieve perpetual development as an industry leader, Daiseki has developed an internal control system and strives to embody its Ethics Charter.
2. The Board of Directors formulates basic policies for internal control, provides instructions and supervision on the implementation status of internal controls, confirms maintenance and operational status and reviews basic policies and countermeasures when necessary.
3. Daiseki established the Internal Control System Promotion Committee chaired by the President and Representative Director to ensure reliable financial reporting through the establishment and maintenance of internal control system programs.

Risk Management

Daiseki established Risk Management Regulations in 2006 to address various risks including earthquakes and other natural disasters, occupational accidents and information leaks. Additionally, we created a risk map and established a response system defining responsible departments for each risk classification.

The Risk Management Committee, which plays a central role in risk management, is chaired by the President and Representative Director and manages risks facing the Daiseki Group thoroughly and comprehensively. We determine countermeasures for risks of high importance and strive to control risks, review the risk map every year and promptly determine the department in charge to respond to newly identified risks. The Audit Office audits the risk management status of each department, reports the results to the Risk Management Committee and the Board of Directors on a regular basis, and deliberates and decides on improvement measures. In FY2022, the Daiseki Group began discussing risk analysis in light of climate change based on TCFD recommendations at the Environmental Headquarters and Risk Management Committee meetings, with progress confirmed at Management Meeting and results reported to the Board of Directors.

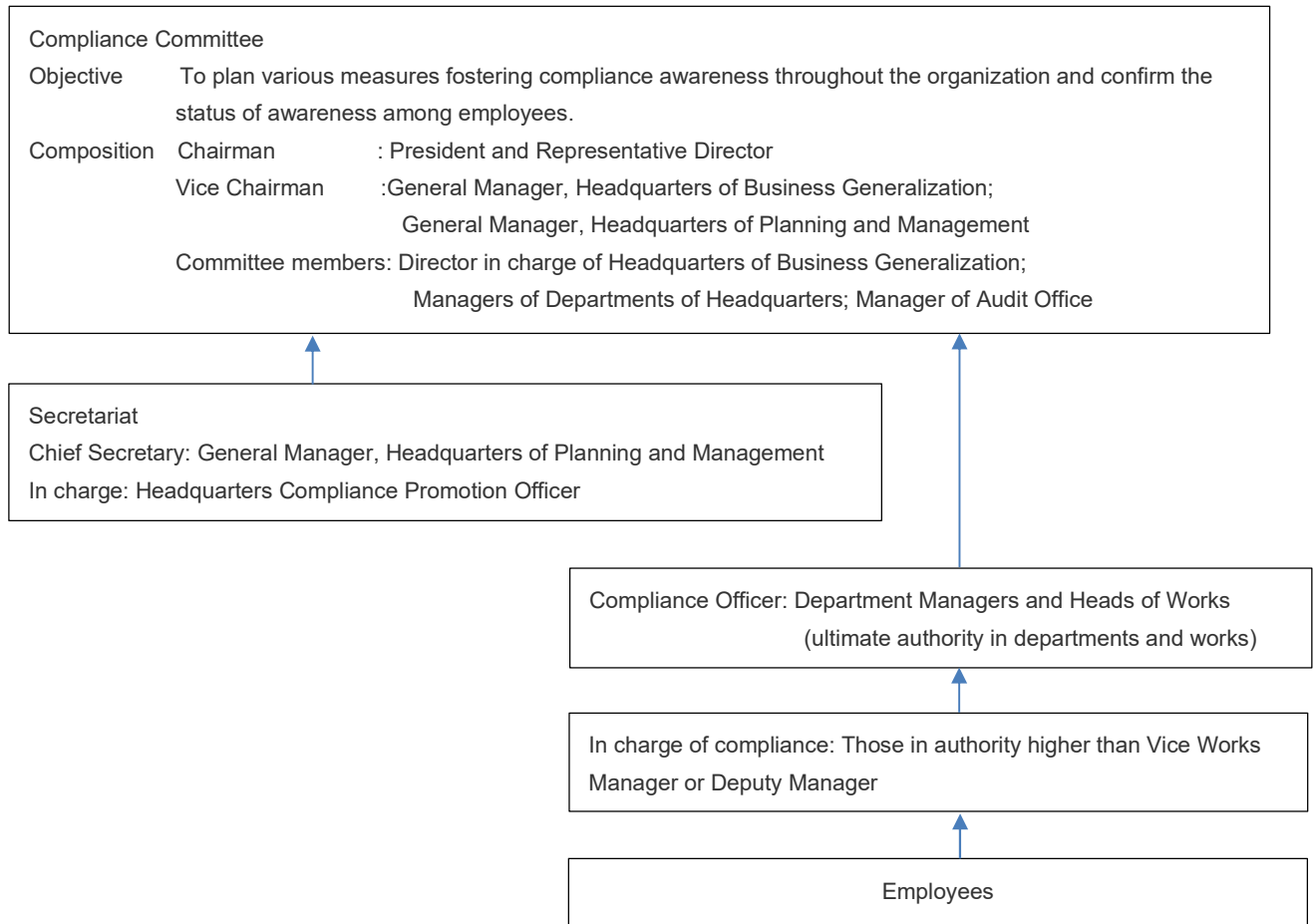
Note : see Page 26 for details

Compliance System

Daiseki established a Compliance Committee in May 2002 and formulated an Ethics Charter announced within and outside the Company. Environmental laws and regulations related to the Waste Management and Public Cleansing Act are observed in the collection, transportation and intermediate treatment of industrial waste, while the Fire Service Act is observed in the manufacture and sale of waste oil and petroleum products.

Daiseki also stipulates the "handling of transactions with public institutions, political contributions, donations, etc." in its code of conduct, and takes rigorous measures to avoid entertaining or giving gifts to officials of public institutions (including former officials), except items permitted by law.

Compliance System



Whistleblower Protections

The Daiseki Group established and operates an internal reporting system that is easy for employees to use. The Daiseki Human Resources Department and corporate lawyers serve as contact points for reporting and the Compliance Committee manages the whistleblowing system to receive reports from employees. Employees are asked to use the internal reporting system to report all non-compliance. The whistleblowing system stipulates the protection of whistleblowers so that employees who make report suffer no adversity, with all information from whistleblowers handled in the strictest confidence only by those who respond in the whistleblower system so no information is leaked to the outside. When a report is made, in addition to information provided by the reporting employee and hearings conducted with the employee who was reported on, Daiseki confirms facts based on eyewitness reports from surrounding employees and the investigation of objective facts to resolve issues from the standpoint of fairness.

Information Protection and Management

In 2005, Daiseki formulated Personal Information Protection Rules to ensure all officers and employees maintain a thorough understanding of appropriate personal information protections in an effort to strengthen management.

Based on the Information Security Basic Policy formulated that same year, we strictly manage and control the creation, use, removal and storage of information. We also prohibit the leaking of insider information to third parties or for personal use. In FY2021, there were no incidents involving the leak of personal information.

Respect for Intellectual Property Rights

Daiseki formulated employee invention regulations to address inventions and other intellectual property created by employees while on the job. By clarifying the attribution of rights to employee inventions and guaranteeing inventor rights, we are working to increase motivation for research and development.

Compliance with the Excellent Industrial Waste Disposal Company Certification System

The purpose of this system is to create an environment in which generators of industrial waste can easily outsource treatment to excellent certified businesses and to promote the proper treatment of industrial waste. If an industrial waste disposal company with a track record of five years or more meets certain standards, a seal of excellence will be printed on the permit and introduced on the Industrial Waste Information Net website.

Ensuring business transparency is one of the criteria for certification as an excellent industrial waste disposal company. To this end, Daiseki regularly discloses details including business summaries and overviews of processing capacity and processes on the Industrial Waste Information Net website.

Daiseki was the first operator to be certified under this system by the city of Nagoya in 2011, and as of February 28, 2021, we were certified as excellent by a total of 48 local governments (44 prefectures and four cities).

Compliance Study Sessions

To fulfill our social role and responsibilities, comply with laws and regulations, respect human rights and cultivate a free and open corporate culture, Daiseki Ethics Charter stipulates the following guidelines. Additionally, compliance study sessions are held every month at all works to ensure employees maintain daily mindfulness of the Ethics Charter, and all employees receive education on different themes set by the head office each month. Daiseki education activities are presented in a debate format to ensure everyone takes an interest.

Developing Sound Corporate Activities

Daiseki corporate activities are built on relationships with a large number of stakeholders, including business partners, shareholders and local communities. We are responsible for meeting stakeholder expectations through sound corporate activities, compliance with relevant laws and regulations and fair business relationships.

- (1) Engage with all business partners in good faith, justly and fairly.
- (2) Establish mutually beneficial relationships with business partners and aim for stable growth and development.
- (3) Conduct corporate activities in accordance with social norms and standard business practices.
- (4) Build an internal control system for the purpose of ensuring the reliability of financial reports.
- (5) Aim to enhance shareholder returns as profits grow.

Respect for the Global Environment

The global environment is irreplaceable for human beings. Daiseki conducts business activities using both resources and energy required for production as well as the great natural abundance of nature and the Earth in a variety of respects. As long as the Earth's resources and environment remain limited, environmental conservation will be a perennial challenge for mankind. Daiseki considers proactive efforts toward protection of the global environment to be its corporate responsibility and positions such efforts as a management priority.

- (1) Strive to conserve resources and energy through business activities and reduce adverse environment impacts through waste control and awareness the promotion of recycling.
- (2) To contribute to the realization of a sound recycling-oriented society with fewer environmental burdens, Daiseki will strive to reduce and prevent environmental burdens through our business activities and continuous environmental improvements.
- (3) Create and maintain an environmental management system and continuously engage in improvements.
- (4) Comply with required standards such as environmental laws, regulations and agreements.

Observing the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade

Based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, which is the basic rule for maintaining fair competition in a free economy and society, Daiseki has established and adheres to the following rules.

- (1) Do not discuss or enter into agreements that mutually restrict free corporate activities.
- (2) Do not use one's position to influence business transactions.
- (3) Do not make inappropriate displays or provide excessive gifts or prizes.

Treatment of Entertainment and Gifts

Daiseki's basic stance is to never engage in any acts of bribery, corruption or acts that deviate from general business practices. To this end, Daiseki complies with the following guidelines.

- (1) Due to social conventions, we will not entertain or give gifts to business partners and other stakeholders who are beyond the scope of such courtesies.
- (2) We will not entertain or give gifts to current or former civil servant employees, except when permitted by law.
- (3) Due to social conventions, Daiseki shareholders must not be provided with entertainment or gifts that exceed the scope of common courtesy.
- (4) Daiseki does not give any favors to antisocial forces (extortionists).

Regarding business dinners and entertainment, at Daiseki we established rules for handling entertainment expenses, including the submission of a prescribed application form in advance in order to receive approval from a supervisor, which are regularly reviewed by the Audit Office to confirm the status of compliance by internal audit.

Transactions with Public Institutions, Handling of Political Contributions and Donations

Transactions with public institutions, as well as political contributions and donations, are handled as follows in compliance with relevant laws and regulations.

- (1) Act with thorough consideration for sociality, commonality, necessity, etc.
- (2) Do not make illegal political contributions.

Protecting Human Rights

Daiseki respects the basic human rights of its employees and strives to prevent discrimination and human rights violations on the basis of race, beliefs, gender, physical disabilities or other anomalies. To this end, power harassment workshops for all managers are conducted regularly by an outside lecturer. Additionally, we have conducted training for new managers every year since FY2017 (with a total of 88 employees completing the course as of the beginning of FY2022), while also conducting training aimed at

preventing sexual and power harassment. Further, the Human Resources Department regularly interviews employees to monitor for human rights violations.

- (1) Respect the basic human rights of employees, do not discriminate on the basis of race, creed, gender, physical disability, or for other reasons under any circumstances.
- (2) Protect personal privacy.
- (3) Do not engage in sexual harassment or other acts that violate human rights.
- (4) Create a corporate culture in which employees have mutual respect for one another.

Internal Control Basic Policies

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, Daiseki has established the following system for ensuring the appropriateness of operations (hereinafter, the “internal control system”). The Internal Control System Promotion Committee, chaired by the Daiseki President and Representative Director, has been organized to carry out concrete developments centered on ensuring the reliability of financial reporting through the implementation of internal control system programs.

(1) System ensuring the execution of duties by Daiseki directors, executive officers and employees is compliant with laws, regulations and the Articles of Incorporation.

1. Under the strong leadership of the President and Representative Director, all Daiseki officers and employees repeatedly study the Code of Ethics (Management Philosophy) (Ethics Charter) (Code of Conduct) established by Daiseki, maintain an awareness of our social role and responsibilities as a company and ensure all employees adopt the basic stance of growing and developing together with society.
2. A Compliance Committee chaired by the Daiseki President and Representative Director has been organized to establish a Company-wide compliance system and identify problems. The Committee will analyze compliance risks specific to each department and implement countermeasures.
3. Daiseki established a system for the prompt reporting of compliance issues discovered by Daiseki directors, executive officers or the compliance officers in each department to the Compliance Committee, which works to ensure countermeasures are thoroughly implemented. The Company inculcates a detailed understanding of the significance of the compliance consultation desk (corporate ethics hotline) and a recognition that it enables employees to directly report issues and receive consultation. Upon receiving a report or consultation, the Compliance Committee investigates the details, determines recurrence prevention measures in consultation with the department in charge, and thoroughly implements recurrence prevention measures Company-wide. For those who submit reports or seek consultation, the Company responds in accordance with the Internal Reporting and Consultation Regulations established separately. Depending on the reported content, information is disclosed when appropriate.

Note : see Page 47 for details

4. The Daiseki Audit Office, in cooperation with the Compliance Committee, audits the status of compliance.
5. Regarding violations of laws, regulations or the Articles of Incorporation by Daiseki Group employees, the Compliance Committee asks the Human Resources Department to administer penalties. With regard to violations of laws, regulations or the Articles of Incorporation by directors, the Compliance Committee recommends specific disposition measures to the Board of Directors.

6. The department in charge of responding to unreasonable demands by antisocial forces shall be the General Affairs Department and Daiseki shall prepare and educate response manuals and respond resolutely to antisocial forces in cooperation with the police and other related organizations.

(2) System for storing and managing information related to the execution of duties by directors

1. The Daiseki President and Representative Director instructs the director in charge of the General Affairs Department to store and manage information related to the execution of duties by directors (excluding directors who are Audit and Supervisory Committee members). In accordance with Company-wide document management and information security management regulations, information related to the execution of duties is recorded and stored in printed document form or digital media.
2. Directors shall be able to view these documents as necessary.

(3) Daiseki regulations and other systems for managing loss risks

1. The Daiseki Group formulates Risk Management Regulations, creates risk maps and categorizes risks according to the department responsible for their mitigation. A Risk Management Committee, chaired by the Daiseki President and Representative Director, shall be organized to thoroughly and comprehensively manage risks faced by Daiseki. For risks of high importance, countermeasures are formulated in an effort to effect risk control. For newly identified risks, the departments in charge shall be assigned promptly.
2. The Audit Office audits the status of risk management by each department, reports the results to the Board of Directors of the Risk Management Committee on a regular basis, and deliberates and decides on improvement measures.

(4) System for ensuring the efficient execution of duties by Daiseki directors

Engaging in detailed business management as described below, the Daiseki Group attempts to enhance the efficiency of duties executed by directors (excluding directors who are also Audit and Supervisory Committee members. The same applies throughout the remainder of this section).

1. Clarify authority and decision-making rules by reviewing rules pertaining to the Board of Directors, the organization, the division of duties and work authority.
2. Enhance the Management Meeting comprising directors, executive officers, works managers, subsidiary directors and others by setting performance targets and budgets for each business division and thoroughly managing monthly and quarterly performance utilizing IT.
3. Review monthly performance at Management Meeting and Board of Directors meetings, and implement improvement measures

(5) A system for ensuring the appropriateness of corporate operations comprising Daiseki and its subsidiaries and a system for reporting matters related to the execution of duties by subsidiary directors to Daiseki.

1. With the aim of creating internal controls within Daiseki and its subsidiaries, the Company shall create a system in which the Headquarters of Business Generalization manages operations and the Headquarters of Planning and Management manages compliance, with instructions and requests efficiently transmitted through monthly sessions of the Management Meeting.
2. Daiseki directors (excluding directors who are Audit and Supervisory Committee members), executive officers, works managers and subsidiary presidents have the authority and responsibility to establish and operate internal controls to ensure the appropriateness of business execution in each department.

3. The Daiseki Audit Office conducts internal audits of Daiseki and its subsidiaries, reports results to the department in charge and the person in charge of the department, and provides guidance, support and advice on measures to improve internal controls at the Management Meeting, etc.
4. The Company shall establish Affiliated Company Management Regulations that clearly define items for which prior consultation and reporting is required of subsidiaries, establishing a consultation and reporting system.

(6) Matters concerning directors and employees who should assist Audit and Supervisory Committee duties, matters concerning independence of the directors and employees from directors, and matters concerning ensuring the effectiveness of instructions given to relevant directors and employees of the Audit and Supervisory Committee.

1. Daiseki will not appoint a director or employee to assist in the foreseeable future. However, if the Audit and Supervisory Committee deems it necessary and there is a request for such an appointment, it will be resolved promptly. Additionally, directors and employees shall be independent of the internal organization.
2. The Audit and Supervisory Committee can order the Audit Office staff to carry out matters necessary for auditing, while Audit and Supervisory Committee members who received orders necessary for auditing shall be exempt from instructions and orders by directors (except for directors who are members of the Audit and Supervisory Committee. The same shall apply hereinafter in this section). Additionally, directors and employees shall cooperate to ensure that the directors and employees under Audit and Supervisory Committee Audit execute their instructions.

(7) Audit and Supervisory Committee reporting system for directors, executive officers and employees of Daiseki and its subsidiaries, or those who receive reports from these persons and a system ensuring no one is treated unfavorably because of reported content.

1. Discuss with the Audit and Supervisory Committee rules that determine matters to be reported to the Audit and Supervisory Committee, with directors (excluding directors who are Audit and Supervisory Committee members) and executive officers reporting on the following matters to the Audit and Supervisory Committee.
 - Matters that may cause significant damage to the Company
 - Important matters concerning monthly business conditions
 - Important matters regarding internal audit status and risk management
 - Serious violations of laws, regulations or the Articles of Incorporation
 - Reporting and/or consultation status and details from the Compliance Consultation Desk (Corporate Ethics Hotline)
 - Other important compliance matters
2. If employees discover a material fact regarding (1) and (4) above, he or she may report it directly to the Audit and Supervisory Committee.
3. The Company shall ensure that employees making reports are not treated unfavorably in accordance with the provisions of the Internal Report and Consultation Regulations established separately.

(8) Prepaid or redemption procedures for expenses incurred in the execution of duties by directors who are Audit and Supervisory Committee members, and other matters related to policies related to the processing of expenses or debts incurred in the execution of such duties.

Regarding costs and other expenses incurred in the execution of duties by directors who are Audit and Supervisory Committee members, said directors may request reimbursement from the Company in accordance with the Audit and Supervisory Committee Audit and Supervisory Regulations established separately, bearing in mind efficiency and appropriateness.

(9) Other systems to ensure audits by the Audit and Supervisory Committee are carried out effectively

The division of duties according to Audit and Supervisory Committee Regulations, the regular exchange of opinions with Daiseki representative directors, accounting auditor audits and the regular exchange of information are facilitated through the Management Letter and other means. Additionally, the Company shall create a system enabling the receipt of advice from legal consul when necessary.

Third-party Assurance

Verification Statement



12 July 2021
Statement No : SGS21/050

Mr. Hideki Hashira
President
Daiseiki Co., Ltd.

Objective

SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by Daiseiki Co., Ltd. (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO14064-3: 2006 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the assertion"). The objective of this verification is to confirm that the assertion in the Organization's applicable scope has been correctly calculated and reported in the assertion in conformance with the criteria, and to express our views as a third party.

Scope

The scope of verification is Scope 1, 2 emissions and energy consumption.
The period subject to report is from 1 March 2020 to 28 February 2021.
Refer to the following table for the detailed scope of verification.

The details of the scope of verification

The scope	The boundary	The assertion
1 The performance data Scope 1 and 2 include energy related greenhouse gas emissions Energy consumption	The Daiseiki Group 35 domestic sites (27 production sites, 8 non-production sites)	Scope 1 : 27,148 t-CO ₂ Scope 2 : 14,246 t-CO ₂

Procedure of Verification

The assertion was verified in accordance with Criteria of Verification, and the following processes were implemented at a limited level of assurance:

- Verification of the calculation system: Interviews on the measurement, tabulation, calculation and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the assertion: On-site verification and review of vouchers conducted at Kanto Works and Nagoya Works, and analytical procedures and interviews for other sites in the scope of verification carried out at the head office

The criteria for this review are based on "Act on the Rational Use of Energy", "GHG Emissions Calculation and Reporting Manual Ver. 4.7" and the protocol specified by the Organization.

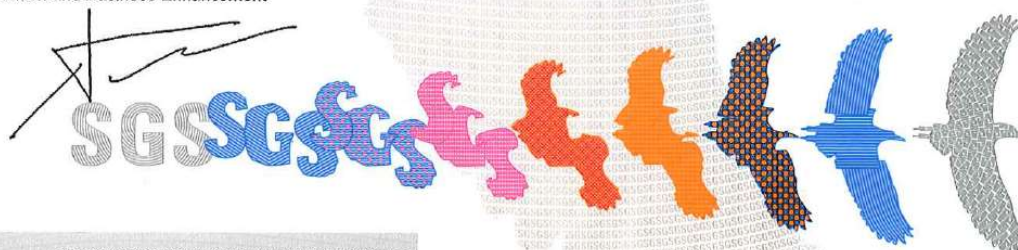
Conclusion

Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the assertion was not calculated and reported in conformance with the criteria.

SGS Japan Inc. affirms our independence from the organization, being free from bias and conflicts of interest with the Organization.

For and on behalf of SGS Japan Inc
Senior Executive & Director
Certification and Business Enhancement

Yuji Takeuchi



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