

Unifying the Daiseki Group to expand existing businesses and take on new business development challenges to achieve the long-term management plan, “Vision 2030”

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Expanding Daiseki’s fields on the tailwind of environmental needs

In June 2018, we established our long-term business plan at Daiseki, “Vision 2030.” By working to expand our existing recycling business and develop new businesses, we aim to triple our consolidated net sales and consolidated operating profit and capture a 30% share of the industry. At Daiseki we are proud to be a pioneering recycling company in Japan, and our goal is to further expand and become the No.1 recycling company in Asia by FY2031.

For our existing businesses, we are advancing our plans to open a Hiroshima Works, as well as locations in the southern Kanto and Tohoku regions. The plan aims to reduce the environmental burden and cost of long-distance transportation while simultaneously expanding market share. In the Chugoku region, construction is underway to bring

the Hiroshima Works into operation in March 2024, and we are in the process of finding suitable locations for the other two bases.

Regarding technology development, we will focus on expanding the number of recyclable items in addition to liquids, soil, and metals which we already handle, as well as improving the recycling rate, and developing new technologies that can contribute to the realization of a circular economy society. Daiseki has announced its purpose of being “an environment-creating company contributing to society through the environment” by “making the best use of limited resources.” Our mission is to contribute to manufacturing in Japan, a country with few resources, through our recycling technology that converts waste into resources. In order to do so, it is essential to have coordination throughout the Group. We have already initiated collaboration on sales between Daiseki and Daiseki Eco. Solution, and we would like to promote personnel exchange and information sharing to provide one-stop solutions.

Regarding development outside Japan, we are conducting research on the legal systems and business infrastructure with a focus on Southeast Asia. The waste issues faced by emerging countries due to their rapid industrialization are becoming more serious. The environmental regulations in such emerging nations are not as strict as in Japan, so the services they require are quite different. Therefore, we are gathering and examining a wide range of information to build a business model that targets emerging countries. In the future we hope to utilize Daiseki’s environmental technology on a global scale.

Strengthening M&A and alliances to tackle new business areas that may become core businesses

Regarding new businesses, we have set a goal of launching three businesses with sales of around 15 billion yen that could become core Daiseki businesses



in the future. We have received proposals for innovative ideas through our new business idea competitions which were held three times for all employees. We are considering these ideas as we move forward with commercialization.

We are also promoting M&A, which will contribute to expanded market share and strengthened technological capabilities. Our basic policy is to join forces with companies who have a high degree of compatibility with our recycling business and who will generate synergistic effects. In March 2023, Daiseki Eco. Solution announced an M&A with Sugimoto Trading Company Co., Ltd. By incorporating their technical services for the transportation and processing of general and industrial waste and the collection and recycling of used paper, we will expand the solutions we can provide to our customers.

For alliances, we signed an agreement with Gamagori City to promote the circular economy. For example, we are considering initiatives such as recycling waste oil generated in Gamagori City into recycled heavy oil for use in the city. Waste treatment and effective utilization is a common issue faced by local governments, and we at Daiseki hope to establish a framework for business to be used throughout the rest of Japan. Additionally, we would like to propose a system for recycling resources by forming alliances with manufacturing industry companies, which are our customers.

Working to achieve Vision 2030, our foundation for ESG management

Five years have passed since we announced Vision 2030, and I believe we are making steady progress in building up the required numbers and laying the groundwork for growth.

Compared to our goals of achieving 150 billion yen in net sales, 25 billion yen in operating profit, and 15.0% ROE on a consolidated basis by FY2031, in the fiscal year ended February 28, 2023, we achieved 58.5 billion yen in net sales, 12.7 billion yen in operating profit, and an 11.3% ROE. This marks a 19% increase in net sales, a 45% increase in operating profit, and an increase in ROE from 9.9% to 11.3% in the five years from the fiscal year ended February 28, 2018 to the fiscal year ended February 28, 2023. We came close to achieving our target of increasing our Japan market share to 30% by FY2031, reaching a share of 25.2% in the fiscal year ended February 28, 2023.

We hold human resources and group governance

as key for creating the groundwork for generating growth. Regarding human resources, we conduct training including compliance study sessions which are attended monthly by all employees, training per job level when employees are promoted, and management training for executive candidates. In addition, to improve employee engagement, we conduct evaluator training to ensure that managers evaluate their subordinates correctly and fairly, engagement surveys to ascertain company issues and employee dissatisfaction and concerns, as well as the Workplace Environment Improvement Project which collects opinions from all employees on how to create a comfortable workplace and responds to this feedback in an organized manner. Regarding Group governance, Daiseki dispatches one director each to Daiseki MCR and System Kikou to strengthen the management of Group companies and cooperation within the Group.

Over the past five years, one of the social changes we have seen is the rise of ESG management, caused by the Japanese government's declaration of achieving carbon neutrality by 2050. Our company has been an early advocate of environmental business, and ESG management is essential for us to achieve sustainable growth and enhance our corporate value.

In terms of environment, we are working to build business models that contribute to the circular economy. Thus far, our business has primarily been that of cascade recycling, in which the quality of the product is lower than that of the raw material. Going forward, by collaborating with other companies, we aim to transition to material recycling which provides higher quality recycled products. Looking ahead to the future, we hope to have a core business that can contribute both to the circular economy and carbon neutrality.

From a societal aspect, strengthening human resources is an issue, as previously mentioned. Achieving Vision 2030 will require the imagination and drive of each and every employee as we take on challenges in uncharted waters. To this end, we are developing systems that can maximize the performance of employees.

In terms of corporate governance, we have appointed an external director with corporate management experience in order to realize high-level ESG management. The future of Daiseki will be forged by our directors' assertive management and accountability. I look forward to working with employees as a unified Group as we strive toward the achievement of Vision 2030.