

# As an environment-creating company, we will contribute to the realization of a sustainable society through our commitment to carbon neutrality and resource recycling that creates new value from waste

Representative Director President and Executive Officer **Tetsuya Yamamoto**

## Further strengthening the management foundation in one year as the new president

In FY2023, Daiseki's consolidated net sales reached 58.5 billion yen, and profits reached 8.6 billion yen, a new all-time high. However, we were unable to achieve the target set at the beginning of the fiscal year due to the effects of sluggish growth of the industrial production index for the manufacturing sector caused by the impact of the COVID-19 pandemic, semiconductor shortages, and a supply outage at an industrial waterworks in Japan's Tokai region. Despite this impact, we expect these external factors to dissipate in the future. Daiseki will strengthen its stable management

foundation to be less susceptible to external factors through self-support efforts such as acquiring new customers and reducing costs.

Since being appointed as the new president in May 2022, I have promoted efforts focused on environmental, social, and corporate governance aspects. First, regarding the environmental aspects, the tide is running in Daiseki's favor with the global trend toward carbon neutrality. We are a participant of the GX League led by the Ministry of Economy, Trade and Industry and have promoted other carbon neutrality measures such as adopting the use of renewable electricity. As in the previous year, our CDP evaluation for FY2023 was a B, and in FY2024 we will aim to further improve this score. In December 2022, we signed an agreement with Gamagori City to promote the circular economy. This is our Group's first initiative in collaboration with a local government. The agreement aims to realize a circular economy in the local community. We are promoting this initiative with the hope that it will lead to new business for the Daiseki Group.

From a social perspective, Daiseki and Daiseki MCR received the Health and Productivity Management Organization certification for the second year running. In April 2023, we hired a public health nurse responsible for providing health consultations for employees and conducting workplace visits, and we continue to enhance our health management. The turnover rate for the consolidated Group in FY2023 was 3.2%, and 1.9% for Daiseki on a non-consolidated basis. This rate is low compared to the international standard and other companies in the same industry, indicating that we have a high employee retention rate. I believe it is important to increase employee



engagement by preventing harassment and facilitating communication.

As for corporate governance, in May 2023 we appointed one external director who has experience in corporate management, creating a management structure consisting of three internal directors and four external directors. By incorporating objective and expert knowledge into our management, we will protect the interests of investors, employees, business partners, and other stakeholders and enhance our corporate value.

### **Promoting carbon neutrality based on international standards**

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In November 2022, we received certification from SBTi that our greenhouse gas reduction targets are in compliance with the target of limiting global warming to 1.5°C. This represents how Daiseki's efforts toward carbon neutrality have been recognized on the global stage. Our core recycling business has the advantage of being able to process industrial and other wastes using less energy, and is environmentally friendly, emitting far less greenhouse gases than incineration or landfills. We will actively communicate this strength to customers and strive to contribute to the realization of a carbon-neutral society and expand our business.

Regarding the actual reduction of emissions, the current issue at hand is considering how to reduce our Scope 1 emissions, which are generated by the company's own fuel use and industrial processes. At present, more than half of the energy used by the Group is derived from fuel, and in particular a large amount of diesel fuel is used in our company vehicles. As the commercial use of electric vehicles has not yet been implemented widely, we are considering various measures. We plan to reduce Scope 2 emissions, which are indirect emissions resulting from the use of electricity and other energy, to zero by switching to renewable electricity at all company sites by FY2028. Furthermore, regarding Scope 3 emissions, which are emitted by other companies associated with our business activities, from FY2024 we are planning to coordinate with partner companies to whom we outsource transportation of waste and recycled products. We are aiming to reduce greenhouse gas emissions by requesting that our partner companies provide fuel consumption data relating to transportation and by streamlining transportation systems.

In order to achieve Japan's goal of realizing a carbon-neutral society by 2050, it is crucial to make

reforms to the socio-economic system. In March 2022, Daiseki announced its support for the industry-government-academia collaboration known as the GX League. From FY2024 we will promote activities for innovation and to strengthen systems as a participating company. The GX League holds discussions on the GX-ETS system, in which participating companies voluntarily trade emissions, as well as contributions to emissions reductions at other companies, and government and corporate initiatives and policies. As a participating company representing the recycling industry, also known as the "venous industry" which turns industrial waste into reusable resources, we intend to be proactively involved in these activities going forward.

### **Aiming to be a company that prospers for 100 years: Daiseki's sustainability management**

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Thus far, we have made endeavors for sustainability management with the long-term perspective of becoming a company that prospers for 100 years. In terms of my priorities in management, first is employee health, followed by employee safety, and then compliance. We also aim to be a company where employees can win the trust of society and our customers as professionals and do work that makes their families proud.

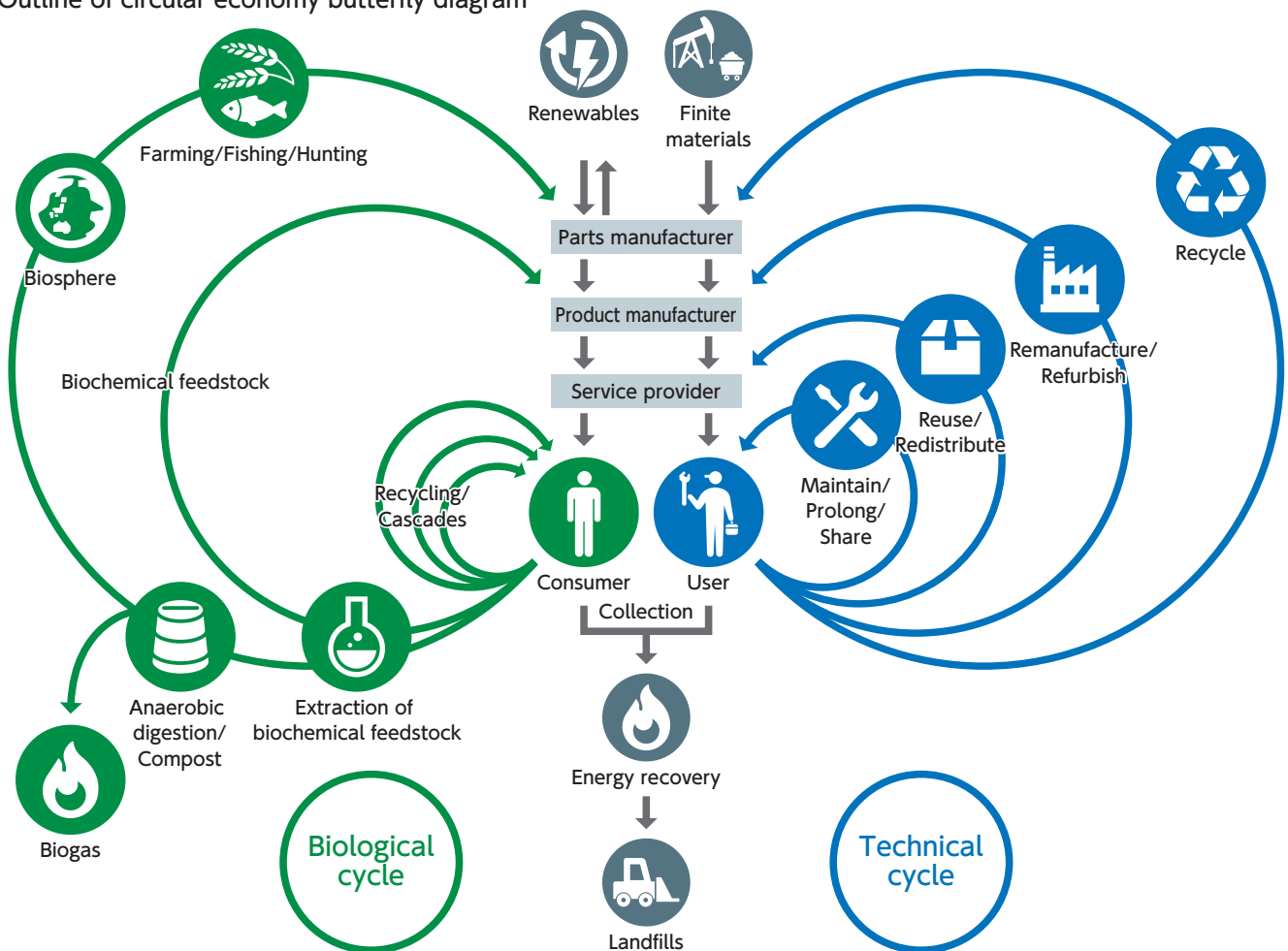
Our long-term business plan, "Vision 2030," sets the goals of capturing 30% of the Japan market share and tripling net sales and operating profit, and the involvement of each and every employee is essential to achieving these goals. We also recognize that it is management's responsibility to create a healthy work environment for employees, in terms of both physical and mental aspects. In addition to providing a full range of benefits such as health promotion initiatives and childcare support, as well as enhancing salaries, we have created a system to carefully listen to employees' opinions, including engagement surveys and 360-degree evaluations, and are focusing on creating comfortable work environments where employees can enjoy a sense of fulfillment. We will also ensure employee safety by actively promoting the safe handling of hazardous materials by training staff to the task and the introduction of the latest equipment.

In terms of compliance, as a company operating its businesses under a government license, we have thoroughly conducted activities to increase employee knowledge and awareness of compliance with laws and regulations.

## Four types of “waste” Daiseiki aims to eliminate through the circular economy

- ① **Waste of resources:** Raw materials and energy that cannot be continually renewed.
- ② **Waste of capacity:** Under-used and unused products and resources.
- ③ **Prematurely discarded items:** Usable products which are disposed of before their useful lifespan has expired.
- ④ **Waste of potential value:** Parts, raw materials, and energy that is not collected or reused from discarded products.

Outline of circular economy butterfly diagram



Created with reference to Circular Economy Japan (CEJ) "What is the circular economy?", May 31, 2020

The mindset of legal compliance that we have been steadily upholding since the establishment of Daiseiki is not only to protect our own company, but also to protect the long-term interests and positions of our customers, and we view it as a highly significant social responsibility of Daiseiki.

### **Daiseiki's circular economy: Utilizing resources and eliminating waste**

We aim to be an environment-creating company that everyone associates with the term "circular economy." Our recycling philosophy begins with the idea of utilizing waste as a useful material via our technology, rather than viewing it as something to be disposed of. The circular economy refers to economic activity that minimizes the extraction of natural resources and recycles waste and used products as resources, a method which is consistent with our philosophy.

In a society that has realized a circular economy, the manufacturing industry must procure materials and conduct manufacturing processes in a way that takes into account maintenance, resale, reuse, refurbishing, and recycling. In such a society, the value of companies with resource recycling know-how and broad networks will increase, and we believe that this will be an opportunity for us to make significant contributions. However, since the circular economy is not yet widespread, today the cost of waste separation and transportation is a burden on companies, and is also a factor increasing greenhouse gas emissions. Based on these real-world problems, we will build a circular economy business model that is both environmentally friendly and profitable, while developing an environmental business that provides proprietary solutions such as resource selection, technology development, and consideration of raw material suppliers and sales outlets. Considerations for business areas include approaches to waste before it is emitted from factories, as well as approaches to general waste generated by local residents. Our agreement with Gamagori City was signed as a part of these efforts.

We believe we can help promote the circular economy by supplementing things that our customers in the manufacturing industry are not yet aware of. For example, to factories we can propose manufacturing methods using a single material, or share expertise on how to recycle more easily. Thus far, we have focused on recycling as our core business, and now we will create businesses that will be useful to both corporations and local governments in order to realize the circular economy required by society.

We updated our website in April 2023 so that more people can learn about our cutting-edge initiatives in real time. For this update, we were conscious of communicating our purpose and business activities in an easy-to-understand and clear manner in order to present our initiatives to corporations and general public, and to generate interest in Daiseiki as a B-to-B company among students who will be responsible for leading the future. We also disclose more detailed sustainability information for investors.

We will continue growing as an environment-creating company and contribute to a sustainable environment, society, and economy. We look forward to your continued support for Daiseiki in the future.

