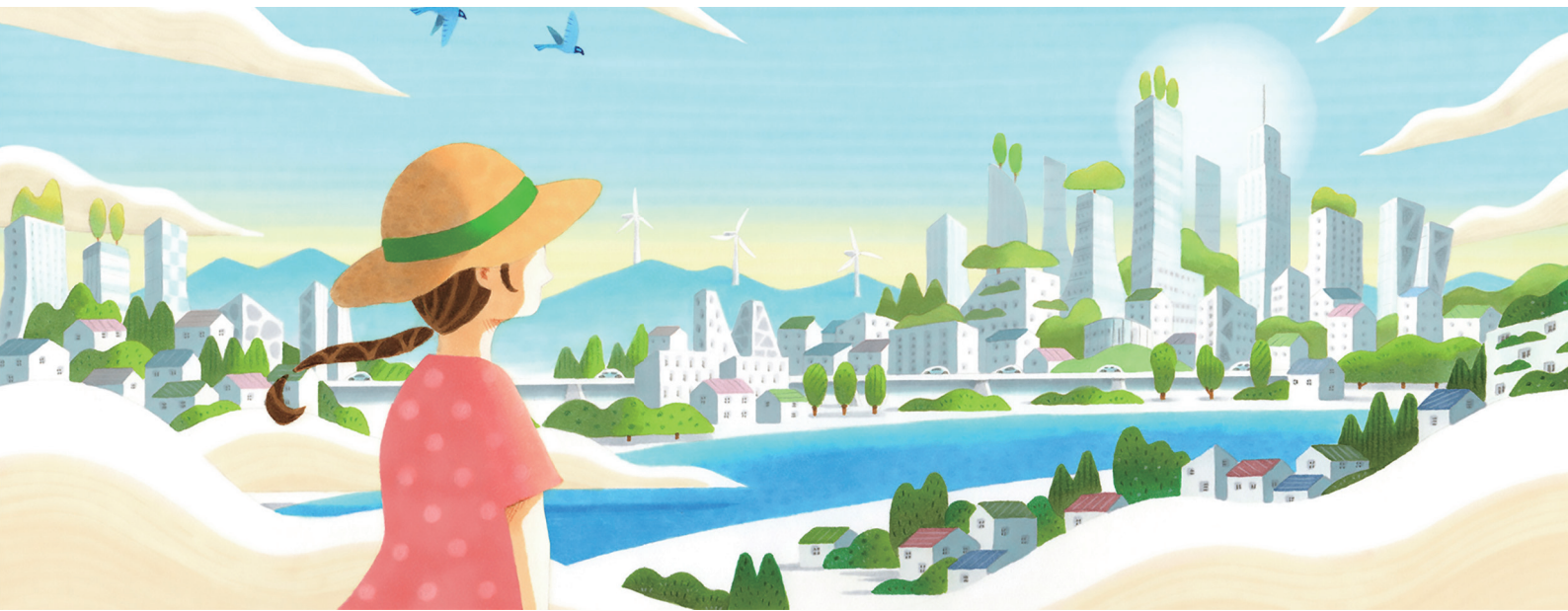


Daiseki Co., Ltd.

# ESG REPORT 2023



Making the best use of limited resources

**An environment-creating company contributing to  
society through the environment**

Management Principles

# Ideas, Plans, Structures, Actions

After conceiving of an idea, we consider it various ways, built organization and other structures to realize it, and put our plan into action.

Our purpose

Making the best use of limited resources

## An environment-creating company contributing to society through the environment

CONTENTS

Daiseki Aims .....	1	Daiseki Group's Priority Issues and Materiality Assessment Process .....	17	ESG Reporting	
<b>The Story of Value Creation at Daiseki</b>		Financial and Non-Financial Highlights ...	19	● Environment .....	27
Drivers of Daiseki Growth .....	3	Daiseki Group's Performance by Business ...	21	● Society: People .....	37
Daiseki Core Business .....	5	<b>Special Feature 1:</b>		● Society: Safety .....	41
The Daiseki Group Value Creation Process .....	7	A Conversation with Top Executives in Our Sales Departments		● Society: Local Communities .....	43
Top Message .....	9	The overarching sales departments goals of the Daiseki Group, which continues to create value as a part of the "venous industry" ...	23	● Governance .....	45
Progress of Vision 2030 (Our Long-Term Management Vision) and Our Long-Term Business Plan .....	13	<b>Special Feature 2:</b>		<b>Non-Financial Information and Company Information</b>	
Message from the Vice President .....	15	Daiseki Group's Capital Investment .....	25	Main Sustainability Reporting .....	51
				Third-Party Assurance .....	52
				Third-Party Opinion .....	53
				Daiseki Group Overview .....	54



## Ethics Charter

### Good-faith responsible action is at the heart of the Company.

A commitment to good-faith, responsible action from each and every one of our executives and employees is at the core of our position as trustworthy members of society and the first choice of our customers. In recognition of this, we have established the Daiseki Ethics Charter to guide our business practices.

## 1. Societal Role and Responsibilities

We fully recognize our societal role and responsibilities as a company providing intermediate industrial waste treatment. By following sound and appropriate business practices based on the principle of accountability, we strive to be worthy of the trust society places in us.

## 2. Compliance with Laws and Regulations

We work to implement internal control maintaining strict compliance with laws, regulations, and company rules, and carry out appropriate business operations and fair, good-faith business practices.

## 3. Respect for Human Rights and Promotion of an Open-Minded Corporate Culture

We respect human rights and strive to promote a rewarding and open-minded corporate culture.

## Code of Conduct

### Code of Conduct is internal rules for members of Daiseki.

We operate our corporate business prioritizing social responsibility, compliance of laws and regulations, and basic human rights to ensure as members of Daiseki. "Code of Conduct" describes basic internal rules for executives and employees to follow.

[ Code of Conduct Articles ]

### 1. Daiseki's Basic Stance

- (1) Pursuit of sound business practices
- (2) Promotion of mutual understanding with wider society
- (3) Support for activities that make a social contribution
- (4) Respect for the global environment

### 2. Core Concepts for Employee Treatment

- (1) High expectations of employees
- (2) Respect for fundamental human rights
- (3) Provision of a work environment that fosters individual capabilities

### 3. Guidelines for Fair Business Practices

- (1) Compliance with the antimonopoly act
- (2) Appropriate approach to entertainment, gifts, and similar practices
- (3) Transactions with public institutions, handling of political contributions and donations

### 4. Guidelines for Information Protection

- (1) Handling of trade secrets
- (2) Handling of inside information
- (3) Handling of intellectual property

## Publication Details

### ● Scope and Areas Covered by This Report

This report covers the ESG activities of the Daiseki Group as a whole. However, some of its content refers only to Daiseki Co., Ltd. (which accounts for approximately 58% of the Group's net sales).

### ● Period Covered by This Report and Important Organizational Changes Occurring During This Period

This report covers FY2023 (March 1, 2022 to February 28, 2023). However, some sections refer to activities and results occurring before or after this period.

No significant changes to the structure of our organization, our shareholder composition, our business description, or other similar areas have occurred within the period covered.

### ● Date of Publication, Previous Publications, and Next Planned Publication

Date of publication: August 31, 2023. Previous publication: August 31, 2022. Next planned publication: August 2024

### ● Division in Charge of Publication & Contact Information

Planning Division, Headquarters of Planning and Management, Daiseki Co., Ltd.  
TEL: +81-52-611-6322 / FAX: +81-52-612-4382 E-mail: kankyo@daiseiki.co.jp

### ● Key Company Information

See our corporate profile, securities reports, shareholder communications, ESG reports (environmental reports, environment and society reports, CSR reports), website, or the Sanpaikun Waste Information Network

## The Story of Value Creation at Daiseki

# Drivers of Daiseki Growth

Daiseki was founded in 1958, before the word “recycling” was in common usage, and started out in the manufacture of lubricating oil and recycling of waste oil. Since obtaining permission for industrial waste management in 1972, we have been promoting building a recycling-oriented society with the philosophy “Making the best use of limited resources.”

We will continue to contribute to the development of sustainable society through resolving social challenges, as an environment-creating company.

## Daiseki Group's journey to value creation

### Moved from refining oils and fats to petroleum sales and re-refining used oil

#### 1945

- Founded oil and fat refining business in Mie District of Mie Prefecture

#### 1958

- Established Daido Sekiyu Kagakukogyo Co., Ltd.

#### 1963

- Opened Nagoya Works in Minato-ku, city of Nagoya

#### 1966

- Opened Kyushu Works in Kokura-ku, city of Kitakyushu

#### 1970

- Opened Hokuriku Daiseki Co., Ltd. in the city of Kanazawa, Ishikawa Prefecture



Founder Haruo Ito



Daido Sekiyu Kagakukogyo

### Began our waste treatment and recycling business as pollution became an increasingly pressing issue

#### 1972

- Obtained permission for industrial waste management in the city of Nagoya

#### 1973

- Opened the Hokuriku Works in the city of Hakusan, Ishikawa Prefecture

#### 1980

- Opened the Osaka office in city of Amagasaki, Hyogo Prefecture

#### 1982

- Opened the Kyushu Works in Wakamatsu-ku, the city of Kita-Kyushu

#### 1984

- Changed the company name to Daiseki Co., Ltd.
- Received Chairman Award from Clean Japan Center Foundation (current JEMAI) as a company contributing for renewal materials

#### 1990

- Opened the Kanto Works in the city of Sano, Tochigi Prefecture



Hokuriku Works



Kyushu Works



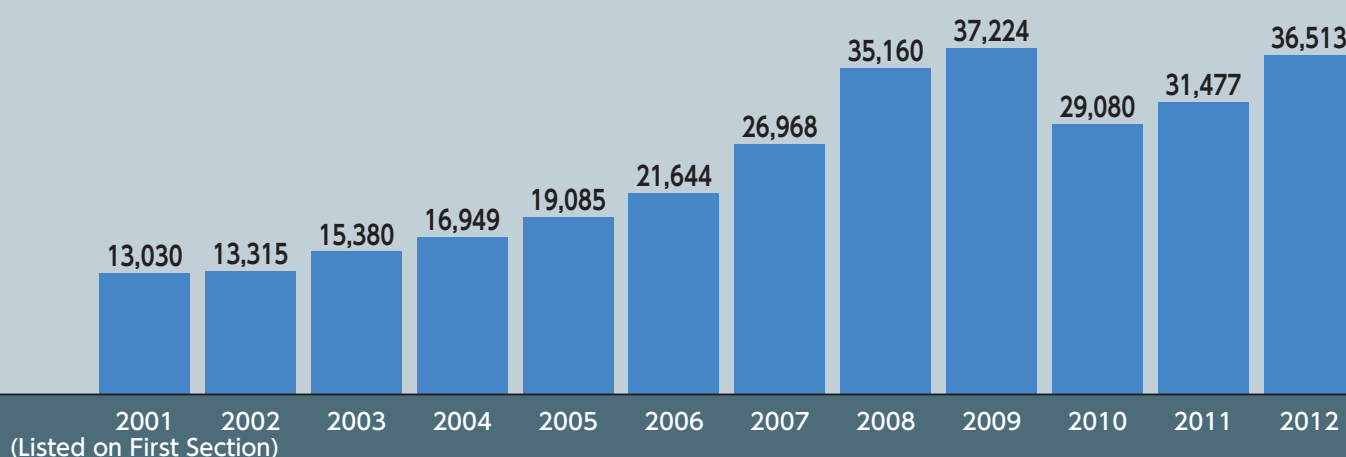
Kanto Works

## Founding period (1945-1970)

## Seminal period (1971-1990)

## Daiseki's achievement on value creation

- Consolidated Net Sales (unit: millions of yen)





## IPO for the company's further growth

### 1995

- Listed on stock market

### 1996

- Established Daiseki Plant Co., Ltd. (today Daiseki Eco. Solution Co., Ltd.) by dividing engineering department

### 1997

- Opened the Chiba Works in the city of Sodegaura, Chiba Prefecture

### 1998

- Received Japan Coast Guard Commissioner Award and Maritime Disaster Prevention Center Chairman Award, recognized with heavy crude oil collection work leaked from Russian tanker Nakhodka in the Sea of Japan
- Chiba Works was first certified for ISO 14001 in the Company (JQAEM0304)

### 1999

- Listed on Tokyo Stock Exchange and Nagoya Stock Exchange Second Section

### 2000

- Alternatively listed on Tokyo Stock Exchange and Nagoya Stock Exchange First Section



Daiseki Eco. Solution



Chiba Works



Collection of heavy crude oil leaked from Russian tanker Nakhodka



Re-designated on Tokyo Stock Exchange First Section

## Accelerating group development with an emphasis on recycling

### 2002

- Opened the Kansai Works in the city of Akashi, Hyogo Prefecture

### 2003

- Awarded first "Honest Company Award"
- President Hiroyuki Ito received Minister of the Environment Award (award for contribution to living environment improvement) at national convention for industrial waste and environment

### 2008

- Made Daiseki MCR Co., Ltd. a whole subsidiary

### 2010

- Made System Kikou Co., Ltd. a whole subsidiary

### 2011

- Supported reconstruction efforts following the Great East Japan Earthquake

### 2021

- Received the Japan Environmental Management Association for Industry Chairman's Award at the Awards for Resources Recirculation Technologies and Systems
- Exhibited at the COP26 Virtual Japan Pavilion

### 2022

- Daiseki and Daiseki Eco. Solution were transferred to Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market
- Exhibited at the COP27 Virtual Japan Pavilion

### 2023

- Daiseki Eco. Solution selected Standard Market division on the Tokyo Stock Exchange



Kansai Works



Daiseki MCR



System Kikou



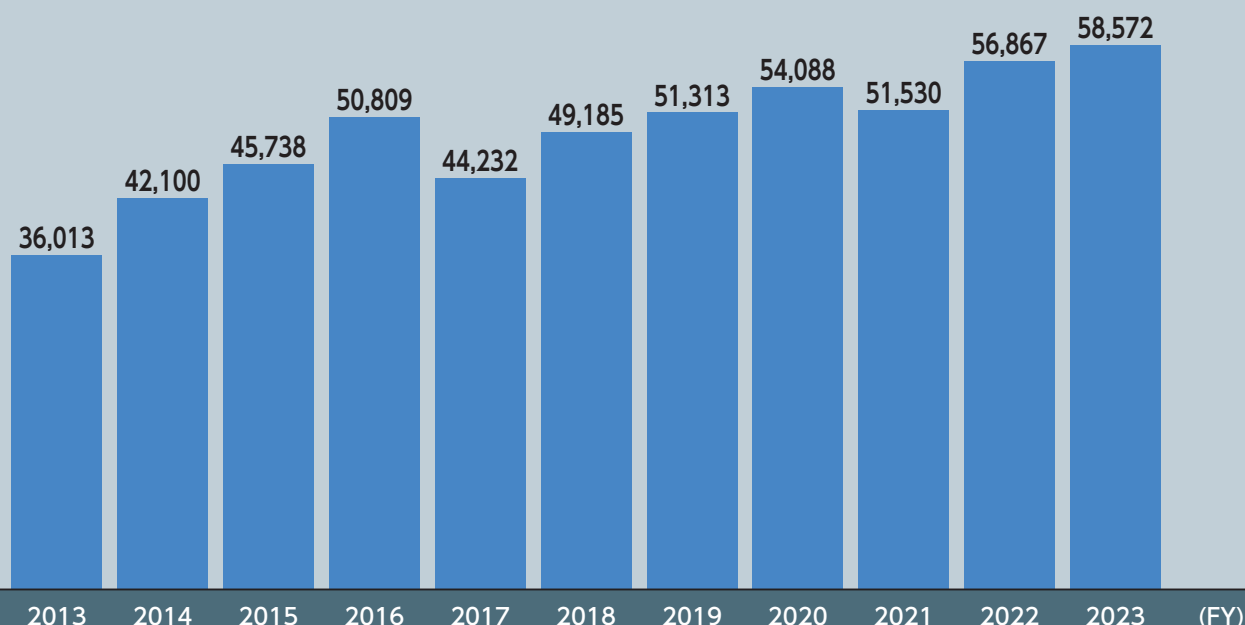
Supported reconstruction efforts in areas affected by the earthquake



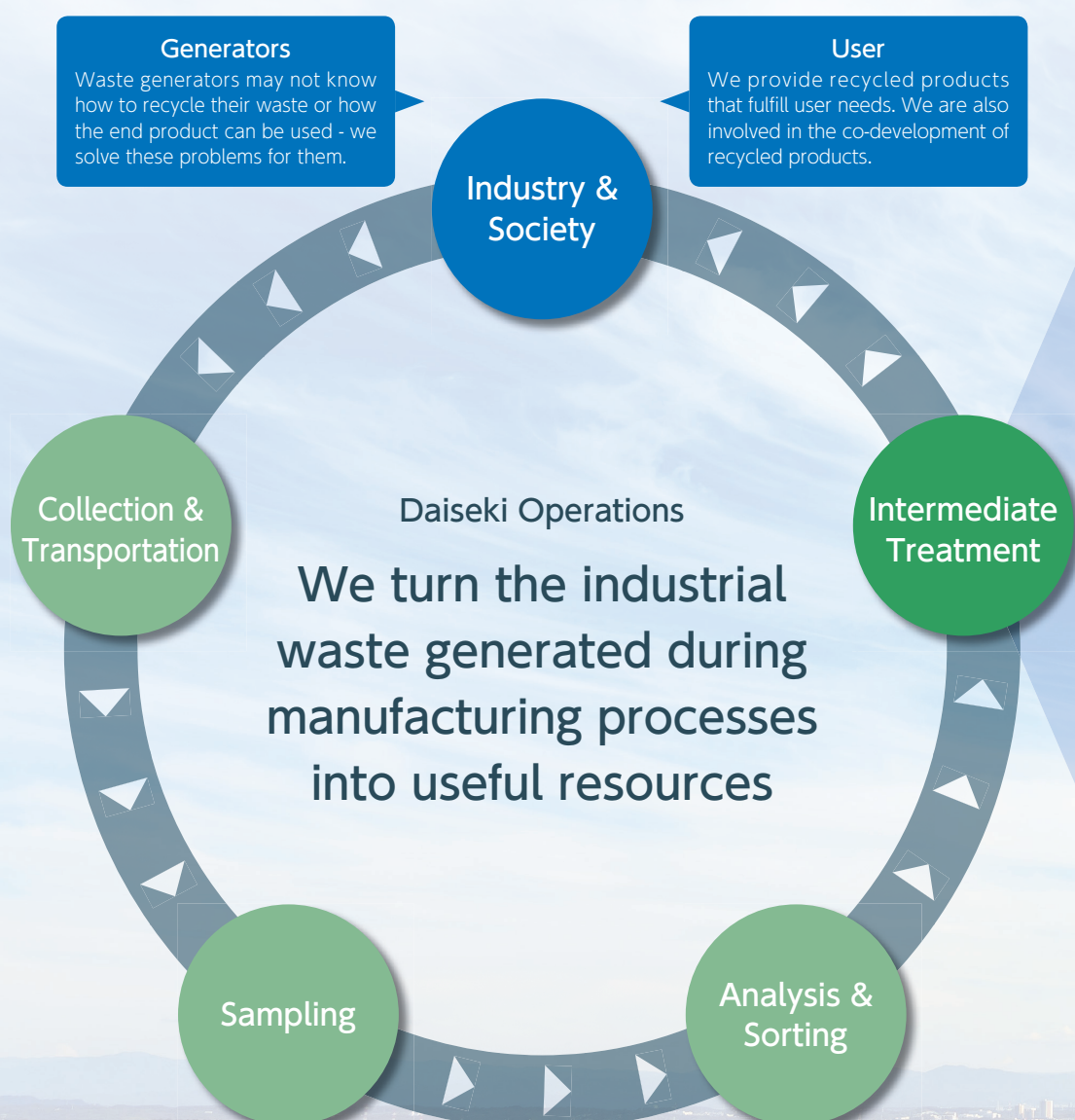
Tokyo Stock Exchange Prime Market Trademark

## Rapid growth period (1991-2000)

## Development period (2001-Present)



# By considering waste as a resource, we contribute to building a recycling-oriented society



Recycling Rate  
(FY2023)

87.1 %

Daiseki's received amount of materials to be recycled  
(FY2023)

1,070,000 tons

Note: See page 28 for definitions of "recycling rate" and "received amount of materials to be recycled"



# Combining a Variety of Technologies to Maximize Recycling of Waste into Resources

## Waste oil

We recycle degraded lubricating oils, produce recycled heavy oil by separating out water content and contaminants before re-refining it, and process waste oils into supplemental fuels (coal substitutes) by adjusting their composition to meet user needs.



Oils and other liquids

### Treatment and recycling



Waste oil treatment (vibration sieving machine)



Waste oil treatment (centrifuge)



Recycled fuels

## Wastewater

We separate out any oil content, which can be converted into fuel; neutralize waste acids and alkalis; then use activated sludge to purify the water. After verifying that it conforms to the water quality standards set by national and local governments, we discharge the wastewater into rivers or sewer systems. We also recover useable metals from wastewater.



Waste acids (pH 7 or lower) and waste alkalis (pH 7 or higher) in liquid form

### Treatment and recycling



Activated sludge treatment



Metal recovery device



Usable metals, etc.

## Sludge

Through treatments including dehydration, drying, and kneading (mixing with a treatment agent), we recycle sludge into the raw materials for cement. We minimize the quantity of sludge that cannot be recycled and outsource landfill disposal of any remaining.



Muddy waste

### Treatment and recycling



Dehydrator



Drying device



Raw materials for cement

Note: Recycled fuels mean recycled heavy oil and supplemental fuels.

As the premier company in Japan's "venous industry," Daiseki is engaged in creating the value that society needs

## INPUT

Daiseki Group's foundation as an environment-creating company

1

Japan-wide network

With a network of 42 bases across Japan, the Daiseki Group provides comprehensive services in the areas of industrial waste treatment and resource recycling.

2

Extensive business track record

Boasting a track record of business with over 10,000 companies, we support the Japanese manufacturing industry by proposing optimal recycling methods in response to requests from customers in all industries.

3

Advanced technologies

We have advanced technologies such as integrated processing by Daiseki that simplifies processing by combining difficult-to-treat wastewater, optimal research and purification process by Daiseki Eco. Solution Co., Ltd., recycling of waste batteries into JIS standard lead by Daiseki MCR and safe and high-quality waste oil cleaning through COW method by System Kikou.

4

Expertise on relevant laws and regulations

Employees who are knowledgeable about laws that are hard to understand, such as Waste Management and Public Cleansing Act or Soil Contamination Countermeasures Act, provide accurate guidance to customers from the perspective of legal compliance.

5

Robust inbound receipt system

We are equipped with an inbound receipt system capable of processing over 2,000,000 tons of waste annually, and ensure proper disposal of that waste. We also own over 200 vehicles for transportation, which establishes the system to promptly respond to requests for collection from customers and supports for recovery from disasters,

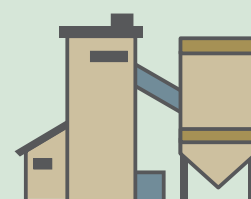
6

Sound financial structure

While companies with capital over JPY1 billion account for approximately 1% of the industrial waste treatment industry, Daiseki's listing on the stock exchange in 1999 came to be one of the first company specializing in industrial waste disposal business.

## BUSINESS

Conducting Business that Sees Industrial Resource and Strives to Solve Social



Waste generators

Request for industrial waste treatment

Demand for product

Treatment fees

Daiseki

Proper disposal and environmental protection

### New Business

- M&A with an emphasis on "environment" and "recycling" as core businesses
- Promotion of alliances including businesses in different areas
- Widening the range of items handled by development of recycling process technologies

Sale

Product assembly

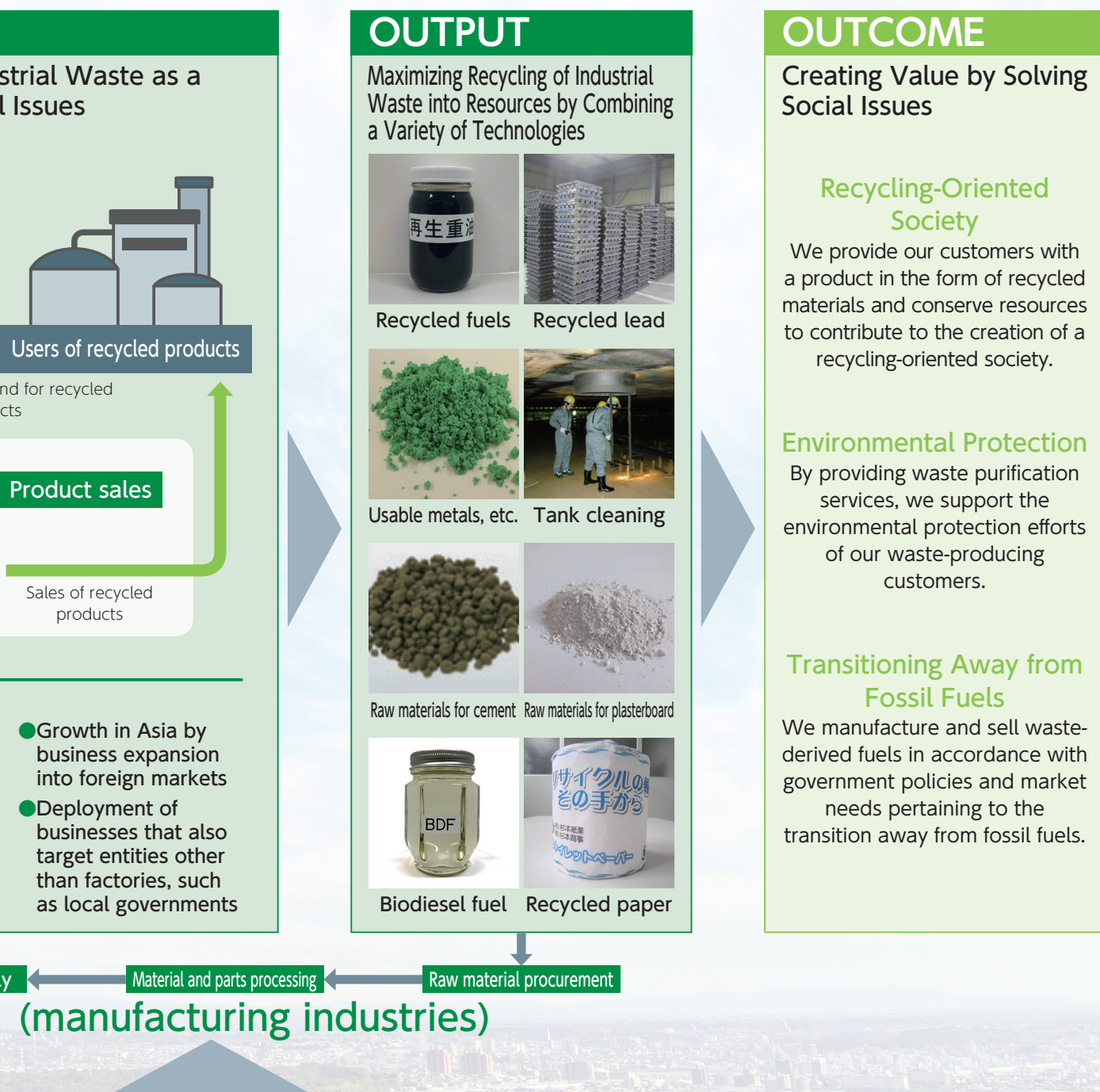
Arterial industries

Core value

Our purpose



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 Daiseiki Group sees its role as recycling waste generated by manufacturers’ production processes in the “arterial industry” as fuel and raw materials, then returning them to the manufacturers for reuse.



## Nuture the future

Making the best use of limited resources  
An environment-creating company contributing to society through the environment

# 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**

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**

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.

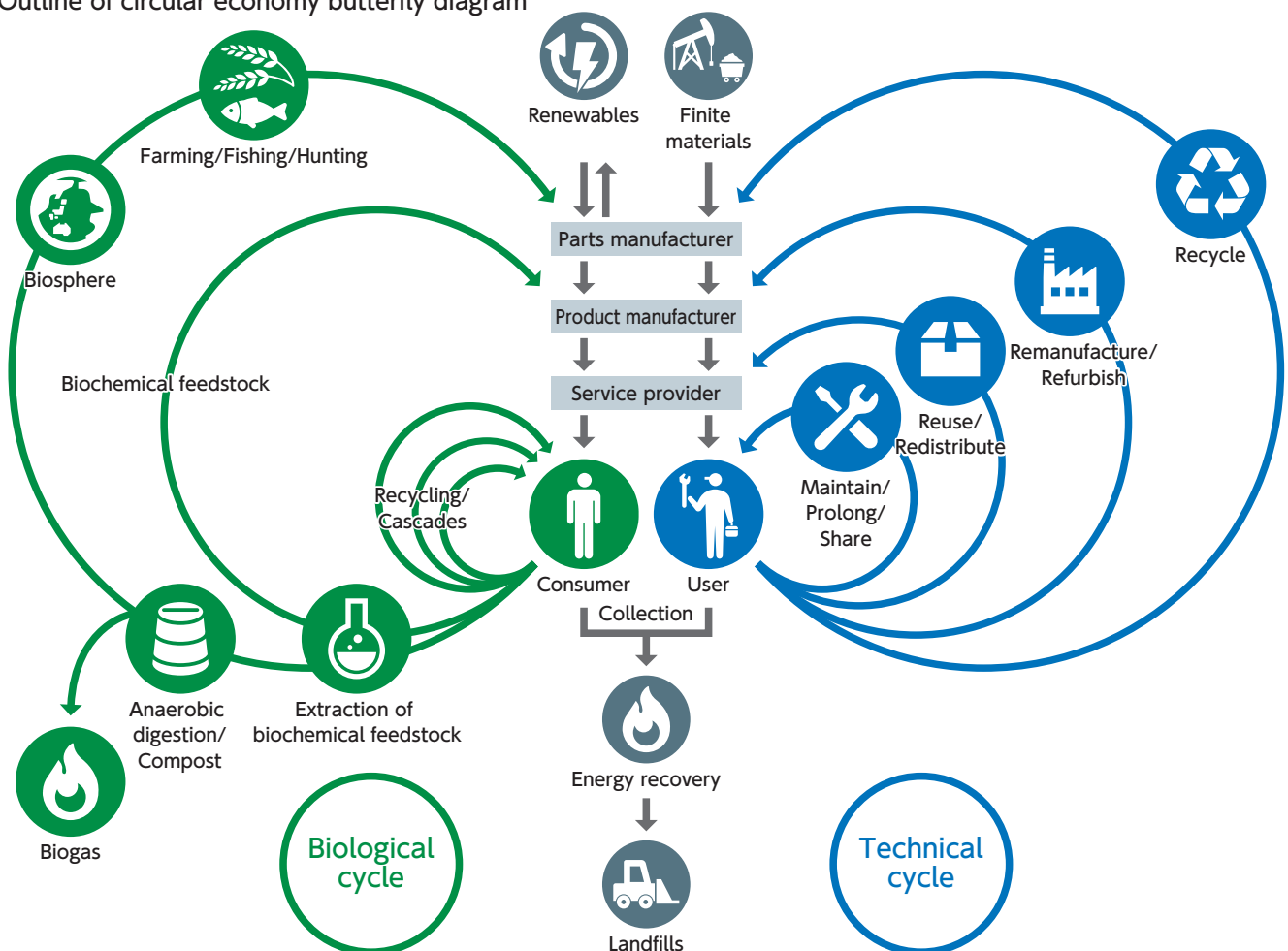
Our long-term business plan, "Vision 2030," sets the goals of capturing 30% of the Japan market share and tripling net sales and operating profit, and the involvement of each and every employee is essential to achieving these goals. We also recognize that it is management's responsibility to create a 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 Daiseki 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 Daiseki.

### **Daiseki'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 Daiseki 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 Daiseki in the future.

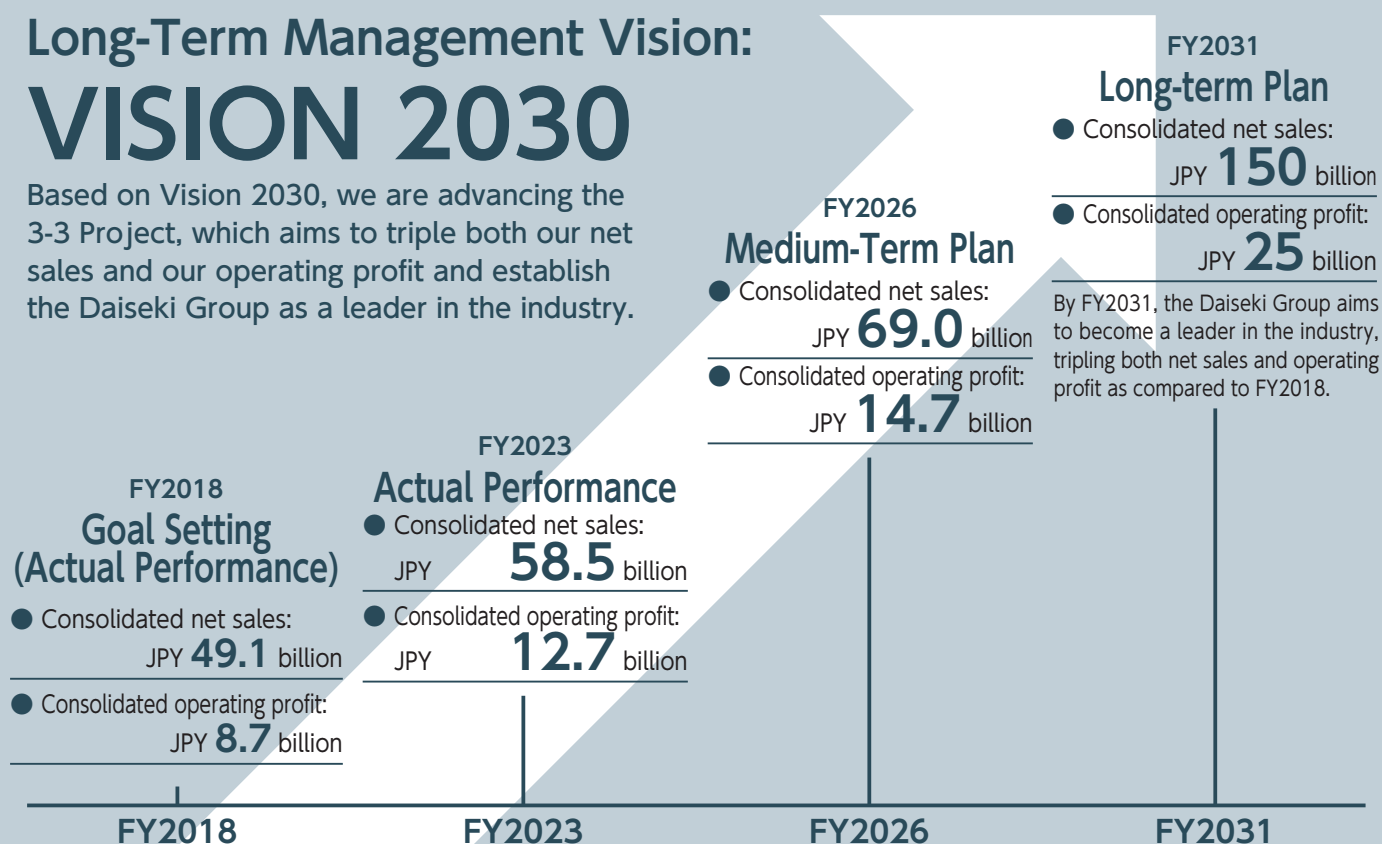


# Progress of Vision 2030 (Our Long-Term Management Vision) and Our Long-Term Business Plan

In the aim of achieving the scale and ability that will allow us to compete with the top international players in the industry, the Daiseki Group is working toward Vision 2030, our long-term management vision established in FY2019 and effective through FY2031.

## Long-Term Management Vision: VISION 2030

Based on Vision 2030, we are advancing the 3-3 Project, which aims to triple both our net sales and our operating profit and establish the Daiseki Group as a leader in the industry.



## The Daiseki Group's Core Strategies

### Domestic Strategies

- Increase activity in currently underserved areas through cooperation between existing facilities
- Expand into new areas through development of new operating bases

### Global Strategies

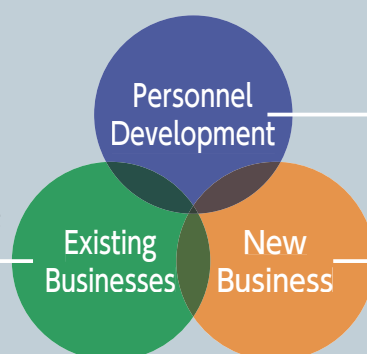
- Commence market research geared toward expansion into the Asian market

### Development of technologies and equipment

- Raise our recycling rate
- Increase range of items accepted for treatment by adopting new technologies and equipment

### Group Strategy

- Enhance synergy by strengthening cooperation, including exchange of human resources



### Work Environment

- Rewarding work environment where employees can hope to grow
- Gender-neutral work environment

### Human Resources Development

- Stimulate exchange of human resources between Group companies
- Expand education system
- Implement internal system inviting new project applications

### M&A Strategy

- M&A with an emphasis on environment and recycling

### Alliance Strategy

- Promote alliance, including with other industries

## FY2023 progress

### ① Opening Three New Operating Bases

#### ●Hiroshima Works

Aug. 2021: Land acquisition—20,454 m<sup>2</sup>  
Jan. 2023: Began factory construction  
Mar. 2024: Scheduled start of operation

#### ●We are in the process of finding suitable land for two other locations.

### ② Establishing Three New Core Businesses

#### ●Promotion of the circular economy

#### ●Development of businesses that also target customers other than factories

Signed joint agreement with Gamagori city in December 2022

#### ●Growing into an environment-creating company by expanding handled products

We are considering expanding the products that we handle in addition to factory wastewater (Daiseki), soil (Daiseki Eco. Solution), and metals (Daiseki MCR) (disclosed on March 31, 2023, M&A deal by Daiseki Eco. Solution, etc.)

#### ●In 2022, Daiseki announced its purpose of being “an environment-creating company contributing to society through the environment” by “making the best use of limited resources.”

### ③ Capturing 30% Domestic Market Share in Our Core Businesses

#### ●Kansai Works Harima Recycling Center

Sep. 2019: Land acquisition—63,432 m<sup>2</sup>  
Jan. 2023: Start of first factory operation period

#### ●At the end of February 2023, Daiseki had a 25.2% share of the Japanese market

(transactions with 5,663 factories out of 22,491 manufacturing factories in Japan with at least 100 employees)

## Vision 2030 plan for the future

The Daiseki Group aims to triple FY2018 levels for net sales and operating profit and become a leader in the industry

### Target Performance Indicators and Value Drivers

Performance Indicators	<ul style="list-style-type: none"> <li>● Achieve 150 billion yen or more in consolidated net sales and 25 billion yen or more in consolidated operating profit</li> <li>● Consolidated ROE of 10% or more (FY2031 target: 15%)</li> <li>● Steadily increasing our dividend payout ratio through dividend increases and stock buybacks if necessary</li> </ul>		
Value Drivers	<b>Net Sales Growth</b> <ul style="list-style-type: none"> <li>● Increasing market share in both Eastern and Western Japan</li> <li>● Expanding peripheral businesses (subsidiaries, M&amp;A)</li> </ul>	<b>Increasing Profitability</b> <ul style="list-style-type: none"> <li>● Improving recycling technologies</li> <li>● Reducing costs by monitoring variable and fixed costs</li> </ul>	<b>Increasing Efficiency</b> <ul style="list-style-type: none"> <li>● Improving operations</li> <li>● Improving capital efficiency through capital investment, M&amp;A, and shareholder returns (dividend increases, share repurchases, etc.)</li> </ul>

## FY2024 Plan

- Development of new businesses around the circular economy
- Development of new markets by delving deeper into potential customers other than factories
- Development of new technologies and businesses in partnership with universities
- M&A with companies that have high synergy with the Daiseki Group
- Strengthening cooperation within the Daiseki Group to increase earnings



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

Representative Director Vice President and Executive Officer **Yasuo Ito**

## 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.

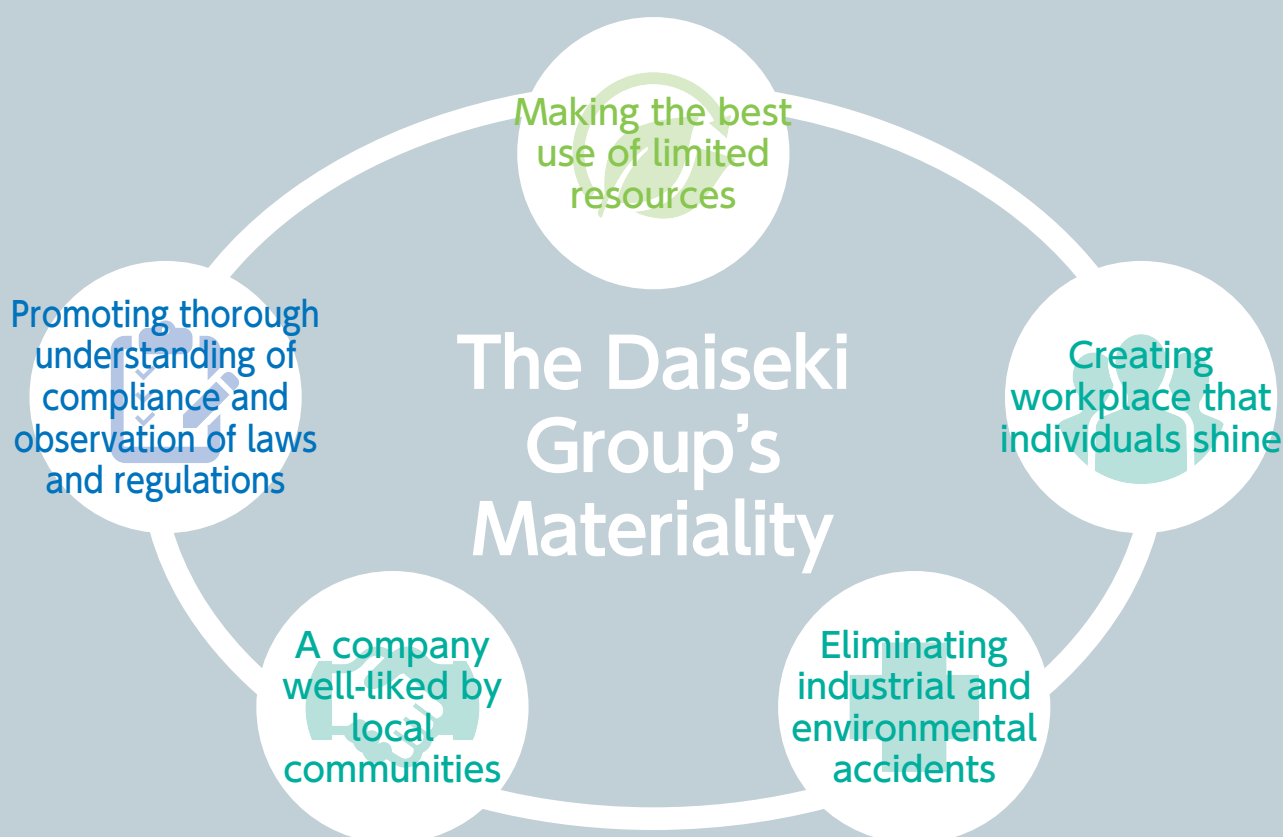
In terms of environment, we are working to build business models that contribute to the circular economy. Thus far, our business has primarily been that of cascade recycling, in which the quality of the product is lower than that of the raw material. Going forward, by collaborating with other companies, 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.

# Daiseki Group's Priority Issues and Materiality Assessment Process

The Daiseki Group aims to achieve continued sustainable growth as an environment-creating company contributing to society through the environment. To this end, we have identified five materiality issues and are promoting initiatives in these areas. We will promote the enhancement of our corporate value with a medium- to long-term outlook while concurrently working on ESG perspectives.



## ● Materiality Assessment Process





## ● Assessing the importance of key issues

Importance for stakeholders	Importance for the company's business activities	
	Low	High
	High	Low
	<ul style="list-style-type: none"> <li>● Diversity</li> <li>● Work-life balance</li> <li>● Human resources development</li> </ul>	<ul style="list-style-type: none"> <li>● Carbon neutrality</li> <li>● Circular economy</li> <li>● Environmental protection</li> <li>● Relationship of trust with customers</li> <li>● Health management</li> <li>● Increasing employee engagement</li> <li>● Compliance</li> <li>● Corporate governance</li> <li>● Core business share up</li> <li>● Develop new businesses</li> </ul>
	<ul style="list-style-type: none"> <li>● Relationship of trust with local communities</li> <li>● Cooperation with local governments and universities</li> <li>● Contribution to local communities</li> </ul>	<ul style="list-style-type: none"> <li>● Demonstration of each person's individuality and abilities</li> <li>● Philosophy of safety</li> <li>● Nurturing employees who work safely</li> <li>● Safety training</li> <li>● Equipment necessary for safety</li> </ul>

## ● Main opinions considered


















### ● Investors

- Reducing our greenhouse gas emissions
- Contribution to the water cycle
- Disclosure of toxic waste emissions information
- Strengthening employee education and labor management
- Protecting human rights
- Introduction of a safety management system
- Introduction of performance-linked compensation system
- Strengthening Group company management
- Vision 2030 target management
- Compliance

### ● Daiseiki Group officers and employees

- Realization of a circular economy society
- Promotion of countermeasures for climate change
- Demonstration of each person's individuality and abilities
- Workplaces prioritizing safety where employees can work with peace of mind
- Co-existence and mutual prosperity with local communities
- Gaining trust through compliance

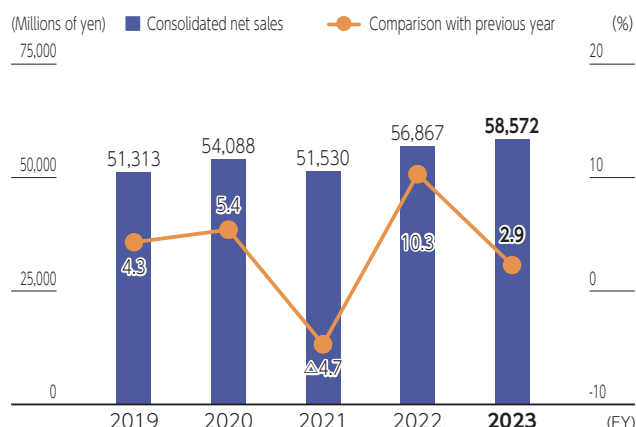
## ● Each Issue's Connection with the SDGs, Initiatives, and Performance Review

ESG Materiality		FY2023 Initiatives	Stakeholder Interest	Impact on Daiseiki Group Operations	Overarching Aims	Related Pages
Materiality Issues	Priority Issues					
Making the best use of limited resources	<ul style="list-style-type: none"> <li>● Circular economy</li> <li>● Carbon neutrality</li> <li>● Environmental protection</li> <li>● Strengthening trusted relationships with customers as an environment-creating company</li> </ul>	We obtained SBTi certification for our greenhouse gas emissions reduction targets and worked toward these goals. We received a B score from the CDP.	Extremely high	Extremely high	      	P27 ~36
Creating workplace that individuals shine	<ul style="list-style-type: none"> <li>● Health management (employee, family, supply chain)</li> <li>● Diversity and inclusion</li> <li>● Work-life balance</li> <li>● Human resource development (nurturing employees to win trusts from society and customers as professionals and to be proud of own job for families)</li> <li>● Workplace and company you can be proud of for your family (employees and company make safe workplace that is worth working for without any frauds)</li> </ul>	We promoted human capital management by formulating a human resources development policy and internal environment improvement policy.	Extremely high	Very high	   	P37 ~40
Eliminating industrial and environmental accidents	<ul style="list-style-type: none"> <li>● Philosophy to put safety as the top priority</li> <li>● Nurturing employees who work safely as professionals</li> <li>● Danger prediction training, risk assessment</li> <li>● Update and expansion of necessary equipment</li> </ul>	We implemented thorough accident-prevention measures, including investigations into the root causes of accidents and safety patrols of our customers' premises.	Very high	Extremely high	 	P41 ~42
A company well-liked by local communities	<ul style="list-style-type: none"> <li>● Building relationships and trusts with residents in surrounding area</li> <li>● Cooperation with local governments and universities in surrounding area</li> <li>● Company that roots in and contribute to the local area through environment</li> </ul>	We furthered our cooperation with local governments and universities by participating in local government events and implementing practical training in cooperation with universities.	High	High	 	P43 ~44
Promoting thorough understanding of compliance and observation of laws and regulations	<ul style="list-style-type: none"> <li>● Compliance of related laws such as the Waste Management and Public Cleansing Act</li> <li>● Employee trainings by compliance study sessions</li> <li>● Strengthening corporate governance</li> </ul>	We worked to increase employees' knowledge and awareness of laws and regulations through compliance study sessions attended monthly by all employees.	Very high	Extremely high	 	P45 ~50

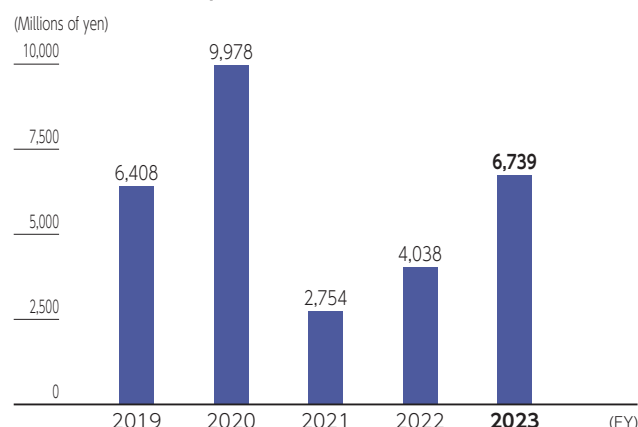
# Financial and Non-Financial Highlights

## Financial Highlights

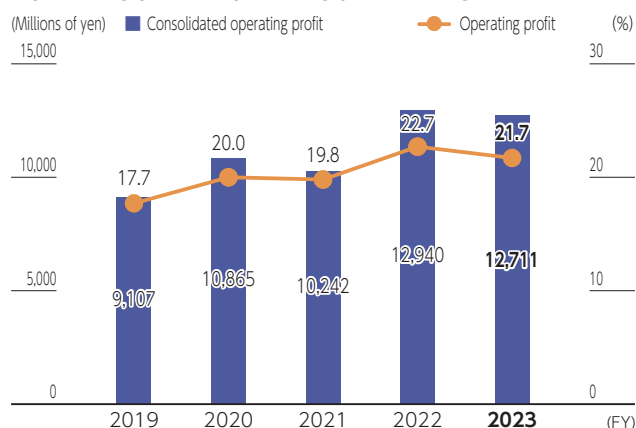
### Consolidated net sales



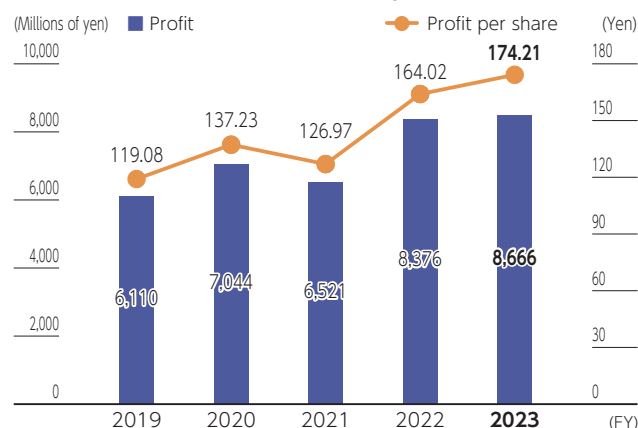
### Consolidated capital investment



### Operating profit, operating profit margin

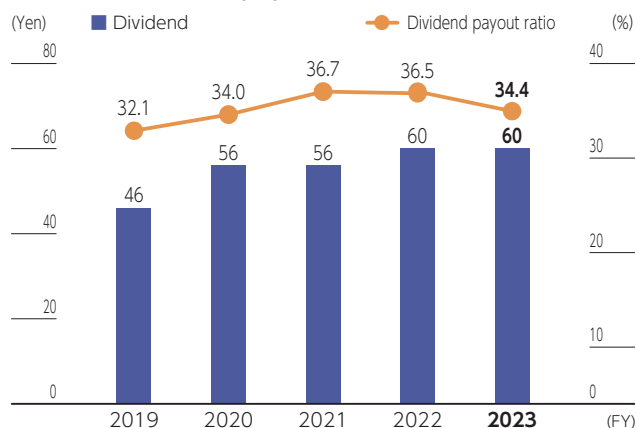


### Profit attributable to owners of parent



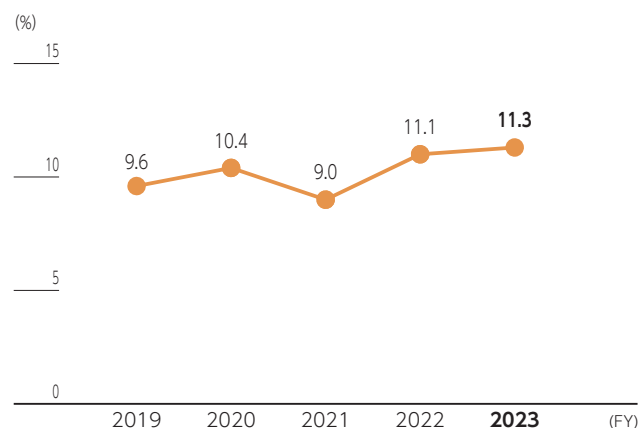
Note: Profit per share was calculated with reference to the 1.2-for-1 stock split of common stock carried out in September 2021, and assumes a stock split at the beginning of FY2019 in line with this.

### Dividend, dividend payout ratio



Note: A 1.2-for-1 stock split of common stock was carried out in September 2021

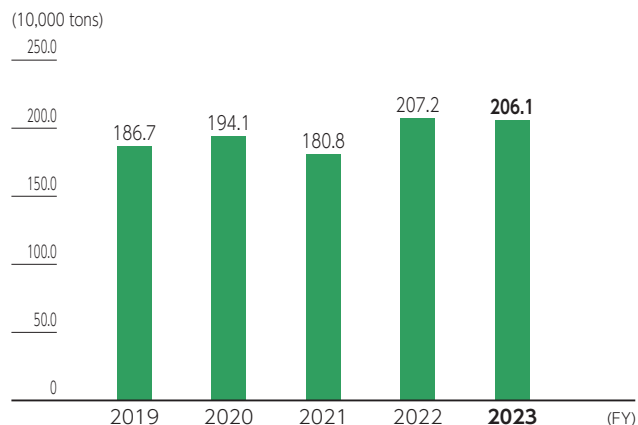
### Consolidated ROE



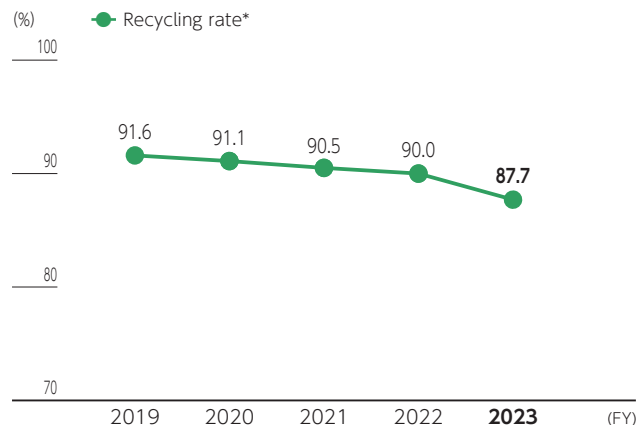


## Non-Financial Highlights

### Quantity of industrial waste received for recycling at Daiseki Group



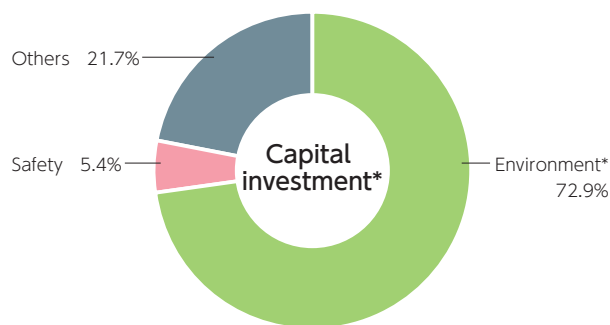
### Daiseki Group Recycling Rate



Note: See page 28 for the definition of recycling rate

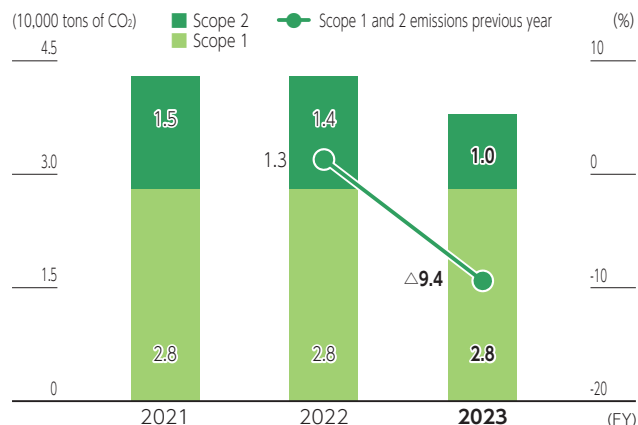
\* In recent years the recycling rate has dropped as we take on challenges to recycle items that are difficult to treat, and we are currently developing technologies to raise the recycling rate.

### Breakdown of Daiseki Group Capital Investment by Purpose (FY2023)



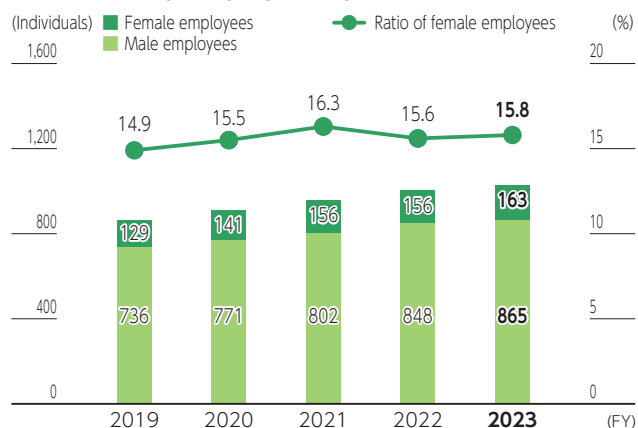
Note: This figure for investment in equipment does not include expenses for the purchase of land  
\* Capital Investment for environment includes expenditure for recycling promotion, prevention of pollution, and reduction of CO<sub>2</sub> emissions.

### Change in Daiseki Group's Scope 1 + Scope 2 emissions



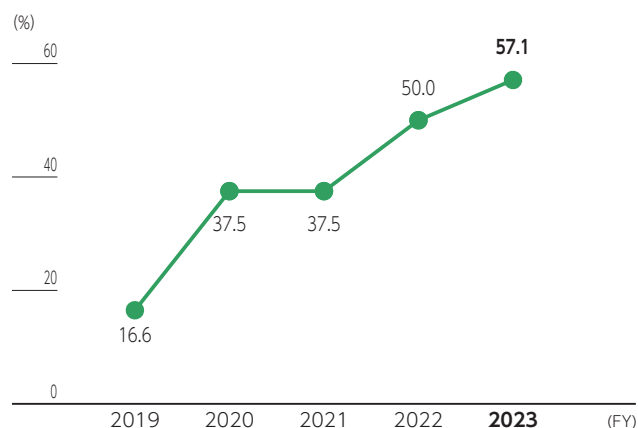
Note: Group emissions for FY2019 and FY2020 are undisclosed.

### Daiseki Group Employees by Gender



Note: Full time employees only (non-regular staffs, contractors, temporary employees, assignee, part time employees and associate employees are not included)

### Transition of ratio of Daiseki external directors



Note: Based on securities report that describes business activities for each fiscal year

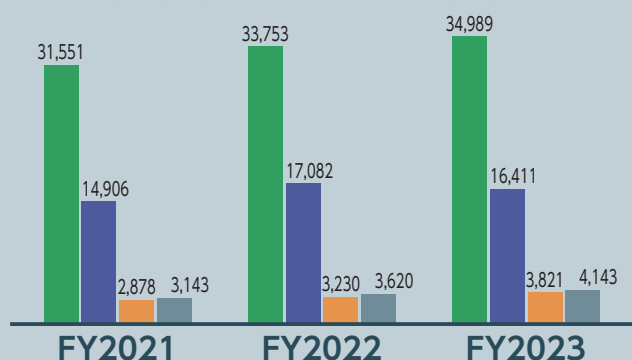
## Daiseki Group's Performance by Business

Each company within the Daiseki Group is working to create value in the domains of environmental protection, resource recycling, and the transition away from fossil fuels. In this section, we categorize our operations into four segments (wastewater, waste oil, and sludge recycling; soil and plasterboard recycling; lead recycling; oil tank cleaning) and discuss our performance and initiatives for each segment.

Note: Sugimoto Trading Company Co., Ltd. and Sugimoto Paper Industry Co., Ltd., which Daiseki Eco. Solution conducted an M&A with in March 2023, will be included from next fiscal year.

### Consolidated net sales Millions of yen

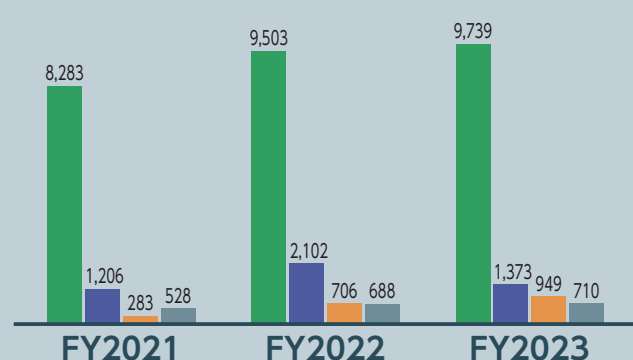
■ Wastewater, waste oil, and sludge recycling segment ■ Soil and plasterboard recycling segment  
■ Lead recycling segment ■ Oil tank cleaning segment



Note: Information for wastewater, waste oil and sludge recycling segment is derived from data of Daiseki Co., Ltd and Hokuriku Daiseki Co., Ltd. and information for soil and plasterboard recycling segment is derived from data of Daiseki Eco. Solution Co., Ltd., Green Arrows Central Co., Ltd. and Green Arrows Kyushu Co., Ltd. Information for Lead recycling segment is derived data from Daiseki MCR Co., Ltd. and information of oil tank cleaning segment is derived data from System Kikou Co., Ltd.

### Consolidated operating profit Millions of yen

■ Wastewater, waste oil, and sludge recycling segment ■ Soil and plasterboard recycling segment  
■ Lead recycling segment ■ Oil tank cleaning segment



	Positive factors	Negative factors
Internal factors	<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>● High profitability due to superior business model</li> <li>● High recycling rate</li> <li>● Contribution to carbon neutrality</li> <li>● Network spanning all of Japan</li> <li>● Wide range of products handled</li> <li>● Knowledge related to the Waste Management and Public Cleansing Act, which is difficult to interpret</li> <li>● High-level emergency response in disaster situations</li> <li>● Contribution to environmental protection by purifying wastewater and waste oil</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>● The circular economy is not yet a core business</li> <li>● Scope of business is Japan only, and has not yet expanded overseas</li> <li>● Smaller business scale and limited business scope compared to major companies outside Japan</li> </ul>
External factors	<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>● Increase in customers who demand carbon neutrality</li> <li>● Growing necessity of the circular economy due to high resource prices</li> <li>● Growing interest of the international community in biodiversity and the water cycle</li> <li>● High barriers to entering the waste disposal industry in Japan due to the Waste Management and Public Cleansing Act</li> </ul>	<p><b>Threat</b></p> <ul style="list-style-type: none"> <li>● Shrinkage of the Japan industrial waste market due to stagnation of the Japanese manufacturing industry</li> <li>● Increase in energy costs due to tightening of carbon-neutrality regulations</li> <li>● Barriers to expanding business due to the strict provisions of the Waste Management and Public Cleansing Act and differing interpretations of this Act by each local government</li> </ul>



## Introduction of Group Companies

### Daiseki Eco. Solution

**Hiroya Yamamoto** President and Representative Director

Our soil segment cleans and recycles soil contaminated by civil engineering works. Recycled soil is used as a construction material and a raw material for cement. In the plasterboard field, we collect plasterboard from demolition sites, separate its components, and recycle it into recycled plasterboard and raw materials for cardboard and recycled paper.

Going forward, we will reliably handle large-scale construction projects in the Tokyo metropolitan area, the Chubu region, and the Kinki region, and work to strengthen upstream sales and consulting business. In May 2023, we augmented treatment facilities at our used plasterboard works. We are promoting further expansion of the used plasterboard recycling business.



### Daiseki MCR

**Tadashi Hongo** President and Representative Director

Daiseki MCR collects used batteries and separates, dissolves and smelts their components to recycle them into lead ingots. The lead ingots are used by battery manufacturers. Daiseki MCR is focusing on reducing greenhouse gas emissions in response to customer demand. In consideration of the large amounts of CO<sub>2</sub> that are emitted in the lead smelting process, in 2014 the company adopted the use of LNG instead of coke, resulting in an approximately 60% reduction of emissions. This was followed in March 2022 by a switch to carbon-neutral LNG.

Looking ahead, we will develop businesses that can contribute both to the circular economy and carbon neutrality.



### System Kikou

**Tsuneyasu Tanaka** President and Representative Director

System Kikou carries out cleaning works and similar operations for oil tanks and tankers' internal storage tanks, collecting the crude oil sludge accumulated inside the tanks. Our cleaning technologies and systems are considered industry-leading both in Japan and overseas.

Until now, large oil tanks were the main target of the company's business, but now, in cooperation with Daiseki, tanks located in manufacturing plants are also targeted. We would like to go forward further strengthening the synergies of the Group.



### Hokuriku Daiseiki

**Katsuya Mishima** Representative Director

Hokuriku Daiseiki manufactures and sells mold release agents for concrete products; special machine oils, cutting oils, and industrial lubricants; and rust inhibitors to prevent rusting of metal parts and machinery. We also collect waste oil and recycle it, processing it into process oils or similar products depending on its composition and properties. Waste oil recycling has been a part of Daiseiki's efforts since the company's founding, and we consider it to have been a precursor to what is now known as the circular economy. We are committed to further revitalizing our business and to cooperation with the rest of the Daiseiki Group, founded on a philosophy of effectively utilizing the Earth's finite resources.



# The overarching sales departments goals of the Daiseki Group, which continues to create value as a part of the “venous industry”

The continued growth and development of the Daiseki Group as an environment-creating company requires not only technological capabilities and knowledge—high level sales knowledge to respond to customers in all business areas is also essential. In this conversation, the top executives in our sales departments at Daiseki and Daiseki Eco. Solution provide explanations of our initiatives.

### Daiseki Group’s resource recycling solutions for the age of carbon neutrality

— In sales have you felt there are new needs pertaining to the SDGs and ESG investment?

**Amano:** Yes, I feel that demand for Daiseki’s recycling, which addresses the needs of the age of carbon neutrality, is growing day by day, and we are experiencing an unprecedented tailwind. Customers choose us because of our high recycling rate and our technological capability of disposing of waste in environmentally friendly ways. In particular, our non-burning recycling process is a major appeal point for customers who are carbon neutrality oriented.



**Ryuji Suzuki**

Senior Managing Executive Officer & General Manager of Headquarters of Environmental Business in charge of the Eastern Japan area, Daiseki Eco. Solution. Appointed as a director in 2007. Served as a director of System Kikou from 2010 to 2013. From 2013 served as Deputy General Manager and then General Manager of Daiseki Eco. Solution’s Headquarters of Environmental Business. Took on his current role in 2022.

**Suzuki:** I’ve also been feeling the same thing. At Daiseki Eco. Solutions we have many customers in the construction industry, and requests for environmental considerations, such as treatment of contaminated soil, are on the rise from their clients in the manufacturing and other industries. There is strong business in the manufacturing industry, and there are many excellent companies that have preemptively taken environmental and resource related measures. The construction industry is following suit, for example by choosing environmentally friendly recycled materials, and we are beginning to see a virtuous cycle.

**Amano:** There are also increasing carbon-neutrality needs among major companies in the manufacturing industry. Daiseki has long marketed recycling processing services and recycled products with low CO<sub>2</sub> emissions, and is now considering the development of new products that can contribute to carbon neutrality.

Daiseki has also received a B score from the CDP (climate change), and we are aiming to further improve our score in the future. This is an evaluation from an organization which provides environmental ratings and has a high level of global influence, which I believe will work in Daiseki’s favor in our sales activities.

— What is required for venous industry to contribute to the circular economy and sustainability?

**Amano:** We need to deepen cooperation between customers in the arterial industry, which generates waste, and the venous industry, which recycles it. Even waste that is not currently recyclable could be reusable with creative sorting and processing methods by customers in the arterial industry. A kind of cooperative framework in which the venous industry provides know-how to be utilized by the arterial industry to expand the scope of recycling, is key. To this end, it is also necessary to have clear motivation on the arterial industry side. It will be necessary to demonstrate benefits commensurate with the costs, or legal regulations to create a country-wide system.

**Suzuki:** The cost of disposing of contaminated soil and industrial wastes can be a factor that puts pressure on a company’s business. Therefore, I believe policies such as subsidy programs for environmental restoration



costs and tax incentives would also be effective.

**Amano:** An urgent matter that we must consider is the creation of a system to recycle waste-derived materials such as waste plastic and scrap inside Japan, rather than shipping them to other countries. Japan is a country with few natural resources. There would be considerable economic benefits if we could recycle such waste into raw materials in Japan.

**Suzuki:** Waste is being shipped outside of Japan. This is because the price of such waste is higher in other countries. We would like to pursue a system by which high quality scrap and other strategic resources can be procured within Japan.

## Daiseki's DNA: Creating new value as waste recycling professionals

— What do you think the Daiseki Group's strengths are in terms of sales?

**Amano:** Number one is trustworthiness, and this applies to both of our companies. In the unlikely event that a waste disposal company violates the Waste Management and Public Cleansing Act, its customer will be strictly held liable as the emitting business. Daiseki is a trusted company, with an unwavering track record of strict compliance spanning approximately half a century.

**Suzuki:** Second is our ability to respond to the diverse needs of customers in the manufacturing industry. Third is the fact that we practice in-house operations to provide one-stop solutions. Our DNA is rooted in the idea of providing added value to waste through our own efforts and ingenuity.

**Amano:** That's where our pride as waste recycling professionals lies. In times of disaster or accident, we respond to requests from the national government and municipalities to resolve waste and pollution related issues. Even in the event of major disasters such as the Great East Japan Earthquake, Daiseki immediately hastened to the affected areas and supported the relief efforts.

**Suzuki:** The quality of mobility is something to be proud of. We take pride in how quickly we grasp customer needs and make proposals, make arrangements and carry out work, and make practical decisions as an organization. This speediness is a core competence of competitiveness.

— What is the goal of strengthening sales collaboration between Daiseki and Daiseki Eco. Solution?

**Suzuki:** Up until now, we had a sort of passive collaboration in which we contacted each other when there was a request from a customer. Moving forward, we will conduct screenings of customer segments having latent needs so that we can actively provide them with the knowledge that the Daiseki Group possesses. The aim is to strengthen our presence and increase customer satisfaction.

**Amano:** The aim is to strengthen our one-stop solutions. For example, when a Daiseki customer relocates a plant, it is necessary to remediate the soil of the plant site. Therefore, we started an

initiative in which Daiseki sales representatives are accompanied by a sales representative from Daiseki Eco. Solution when meeting with customers who may have soil remediation needs.

**Suzuki:** In order to satisfy the needs of our customers, we are taking various measures, such as inventorying customer information, making joint visits and proposals to relevant customers, and monitoring organizational processes via the introduction of KPIs.

## Future sales efforts for the growth of Daiseki Group

— What do you think is required of Daiseki and Daiseki Eco. Solution in terms of sales?

**Amano:** We must maintain the ability to think freely without being bound by preconceived notions. The needs of environmental businesses are changing at a dizzying pace. I believe that our mission is to contribute to society with services that are one step ahead by being keenly perceptive of these changing needs.

**Suzuki:** For Daiseki Eco. Solution, it is securing resources. As a core member of the soil contamination and related industrial waste industry, we receive a large number of inquiries; however, we are facing the issue of not being able to respond to all of these requests. In order to improve the quality of our consulting services and actual operations, we are looking to scale up the training and development of internal and external employees, as well as collaboration with strategic partners.



**Koji Amano**

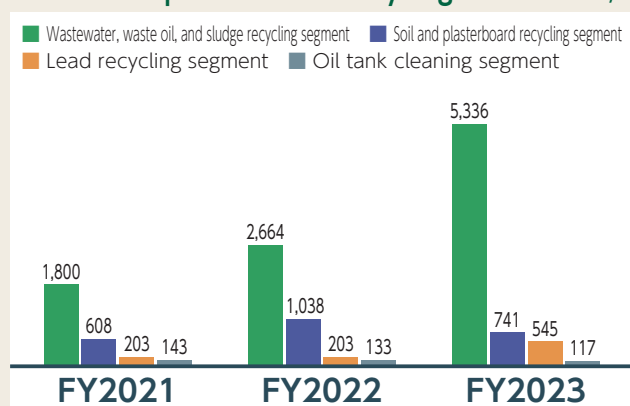
Director & Senior Managing Executive Officer, Deputy General Manager of Headquarters of Business Generalization, Daiseki  
Appointed as a director in 2003. From 2000 to 2020 served as the head of Daiseki's Kyushu, Kanto, and Kansai works. Took on his current role at Daiseki in 2020.



# Daiseiki Group's Capital Investment

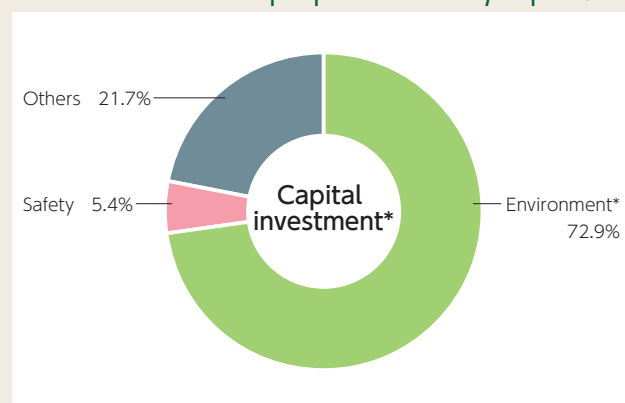
As the global trend toward carbon neutrality enters full swing, we have seen a further increase in societal support for Daiseiki's recycling-centric treatment methods and recycled fuels. Against this background, we are implementing large-scale capital investment with an eye to medium- and long-term growth. In the Kanto and Kansai regions, which have large-scale markets of which the Daiseiki Group has a relatively low share, we are focusing on proactive capital investment and sales activities to expand our business.

**Trends in Capital Investment by Segment** Millions of yen



Note: Information for wastewater, waste oil and sludge recycling segment is derived from data of Daiseiki Co., Ltd and Hokuriku Daiseiki Co., Ltd. and information for soil and plasterboard recycling segment is derived from data of Daiseiki Eco. Solution Co., Ltd., Green Arrows Central Co., Ltd. and Green Arrows Kyushu Co., Ltd. Information for Lead recycling segment is derived data from Daiseiki IMCR Co., Ltd. and information of oil tank cleaning segment is derived data from System Kikou Co., Ltd.

**Breakdown of Daiseiki Group Capital Investment by Purpose (FY2023)**



Note: This capital investment amount does not include the cost of land purchases.

\*Environment includes initiatives for the purpose of promoting recycling, preventing pollution, and reducing CO<sub>2</sub> emissions.

## Major capital investment in FY2023

### ● Newly established Kansai Works Harima Recycling Center (Daiseiki)

Harima Recycling Center, which manufactures supplemental fuels from waste solvents and other materials, was completed in January 2023. Recycled supplemental fuels shipped from Harima Recycling Center is used as an alternative to coal by customers in the manufacturing industry in the Kansai region. We plan to continue adding to the facilities at Harima Recycling Center, in addition to the supplemental fuel plant.



Recycled supplemental fuel plant at Harima Recycling Center

### ● Newly established Hiroshima Works (Daiseiki)

Our goal in newly establishing our Hiroshima Works is to increase our share in the markets of Japan's Chugoku and Shikoku regions, located between our Kansai Works and Kyushu Works. The land was acquired in August 2021 and plant construction began in January 2023. This works is scheduled to begin operations in March 2024. A plant for recycling waste solvents and other materials into supplemental fuels will be constructed at the Hiroshima Works. We plan to sell these supplemental fuels primarily to customers in the manufacturing industry in the Chugoku and Shikoku regions.



Hiroshima Works under construction

## ● Enhancing treatment facilities at Kyushu Works (Daiseki)

In order to respond to the demand for supplemental fuels, we invested over 2.5 billion yen to build a new supplemental fuel plant at our Kyushu Works.

This new supplemental fuel plant has the capacity to process 1,584m<sup>3</sup> of waste oil per day. We will use this facility to bolster our sales activities and meet customer expectations more fully than ever before.



Supplemental fuel plant at Kyushu Works

## ● Newly established industrial waste treatment facility (Daiseki MCR)

Establishing an industrial waste treatment facility at the Hiraide Plant in January 2023 and acquiring a license for specially controlled industrial waste enabled us to complete intermediate-stage treatment of waste lead batteries at one location.

By introducing facilities for cleaning and shredding plastic, the plastic containers of the waste lead batteries can now be recycled into recycled plastic material. This cutting-edge intermediate-stage treatment facility was designed with consideration for the SDGs and reduces environmental impact.

Since this safe, clean recycling facility responds to the demand for treatment of industrial waste lead batteries such as those for uninterruptible power supply (UPS), it will contribute to the creation of a circular economy society.



Industrial waste treatment facility at Daiseki MCR's Hiraide Plant

## Future capital expenditure plan with a focus on Vision 2030

Today, there is a growing demand for the proper treatment and recycling of industrial waste, which is becoming increasingly diversified and complex. As a Group, we are working to expand our business to address this. Specifically, we are improving our technical capabilities, expanding the number of items that can be treated and recycled by introducing new equipment, and proactively investing capital and expanding sales, with the aim of increasing our market share especially in the two large markets of Kanto and Kansai.

Following the Hiroshima Works, which is currently under construction, we plan to build new works in the southern Kanto and Tohoku regions, where we are searching for suitable land, as soon as there are prospects for commercialization.

We are also now considering launching three new businesses that would generate sales of around 15 billion yen. Regarding this, we plan to invest capital as soon as there are prospects for commercialization.

- Daiseki Headquarters
- Daiseki Works
- New Daiseki Works (planned or under construction)
- Group companies (headquarters)



# Environment



## Environment

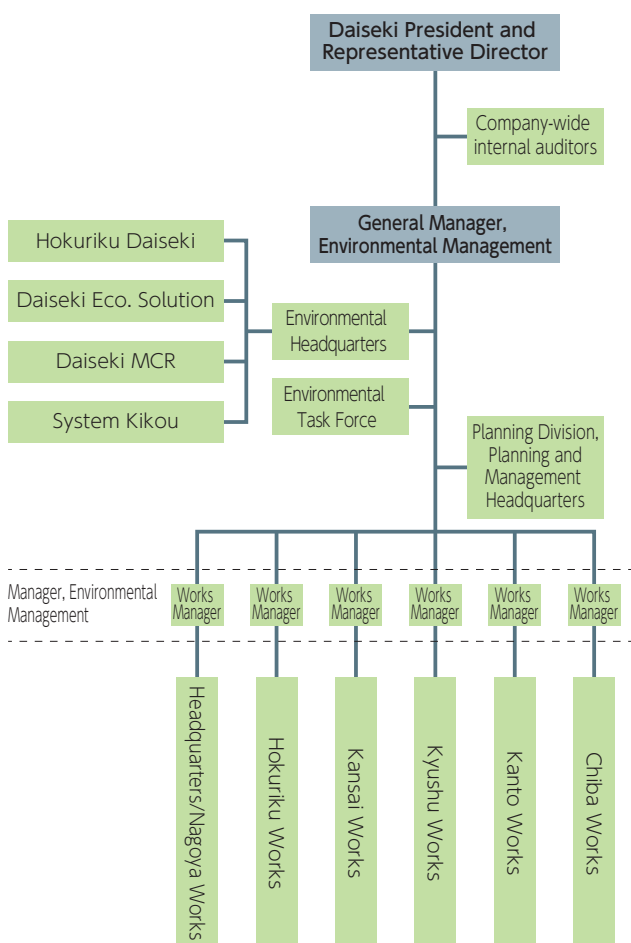
As a venous enterprise running through society feeding into manufacturing and other arterial industries, Daiseki recycles industrial waste to the fullest extent possible, utilizes resources effectively and strives to reduce environmental burdens in the waste treatment process.

## Promoting Environmental Management

### Developing environmentally friendly operations through an environmental management system

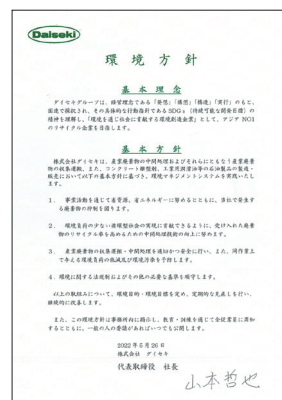
The Daiseki Group has established an environmental management system delivering environmental management led by our President. Our Environmental Headquarters, comprising Daiseki and our Group company management teams, deliberates on and makes decisions regarding priority matters concerning environmental protection and climate change.

#### Structure of the Daiseki Group Environmental Management System



### Formulation of an Environmental Policy and its dissemination to employees

The Daiseki Group has established an Environmental Policy based on the Group's shared core principles and bringing together the core policies guiding environmental initiatives at each of our group companies. Daiseiki is raising employee awareness of our Environmental Policy among all staff and working to achieve our targets as a company aiming to create a better environment.



The Daiseiki Group's Environmental policies

### Our system for monitoring compliance with environmental laws and regulations

Daiseiki, Daiseiki Eco. Solution, and Daiseiki MCR have acquired ISO 14001 certification. In FY2023, the Daiseiki Group received no administrative sanctions (orders for improvement, orders for action, or business suspension orders) under the Air Pollution Control Act, the Noise Regulation Act, or the Offensive Odor Control Act. Additionally, we incurred no fines or penalties with regard to environmental matters.



ISO 14001 Management System Registration Certificate



## Key environmental achievements in FY2023 (Daiseki Group)

Amount of materials  
received for recycling

**2,061,000** tons  
(1,070,000 tons)

Recycling rate

**87.7**%  
(87.1%)

CO<sub>2</sub> total emission  
(Scope 1 and 2 only)

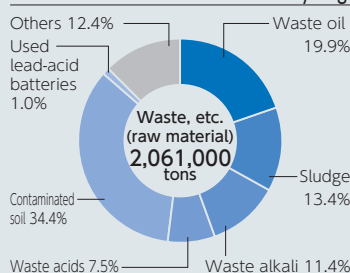
**38,000** tons of CO<sub>2</sub>  
(27,000 tons of CO<sub>2</sub>)

Note: ( ) shows the number with Daiseki only

## Perspective of the environmental load by Daiseki Group's recycling business

### INPUT

Amount of materials received for recycling



Supplemental materials

**118,000** tons

Water

**933,000** tons

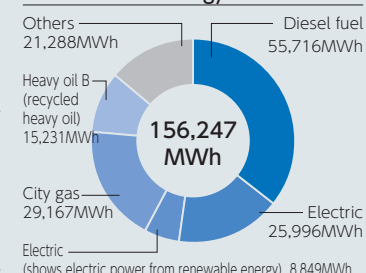
Raw material for petroleum products

**2,000** kl

Recycled water (rainwater)

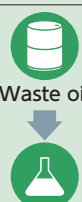
**31,000** tons

Energy



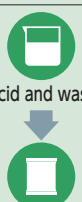
### Daiseki Group

Waste oil treatment



Recycled fuels  
(recycled heavy oil/  
supplemental fuel)

Treatment of waste acids and waste alkalis



Raw materials for cement  
(from waste)

Sludge treatment



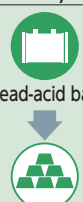
Raw materials for cement  
(from waste)

Contaminated soil treatment



Raw materials for cement  
(from contaminated soil)

Lead recycling



Recycled lead

Daiseki Group  
Recycling Rate

**87.7**%

$\frac{\text{Amount of materials received for recycling} - \text{intermediate treatment residue (non-recyclable)}}{\text{Amount of materials received for recycling}} \times 100$

Purification/discharge

Usable metals, etc.

Purification & discharge  
(purification & discharge  
after dehydration)

Waste  
collection

Petroleum product  
manufacturing

### OUTPUT

Recycled products shipment

Recycled fuels:	239,000 tons
Raw materials for cement (from waste):	239,000 tons
Useable metals and similar:	9,000 tons
Raw materials for cement (from contaminated soil):	399,000 tons
Recycled lead:	12,000 tons
Other recycled materials:	322,000 tons

Drainage to sewer or rivers/other bodies of water

Purification & discharge (sewer discharge)	937,000 tons
Purification & discharge (river discharge)	320,000 tons
Purification & discharge (ocean discharge)	68,000 tons

Note: Discharged after purifying to the value under standard

Intermediate treatment residues (non-recyclable)

Incinerated 11,000 tons

Final disposal (landfill) 243,000 tons

Note: Intermediate treatment residue is outsourced

Petroleum products 2,000 kl

Emission into the air

CO<sub>2</sub> total emission 38,000 tons of CO<sub>2</sub>

### The Three Pillars of Environmental Protection

Environmental  
Protection  
Pillar

1

#### Maintaining a high recycling rate

The Daiseki Group receives wastes such as waste oils, waste acid/alkali, sludge, contaminated soil, and used lead-acid batteries from our customers and recycles them into recycled fuel, raw materials for cement, usable metals, recycled lead, etc.

Recycling rate  
(FY2023)

87.7%

Note: See page 28 for a definition of recycling rate

Environmental  
Protection  
Pillar

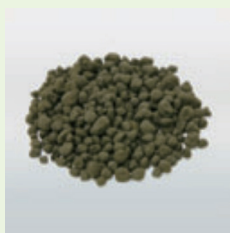
2

#### Contributing to the realization of a circular economy by promoting effective resource cycles

The Daiseki Group promotes activities aimed at realizing a circular economy society in order to protect the environment, secure natural resources, and build a sustainable society. Demand for circular economies is rising to recycle waste into resources in order to ensure the stable supply of natural resources and to prevent environmental pollution and adverse impacts on biodiversity from mining. Our Group is promoting initiatives to realize a circular economy society by recycling industrial waste into various resources.

##### Output amounts of major recycled resources by Daiseki Group in FY2023

Recycled resources	FY2023 output amount	Alternative natural resources
Raw materials for cement	638,000 tons	Limestone
Recycled fuels (recycled heavy oil/supplemental fuel)	239,000 tons	Heavy oil, coal
Usable metals, etc.	9,000 tons	Metal resources, agents, etc.
Recycled lead	12,000 tons	Lead
Raw materials for plasterboard	96,000 tons	Plaster



Raw materials for cement



Recycled fuels



Usable metals, etc.



Recycled lead



Raw materials for plasterboard

## Waste treatment with low greenhouse gas emissions

In March 2023, the GX League drew up its Basic Guidelines for Disclosure and Evaluation of Climate-related Opportunities, which include a definition of the concept of “avoided emissions.” Daiseki has been involved in the formulation of these Guidelines. They indicate the extent to which company’s products and services have contributed to lowering emissions across society as a whole. Daiseki is able to offer treatment methods with lower CO<sub>2</sub> emissions than incineration. In the categories of waste oil and sludge, for example, outsourcing recycling and treatment to Daiseki reduces our customers’ Scope 3 Category 5 (Waste Generated in Operations) emissions to zero,<sup>\*1</sup> allowing them to report lower Scope 3 greenhouse gas emissions to CDP and other environmental ratings agencies.

Daiseki has set a target of achieving avoided emissions of at least 680,000 tons of CO<sub>2</sub> by FY2025.

Note: The following trial calculations are based on FY2023 results for our oil-water separation and fuel conversion treatments, two of our main processing methods. These theoretical figures estimate the reduction in CO<sub>2</sub> emissions effected by our treatments, as compared to a scenario in which our customers simply incinerate their waste.

<sup>\*1</sup> The Database on Emissions Intensity for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.1), published by the Ministry of the Environment, sets the emissions intensity (quantity of greenhouse gas emissions per a given unit of activity) for recycling of waste oil and sludge to zero.

<sup>\*2</sup> Calculated on the basis of CO<sub>2</sub> issuing from the carbon contained in waste (based on emissions factors from the Ministry of the Environment’s Greenhouse Gas Emissions Accounting and Reporting Manual).

<sup>\*3</sup> Calculated by totaling 1–3 below (from Daiseki’s FY2023 processing results)

1. CO<sub>2</sub> generated through fuel consumption by boilers used for oil-water separation
2. CO<sub>2</sub> calculated according to the amount of electricity used for neutralization, biological treatment, and other processes
3. CO<sub>2</sub> equivalents of the CH<sub>4</sub> and N<sub>2</sub>O generated by wastewater treatment

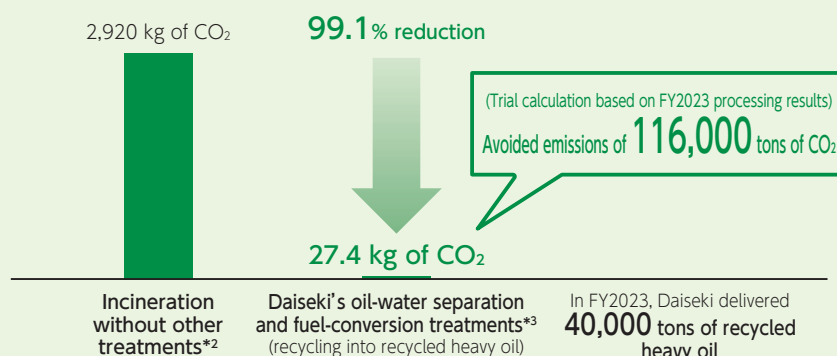
<sup>\*4</sup> CO<sub>2</sub> emissions from incineration without other treatments are calculated by multiplying the waste oil emission factor by the waste solvent ratio, assuming that the 268,000 tons of materials received for recycling for supplemental and other fuels in FY2023 was a mixture of 148,000 tons of waste solvent, with water accounting for the remaining 120,000 tons. These figures fluctuate every year depending on the ratio of waste solvent to water in the material received.

<sup>\*5</sup> CO<sub>2</sub> calculated according to the amount of electricity used for fuel-conversion treatments, based on Daiseki’s FY2023 processing results

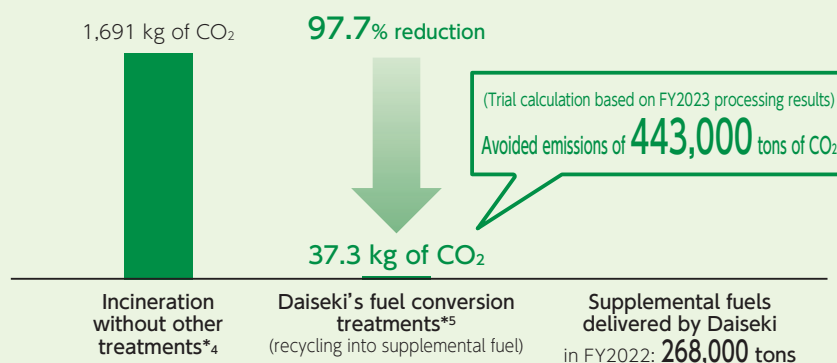
<sup>\*6</sup> In the mid-term management plan, it is expected that Daiseki’s non-consolidated net sales for FY2025 will be 120.55% compared to FY2022. The target was set based on an assumption that the effect of reduction of CO<sub>2</sub> emission is proportionate to the net sales.

<sup>\*7</sup> In FY2022, annual CO<sub>2</sub> emissions per household were 2.74 tons of CO<sub>2</sub> (according to the FY2022 Survey on Actual CO<sub>2</sub> Emissions in the Household Sector)

### Comparison when treating one ton of waste oil



### Comparison when treating one ton of waste solvent



Avoided emissions of **559,000** tons of CO<sub>2</sub>  
(Equivalent to the annual CO<sub>2</sub> emissions of 200,000 households<sup>\*7</sup>)

**Target by FY2025:**  
Avoided emissions of **680,000** tons of CO<sub>2</sub><sup>\*6</sup>  
(Equivalent to the annual CO<sub>2</sub> emissions of 240,000 households<sup>\*7</sup>)



### Climate Change Scenario Analysis

Daiseki has established a Risk Management Committee and conducts risk management every quarter, including assessment of climate change risk. Consideration of risk impacts and frequencies is not sufficient to give a full picture of climate change risk, so we are conducting analyses of set scenarios.

#### Projected 4.0°C Scenario

- Amount of greenhouse gas emission is large with insufficient countermeasures, and in 2100 the air temperature will rise in 4°C compared to the temperature in industrial revolution

In this scenario, there is a lack of clarity around policies aimed at decarbonization, and carbon pricing and other regulations on fossil fuel usage are not strengthened. Although businesses become more aware of decarbonization to some degree, they do not choose low-carbon products at the expense of raising their costs. In this situation, energy costs do not change. With no reduction in

fossil fuel usage and demand for recycled fuels expected to be unchanged, Daiseki expands our recycling operations in this category. In response to predictions of increase in number of weather disasters over the medium to long term and the possibility that these could damage our customers' works, Daiseki develops systems to provide reconstruction support.

	Possible Situation	Impact Assessment	Response
4.0°C Scenario (Little to no intervention)	Lack of clarity on greenhouse gas emissions regulations	No change in energy costs	Remains at current level
	Businesses' emissions reduction efforts have increased somewhat	<b>Opportunity:</b> Somewhat increased demand for Daiseki's low-emissions industrial waste treatment services	Expanding our industrial waste treatment business operations
		<b>Opportunity:</b> Somewhat increased demand for recycled fuels	Expanding our recycling operations in the recycled fuels category
	Increased severity of typhoons, torrential rain, and other natural disasters	<b>Risk:</b> Disasters force Daiseki and/or our customers to cease operations	Disaster prevention measures and securing our supply chain
	Rising sea levels and other changes in the marine environment	<b>Risk:</b> Flooding forces Daiseki and/or our customers to cease operations	Implementing measures during times of increased flood risk

#### Projected 1.5°C Scenario

- Temperature rise in 2100 will be within 1.5°C with strict policy for climate change introduced

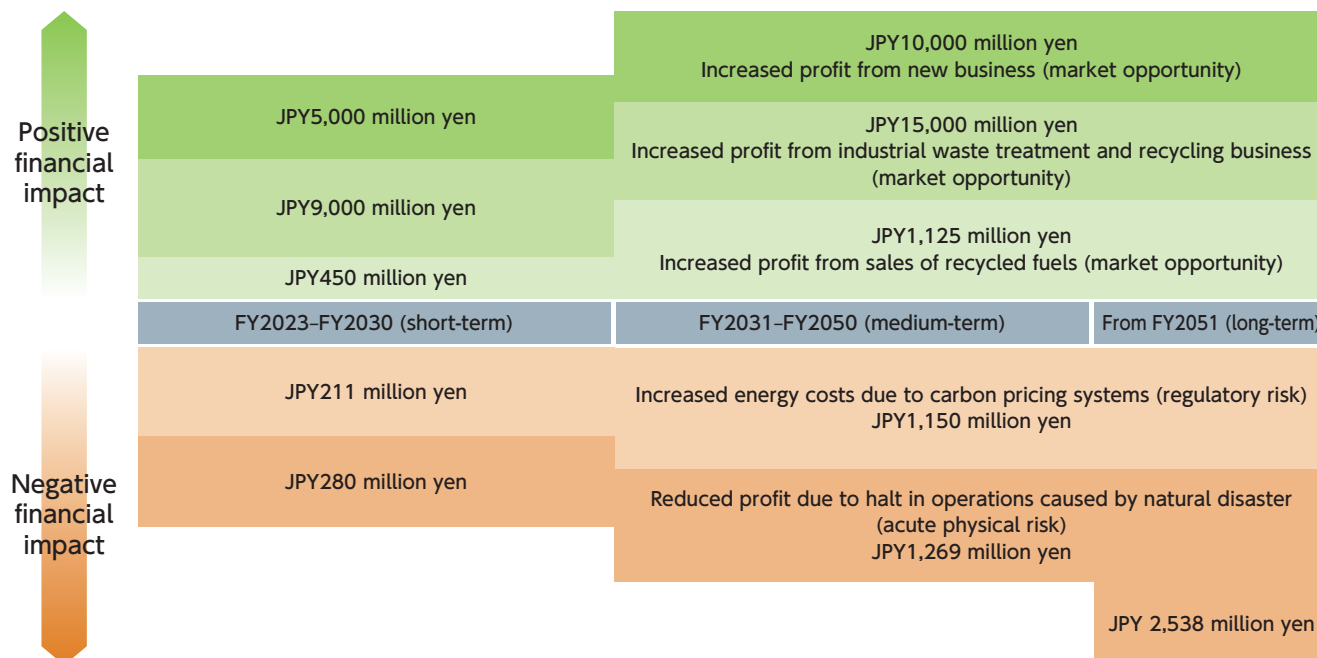
In this scenario, greenhouse gas emissions regulations such as carbon pricing systems and carbon taxation are adopted, resulting in increased energy costs, so we respond by adopting the use of renewable energies and deploying low-emissions vehicles and processing equipment. Fossil fuel usage also decreases, lowering demand for recycled fuels in turn and bringing expectations of decrease in sales. Conversely, demand for our low-emissions industrial

waste treatment services and raw materials increases. In anticipation of this kind of paradigm shift, Daiseki will shift our focus to material recycling. Material recycling is the recycling of waste into products retaining close to their original functionality. This removes the need for the incineration or landfill that would be required for disposal and avoids using natural resources, thereby allowing us to contribute to decarbonization and resource recycling.

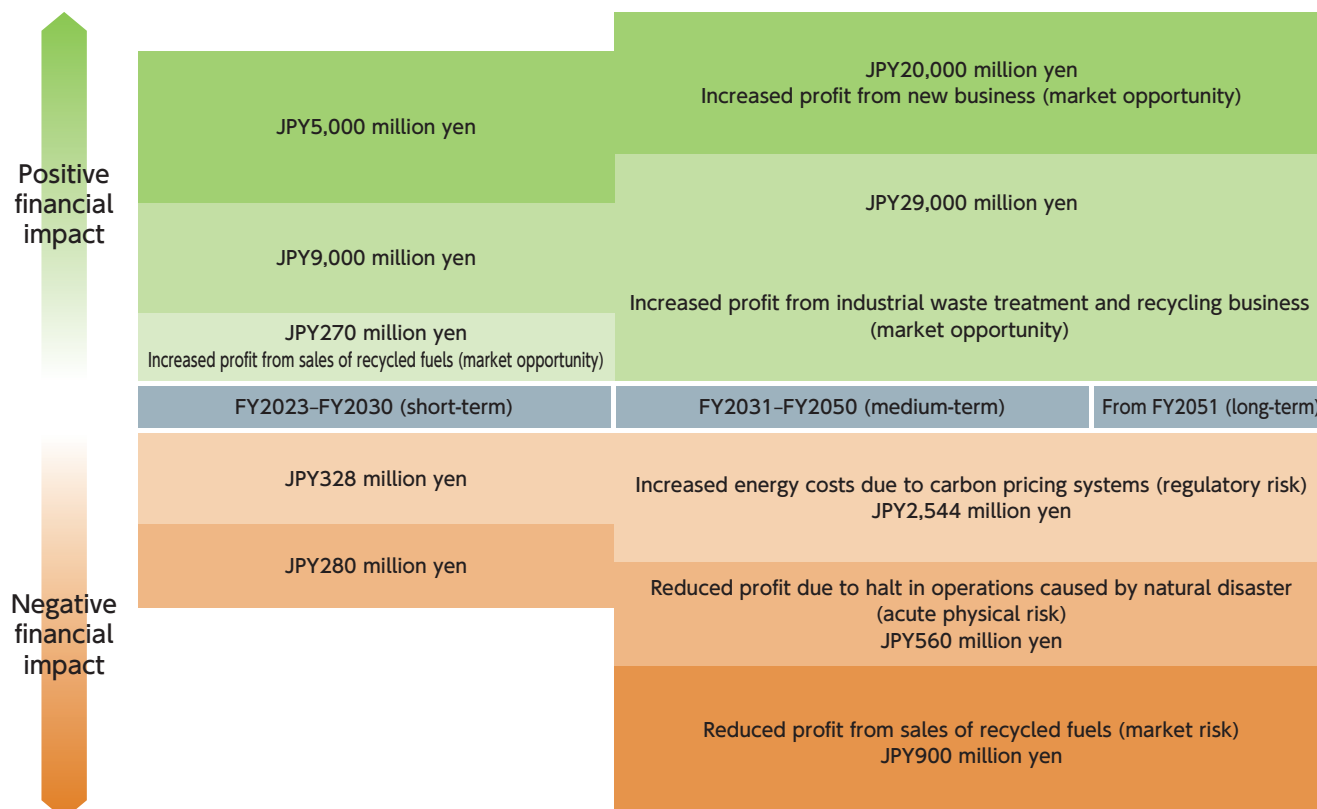
	Possible Situation	Impact Assessment	Response
1.5°C Scenario (controls applied)	Greenhouse gas emissions regulations are strengthened (carbon pricing systems and carbon taxation are adopted)	<b>Risk:</b> Increased energy costs	Adopting use of power by renewable energies and low-emissions equipment
	Advances in businesses' emissions reduction efforts	<b>Risk:</b> Reduced fossil fuel usage ⇒ Reduced sales of recycled fuels	Shifting operations from recycled fuels to material recycling
		<b>Opportunity:</b> Increased demand for Daiseki's low-emissions industrial waste treatment services	Proactively expanding our industrial waste treatment service operations
		<b>Opportunity:</b> Increased demand for recycled resources with low emissions	Shifting operations from recycled fuels to material recycling
	No change in likelihood of typhoons, torrential rain, and other natural disasters	No change in risk of disasters forcing Daiseki and/or our customers to cease operations	Remains at current level
	No change in the marine environment such as rise in sea levels	No change in risk of flooding forcing Daiseki and/or our customers to cease operations	Remains at current level

## Analysis of the Financial Impact of These Risks and Opportunities on Our Business Activities

### 4.0°C Scenario

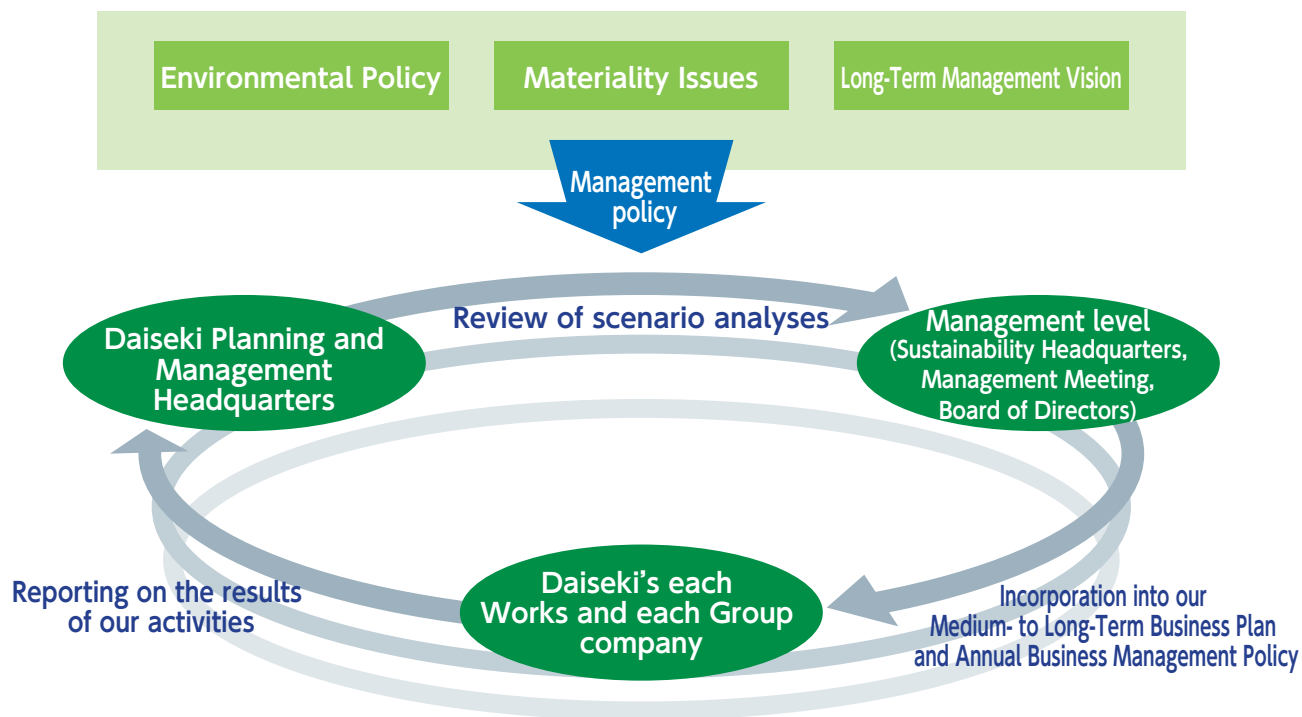


### 1.5°C Scenario



Note: Positive and negative financial impacts that affect operating profit of the year are calculated. For the basis of calculation, see "Basis of calculation of financial impact to business activities with risks and opportunities."

### Management Strategy Based on Our Scenario Analysis



### Sustainability Headquarters

In order to achieve business growth while mitigating our impact on the global environment, our Sustainability Headquarters, which is composed of executive officers including the Daiseki president and the presidents of Group companies, deliberates on policies to address environmental issues based on TCFD scenario analysis and monitors progress. Please refer to the organizational charts outlining our environmental management system (p.27) and corporate governance system (p.45) to find out more about the positioning of the Sustainability Headquarters within the Company.

### Linking sustainability management results with compensation

Compensation for internal directors and executive officers follows a basic policy that links their compensation with shareholder profits as an incentive to sustainably increase corporate value and enhance the practice and promotion of sustainable management, and sets appropriate compensation levels for each director and executive officer based on their responsibilities. As an initiative to achieve SBTi targets, we establish internal emissions reduction targets for each Works based on ISO 14001. Directors and executive officers who achieve these Works targets receive stock-based compensation.



## Greenhouse Gas Emissions Reduction Targets and Results

Daiseki Group's established greenhouse gas reduction targets were certified by the Science Based Targets initiative (SBTi)\*1 in November 2022 as meeting the "Well-below 1.5°C" target based on scientific evidence. The established targets are as follows.

① Scope 1*2 + Scope 2*3	34% reduction by FY2028 (compared to FY2022)
② Scope 3*4	20% reduction by FY2028 (compared to FY2022)
③ Switching to power from renewable energy sources	Switching to <b>100%</b> power from renewable energy sources by FY2031

\*1 SBTi: SBTi is a joint international initiative established in 2015 by the CDP, the UN Global Compact, World Resources Institute (WRI), and World Wide Fund for Nature (WWF) to verify and certify that greenhouse gas emissions reduction targets set by companies are science based and in line with the Paris Agreement goal of "limiting global temperature rise to well below 2° C above pre-industrial levels."

\*2 Scope 1: Direct emissions associated with fuel use

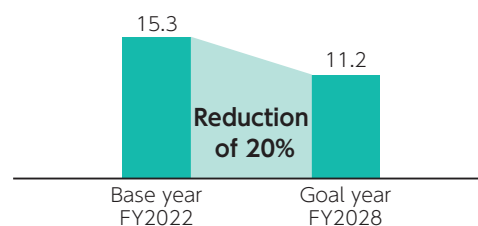
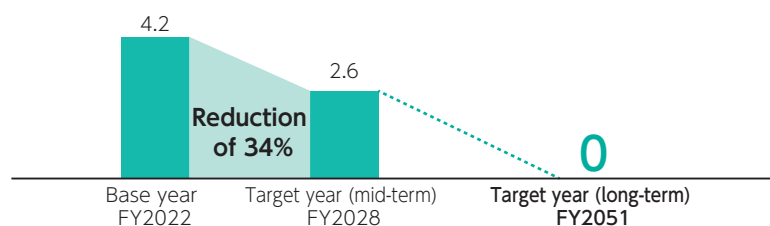
\*3 Scope 2: Indirect emissions associated with the use of electricity and heat purchased from other parties

\*4 Scope 3: Indirect emissions other than Scope 1 and 2

### The Daiseki Group's medium- to long-term targets for greenhouse gas emissions reduction

Reduction targets for total emissions under Scopes 1 and 2 (10,000 tons of CO<sub>2</sub>)

Reduction targets for total emissions under Scope 3 (10,000 tons of CO<sub>2</sub>)



\* In the process of obtaining SBTi certification, the total for Scope 3 emissions and the reduction targets for Scope 1/2 and Scope 3 were revised upwardly.

### FY2023 greenhouse gas emissions figures at the Daiseki Group

	Scope 1 Direct greenhouse gas emissions by the Daiseki Group (from energy sources only)	Scope 2 Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies (electricity only in the case of the Daiseki Group)	Scope 3 Indirect emissions not covered by Scopes 1 and 2 (other companies' emissions related to business activities of the Daiseki Group)
Emissions (10,000 tons of CO <sub>2</sub> )	2.8	1.0	15.7

## Engagement with customers and our supply chain

We are promoting engagement in the following ways with the aim of reducing emissions.

- Customers that commission waste treatment to Daiseki  
Reduce Scope 3 category (5) emissions (waste) by utilizing our non-combustible waste treatment methods.
- Customers that purchase our recycled products  
Reduce Scope 1 and Scope 3 category (1) emissions (purchased products and services) by using Daiseki's recycled products, which are alternatives to fossil fuels and natural resources.
- Transportation companies that Daiseki commissions to transport raw materials and products and treatment companies that Daiseki commissions to process residues from waste treatment  
We gather fuel efficiency data from transportation companies to calculate emissions. Meanwhile, we are considering an initiative with such companies aimed at reducing emissions

### Carbon neutrality initiatives

#### ● Switching to power from renewable energy sources (Daiseki Group)

In order to reduce greenhouse gas emissions associated with our business activities, the Daiseki Group began, ahead of the schedule set out in our SBTi target switching to the use of energy from renewable sources (renewable energy) in FY2022. We plan to introduce the use of renewable energy at all Daiseki Group facilities and in all of our Group companies by FY2028, reducing our Scope 2 emissions to zero. In FY2023, Daiseki, Daiseki Eco. Solution, and Daiseki MCR began using renewable energy, and 25.3% of the electricity used by the Daiseki Group was switched to renewable energy.

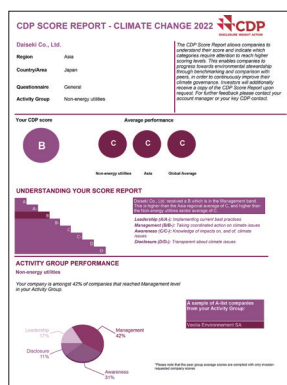
The Daiseki Group has registered and announced this plan as part of the RE Action—Declaring 100% Renewable initiative.



RE Action—Declaring 100% Renewable initiative logo mark

#### ● Receiving a B score from the CDP (Daiseki Group)

In FY2023, the Daiseki Group received a B score in response to our information disclosure through the CDP Climate Change 2022 Questionnaire, which is the same score as the previous fiscal year. In FY2023, we promoted Task Force on Climate-related Financial Disclosure (TCFD) scenario analysis, financial impact analysis of business activities by risk and opportunity, third-party verification of Scope 3 greenhouse gas emissions, and the introduction of energy conservation and renewable energy. In FY2024, we will further reduce emissions through the introduction of renewable energy and provide proactive information disclosure in order to achieve the emission reduction targets certified by SBTi.



CDP Climate Change 2022 score report

#### ● Reducing electricity use by introducing turbo blowers (Daiseki Nagoya Works and Kanto Works)

In FY2023, a turbo blower was introduced to each of the activated sludge facilities of Daiseki's Nagoya Works and Kanto Works. Since activated sludge facilities supply air to activated sludge, these facilities use a large amount of electricity. By installing turbo blowers with high energy efficiency, we were able to reduce the electricity used in these facilities by approximately 20%.



Turbo blower in the activated sludge facility (Daiseki Kanto Works)

#### ● Endorsement of the GX League (Daiseki)

In March 2022, Daiseki declared our endorsement of the GX League Basic Concept, a framework announced by the Ministry of Economy, Trade and Industry, and in May 2023 we joined the league. The GX League was founded as a place to discuss and create a vision of a sustainable, carbon-neutral future for 2050, a place to discuss market creation and rulemaking in the carbon-neutral era, and a place for companies to conduct voluntary emissions trading to achieve their carbon-neutral targets. As the premier company in Japan's venous industry, Daiseki hopes to use the GX League to share information with other companies and government body and make policy recommendations.



GX League logo

## Initiatives to protect the environment and biodiversity

### Initiatives to protect the atmosphere and water environment

#### ● Mitigation of business-related environmental impact

At Daiseki we are working to reduce environmental impacts resulting from wastewater, exhaust, odors, and noise generated in association with the treatment of industrial waste.

For all soot and smoke generating facilities owned by the company, the level of air polluting materials emitted is measured annually in accordance with the Air Pollution Control Act, and levels are maintained at or below the standard level. In addition, dust collectors and humidification equipment have been installed in plants to prevent the generation of dust during the treatment of industrial waste.

The wastewater we receive is processed first by neutralizing, coagulating, and dehydrating it; then a biological treatment is applied via the activated sludge method before it is finally discharged into sewers or rivers. We have also established our own standards for each plant that go beyond the legal requirements for the discharge of drainage water and formulated emergency response procedures to be followed if a risk of exceeding our own required levels is identified.

As steps to counter unpleasant odors, we analyze samples of industrial waste before it is delivered to us and, in cases where it generates significant unpleasant odor, determine in advance whether to accept its delivery and the treatment methods to be used. We also install odor-eliminating devices in plants to remove odors before release into the atmosphere.



Activated sludge processing facility for biological treatment of wastewater (Daiseki Nagoya Works)



Deodorizing device by scrubber method with high deodorizing effects (Daiseki Kyushu Works)

### Biodiversity initiatives

At Daiseki we believe that in order to protect biodiversity, it is necessary to prevent the destruction and pollution of the natural environment, limit the excessive use of natural resources, prevent global warming, and eliminate invasive species. Based on this approach, Daiseki Hokuriku Works participates in clean-up activities of nearby coastal areas each year, and is working to protect the environment to preserve biodiversity.

For details on Daiseki's initiatives to protect biodiversity, refer to the section of our website on biodiversity.

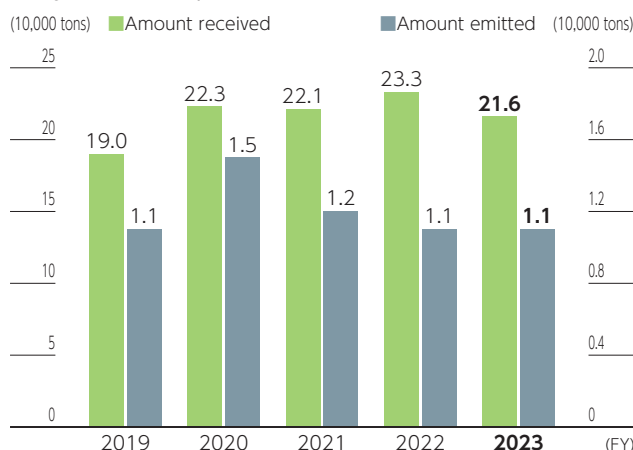


Coastal clean-up (Daiseki Hokuriku Works)

### Detoxification of toxic substances

At Daiseki Group, we accept special control industrial waste which includes toxic substances such as strong acids, strong alkalis, and heavy metals, and detoxify such toxic substances by appropriately treating them with treatment agents. In FY2023, we accepted 216,000 tons of special control industrial waste, and following treatment we sent 11,000 tons of special control industrial waste in the form of remnants, etc., to an external treatment company. Special control industrial waste is defined as highly hazardous under the Waste Management and Public Cleansing Act, and even small quantities of such waste have an adverse impact on the natural environment. The Daiseki Group contributes to preserving the natural environment by properly treating such toxic substances.

#### Change in Amount of Special Control Industrial Waste Received and Emitted







## 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.

## Health Management and Diversity

We clarify management challenges to resolve by Health Management and work on promoting diversity.

### Promoting Health Management

In FY2022, Daiseki formulated its health management strategy, and clarified challenges to resolve and has promoted necessary investments and concrete actions. This year, Daiseki and Daiseki MCR were again certified as a "2023 Health and Productivity Management Organization." This was in recognition of our efforts to maintain and enhance employees' physical and mental health and to create workplaces that are easy to work at. We will aim for obtaining White 500 Certification and Bright 500 Certification by creating work environments where employees can show high performances.

### Health management initiatives and results

The measures and systems Daiseki is currently working on are as follows.

#### ● Health consultations and employee training by public health nurses

Daiseki newly hired a public health nurse in FY2024. In FY2024, in addition to receiving health consultations from employees, the public health nurse is holding health-related seminars among other activities.

#### ● Care by external expert institutions (mental and physical health consultations, specific health guidance)

In cooperation with a health insurance association, we have established a health consultation hotline which is available 24 hours a day. In addition to health consultations, this consultation hotline is available for employees to receive mental health counseling, second opinion service, etc. Furthermore, we are encouraging employees to receive specific health guidance when contacted by the health insurance association. Going forward, we will work in tandem with the public health nurse to promote opportunities for the guidance for employees.

#### ● Stress Checks

The Daiseki Group has been conducting stress checks for all employees. Employees experiencing high levels of stress are reassigned appropriately based on their requests as well as interviews and consultations with physicians.

The Daiseki Group's stress checks implementation (%)

FY	2021	2022	2023
Stress check implementation rate	91.2	90.0	89.6
Proportion of highly stressed employees	6.9	8.7	10.1

#### ● Regular Medical Checkups and Comprehensive Health Examinations

The Daiseki Group continues to provide periodical 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.

The Daiseki Group's attendance rate of regular medical checkups and comprehensive health examinations (FY2023) (%)

	Regular medical checkups	Comprehensive health examinations
Attendance rate	100	92.3

#### ● Employee engagement surveys

From FY2023, Daiseki and Daiseki Eco. Solution have begun surveying employee concerns and dissatisfaction about the workplace as part of health management efforts to increase employee engagement, and are working to make improvements. These surveys are kept confidential and individual employees are not identified. Feedback is provided to the heads of workplaces where employees had a high level of concern or dissatisfaction, and improvements are being promoted.



## Main accomplishment related to society in FY2023 (the Daiseki Group)

Training hours per person

**7.3** hours/person  
(7.0 hours/person)

Turnover Rate

**3.2%**  
(1.9%)

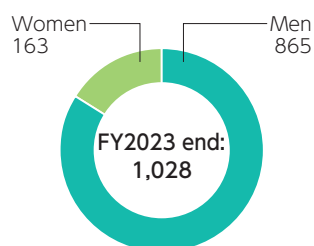
Paid Leave Acquisition Rate

**67.3%**  
(70.2%)

Note: ( ) shows the number with Daiseki only

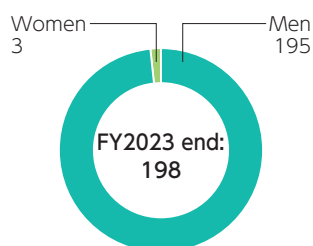
## The Daiseki Group's Promotion of Diversity

### Employees by Gender



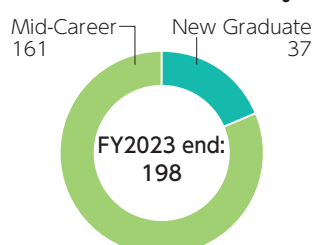
Note: Full-time employees only

### Managers by Gender



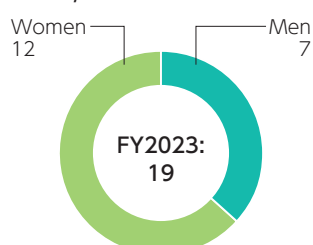
Note: Full-time employees only

### New Graduate and Mid-Career Managers



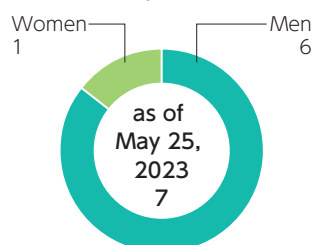
Note: Full-time employees only

### Hires by Gender (New Graduates)

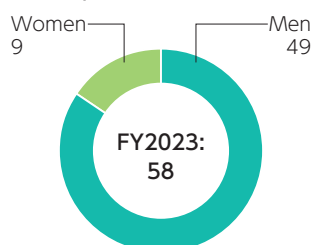


Note: Full-time employees only

### Directors by Gender



### Hires by Gender (Mid-Career)



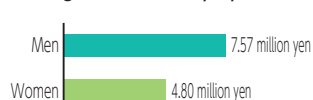
Note: Full-time employees only

### Average Length of Service by Gender



Note: As of FY2023 end; full-time employees only

### Average Annual Salary by Gender



Note: 1. As of FY2023 end; full-time employees only  
2. Male average age: 42.7 years old; female average age: 37.6 years old

## Promoting diversity and creating comfortable working environments

In FY2023, 18 Daiseki Group employees utilized childcare leave, of whom six were male employees.

### Acquisition of Paid Leave and Maternity/Childcare Leave at the Daiseki Group

FY	2021	2022	2023
Paid leave acquisition rate (%) <sup>*1</sup>	58.8	60.5	67.3
Utilized maternity leave (people)	3	7	10
Men who utilized childcare leave (%) <sup>*2</sup>	-	10.8	21.4
Avg. number of days used for men's childcare leave (days)	-	-	12.1
Women who utilized childcare leave (%) <sup>*2</sup>	-	85.7	150.0
Avg. number of days used for women's childcare leave (days)	-	-	255.3

### The Daiseki Group's turnover rate (FY2023)

	Male employees	Female employees	Total
Turnover Rate (%) <sup>*3</sup>	2.6	6.2	3.2

<sup>\*1</sup> Paid Leave Acquisition Rate shows the rate of paid leaves employees acquired within the leaves given.  
<sup>\*2</sup> Childcare leave acquisition rate shows the rate of employees who utilized childcare leave versus the number of employees who had newborns in that fiscal year; the childcare leave acquisition rate may exceed 100% if there were childcare leaves that spanned multiple fiscal years.

<sup>\*3</sup> Turnover Rate shows the rate of employees who resigned in FY2023 within the number of employees in February 2023.

### Comments from employees who took childcare leave Voice

#### We were able to share the joys and tribulations of childcare as a couple

Jiro Asada, Daiseki Kyushu Works Sales Division 1, Assistant Division Chief

After the birth of our second child (our first son) in November 2022, I took childcare leave in March 2023 to reduce the burden on my wife, who was taking care of our son and daughter by herself. While I was on childcare leave, I took care of cooking, laundry and other things, and was able to reduce the burden shouldered by my wife. It was also a time for me to mentally refresh by being with my kids more, and I gained a renewed motivation for my work. By taking childcare leave, I was once again able to experience the joys and difficulties of raising kids and gained useful life experiences. From 2022 it is possible to take split childcare leave, so I am planning to take another leave period later on.



Childcare

### Human Resource Development and Workplace Improvement Efforts

We aim for company's continuous evolution by enhancing human resources development and creating environment where employees can work comfortably.

#### Human resources development policy

The involvement of various personnel is necessary for the realization of the company's management strategy. We have positioned the development of next-generation management personnel as our core focus, and we will raise internal motivation by enhancing training per job level from new employees to managers, as well as by enriching training programs tailored to the career aspirations of employees.

Also, by utilizing job rotations for the purpose of human resources development, we will broaden employees outlooks, increase their curiosity in their work, and improve in-house communication. Daiseki will cultivate personnel who can respond flexibly to changes in society and diverse values.

#### Target and performance for human resource

To promote Health Management and diversity, the Daiseki Group set concrete target figures in FY2023. In March 2023, four female employees were newly appointed to management positions, such that of a total of 201 managers, there are now seven female managers, a rate of 3.3%.

##### Actual and target figures related to human resources for FY2023

	Actual	Target
Turnover Rate	3.1% (1.9%)	Below 2% (below 1%)
Paid Leave Acquisition Rate	67.3% (70.2%)	80% or more (80% or more)
Rate of Female Managers	1.5% (1.6%)	By FY2027 10% or more (10% or more)

Note: ( ) shows figures for Daiseki only

#### Efforts for nurturing human resources

##### ● Employee trainings

The Daiseki Group actively participates in trainings programs considering that employees are our human capitals. From FY2023, we are inviting outside instructors to hold new training course for female managers. We will also continue holding compliance study sessions for all employees.

##### Total training hours at the Daiseki Group (FY2023)

Description	Total training hours (hours)	Total number of attendees (people)
Compliance study session	5,726(5.1 hours per employee)	11,452
Training per job levels	400	32
Female manager training course	68	3
Other trainings	1,958	—
Total	8,152(7.3 hours per employee)	11,487

#### Internal environment improvement policy

In order for employees to be proud about their work to their families, we believe it is important that they are fulfilled in both their work and personal lives. We believe that in order for each employee to feel fulfilled in their work and have high motivation for growth, it is important to accumulate successful work experiences, to demonstrate teamwork by fostering a culture of mutual recognition and praise, to enrich personal lives by achieving results efficiently in limited time, and to ensure the safety and health of employees and their families, around which the above factors revolve.

Daiseki will build a corporate culture that allows us to consider everything from our immediate work environment to the global environment, and to continue to grow and take on challenges, and provide a work environment in which employees can work with vigor and be proud of to their families.

#### Female manager training

In order to achieve the target of increasing the ratio of female managers to at least 10% by the end of FY2027, from FY2023 Daiseki began efforts to train future female management candidates. Between October 2022 and January 2023, three female employees in the assistant division chief or chief class attended the four-day female manager training course. In this course, participants learned about the state of female managers, leadership, logical thinking, management of direct employees, and the formulation of action plans, among other topics. We will continue bolstering efforts for the development of female managers.

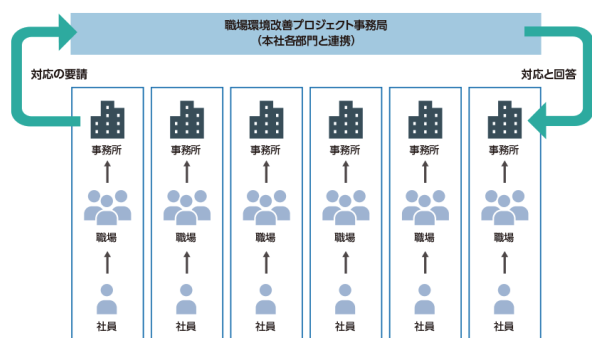


Female manager training course

## Creating comfortable working environments

### ● Work Environment Improvement Project

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. The employees in charge of the project and each department are working together on improvements while listening to employees’ opinions and requests for improvements to the workplace environment.



Flow of Work Environment Improvement Project Activities

## Shareholding association system

Daiseki regards employees as human capital, and to encourage employees to have an interest in the company’s management and to expand employee benefits, we grant a stock holding incentive of 15% of the reserve amount to support employee ownership of company shares.

### Attendance at shareholding association at Daiseki

FY	2021	2022	2023
Number of shareholding association members (people)	492	545	570
Attendance rate for shareholding association (%)	77.1	81.4	82.7

### ● Improving the work environment with renovations

At Daiseki Kanto Works we expanded the office space and changed the layout to create a new dining space. This made the space more open, contributed to a better working environment, as well as work efficiency and enhanced motivation. It also made the dining space easier to use as kitchen and basin areas are consolidated onto one floor. This has increased the number of opportunities to have meals with

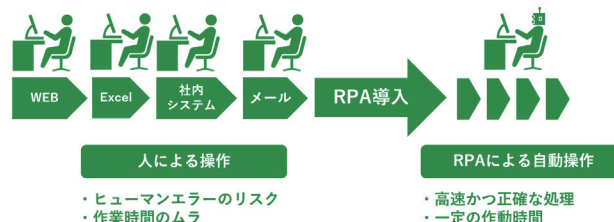
employees from other departments, deepening bonds and making it easier to collaborate on work.



Cafeteria after renovation (Daiseki Kanto Works)

## Implementing RPA to improve work efficiency (Daiseki Eco. Solution)

Daiseki Eco. Solution implemented company-wide RPA in FY2023 with the aim of improving work efficiency. RPA stands for Robotic Process Automation, which is a technology that uses robots to automate tasks done on PCs. By utilizing RPA, benefits such as work streamlining and reduced costs can be expected. The largest benefit of this for Daiseki Eco. Solution came from checking the checkbox after confirming that analysis results were accurate. With this technology we have been successful in reducing the time spent on analysis work by 40 hours per month. We are planning additional work streamlining going forward.



Overview of RPA (Daiseki Eco. Solution)

### ● Comments from an employee engaged in work streamlining Voice

#### Using digital tachographs to streamline vehicle dispatch and reduce overtime work

Yusuke Ishikawa, Daiseki Chiba Works Operations Division, Assistant Division Chief

We installed digital tachographs on all industrial waste transport vehicles at Chiba Works. Before these were installed, employees would write a work report every day after returning to the company, but by using digital tachographs this was no longer necessary, contributing to a reduction in overtime hours worked. Employees in our section said they were happy that they no longer needed to write a report after returning to the office, and that they were now able to leave work earlier. Furthermore, this initiative enabled us to monitor the location of each transport vehicle, making the return time to the company more predictable and enabling us to arrange efficient dispatching of vehicles. Production section employees can also quickly ascertain the delivery time of items to be received, proving a synergistic effect for other departments. We will continue endeavors to streamline operations to facilitate the work of section employees.







### Safety

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

## Work-related Safety and Health Initiatives

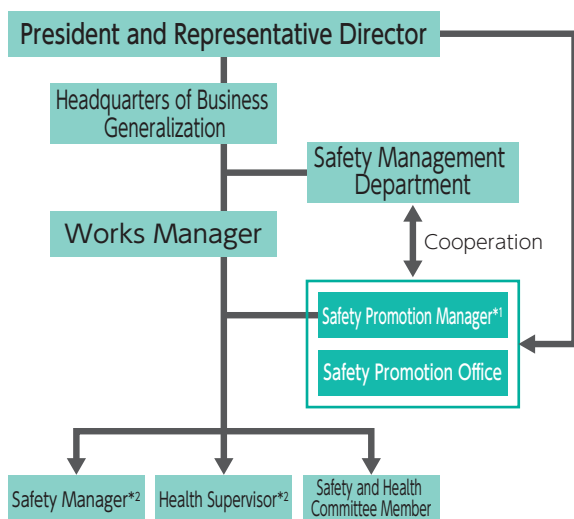
Daiseiki strives to create a safe working environment through efforts to prevent work-related accidents and ensure the physical and mental health of all employees.

### Establishment of Safety and Health Management System

Each Daiseiki Group company appoints its President as the chief representative, and selects representatives for Safety and Health at each site to build the Safety and Health Management System.

Also, we share information of accidents at the Daiseiki Group to prevent similar accidents.

#### Daiseiki's Safety and Health Management System

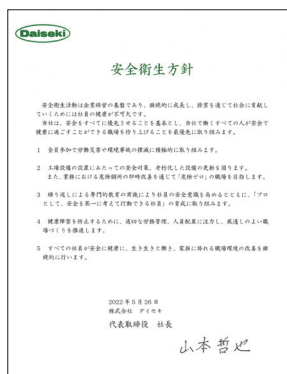


\*1 Delegated to authorities related to safety management by President and Representative Director

\*2 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 and Health Policy

The Daiseiki Group establishes Safety and Health Policy at each company and promotes prevention of accidents, and Safety and Health. We put safety as the top priority and work on creating the workplace where employees can work safely and healthy.



Safety and Health Policy (Daiseiki)

### Safety Promotion Manager Appointment

“Safety Promotion Office” have been established at each Daiseiki business site managed by “Safety Promotion Manager” 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.

### Initiatives aimed at danger-free workplaces

To prevent accidents, Daiseiki Group sites that handle hazardous materials implement the following initiatives.

#### ① Close-call incident reporting and risk assessments

We operate a close-call reporting system which receives reports from employees on things they feel could pose a danger, and contributes to improvements. Furthermore, managers regularly conduct risk assessments to quantitatively evaluate the frequency and severity of work-related hazards and take risk mitigation measures.

#### ② Sharing accident information

Information on accidents which occurred at a Group company is shared internally at that company and used for guidance to prevent the same type of accident from occurring in the future. Information on accidents of particular concern is also shared with other Group companies.

#### ③ Safety Patrol

Safety patrols are periodically conducted at each workplace and hazardous work/locations are identified for improvement.



A snapshot of crane operation (System Kikou)



## Safety Trainings

To prevent accidents, the Daiseki Group gives daily instructions and alerts at monthly safety meetings for the sites that handle hazardous materials. In addition, safety training is conducted for all employees. For example, Danger Prediction Training is conducted to enhance workers' ability to recognize possible hazards at worksites. We also conduct side-by-side instructional rides for vehicle crews to check and evaluate the state of vehicle driving and operations.

Employees who attended safety training said that the training helped them understand the awfulness of accidents and points to focus on to prevent accidents.



Side-by-side instructional ride with vehicle crew (Daiseki Kyushu Works)

## Safety trainings for partner companies

Daiseki focuses not only on safety training for Daiseki employees, but also on safety training to prevent accidents at partner companies. Since about half of the crews that go to customer plants to collect waste are crews from partner companies, we recognize that accident prevention for partner companies is a key topic. At Daiseki's Kansai Works, partner company crews are instructed on examples of accidents that occurred at other companies and countermeasures, as well as how to handle equipment, response measures in emergencies, and other topics.



Safety training for partner company crews (Daiseki Kansai Works)

## Daiseki Group Work-related Accident Record

In 2022, the Daiseki Group had 4 accidents accompanied by lost worktime and 13 accidents not accompanied by lost worktime. Accidents associated with lost worktime included lacerations and falls, and accidents not associated with lost worktime included touching wastewater and lacerations.

### Daiseki Group Work-related Accidents (cases)

Year	January-December 2018	January-December 2019	January-December 2020	January-December 2021	January-December 2022
Fatalities	0	0	0	0	0
Accidents accompanied by lost worktime	7	7	7	6	4
Accidents not accompanied by lost worktime	10	5	2	7	13

### Daiseki Group occupational accidents (frequency rate)\*

Year	January-December 2020	January-December 2021	January-December 2022
Manufacturing industry	1.21	1.31	1.25
Industrial waste treatment industry	6.95	7.36	6.52
Daiseki Group	2.68	2.21	1.42

\* Frequency rate: Total number of casualties due to occupational accidents per million total working hours (accident frequency)

### Daiseki Group Occupational accident rate (intensity)\*

Year	January-December 2020	January-December 2021	January-December 2022
Manufacturing industry	0.07	0.06	0.08
Industrial waste treatment industry	0.48	0.17	0.51
Daiseki Group	0.05	0.04	0.06

\* Intensity: Total number of working days lost per 1,000 total actual working hours (degree of accident severity)

## Giving a Talk on Our Actions for Safety

In July 2023, Daiseki was invited to the Safety Conference organized by the Hiroshima Prefecture Resource Circulation Association. We gave a talk to the Conference about our safety initiatives for the prevention of accidents in the industrial waste treatment industry, and also gave an overview of our Hiroshima Works, Daiseki's 7th works.



A snapshot of our talk (Daiseki Vice President Ito)



### Local Communities

The understanding of neighboring communities is essential for the operation of an industrial waste treatment business.

While striving to engage in proactive dialogues and exchanges, we are also engaged in social contributions leading to the invigoration of local communities.

### Signing a circular economy agreement with Gamagori City

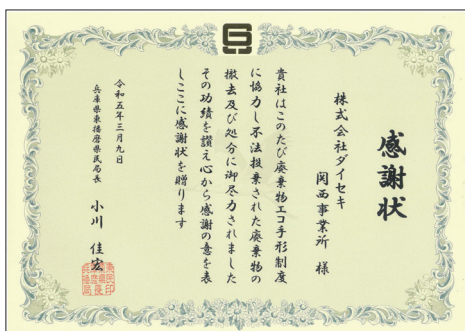
In December 2022, Daiseki signed a partnership agreement with Gamagori City to promote urban development in the city through a public-private partnership. Gamagori City has expressed its goal of incorporating the circular economy in its urban development and becoming a “circular city” which proactively promotes the circular economy. The purpose of this agreement is for Gamagori City and Daiseki to utilize their respective resources and networks to promote a recycling-oriented society and the circular economy in order to achieve a circular city, as well as to resolve problems in the community and revitalize the area.



Agreement signing ceremony on business partnership with Gamagori City (Daiseki)

### Participation in the removal of illegally dumped waste

At the request of the local government, Daiseki Kansai Works participated in the removal of illegally dumped waste through the “Waste Eco Bill Program.” Under this program, waste that has been illegally dumped or improperly disposed of on unmanaged private land in the Higashi-Harima area and is detrimental to the lives of those in the community is removed and disposed of in cooperation with waste treatment companies, local residents, and the local government, and measures are taken to prevent reoccurrence. On the day of the clean-up, we removed illegally dumped waste alongside a prefectural road.



Receiving an appreciation letter from the prefectural residents' bureau of Higashi-Harima, Hyogo Pref. (Daiseki Kansai Works)

### Awarded Medal with Dark Blue Ribbon

Daiseki made donations in support of Akashi city's environment-related projects for two consecutive years, in 2021 and 2022. In recognition of this, we were recently awarded the Medal with Dark Blue Ribbon, an award for exceptional philanthropy.



Receiving the Medal (Daiseki Kansai Works)

### Participating in training to set up and operate temporary storage facilities for disaster waste (Daiseki Eco. Solution)

Daiseki Eco. Solution participated in Nagoya city's training to set up temporary storage facilities for residents in July 2022, and in two sets of training to set up and operate temporary storage facilities for disaster waste, the first run by Kitanagoya city in September 2022 and the second by Toyoake city in November of the same year. These training programs are hosted by the local government and Aisankyo (Aichi Prefecture industrial resource recycling association) to confirm and verify the status of temporary storage facilities and the readiness to receive disaster waste. We were able to improve preparations and proficiency in responding to disasters. Going forward, Daiseki Group will not only continue treatment of disaster waste, but also participate in preparations and training in normal times in cooperation with local governments and regional communities.



Training to set up and operate temporary storage facilities for disaster waste in Kitanagoya City (Daiseki Eco. Solution)



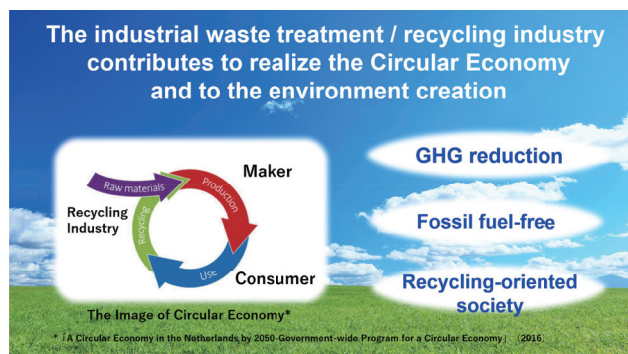
## Disseminating Information and Interacting with Local Communities and Stakeholders

Daiseki makes an effort to engage in dialogues with residents living near our facilities, and strive to disseminate information through events that attract attention related to the environment and briefing sessions for investors and other stakeholders.

### Exhibition at the COP27 Virtual Japan Pavilion

Daiseki joined COP27 Virtual Japan Pavilion organized by Ministry of the Environment in November 2022.

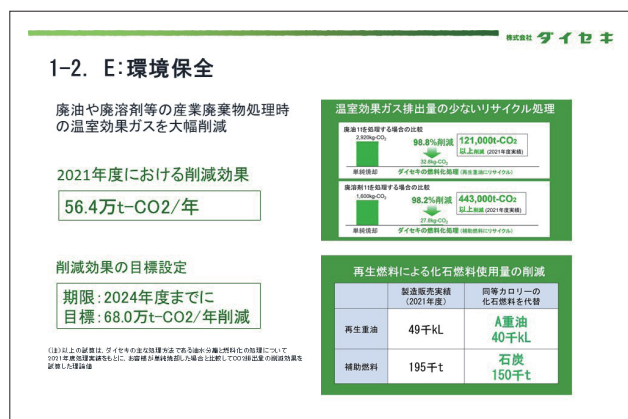
We explained that our recycling and industrial waste treatment business contributes to the realization of the circular economy, that our recycled fuel is utilized as a substitute for coal and heavy crude oil, which can reduce the use of fossil fuels, and that Daiseki's waste recycling reduces greenhouse gas emissions by 98% compared to simple incineration.



Presentation slide for COP27 Virtual Japan Pavilion

### ESG Briefings for Institutional Investors

In October 2022, at our Q2 financial results briefing, we held an ESG briefing session for institutional investors to explain our ESG activities. At this briefing we covered Daiseki's recycling business, our reduction of greenhouse gas emissions, and the promotion of diversity, among other topics.



ESG briefing slides

### Cooperation with The University of Tokyo OEGs

In FY2023, Daiseki began support for The University of Tokyo One Earth Guardians (OEGs), which is a 100-year project launched by The University of Tokyo Graduate School of Agricultural and Life Sciences to protect the earth. In FY2023, we discussed what kind of business we would consider based on the topic of preserving the global environment through the circular economy. Daiseki employees communicated the current status of the circular economy and business issues; students from The University of Tokyo then conducted research and studies from a scientific perspective and presented their findings to Daiseki executives in January 2023. We plan to continue this activity in FY2024.



Proposal presentations by students from OEGs (at Daiseki Headquarters)

#### Comments from an employee who participated as a disaster relief effort Voice

### Participating in disaster relief efforts in Suzu city to support the recovery of the affected area

Daiseki Hokuriku Works Safety Promotion Office, Assistant Division Chief Yukihiko Nakagawa

In May 2023, an earthquake of intensity 6 Upper on the seismic scale struck the Noto region of Ishikawa Prefecture, causing damages which resulted in a large amount of various earthquake-related wastes. Under the instruction of the Ishikawa Prefecture Industrial Resource Recycling Association, such waste was arranged to be sorted and disposed of by disposal companies, but there were difficulties in sorting resulting in the process being stalled. It was at this time that we received a support request from the Ishikawa Prefecture Industrial Resource Recycling Association, and myself and one other employee to participate in the sorting of earthquake-related waste in Suzu city from May to June. This primarily entailed unloading earthquake-related waste brought in by truck by local residents and sorting it by type into the designated areas. Many of the locals affected by the disaster were elderly, and they expressed their appreciation to us as we worked. As an industrial waste treatment company, I hope we can proactively participate in such disaster recovery efforts in the future.



# Governance



## Compliance

For Daiseki Group, which expands businesses with permissions, assuring compliance and meeting social responsibility and public responsibility are the most important issues for corporate management.

## Basic Approach to Corporate Governance

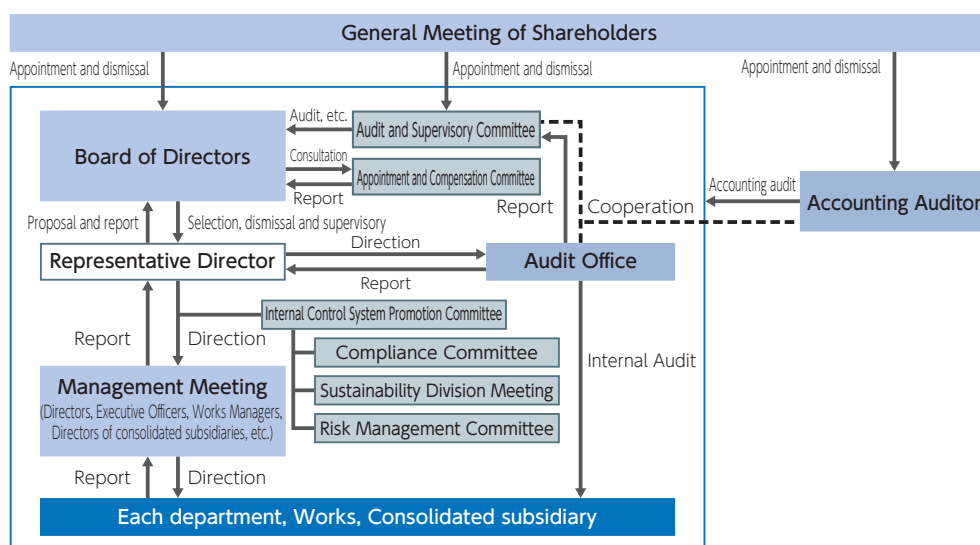
Daiseki positions corporate activities that comply with laws and social norms as the most important issue for improving transparency and soundness in corporate management. We adopted the Company with Audit and Supervisory Committee system, with an Audit and Supervisory Committee comprising three outside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

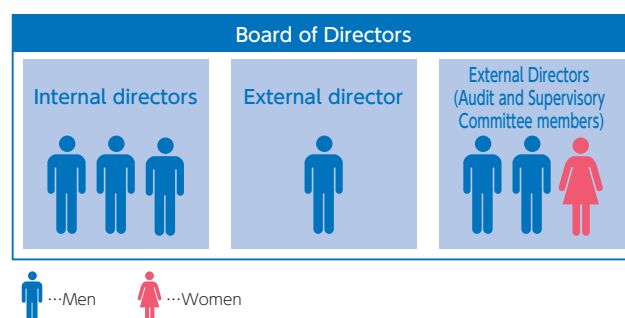
Also, in May 2023 we appointed an additional external director who has experience with corporate management in order to strengthen the company's governance, which means we now have a majority of external directors.

### Daiseki's Corporate Governance System



## Board of Directors

The Board of Directors is comprised of seven members: three internal directors, one external director, and three external directors who also serve as Audit and Supervisory Committee members. Of these members, one is a female director, contributing to a more diverse Board composition. In addition to regular Board of Directors meetings which are held once per month in principle, extraordinary Board of Directors meetings are held as necessary. The Daiseki Group holds Board of Directors meetings more frequently with the aim of facilitating prompt and accurate decision-making and efficient organizational management of the Group as a whole.





## Main accomplishments related to governance of FY2023 (Daiseki)

Board of Directors	Audit and Supervisory Committee	Ratio of external directors within all directors (as of May 25, 2023)
Held <b>21</b> times	Held <b>14</b> times	<b>57.1</b> %

## 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").

- 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.

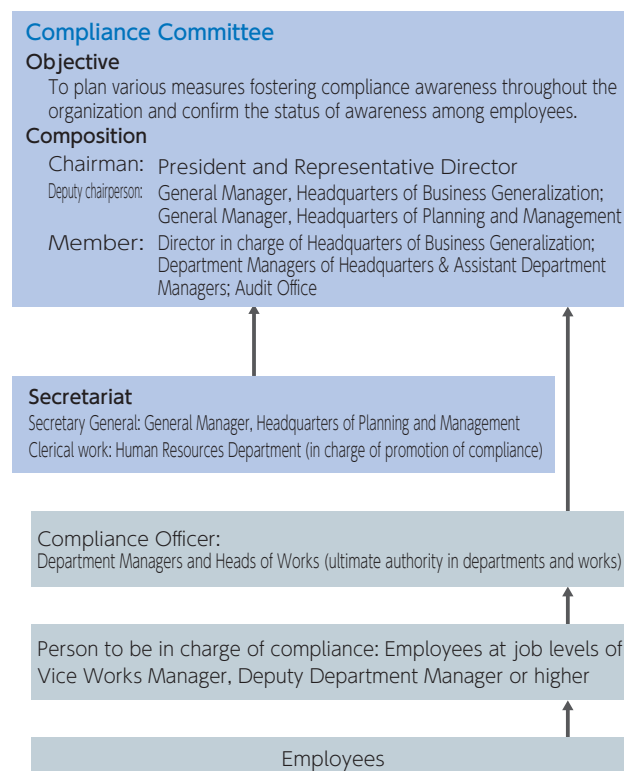
The Risk Management Committee, which plays a central role in risk management, is chaired by the President and Representative Director and manages risks facing the Daiseki Group thoroughly and comprehensively. The Audit Office audits the risk management status of each department, reports the results to the Risk Management Committee and the Board of Directors on a regular basis, and deliberates and decides on improvement measures.

Our Sustainability Division Meeting and Risk Management Committee have also deliberated on climate change risk analysis based on TCFD recommendations since FY2022, with progress confirmed at management meetings and results reported to the Board of Directors.

## Compliance System

Daiseki established a Compliance Committee in May 2002 and formulated an Ethics Charter announced within and outside the Company. Compliance Committee chaired by the President and Representative Director works on grasping the status of company-wide compliance systems established and its problems, analyzing compliance risks at each department and embodying countermeasures. For the cases where the Daiseki Group management or compliance officers at each department find problems related to compliance, we have established a system to report to compliance committee immediately and thoroughly operate that system.

### Compliance System



### A Conversation with Our External Directors

# Directionality to achieve Vision 2030, our long-term management vision

Three of our external directors had a conversation on the current status and future prospects of Vision 2030, Daiseki's long-term management vision formulated in 2018, and the efforts necessary to bring it to fruition.

## New, future-oriented businesses take off, raising expectations for further growth

### — How do you evaluate Daiseki's business strategy, performance, and social outcomes for FY2023?

**Sahashi:** Regarding new business strategy, I believe signing the cooperative agreement with a municipality (Gamagori, Aichi Pref.) to work toward the realization of a circular city was a major step toward the future. The question of how to promote environmental policy for decarbonization is an issue for many local governments. I believe that Daiseki, as a leader in resource regeneration in regions in Japan, can play a role by connecting local government bureaus across the board on the topic of the environment, thus breathing new life into the situation.

**Kako:** The knowledge and know-how obtained through such initiatives can be expanded horizontally to other local governments. This joint agreement was covered by various media outlets, and in this way I believe Daiseki's visibility will increase across Japan.

**Mizuno:** For performance, we regarded the large-scale water leak at Meiji Irrigation Works, an industrial

waterworks in the Tokai region, the global shortage of semiconductors, and the delayed impact of the COVID-19 pandemic as points of concern. When the factory utilization rate falls, demand for liquid waste recycling also declines. However, the water leak at Meiji Irrigation Works was remedied in about three months, and since the COVID-19 pandemic is coming to an end, I believe we can expect further growth in FY2024.

**Kako:** Susceptibility to external impact may be an issue going forward. From the perspective of personnel utilization, there have been new movements in the engagement of female employees. I have advised regular personnel transfers for female employees for quite some time, and I have heard that the female employees who have been assigned to work with Gamagori City are playing an active role in the project. Furthermore, it has been encouraging to hear directly from other employees about their enthusiasm for their work.

**Sahashi:** There has been an increase of three female employees promoted to management, and this has invigorated the company, hasn't it?

**Kako:** Yes, I think employees also feel that something is building. The company should take this opportunity to be proactive in training and other initiatives for skill



## Profiles of External Directors (Audit and Supervisory Committee members)



**Norikazu Sahashi**

First election in 1987, he served on Nagoya City Council for six consecutive terms. Chairman of the Nagoya City Council from 2005 to 2006. Took on his current role in 2016 after being appointed as a Daiseki Auditor in 2012.



**Nobukatsu Mizuno**

Worked with Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC) before assuming directorship of the Nobukatsu Mizuno Certified Public Accountancy Office (ongoing position). Took on his current role at Daiseki in 2018.



**Mitsuyo Kako**

After serving on the staff of Aichi Prefecture, she was appointed trustee and board member of Aichi University in 2016 (ongoing role). Appointed board member of Chita City Board of Education in 2018 (ongoing role). Took on his current role at Daiseki in 2020.

development of all employees including women. I think it's essential to expand training for managers in order to raise the level of the organization as a whole.

### Achieving Vision 2030: Using numbers and target items to visualize and execute a plan

— Please tell us about the status of Vision 2030 initiatives as well as the future outlook and expectations.

**Sahashi:** We are expecting Vision 2030 to promote the circular economy. Daiseki will not only recycle waste produced by companies, but also help circulate more resources throughout society. Vision 2030 will contribute to achieving the SDGs and also has the potential to create a consulting business. We anticipate that Daiseki, recycling companies, will develop into circular economy companies.

In light of increasing needs, I believe Daiseki now needs to sow the various seeds for collaboration with local governments and the circular economy, etc. Daiseki has established “Ideas, Plans, Structures, Actions” as its management principles. Based on new ideas, Daiseki develops plans and organizes structures to realize the idea and cultivate it into a business. I hope Daiseki will work hard to explore new business opportunities.

Regarding the collaboration with the city of Gamagori, Daiseki should test the process of connecting with other local governments across Japan and create an internal system. In addition to establishing this as a pillar of new business for Daiseki, I expect this will become a standard for working with local governments.

**Mizuno:** In order to do this, it is important that the board members further understand Vision 2030. Vision 2030 cannot be achieved by simply continuing on the present course. Working with local governments might also be within the scope of established practice. Daiseki needs to develop new businesses that differ from its existing businesses. The company must clearly envision the ideal image of Daiseki for the year 2030, and deliberate, discuss, and refine the actions it should take now. FY2024 is the year in which Daiseki should visualize specific figures and items and put a plan into action.

In Japan there are close to 4,000 listed companies, but only 480 companies\*<sup>1</sup> have released a medium-term business plan, and Daiseki is one of these companies. This shows how Daiseki is a listed company that places importance on engaging in dialogue with shareholders, but I would like to see the company go even further and incorporate detailed progress

management for its goals. The number of companies actually doing this in Japan is likely less than 100.

**Kako:** Employees may not realize how much attention Daiseki is attracting both in Japan and internationally. The company should put even more of a focus on improving the work environment as a part of human resource development. Daiseki should continue its efforts to increase the annual leave utilization rate of managers and engagement of female employees. On the other hand, the extremely low turnover rate of 3.2% on a consolidated basis and 1.9% on a Daiseki non-consolidated basis in FY2023 is highly commendable.

**Mizuno:** I believe Daiseki is the only company in the environmental industry with a turnover rate in the single digits. It has also earned high scores for labor-related items in international ESG-related assessments.

### Balancing existing and new businesses through “ambidextrous leadership”

— What do you consider the effectiveness of the Board of Directors?

**Mizuno:** These changing times call for “ambidextrous leadership.”\*<sup>2</sup> In this era, companies who achieve management combining the deepening of existing businesses (deepening of knowledge) and the search for new businesses (searching for knowledge) will grow and survive. The Board of Directors’ role is not only conducting the company’s present core business, but also strongly supporting the challenge of sowing the seeds of future businesses. We expect them to take responsibility and action for this.

**Sahashi:** To that end, we have decided to appoint someone with management experience as an external director from FY2024. We hope to not only reinvigorate the Board of Directors, but also to strengthen the functions of continual management supervision and counsel.

**Kako:** The Board of Directors is structured such that external directors receive regular business reports from the person in charge of each department. As external directors, we, too, will closely monitor the Board of Directors and the company itself, and promote company-wide efforts to realize Vision 2030.

\*<sup>1</sup> Daiwa Institute of Research “Recent Trends of Medium-term Management Plans Sep. 2022” Total for Jan.-Aug. 2022

\*<sup>2</sup> A management theory proposed by professors Charles A. O'Reilly and Michael L. Tushman. This management methodology simultaneously pursues two contrasting aspects: the deepening of existing businesses and the exploration of new businesses.



### Whistleblower Protections

The Daiseki Group established a compliance consultation counter where employees can directly consult with The Daiseki Human Resources Department or corporate lawyers that is easy for employees to use, and thoroughly operate it informing the importance of it. When employees consult, the consultation counter will investigate the matter, determine the countermeasure to prevent it from happening again with the related departments and implement it thoroughly, company-wide. The whistleblowing system stipulates the protection of whistleblowers so that employees who make report suffer no adversity. 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.

### Information Protection and Management

In 2005, we 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, we strictly manage and control the creation, use, removal and storage of information. In FY2023, there were no incidents involving the leak of personal information.

### Respect for Intellectual Property Rights

We 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.

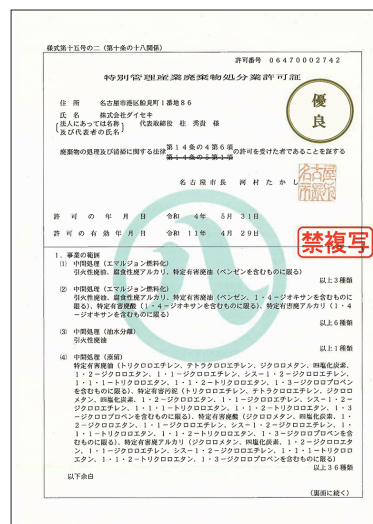
#### Number of intellectual property rights(FY2023 end) (cases)

	Patents holding	Patents pending
Number of intellectual property rights	4	4

### 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.

Daiseki was the first operator to be certified under this system by the city of Nagoya in 2011, and as of February 28, 2023, we were certified as excellent by a total of 49 local governments (45 prefectures and four cities).



The Certification of the Excellent Industrial Waste Disposal Company by Nagoya City

### Preventing corruption

The Daiseki Group has established and abides by the following items in its Code of Conduct to prevent corruption.

#### (1) Developing sound corporate activities

- We engage with all business partners in good faith, justly and fairly.
- We establish mutually beneficial relationships with business partners and aim for stable growth and development.
- We conduct corporate activities in accordance with social norms and standard business practices.
- We build an internal control system for the purpose of ensuring the reliability of financial reports.
- We aim to enhance shareholder returns as profits grow.

#### (2) Compliance with the antimonopoly act

- We do not discuss or enter into agreements that mutually restrict free corporate activities.
- We do not use one's position to influence business transactions.
- We do not make inappropriate displays or provide excessive gifts or prizes.

#### (3) Appropriate approach to entertainment, gifts, and similar practices

- We don't entertain or give gifts to business partners and other stakeholders beyond the scope of social conventions and common courtesies.
- We don't entertain or give gifts to current or former civil servant employees, except when permitted by laws and regulations.
- We don't provide our shareholders with entertainment or gifts that exceed the scope of social conventions and common courtesies.
- We don't give any favors to antisocial forces (extortionists).

#### (4) Transactions with public institutions, handling of political contributions and donations

- We act with thorough consideration for sociality, commonality, necessity, etc.
- We do not make illegal political contributions.

## Protecting human rights

We respect the basic human rights of its employees and strive to prevent discrimination and human rights violations on the basis of race, creeds, gender, physical disabilities or other anomalies. To this end, power harassment workshops for all managers are conducted regularly by an outside lecturer. Additionally, we are conducting training aimed at preventing sexual and power harassment for new managers. Further, the Human Resources Department regularly interviews employees to monitor for human rights violations.

- ① We respect the basic human rights of its employees and strive to prevent discrimination and human rights violations on the basis of race, creeds, gender, physical disabilities or other anomalies.
- ② We protect personal privacy.
- ③ We don't engage in sexual harassment or other acts that violate human rights.
- ④ We create a corporate culture in which employees have mutual respect for one another.

## State of human rights protection

The Daiseiki Group does not engage in discrimination, forced labor, child labor, human trafficking, or any other acts that are detrimental to human rights. Furthermore, we do not engage in business with companies or organizations that may be involved in such acts that are detrimental to human rights.

## Effectiveness evaluation of Board of Directors

Effectiveness evaluation of Board of Directors held in FY2023 was conducted, and its results were reported and discussed at Board of Directors. The evaluation results are as follows.

### ① Task implemented

- Evaluation subject
  - …Board of Directors held in September 2021 through September 2022
- Person in charge of evaluation
  - …All Directors
- Overview
  - …Items to be evaluated
    - Composition and operation of the Board of Directors
    - Management strategy and business strategy
    - Discussions at the Board of Directors
    - Operation of the Board of Directors
    - Dialogue with external directors
    - Effectiveness of governance system and the Board of Directors

### ② Analysis and evaluation results

- Questionnaire results
  - …Generally positive
- Effectiveness of Board of Directors
  - …Confirm that it is generally secured

### ③ Measures to realize effectiveness

- Three items pointed out as improvement was required were as follow.
  - Considering strengthening the governance system as a company listed on the Prime Market by increasing the ratio of external directors to over half
  - Considering an initiative to hold broader discussions than before by including external directors with corporate management experience in the Board of Directors
  - Considering increasing the time spent discussing Group governance

Directors skill matrix (as of May 25, 2023)

Name	Title	Age	Gender	Term of office	Committee		C	B	O	G	SA	M	F	S	T	H
					A	Audit										
Tetsuya Yamamoto	Representative Director	58	Men	28	○		●	●					●	●	●	
Yasuo Ito	Representative Director	50	Men	13	○		●		●	●	●					
Koji Amano	Directors	62	Men	20				●			●					●
Mitsuru Okada	Independent External Directors	66	Men	—			●		●	●						
Norikazu Sahashi	Independent External Directors	64	Men	7	○	○		●				●		●		
Nobukatsu Mizuno	Independent External Directors	70	Men	5	○	○			●			●	●			
Mitsuyo Kako	Independent External Directors	69	Women	3	○	○			●			●				●

Note: A: Appointment, Reward Committee C: Corporate management B: Business knowledge O: Operation strategy G: Global SA: Sales marketing M: Management risk F: Financial accounting S: Sustainability T: Technology innovation H: Human resource, education, diversity

# Non-Financial Information and Company Information

## Main Sustainability Reporting

### Environment (the Daiseki Group)

#### Scope 1 Emission Breakdown (FY2023) (tons of CO<sub>2</sub>)

	Scope 1 Emission
Diesel fuel	13,755
City gas	5,237
Heavy oil B (recycled heavy oil)	3,921
Others	5,038

#### Scope 3 Emission Breakdown (FY2023) (tons of CO<sub>2</sub>)

	Scope 3 Emission
1. Purchased products and services	63,184
2. Capital goods	17,592
3. Activities related to fuel and energy not included in Scope 1 and 2	6,383
4. Transportation and distribution (upstream)	14,772
5. Wastes generated by businesses	42,246
6. Business trip	876
7. Employees' commute	2,302
8. Lease assets (upstream)	0
9. Transportation and distribution (downstream)	356
10. Conversion of sold products	444
11. Use of sold products	7,587
12. Disposal of sold products	1,067
13. Lease assets (downstream)	0
14. Franchise	0
15. Investments	0

#### Total CO<sub>2</sub> emissions (tons of CO<sub>2</sub>)

	FY2021	FY2022	FY2023
Scope 1	27,148	27,738	27,951
Scope 2	14,246	14,153	9,990
Scope 3	105,450	152,931	156,809
Total	146,844	194,822	194,750

#### Scope 1 and 2 emissions intensity (tons of CO<sub>2</sub>/tons)

	FY2021	FY2022	FY2023
Scope 1 and 2 emissions intensity	0.023	0.021	0.019
Amount of materials received for recycling	1,808,547	2,072,229	2,061,092

Note: Calculated with amount of materials received for recycling at Daiseki as the denominator and the emission for Scope 1 and 2 as the molecule

#### Energy consumption (MWh)

	FY2021	FY2022	FY2023
Electricity (power by non-recycled energy)	33,738	34,353	25,996
Electricity (power by recycled energy)	0	330	8,849
Diesel fuel	50,972	51,294	55,716
City gas	25,384	27,115	29,167
Heavy oil B (recycled heavy oil)	16,300	14,895	15,231
Others	24,364	26,852	21,288

#### Energy intensity (MWh/tons)

	FY2021	FY2022	FY2023
Energy intensity	0.09	0.08	0.08

Note: Calculated with amount of materials received for recycling at Daiseki as the denominator and energy consumption as the molecule

#### Water consumption (10,000 tons)

	FY2021	FY2022	FY2023
Water consumption	95.6	96.9	93.3

#### Implementation of Environmental Management

	FY2022 end	FY2023 end
Number of business sites	41	42
Number of sites certified for ISO 14001 or Eco Action	19	21
Number of sites that implemented audits related to environment and laws and regulations	19	21

### Governance (Daiseki or the Daiseki Group)

#### Number of directors (people)

	As of May 26, 2022	As of May 25, 2023
Internal director	3	3
External director	3(1)	4(1)

( ) shows female (people)

#### Compensation for executives

	FY2022		FY2023	
	Directors (Excluding Audit & Supervisory Board Members)	External Directors (Audit & Supervisory Board Member)	Directors (Excluding Audit & Supervisory Board Members)	External Directors (Audit & Supervisory Board Member)
Number of executive (people)	5	3	5	3
Compensation amount (million yen)	223	5	147	6

#### Number of Board of Directors held and attendance rate

	FY2022	FY2023
Number of Board of Directors (times)	21	21
Attendance rate (%)	98.2	95.5

#### Number of committees held (times)

	FY2022	FY2023
Appointment and Compensation Committee	1	1
Audit and Supervisory Committee	14	14

#### R&D cost (the Daiseki Group) (Millions of yen)

	FY2022	FY2023
R&D cost	110	179

### Society (the Daiseki Group)

#### Breakdown of regular positions and general positions (people)

Category	FY2022 end	FY2023 end
Regular positions	786	794
General positions	86	93
Not categorized	132	141

#### Mid-career hire rate (%)

Category	FY2022	FY2023
Mid-career hire rate*	3.0	1.0

\*Percentage of manager and higher position employees within new hires

#### Number of foreigner employees

	FY2021 end	FY2022 end	FY2023 end
Number of foreigner employees (people)	0	0	0

#### Employment of handicapped persons and re-employment

	FY2021	FY2022	FY2023
Number of handicapped persons employed (people)	15	15	20
Re-employment rate of retirees (%)	100	100	98
Rehired Employees (%)	100	100	100

#### Average monthly overtime hours (Hours)

	FY2021	FY2022	FY2023
Average monthly overtime hours	39	39	39

#### Number of flexible work arrangements utilization (people)

Category	FY2022	FY2023
Number of flexible work arrangements utilization	186	141

#### Number of short work hours utilization (people)

Category	FY2022	FY2023
Number of short work hours utilization	7	6

#### Number of nursing leave utilization (people)

Category	FY2022	FY2023
Number of nursing leave utilization	0	0

#### Training-related investments (Millions of yen)

	FY2022	FY2023
Training-related investments	27	23

#### Specific health guidance rate (%)

Category	FY2022	FY2023
Employees who needed specific health guidance rate*	25	26

\*Percentage of employees who needed specific health guidance within those who took comprehensive health examinations

#### Smoking rate (%)

Category	FY2022	FY2023
Smoking rate*	38	36

\*Percentage of employees who responded that they smoke among those who took comprehensive health examinations

#### Number of shareholding association members (people)

	FY2021 end	FY2022 end	FY2023 end
Number of shareholding association members*	622	694	729

\*Number of shareholding association members within group



Third-Party Assurance

Verification Opinion

SGS

4 July 2023  
Opinion No : SGS23/050

Mr. Tetsuya Yamamoto  
President  
Daiseiki Co., Ltd.  
1-86 Funami-cho Minato-ku, Nagoya, Aichi, Japan

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 (ISO 14064-3: 2019 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the Statement"). The objective of this verification is to confirm that the Statement in the Organization's applicable scope has been correctly calculated and reported in the Statement in conformance with the criteria, and to express our views as a third party. The Organization is responsible for the preparation and fair presentation of the Statement.

Scope

The scope of verification is Scope 1 and 2 emissions, energy consumption, and Scope 3 emissions.  
The period subject to report is from 1 March 2022 to 28 February 2023.  
Refer to the attached sheet for the detailed scope of verification.

Procedure of Verification

The Statement 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 Statement: On-site verification and voucher review conducted at the Daiseiki Co., Ltd. Hokuriku Works and Kansai Works, and analytical procedures and interviews for the 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, the GHG Emissions Calculation and Reporting Manual Ver. 4.8, Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.5, Emission Factor Database on the same Accounting Ver. 3.3, IDEA Ver.2.3 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 Organization's Statement 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.  
Yokohama business Park North Square 1  
134, Good-cho, Hodogaya-ku, Yokohama  
Kanagawa  
Management Committee Member  
Head of Certification/Accreditation

Yuji Takeuchi

1 / 2

本書面は、SGSジャパン株式会社によってwww.sgs.com/terms and conditions.htmで参照することができる「認証サービスの一般条件」に従って発行されたものであり、「認証サービスの一般条件」に規定されている責任の範囲と制限に関する条項および管轄に関する条項等に準拠しています。この書面に記載された内容は検証を行った時点における適用される法令は検証の時点における確認内容を示しています。検証およびこの書面に添付するSGSジャパン株式会社からの書面は発行後すべての権利および電報の送付から、免除されるものではありません。本書面の内容または結果について、許可なく偽造、変造または改ざんすることは違法であり違反した場合には法令に基づきあらゆる範囲において罰せられる可能性があります。

SGS

Attached file

4 July 2023  
Opinion No : SGS23/050

The details of the scope of verification

The scope	The boundary	The statement
1 The performance data Scope 1 and 2 include energy related greenhouse gas emissions Energy consumption	The Organization and the consolidated companies	Scope 1 : 27,951 t-CO <sub>2</sub> Scope 2 : 9,990 t-CO <sub>2</sub>
2 Scope 3 (category 1)	The Organization and the consolidated companies	63,184 t-CO <sub>2</sub>

2 / 2

本書面は、SGSジャパン株式会社によってwww.sgs.com/terms and conditions.htmで参照することができる「認証サービスの一般条件」に従って発行されたものであり、「認証サービスの一般条件」に規定されている責任の範囲と制限に関する条項および管轄に関する条項等に準拠しています。この書面に記載された内容は検証を行った時点における適用される法令は検証の時点における確認内容を示しています。検証およびこの書面に添付するSGSジャパン株式会社からの書面は発行後すべての権利および電報の送付から、免除されるものではありません。本書面の内容または結果について、許可なく偽造、変造または改ざんすることは違法であり違反した場合には法令に基づきあらゆる範囲において罰せられる可能性があります。

52

# Non-Financial Information and Company Information

## Third-Party Opinion



Associate Professor in the Graduate School of Agricultural and Life Sciences,  
The University of Tokyo and the University of Tokyo University Research Administrator

### Dr. Momo Nakanishi

Dr. Nakanishi completed a PhD in agriculture in the University of Tokyo's Graduate School of Agricultural and Life Sciences. After working as a post-doctoral fellow at the Hospital for Sick Children (Toronto) and a researcher in the Japan Science and Technology Agency's Department of Industry-Academia Alliance, she took a position as a Project Research Associate in the University of Tokyo's Graduate School of Agricultural and Life Sciences in 2016. She became a Project Lecturer in the same department in December 2017, and has been in her current role since April 2021. She has administered the University of Tokyo's One Earth Guardians Development Program since its founding.

The resources produced by the Earth are finite. The rate at which human activities are consuming these resources outstrips their rate of production, with Earth Overshoot Day\*—the point at which human consumption will have used up all the resources that the Earth can regenerate in a calendar year—set to be August 2nd in 2023. If everyone in the world lived as we do in Japan, this date would be May 6th. In other words, life in Japan today takes an “advance” on the Earth's resources before we are even halfway through the year. Unless we work to establish a circular economy as soon as possible, a challenging future for continued human life on Earth is all too easy to imagine.

When it comes to recycling of resources, what kind of industrial waste treatment processes we can implement is a key question for present-day society. From the point of view of the resource balance described above, we no longer have the luxury of throwing away unnecessary “waste.” As a recycling company, Daiseki advocates a view of waste materials as resources and tackles this key challenge directly. I consider Daiseiki to be standard bearers for a societal shift toward a circular economy.

The One Earth Guardians Development Program (OEGs) was started in 2017 within the University of Tokyo's Faculty of Agriculture in the Graduate School of Agricultural and Life Sciences. It aims to develop a group of scientists, the One Earth Guardians, who will take action to secure the future of the Earth so that humans and all other forms of life can be living here together in harmony 100 years from now. The OEGs is a framework for the University and a range of organizations and individuals to cooperate to develop human resources with the skills to do this, allowing industry and academia to work collaboratively to solve social and environmental issues.

Daiseiki has been closely involved in the work of the OEGs since 2022. A core component of the OEGs curriculum comprises practical internships that foster the ability to identify and solve issues within their social context. During practical internships with Daiseiki, students have gained insight into Daiseiki's areas of activity and expertise and engaged in approximately six months of debate and research around the question of successfully balancing solutions to environmental issues in the aim of creating a circular economy and business feasibility, after which they put forward their own suggestions in this area. While the different format of the internship to their research at the University may sometimes be confusing, participating students have also learned about and gained direct

experience of perspectives that will be crucial to the business viability of their ideas. This approach to the issue is not one that students can easily discover and adopt purely within the educational and research setting of the University, yet it is a vital skill for taking action that brings in wider society. Discovering the possibilities for linking the research findings they have been learning about to on-the-ground problem-solving has not only opened up their future career options but also seems to have been an encouraging experience for them. This is a step on the path to developing human resources who, while drawing on their training and perspectives as scientists, will work in a variety of fields to contribute to creating a sustainable society, something that can give us hope for the future.

I would like to briefly touch on the concept of the “bioeconomy,” a sister concept of the circular economy that refers to economic activity that utilizes biotechnologies and biological resources without straining the biosphere. There is significant overlap between the two concepts, and the idea of the “circular bioeconomy,” which brings the two together, is gaining prominence in the US and Europe.

My field of study, agricultural science, is dedicated to making use of natural resources through learning from living things and capitalizing on their capacities. Yet this discipline, too, considers the circular use of resources to be a matter for urgent attention. In order to bring academic expertise to bear in solving real-world issues, cooperation with industry players is indispensable. I feel that our collaboration with Daiseiki, leaders in creating recycled products from industrial waste, has enormous potential, and it also gives me a renewed determination to consider what we can achieve by working together.

The expression “venous industry” perfectly captures the character of the sector. Animals maintain their vital functions by circulating fluids through their bodies, and cannot sustain life if their blood flow stops or they lose a great deal of blood through external bleeding. While the arteries that deliver blood to all of our internal organs may be the better-known of the two blood vessels, the circulatory system could not exist without the veins that return blood flow to the heart. When we extend this metaphor to society and economic activity, it is clear that Daiseiki has a significant role to play in its capacity as part of the venous industry. If we were to consider the Earth as a single huge and complex living entity, we would hesitate to declare that it is entirely healthy in its current state—but we can hope that the flow of the veins back to the heart of our planet will revive it.

\*For more information on Earth Overshoot Day, please follow the link below.

Global Footprint Network <https://www.overshootday.org/newsroom/past-earth-overshoot-days/>

## Daiseki Group Overview

### ● Corporate Overview

**Company name** Daiseki Co., Ltd.

**President and Representative Director** Tetsuya Yamamoto

**Founded** November 1, 1945

**Established** October 1, 1958

**Head office** 1-86, Funami-cho, Minato-ku, Nagoya-shi, 455-8505

Tel: +81-52-611-6321 (Representative)

FAX: +81-52-611-0160 (Representative)

TEL: +81-52-611-6322 (Head office)

FAX: +81-52-612-4382 (Head office)

**Capital** 6.382 billion yen (as of February 28, 2023)

**Sales** (consolidated) 58.572 billion yen

(non-consolidated) 34.013 billion yen

(year ended February 28, 2023)

**Number of employees** (consolidated) 1,114

(non-consolidated) 736 (as of February 28, 2023)

### ● Stock information

as of February 28, 2023

**Securities code** 9793

**Listed stock exchange** Tokyo Stock Exchange Prime Section  
Nagoya Stock Exchange Premier Section

**Round lot** 100 stocks

**Total number of authorized shares** 79,200,000 stocks

**Total number of stocks issued** 51,000,000 stocks

**Number of stock holders** 5,165

**Fiscal year** From March 1 through end of  
February of the following year

**Annual General Meeting of Shareholders** May of each year

**Shareholder registry administrator** Mitsubishi UFJ Trust and  
Banking Corporation

**Audit company** KPMG AZSA LLC.

### ● Daiseki Group Overview

**Daiseki Co., Ltd. [Nagoya city]**

Waste collection, Intermediate treatment and recycling

Manufacturing and sales of petroleum products



**Daiseki Eco. Solution Co., Ltd. [Nagoya city]**

Soil pollution survey, purification process, etc.



**Hokuriku Daiseki Co., Ltd. [Kanazawa, Ishikawa]**

Manufacturing of lubricant and sales of  
petroleum products



**Daiseki-MCR Co., Ltd. [Utsunomiya, Tochigi]**

Lead refining, recycling of used batteries



**System Kikou Co., Ltd. [Minato-ku, Tokyo]**

Cleaning work and related work for tank  
storage equipment



**Green Arrows Central Co., Ltd. [Tokai, Aichi]**

Plasterboard recycling



**Green Arrows Kyushu Co., Ltd. [Kasuya-Gun, Fukuoka]**

Plasterboard recycling



**Sugimoto Trading Company Co., Ltd. [Hikone, Shiga]**

General waste disposal, waste plastic recycling



**Sugimoto Paper Industry Co., Ltd. [Nagahama, Shiga]**

Collection and recycling of used paper



### ● Rating information

Rating and Investment Information, Inc. (R&I)

● Rating **A-** ● Announced on **November 18, 2022**

### ● Assessment by a third party

**CDP B**

CDP—Climate Change 2022

**MSCI BBB**

March 2023

**S&P Score 43**

March 2023

**FTSE ESG Rating 3.1**

June 2023

**Nikkei SDGs ★★★★★**

November 2022

**Toyo Keizai SDGs**

Utilization of human resources A, Environment AA,  
Corporate governance A, Sociality A, Basic A,  
Growth potential A, Profitability, AAA, Safety AA,  
Size AA

December 2022

**SOMPO Sustainability Index A**

February 2023





## **Daiseki Co., Ltd.**

1-86 Funami-cho, Minato-ku, Nagoya, Aichi, Japan, 455-8505 Tel: +81-52-611-6321 (Representative)  
<https://www.daiseki.co.jp/english>

Published in Jul. 2023