

# Daiseki Co., Ltd. Integrated Report 2024

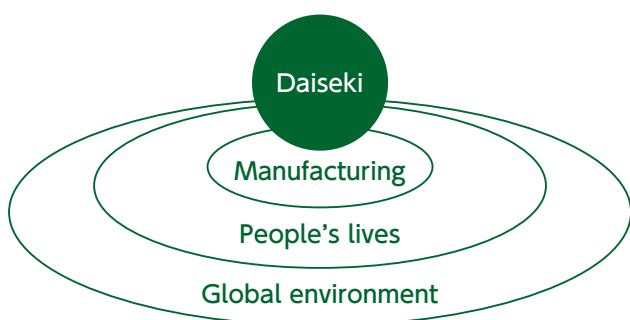




## Our Purpose

Making the Best Use of Limited Resources

# An Environment-Creating Company Contributing to Society through the Environment



## Daiseki's Mission

- ① Preservation of the global environment
- ② Value creation from waste
- ③ People's happiness





## Core Value

# Nurture the Future

Daiseki's mission is to preserve the global environment and build a sustainable society. It is said that it is necessary to shift to economic activities within the planetary boundary (the limits of the earth) to achieve a sustainable society. Daiseki is committed to fostering people who create the future and acting to pass on a sustainable and bright future to the next generation.



## Daiseki's Key Strategies

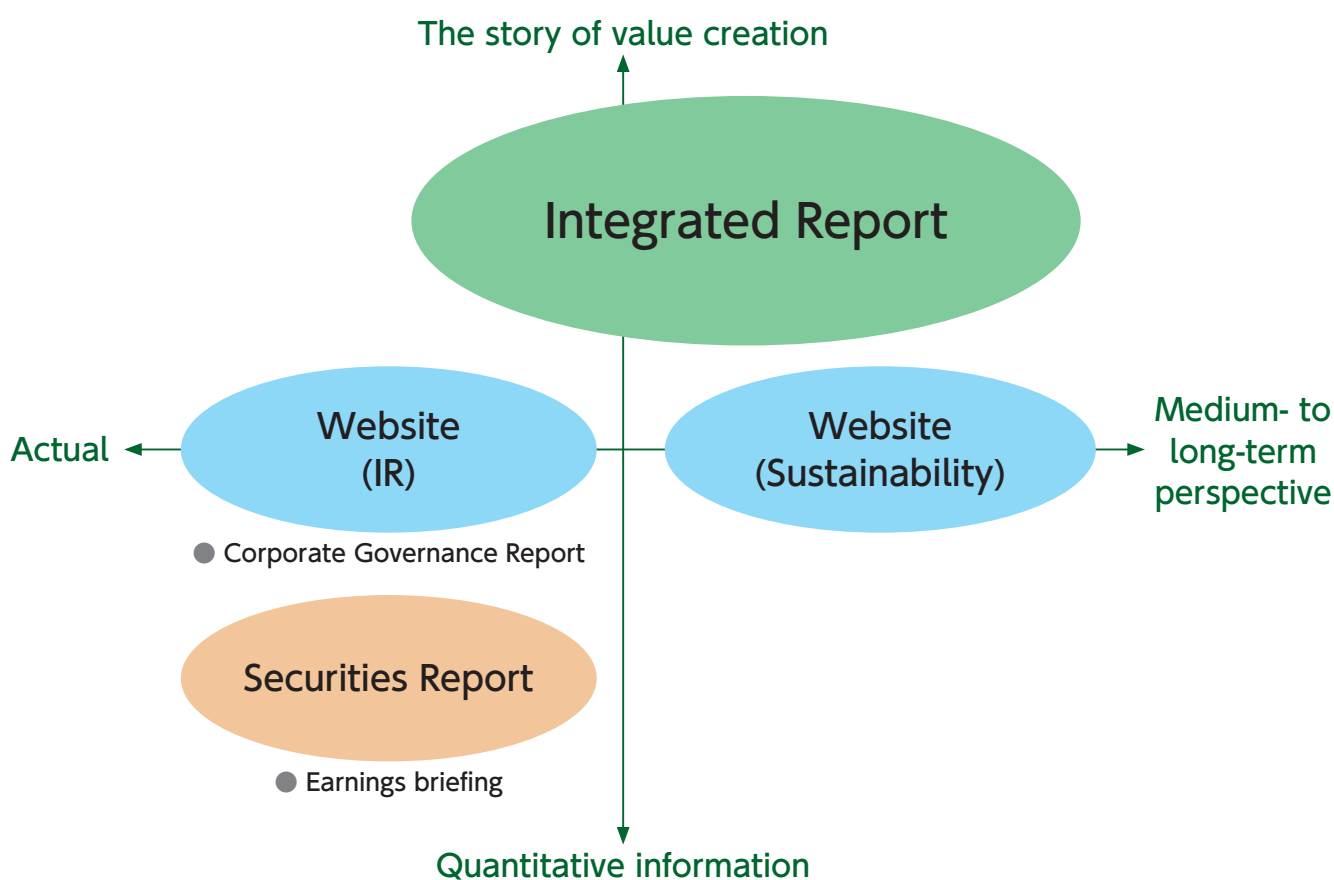


- ① Make environmental conservation a viable business
- ② Contribute to the realization of a circular economy
- ③ Maximize employee vitality and realize people's happiness

# Publication Details

## Objective and Background of Publishing the Integrated Report

Since 2020, Daiseki has actively disclosed non-financial information from an ESG (Environmental, Social, and Governance) perspective to communicate its corporate activities that contribute to environmental conservation and resource protection. In order to further enhance our corporate value, we have decided to publish an integrated report that summarizes not only financial information but also non-financial information that has not been quantified. The integrated report will be a consistent “story of value creation” that describes Daiseki’s Management Principles, DNA, business model, strategy, governance, and other aspects, and we hope to widely communicate the value of Daiseki’s existence and transform it into a force for further growth.



## Publication Details, Scope Covered by This Report, etc.

### ● Scope of Report

The scope covers the value creation activities, business activities, and sustainability activities of the entire Daiseki Group.

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

This report covers FY2024 (March 1, 2023 to February 29, 2024). 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: September 30, 2024. Previous publication (ESG Report2023): July 31, 2023. Next planned publication: September 2025



## Main Points of the Integrated Report

### Disclosure through Integrated Report 2024

In the Integrated Report 2024, we summarized the story of value creation based on the Guidance for Collaborative value Creation. First, we identified the driving force behind Daiseki's growth and how innovation has been created by interviewing stakeholders. Then we explained what kind of value Daiseki should provide to society in the future after analyzing the market environment of the industrial waste treatment and recycling industry. The story of value creation examines both the growth strategy of how to grow the business and the perspective of sustainability in terms of how to ensure sustainability as a company. In addition, we have added an interview with the CFO and an explanation of the financial strategy to provide investors with a financial perspective on how Daiseki will improve its corporate value.

### Disclosure through ESG Report 2023

ESG Report 2023 explains the driving force of Daiseki's growth, as a story of value creation, and efforts to achieve the Long-Term Business Plan "VISION 2030." It also discloses sustainability information on the environment, society, and governance to stakeholders in an aim to improve corporate value.

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

Daiseki Co., Ltd. Integrated Report Production Committee

Tel: +81-52-611-6322/FAX: +81-52-612-4382

E-mail: kankyo@daiseki.co.jp

\* The contact information for the head office during the expansion and renovation of the head office building from June 2024 is as follows. TEL: +81-52-728-1155 FAX: No change

#### ● Key Company Information

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

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# Establishing a Circular Economy from Waste and Achieving Carbon Neutrality

## We will fulfill our mission as an environment-creating company that is appreciated by people and needed by society

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

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### 1 Daiseki's Mission and Driving Force

#### Daiseki's Mission since Its Foundation to Contribute to Both the Economy and the Environment

Daiseki began as an oil and fat product manufacturer in 1945. At that time, Japan was a poor country, and with the exchange rate at 360 yen to the U.S. dollar, the prices of imported goods were high, making oil a precious resource. With the idea of making the best use of this limited and precious resource, we discovered the value of waste oil, which would otherwise have been thrown away, and achieved an innovation that broke with common sense by using technology to recycle it. While people's affluent lives were realized as Japan's economy grew, Daiseki also paid attention to the increasingly serious pollution problems and contributed to the balance between the economy and the environment. This is not limited to the past. Since then, Daiseki has pioneered the recycling of industrial waste such as wastewater, sludge, and lead, and has also ventured into contaminated soil remediation and biodiesel fuel production.

Daiseki's greatest strength is its ability to turn waste that causes environmental pollution into a valuable resource. We have innovated and accomplished the difficult task of creating value from waste in response to the changing times and the needs of the manufacturing industry. What methods are there to use waste as a raw material? Who will use it? Where does it come from? Is it an economically viable process? With the desire to benefit our customers and business partners, and to realize an abundant life for



employees and local people, we have continued to take on challenges with wisdom, ingenuity, and action. This desire has been summarized in a single phrase as our purpose of being “an environment-creating company contributing to society through the environment by making the best use of limited resources.”

## Aiming to Be a Company That Prospers for 100 Years

We would like to make Daiseiki a company that prospers for 100 years while realizing this purpose. I believe there are two things necessary to achieve this. One is to surely pass on the thoughts contained in the purpose to the next generation, and the other is to make it a company that our employees can be proud of for their families. I believe that this is a company that is needed by its customers, a company where every employee shines with a sense of fulfillment, a company that is trusted and expected by society, and a company that lives up to their expectations with integrity. I would like to pass on this philosophy that has been inherited from our founder to the next generation.

We have pursued technologies that are useful to the world since our founding. We want to be a company that prospers for 100 years and continues to shine for our children and future generations. In order to realize this future, Daiseiki's mission is to be a company that takes on the challenge of innovation ahead of its time, and to use its strengths for the broad benefit of the world.

## Daiseiki's Innovation Mindset Fostered from a Clear Management Principle

The driving force behind Daiseiki's innovation is the clear-cut Management Principles of “Ideas, Plans, Structures, Actions” established by the Company's founder, Haruo Ito. This philosophy has fostered a mindset of flexibly changing business operations in response to the trends and needs of the times, rather than sticking to a specific business. We are not bound by existing common sense or technology, but rather freely think of ideas, and formulate plans to create new technologies. Next, we create structures and finally take action.

The structures in particular are the key to the success or failure of the business. Structure refers to organizational development such as leaders and teams. If we can have a leader who is enthusiastic about making the plan and sees it as their own and a team that supports the leader, we can make the world a better place, even if it is an unprecedented challenge.

This spirit of constantly taking on challenges based on “Ideas, Plans, Structures, Actions” is the source of Daiseiki's growth potential and has been passed down in our DNA.



## 2 Strengthening Human Capital

### Employees as the Best Management Resource to Achieve Vision 2030 and the Future

VISION 2030 is our Long-Term Business Plan for the next 10 years, and is a milestone in achieving our goal of becoming a “company that prospers for 100 years.” Currently, Daiseiki is striving as a whole to achieve VISION 2030, and the basis of this is the spirit of taking on challenges and motivation of each employee, and efforts to acquire knowledge and improve skills. Daiseiki considers employees as the most important management resource. Since assuming the presidency, the most important things to me have been, firstly, employee health; secondly, employee safety; and thirdly, compliance.

Daiseiki is a company that prioritizes the health and safety of its employees. In addition, the main business of industrial waste treatment is a licensed business based on strict waste management laws. We sincerely observe compliance to live up to the trust of our customers and protect their interests. From there, the value of Daiseiki as a company that prospers for 100 years is born, and we believe that VISION 2030 will surely be achieved as part of this process.

### Expanding the Fields of Activity of our Employees and Sharing Daiseiki's Growth with Everyone

Every year, promising new employees join our team, and I feel that more and more of them are applying to



Daiseki because they see great potential in our mission of achieving a balance between the environment and the economy. We provide opportunities to acquire new knowledge and skills in response to the aspirations of each employee, such as position-based training, management training, and a qualification acquisition support system that draws out their abilities, and we are working to further motivate employees and support their self-realization. We will also enhance the salary and promotion system to strengthen employee engagement further in the future.

In promoting diversity, in recent years the ratio of new employees joining the Company in sales and technician positions has been half male and half female, and the percentage of women in the Company as a whole has been increasing year by year. To enable a variety of employees to play an active role in the Company, we have enhanced benefit programs related to childcare and nursing care, and we are also promoting internal education and work environments to increase the number of female managers and male employees taking maternity leave.

We have decided to introduce a new restricted stock incentive plan for the shareholding association system in order to motivate employees to strive for the Company's growth. We hope that employees will use their Daiseki shares for their own future, and that we can all rejoice and share in Daiseki's growth.

### 3 Develop New Businesses

#### Circular Economy Business Where General Waste Is Transformed into a Resource

It is necessary to engage in business with an eye on future social changes in order to make Daiseki a company that prospers for 100 years. To this end, Daiseki is working to develop new businesses based on circular economy and carbon neutrality. We are conducting a demonstration experiment to commercialize biomass fuel power generation using general waste in the Circular City Gamagori Project being implemented by Gamagori City. While we are an industrial waste treatment company, we are embarking on a great challenge to change the general waste disposal situation in Japan by taking advantage of this once-in-a-lifetime opportunity provided by Gamagori City. Daiseki has conducted a demonstration experiment to convert household waste into biomass fuel. Daiseki envisions using this biomass fuel for power generation in the future. A growing number of municipalities are struggling with the problem of aging waste incineration facilities and having to consolidate as a result. To address and solve these social issues, Daiseki is working with Gamagori City aiming to establish a circular economy business that reduces incinerated waste and provides clean energy.

#### Ammonia Collection Business Contributing to the Circular Economy and Carbon Neutrality in an Aim to Achieve Vision 2030

We are considering a new business to collect discarded ammonia and utilize it as an industrial raw material and clean fuel. Ammonia is attracting attention as a raw material for fertilizers and chemical products, and as an alternative fuel to petroleum that does not emit CO<sub>2</sub> when burned. Although conventional ammonia manufacturing methods generate large amounts of CO<sub>2</sub> during production, in collaboration with SyncMOF, a Nagoya University venture, Daiseki has developed a new ammonia collection technology that does not cause the generation of CO<sub>2</sub>. This new technology selectively collects ammonia by adsorbing mixed gas to MOF (metal-organic frameworks). The demand for ammonia in Japan is over 1 million tons per year, increasing with the growth of semiconductor fabrication facilities. We will proceed with improving the accuracy of MOF and developing sales channels, and promote their practical application.

Furthermore, we are entering new businesses recycling waste plastics and used paper through M&As with Sugimoto Trading Company Co., Ltd. and Sugimoto Paper Industry Co., Ltd. Five new business developments



and M&A projects are in progress. VISION 2030 sets a target of 25 billion yen in operating profit, and we aim to generate 5 billion yen from these new businesses.

Daiseiki has been committed to achieving a balance between the environment and the economy since its founding. We take waste seriously and have inherited the idea of viewing waste as a resource, not garbage, as a part of our DNA. We have worked to conserve the environment by recycling waste after it has served its purpose as a product, and reusing it as a resource. Based on this way of thinking, Daiseiki will take on this challenge together with its employees to create a sustainable and prosperous society and happiness for people.

## 4 The Present and Future of Daiseiki's Business

### Contributing as an Infrastructure That Enhances People's Lives and Fulfills the Needs of Society

A major earthquake hit the Noto Peninsula in Ishikawa Prefecture on January 1, 2024. The Daiseiki immediately set up an emergency system to ensure the safety of employees and their families at the Hokuriku Works. On the morning of January 2, we conducted a day-long inspection of all our plant facilities. On the morning of January 3, we sent out to assist in recovering the affected companies. Daiseiki's mobility, knowledge, and processing capabilities were needed to treat chemical solutions leaking from pipes and tanks damaged by the earthquake and to help restore water purification plants. People from works outside of Hokuriku also rushed to support the affected companies in Ishikawa and Toyama prefectures, and all of Daiseiki worked hard to assist them. As a result, we were not only able to contribute to the restoration of the affected companies, but we were also heartened to hear that the cafeteria and bathrooms at one factory were now available for use by company employees and their families. In the past, when the Great East Japan Earthquake struck, we were on site as an emergency vehicle to collect leaked oil. Daiseiki also provided relief and recovery support at the request of national and local governments following the heavy rain disaster in western Japan and environmental pollution accidents involving oil tankers and cargo ships around the world.

To become a company that prospers for 100 years, we must continue to be a company that society needs. Daiseiki aims to continue contributing to society as infrastructure supporting the environment and economy in normal times, and as recovery and reconstruction infrastructure supporting the people in disaster and emergency situations.

### Evolving as an Environment-Creating Company

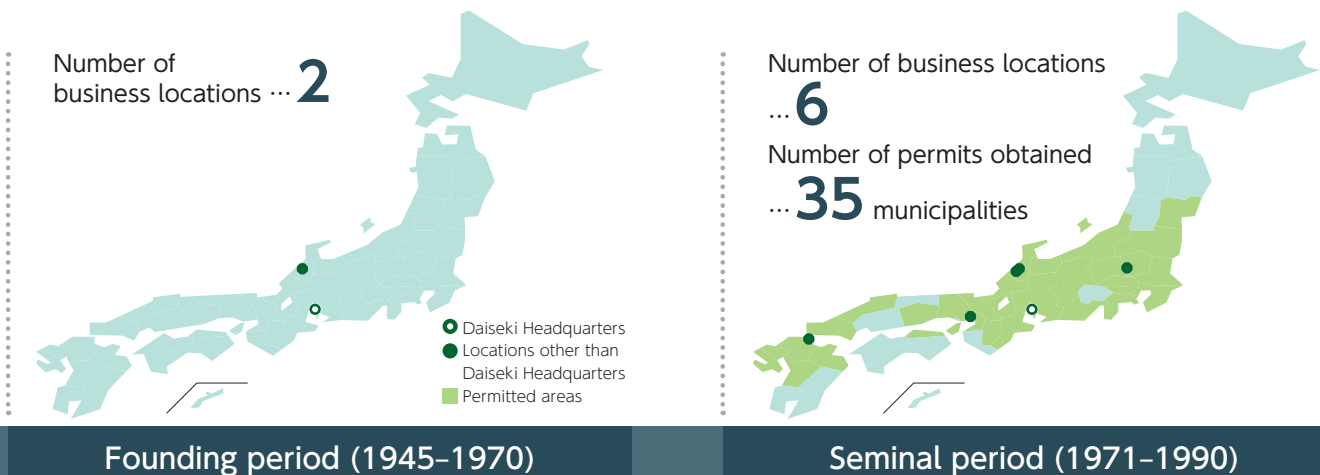
In FY2024, Daiseiki's consolidated net sales reached 69.2 billion yen, and profits reached 9.4 billion yen, achieving the target plan and setting a new record. Even as industrial production in Japan struggles, we have leveraged our strength in recycling processing to expand market share among major factory customers, increasing the volume of wastewater intake and sales of recycled fuel. As manufacturing in Japan moves toward carbon neutrality, the demand for Daiseiki's recycling processing that does not burn waste and recycled fuel that replaces fossil fuels is growing. To meet these demands, we established a new Hiroshima Works and expanded the recycling fuel plant at the Kyushu Works in March 2024. We are also considering opening new works in the future. Daiseiki will continue to evolve further to achieve a sustainable society.

It is necessary to review the waste of all resources in order for people around the world to lead affluent lives as the SDGs aim to do. This is the circular economy that Daiseiki aims for. We excel at identifying waste and transforming it into recycled resources and value. In the fields of carbon neutrality and circular economy, Daiseiki will continue to evolve as "an environment-creating company contributing to society through the environment by making the best use of limited resources" in order to achieve a sustainable society.



# Drivers of Daiseki Growth

Daiseki was founded in 1945, and since its establishment in 1958, Daiseki has created various innovations and supported Japanese manufacturing up until now.

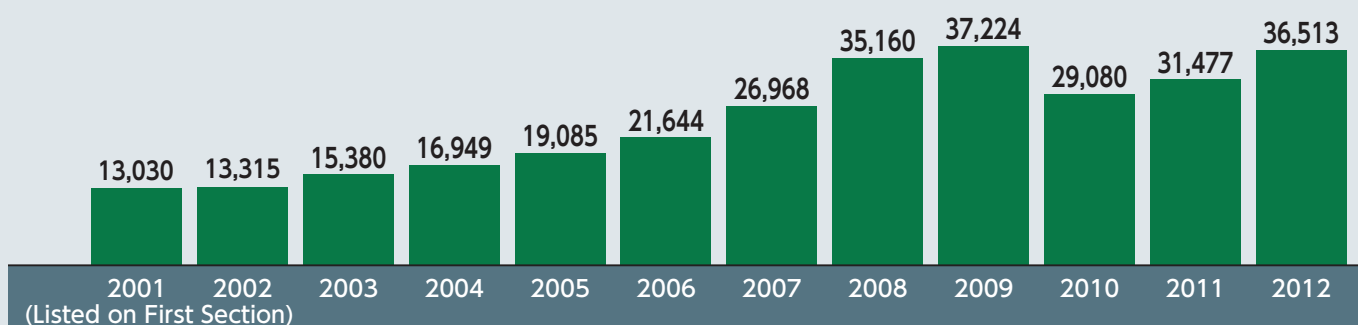


## Daiseki Group's Track Record of Innovation

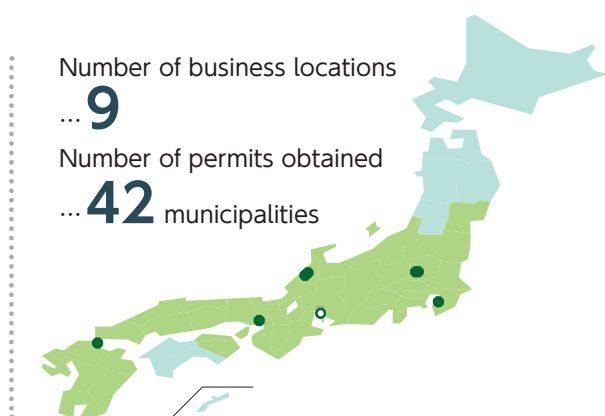
- Started oil refining business inspired by rapeseed oil (Daiseki's starting point)
- Started gasoline sales business, foreseeing the development of the automobile industry
- Started recycling and sales of industrial oil, taking inspiration from rapeseed oil
- Expanded recycling and sales of industrial oil with the construction of large-scale gas stations
- Started manufacturing and sales of petroleum products such as concrete mold release agent, foreseeing the advance of concrete products (Daiseki Co., Ltd. and Hokuriku Daiseki Co., Ltd.)
- Started waste oil treatment business due to concerns about worsening pollution problems
- Started wastewater treatment business. Obtained first license for industrial waste management in the city of Nagoya in the following year
- Started wastewater treatment using activated sludge
- Started production of supplemental fuel for cement companies

## Transition of Net Sales

● Consolidated Net Sales (unit: millions of yen)

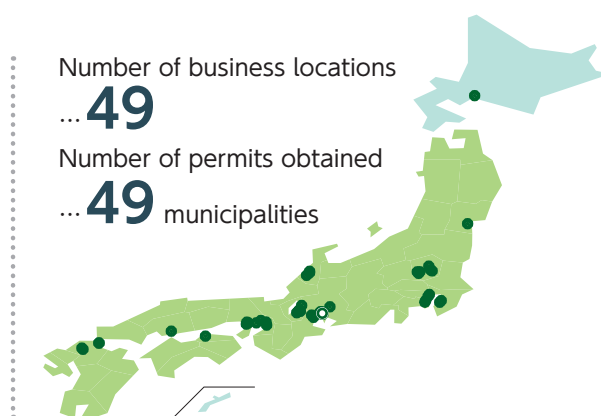






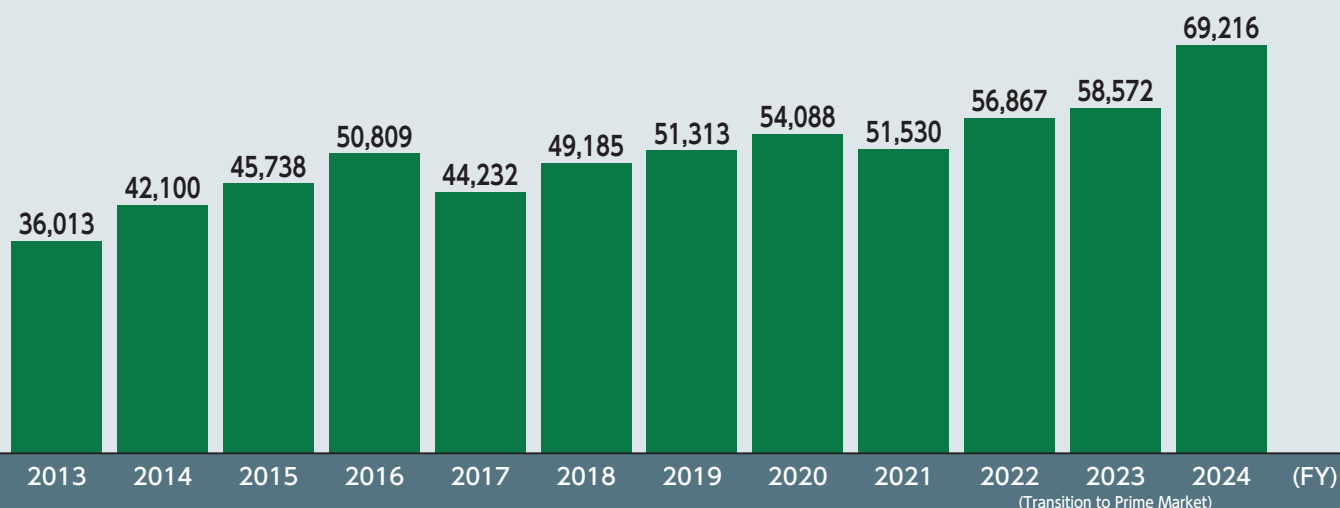
### Rapid growth period (1991–2000)

- Started sludge recycling business for cement
- Started contaminated soil remediation business (Daiseki Eco. Solution Co., Ltd.)
- Conducted recovery support activities for the heavy oil spill accident of the Russian oil tanker the Nakhodka in the Sea of Japan



### Development period (2001–Present)

- Started lead recycling business (Daiseki MCR Co., Ltd.)
- Started large tank cleaning business (System Kikou Co., Ltd.)
- Supported reconstruction efforts following the Great East Japan Earthquake
- Started plasterboard recycling business (Green Arrows Chubu Co., Ltd. and Green Arrows Kyushu Co., Ltd.)
- Certified as the first Excellent Industrial Waste Disposal Company by Nagoya City and Ishikawa Prefecture under the Excellent Industrial Waste Disposal Company Certification System, currently certified by 49 municipalities
- Started biodiesel fuels business (Daiseki Eco. Solution Co., Ltd.)
- Started waste plastic and used paper recycling business (Sugimoto Trading Company Co., Ltd., Sugimoto Paper Industry Co., Ltd.)
- Started new business activities to achieve a circular economy

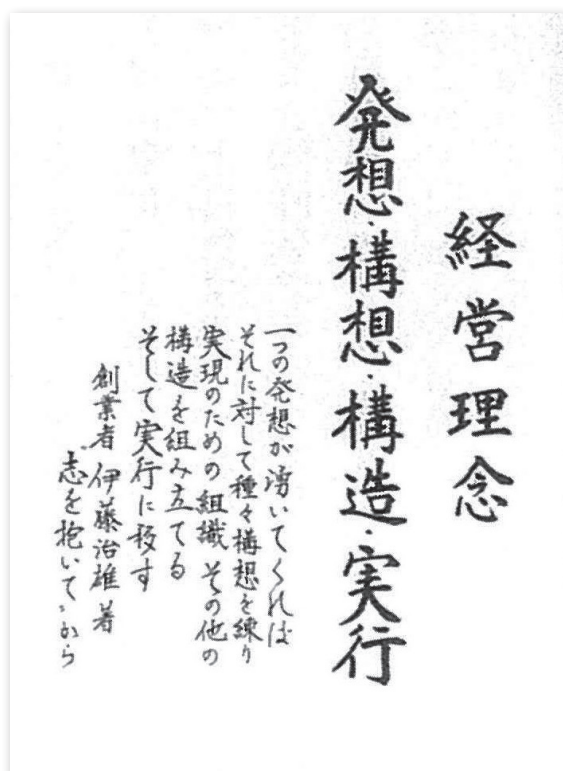


# Source of Innovation

## Tracing the Source of Daiseki's Innovation from the Founder

Before founding Daiseki, Haruo Ito, the founder of Daiseki, faced various crises, including the loss of commercial customers due to air raids during the war and the damage caused by the Isewan Typhoon to Daido Sekiyu Kagakukogyo (now Daiseki Co., Ltd.). At such times, he had constantly asked himself questions like "What to do?", "How to do it?", and "What will be the result?", considering every situation and deciding by questioning himself about the pros and cons of the ideas that arose. Once he made a decision, he executed it immediately. Daiseki's Management Principles of "Ideas, Plans, Structures, Actions" naturally emerged from Haruo Ito's daily experiences. Various innovations of Daiseki have been created based on these principles up until now.

## Daiseki's Management Principles



Daiseki's Management Principles

### Ideas

A single "Idea" is born from foresight and prediction.

### Plans

And various "Plans" are elaborated for it.

### Structures

To realize those "Plans," "Structures" such as an organization and others are formed.

### Actions

We then move them to "Actions."



## Daiseiki's Strengths

### Diverse Human Resources who Value the Global Environment

- Diverse human resources with a spirit of not wasting resources and respect for the global environment come together to take on the challenges of difficult issues

### Industry's Top Customer Base and Brand

- Gained customer confidence through thorough compliance with the Waste Management and Public Cleansing Act and other laws and regulations
- Certified as an Excellent Industrial Waste Disposal Company by almost all municipalities in Japan

### DNA That Creates Innovation

- DNA of innovation to create value from waste
- Creating value through both industrial waste treatment and sales of recycled products

### High Technological Capabilities and Mobility

- Utilizing microorganisms in activated sludge treatment facilities with unique characteristics to handle difficult-to-treat materials
- Prompt restoration support in the event of a disaster with large collection and transportation vehicles deployed throughout Japan

### Recycling with Fewer Resources and Less Energy

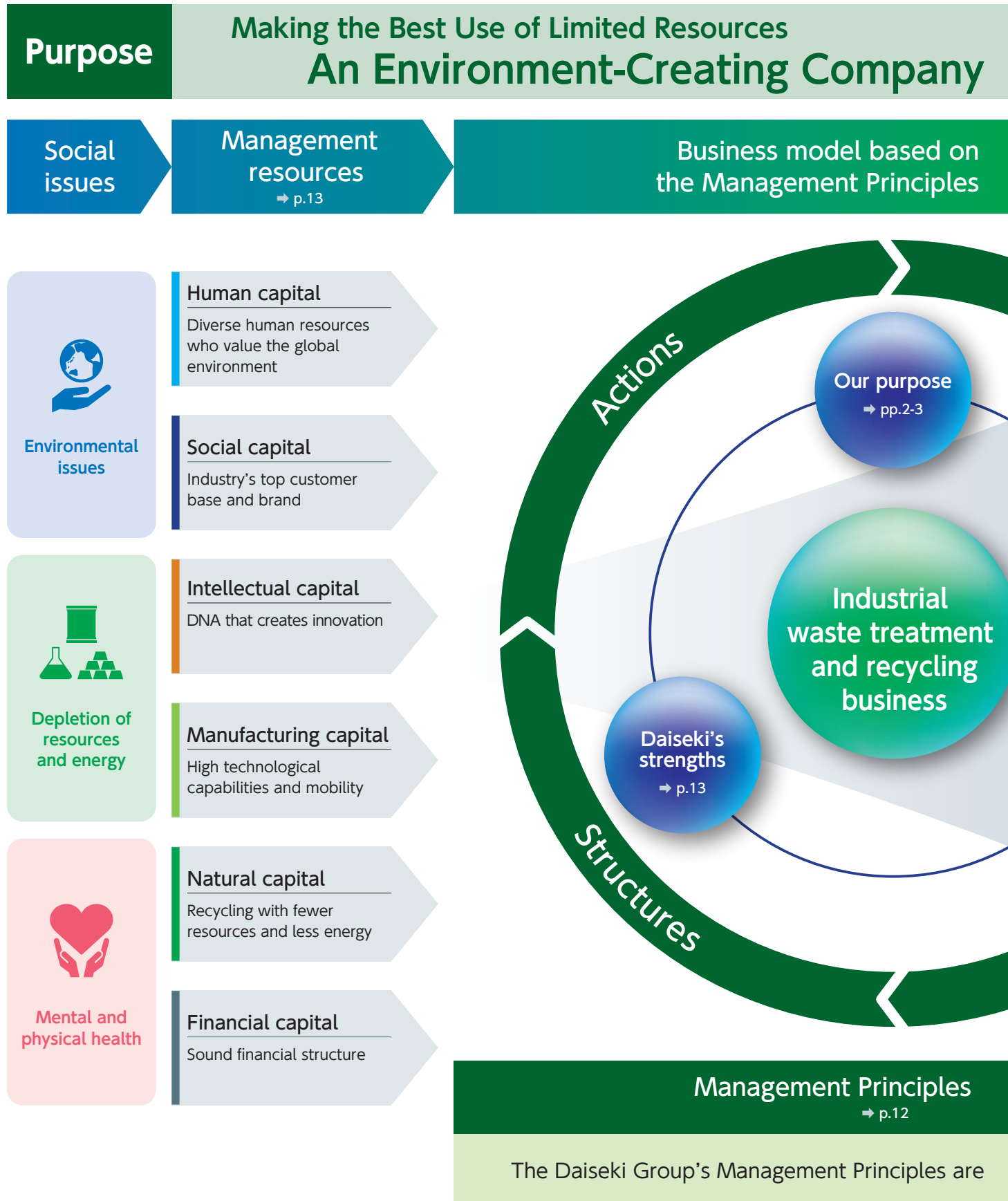
- Contributing to environmental conservation for more than 50 years as a pioneer since 1972, when pollution regulations were made more stringent
- Contributing to climate change countermeasures and resource recycling through non-burnable recycling
- Achieved high evaluations from domestic and international environmental rating agencies, including acquisition of an A score from CDP

### Sound Financial Structure

- Achieved the first listing on the First Section of the Tokyo Stock Exchange\* as a company specializing in industrial waste recycling treatment
- Gained customer trust through a sound financial structure

\* Currently listed on the Tokyo Prime Market

# The Daiseiki Value Creation Process



# Contributing to Society through the Environment

## VISION 2030

→ pp.18-19

Becoming a company that  
prosperes for 100 years

→ pp.6-9

Sales..... 150 billion yen (by FY2031)  
Operating profit  
..... 25 billion yen (by FY2031)  
ROE..... 15.0% (by FY2031)

### KPI

→ pp.24-25

#### Human capital

Rate of Female Managers  
..... Non-consolidated 10% (FY2027)  
Paid Leave Acquisition Rate  
..... Non-consolidated 80% (FY2031)  
Turnover Rate  
..... Non-consolidated 1.0% (FY2031)

#### Natural capital

Greenhouse gas emission reduction rate\*  
..... 34% (FY2028)  
..... 100% (FY2051)  
Rate of introduction of renewable  
electricity..... 100% (FY2028)

\* Reduction target with FY2022 as the base year



#### Preservation of the global environment

→ pp.44-47, 50-57

Protecting the environment and  
growing



#### Value creation from waste

→ pp.32-39, 46

Making the best use of limited  
resources to contribute to securing  
resources and energy in Japan as a  
country with limited resources



#### People's happiness

→ pp.60-69

Maximizing employee vitality and  
realizing people's happiness

Materiality  
Issues

→ pp.20-23

Ideas

Plans

shared as a business flow



Message from the Vice President

## Achieving the Long-Term Business Plan VISION 2030 by expanding new and existing businesses while strengthening the foundation for growth through network expansion and human capital enhancement

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

### Contributing to Society by Developing the Environmental Businesses as a Top Runner in Waste Treatment

We are entering the implementation phase of various initiatives, with new business development at the

forefront, to achieve the long-term management plan VISION 2030, which targets consolidated sales of 150 billion yen and operating profit of 25 billion yen. Five new business projects are underway, two of which have been announced. We also opened new works that will serve as a foothold for expansion in Japan, bringing the number of works to seven. M&As are also underway, directly linked to expanding Daiseki's market share and strengthening its technological capabilities.

The new business projects are cutting into areas that are highly affinitive with the environmental business and can contribute to society. At the same time, they take advantage of Daiseki's greatest strength, its technological development capabilities in resource recycling. Daiseki's strength in new business is being the first to explore areas that other companies have not yet ventured into, as seen from its past track record. We are currently taking on the challenge of being the top runner in waste treatment and in pursuit of our purpose of being "an environment-creating company contributing to society through the environment by making the best use of limited resources." I will provide details on two of the five new projects that have already been announced and one M&A.

### Current Status of Daiseki's New Businesses That Provide Solutions to Environmental and Resource Issues

First, in the Circular City Gamagori Project, Daiseki is working with Gamagori City to generate electricity from biomass fuel by utilizing general waste, which until now has been incinerated in incinerators. A plant has been constructed in Gamagori City as a demonstration test,



where general waste is sorted by resource and converted to fuel. The advantage of handling general waste is that a stable supply is ensured, unlike industrial waste, whose emissions are affected by the economy and industry structure. This will contribute to society by providing a new solution to the problem of aging incinerators, which is a concern of many municipalities.

We aim not only to lead the efforts of a single municipality but also to encourage administrative and legislative efforts to promote the development of a circular economy of general waste throughout Japan.

Secondly, to become carbon neutrality, we have jointly developed a CO<sub>2</sub>-free MOF ammonia collection technology with SyncMOF, a Nagoya University venture company. We are in the process of improving the accuracy of the technology and securing sales channels, and are receiving offers from various companies. Although Daiseki has been engaged in resource recycling of solid and liquid industrial waste up until now, gas was our first challenge. In the future, we hope to divert our technology not only to ammonia, but also to the collection and recycling of other gaseous fuels.

Thirdly, M&As are also underway, as they are directly linked to expanding Daiseki's market share and strengthening its technological capabilities. By making Sugimoto Trading Company Co., Ltd. and Sugimoto Paper Industry Co., Ltd. consolidated subsidiaries, we aim to expand the solutions that we provide to our customers by incorporating technical services for waste plastic and used paper recycling, which we have not handled before, and by leveraging both companies' general and industrial waste transportation and processing operations. Daiseki's basic M&A policy is to acquire technologies that we do not have, seek synergies with existing and new businesses, and be highly profitable. Moving forward, we will consider M&As not only in the venous industry but also in the arterial industry. In this way, we intend to develop our business based on the circular economy in the future.

### **Solidifying Daiseki's Growth Foundation by Expanding Networks and Strengthening Human Capital**

In our plan to open works to expand Daiseki's nationwide network, the Hiroshima Works began operations in March 2024, bringing the number of Daiseki's works to seven. The Hiroshima Works will acquire new customers in the manufacturing industry in the Chugoku and Shikoku regions and develop its business, focusing on supplemental fuel recycling.

Although Daiseki's operations are nationwide, its business is community-based and emphasizes immediate response to the issues of various companies. Furthermore, we want to root Daiseki as a company that serves its customers closely and meets social demands,



such as improving long working hours for drivers and reducing CO<sub>2</sub> emissions from heavy-duty vehicles. We are also considering opening two more works in the Tohoku region and Hokkaido, and are in the process of surveying suitable locations.

Regarding overseas expansion, we are conducting market and regulatory surveys in Southeast Asian countries where waste issues and pollution are becoming more critical due to rapid industrialization and are in discussions with some governments. One of the latest developments we are focusing on is the implementation of a revised law that enforces the partial recycling of industrial waste requirements. In countries where industrial waste treatment facilities are being constructed one after another, we have received inquiries from local companies in this industry regarding collaboration in the field of fuel recycling. In anticipation of the possibility that regulations regarding industrial waste may become stricter in many countries, we are preparing for early realization by gaining an understanding of law enforcement and administrative trends, including collaboration with Japanese companies.

In order to build a foundation of human capital which is indispensable for growth, we will strengthen our human capital through measures such as increasing the number of employees in the technology development, conducting online training for future executives using external contractors, enhancing support for obtaining qualifications, and promoting external human resources.

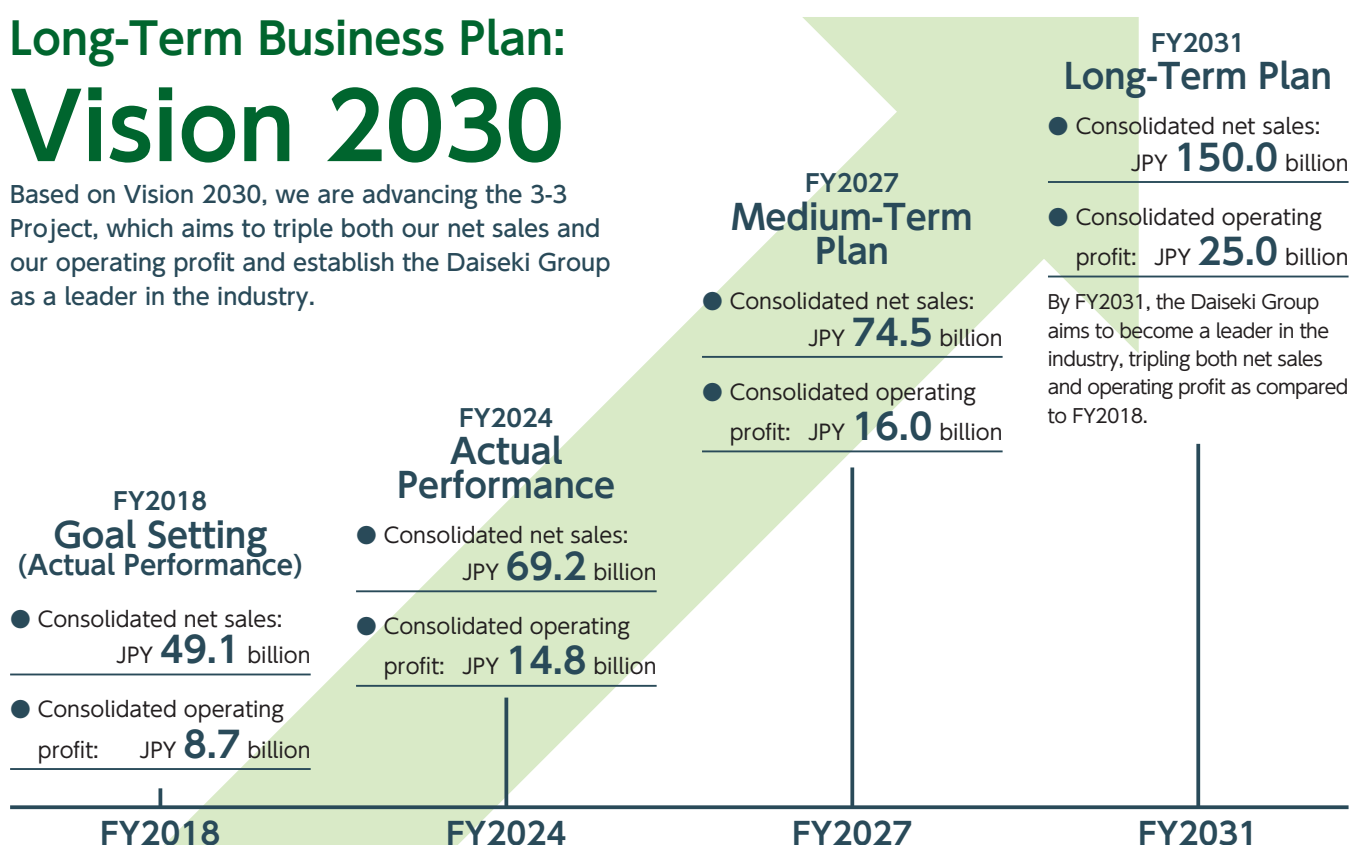
Our VISION 2030, which is our goal, is an important milestone in Daiseki's journey to become a company that prospers for 100 years. We believe that we can surely achieve this goal by firmly focusing on the purpose of "an environment-creating company contributing to society through the environment by making the best use of limited resources," and by practicing the Management Principles of "Ideas, Plans, Structures, Actions" with all employees working together as one.

# Progress of Vision 2030 (Our Long-Term

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 Business Plan established in FY2019 and effective through FY2031.

## Long-Term Business Plan: 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.



## 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

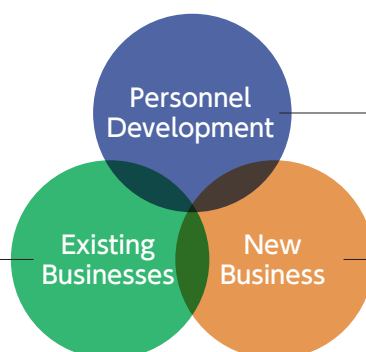
- Commence market research geared toward expansion into the Asian market

### 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



# Business Plan)

## Specific Targets and Progress of VISION 2030 Going Forward

The specific targets and progress of VISION 2030 disclosed in the financial results announcement in April 2024 are as follows.

We will report on the progress every year from now on.

### ① Expansion of Three Operating Bases

- Hiroshima Works started operations in March 2024
- Two other operating bases (Hokkaido, Tohoku region, etc.) under consideration

### ② Toward Establishing Three New Core Businesses

- Expanding the range of handled items to gases

Selective adsorption and collection of ammonia from exhaust gases using an absorbent called MOF (disclosed on October 2, 2023)

	FY2027	FY2031
Sales plan	JPY300 million	JPY3,000 million
Operating profit plan	JPY100 million	JPY1,000 million

- Expanding to customers other than factories

Signed a partnership agreement with Gamagori City to conduct a demonstration experiment on separating and crushing household general waste, removing incombustible materials, and producing biomass fuel blended with waste cooking oil. (disclosed on October 13, 2023, demonstration experiment conducted in February 2024)

	FY2027	FY2031
Sales plan	JPY500 million	JPY2,500 million
Operating profit plan	JPY50 million	JPY250 million

- Entered the general waste and plastic/cardboard recycling business

Daiseki Eco. Solution announced an M&A with Sugimoto Trading Company Co., Ltd. in April 2023

	FY2027	FY2031
Sales plan	JPY2,200 million	JPY2,800 million
Operating profit plan	JPY300 million	JPY400 million

- Others

Launched three new businesses, including M&As, aiming for sales of 50 billion yen and operating profit of 5 billion yen

## Future Vision of Daiseiki Aimed for by FY2031 in VISION 2030

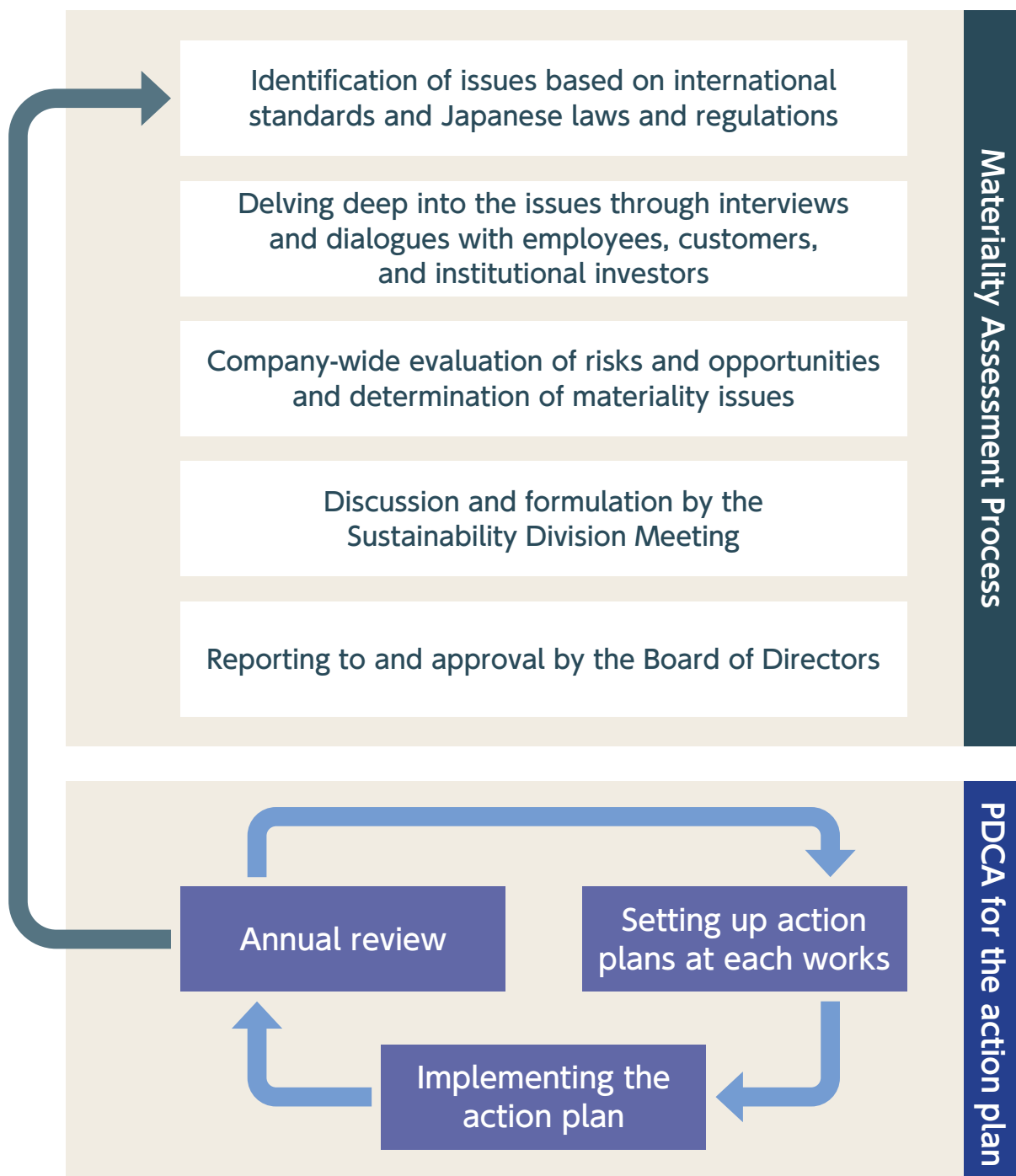
- Developing human resources capable of creating new businesses by reading the trends of the times
- Establishing businesses that contribute to carbon neutrality and the circular economy
- Being recognized by society as a resource circulation provider that supports manufacturing behind the scenes
- Developing a personnel system and workplace environment that maximizes employee happiness and vitality

# Materiality Assessment Process

Daiseki identifies a wide range of issues and conducts a series of internal and external interviews and dialogues to delve deeper into the issues. After considering the results of TCFD scenario analysis and risk and opportunity analysis based on ISO 14001, the Sustainability Division Committee formulates materiality issues, which are then approved by the Board of Directors.

Based on these materiality issues, we set up an action plan and implement the PDCA cycle.

## Materiality Assessment Process



## PEST Analysis

We will review the business environment surrounding the Daiseiki Group through PEST analysis (four perspectives of politics, economy, society, and technology) to fully understand the risks and opportunities based on the impact of macro-environmental factors and how they will affect materiality issues.

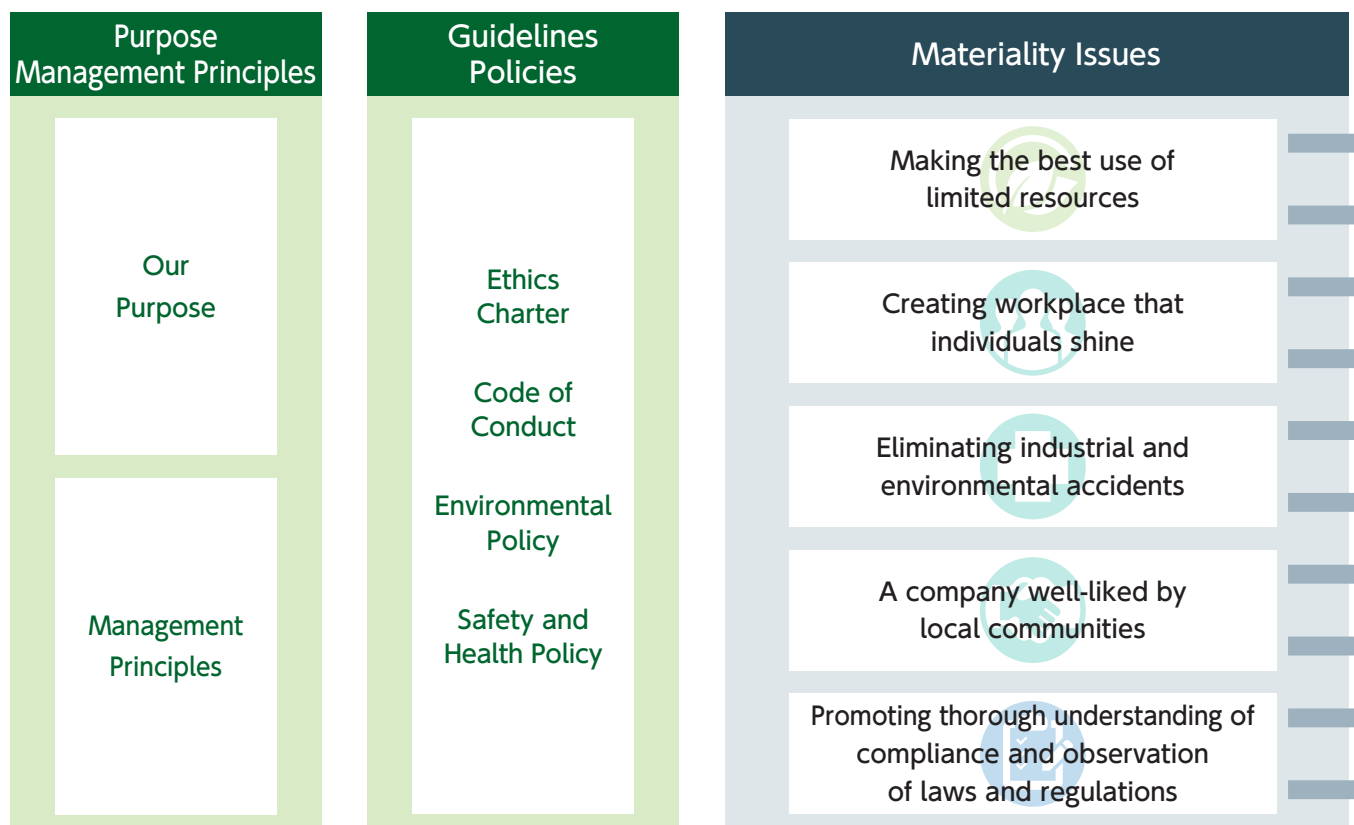
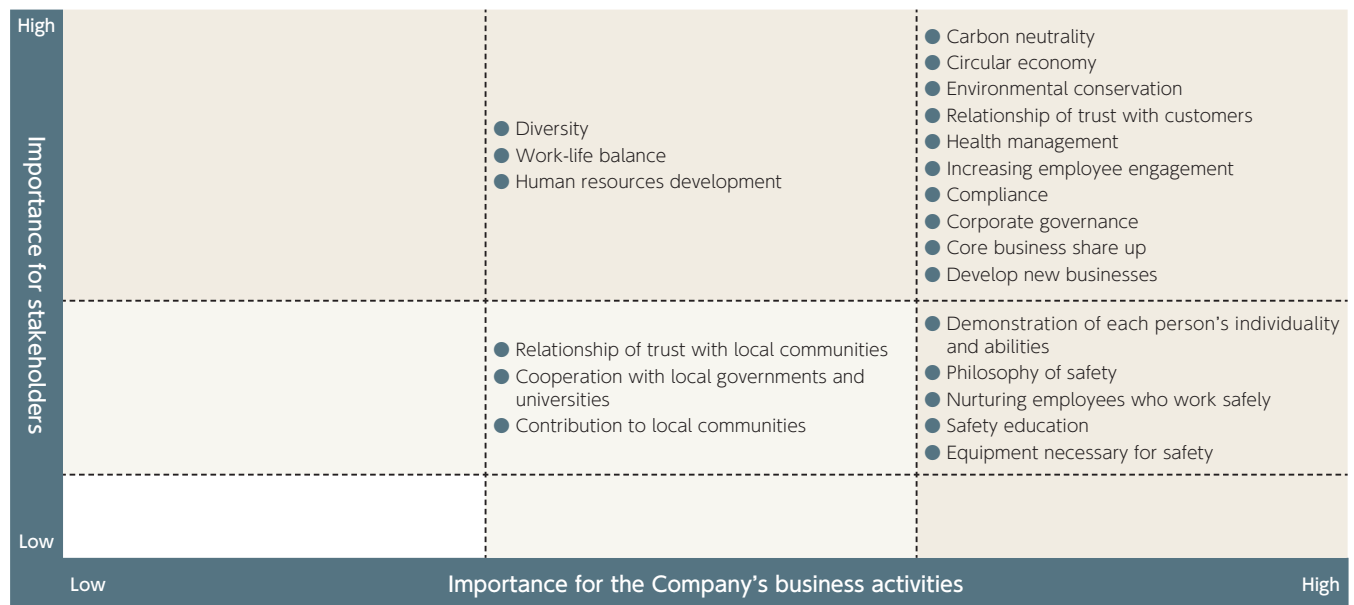
	Item	Risks	Opportunities
Politics	Start of the GX-ETS system in Japan	Decrease in demand for fossil fuels	Increased demand for renewable energy and increased efforts to reduce greenhouse gas emissions
	Geopolitical risks	Stagnation of the Japanese economy due to terrorism or war	Growing necessity of the circular economy due to skyrocketing prices of raw materials
	Shift in climate change policies	Stagnation of climate change measures, intensification of climate	Stabilization of energy prices
Economy	Stagnation and hollowing the domestic manufacturing industry	Decrease in demand for intermediate treatment of industrial waste and recycled products	Growing need for new businesses due to changes in demand for the domestic manufacturing industry
	Circular economy	Decrease in the volume of industrial waste generated	Creation of new markets aligned with a circular economy society
	Depreciation of the yen against the U.S. dollar	Soaring prices of resources imported from overseas	Expansion of the domestic manufacturing industry to benefit from the weaker yen
Society	Climate change	Decline in competitiveness of the domestic manufacturing industry due to soaring energy prices	Raising the public awareness of the importance of environmental protection and securing talented employees
	Necessity of human resources development and work environment improvement	Poor employee performance and loss of company credibility	Maintain mental and physical health, improve labor productivity, and secure excellent human resources
	Respect for human rights	Compliance violations related to human rights	Stable business continuity, retention of excellent human resources
Technology	Development of new technologies	Obsolescence of existing technologies	Improving productivity, reducing costs



# Assessment of Materiality and Key Items

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 enhance corporate value from a medium- to long-term point of view while focusing on sustainability.

## Assessing the Importance of Key Issues



## Main Opinions Considered

### Investors

- Reducing our greenhouse gas emissions
- Contribution to the water cycle
- Disclosure of toxic waste emissions
- 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

### Daiseki 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

### Materiality key items

- Deepening environmental conservation and resource circulation business
- Contributing to the achievement of a decarbonized society
- Development of human resources to maximize the power of each employee, mental and physical health, and maintenance of a rewarding work environment
- Respect for human rights and pursuit of happiness
- Penetrating the philosophy to put safety as the top priority above all else
- Providing training and deploying equipment necessary to ensure safety
- Contributing to the conservation of the local environment
- Maintaining social infrastructure through disaster recovery support
- Ensuring a strong governance structure
- Implementing compliance education

# Strengthening of Non-financial Capital

The Daiseki Group will strengthen non-financial capital such as human capital, social capital, intellectual capital, manufacturing capital, and natural capital, while inheriting Daiseki's DNA that has been passed down from generation to generation, and link them to its growth strategy.

Non-financial capital	Current status (FY2024)
 <p>Human capital</p>	<p>Rate of Female Managers.....Consolidated 5.0% Non-consolidated 3.8%</p> <p>Paid Leave Acquisition Rate.....Consolidated 63.4% Non-consolidated 70.1%</p> <p>Turnover Rate.....Consolidated 3.9% Non-consolidated 1.9%</p>
 <p>Social capital</p>	<p>Number of plants in Japan doing business with Daiseki (non-consolidated) with 100 or more employees.....5,931 companies</p> <p>Compliance.....Handled by Headquarters of Business Generalization and Headquarters of Planning and Management</p> <p>CDP score.....A</p>
 <p>Intellectual capital</p>	<p>Technology development: Development of environment-related analytical and recycling technologies Collaborative development of ammonia collection technology using MOF (metal-organic frameworks) with a university-launched venture company</p> <p>New business: 16 employees working to commercialize 5 new business projects</p>
 <p>Manufacturing capital</p>	<p>Capital investment.....JPY5,254 million</p> <p>Activated sludge treatment tank size.....18,471 m<sup>3</sup></p> <p>BOD* that the activated sludge treatment facility can process in one day.....9,644kg</p> <p>Number of large collection and transportation vehicles.....178 vehicles</p> <p><small>* BOD (biochemical oxygen demand): Indicates the amount of oxygen consumed when organic matter is decomposed by aerobic microorganisms. It is the most widely used pollution indicator, and a higher BOD indicates higher pollution levels</small></p>
 <p>Natural capital</p>	<p>Greenhouse gas emission reduction rate*.....2%</p> <p>Rate of introduction of renewable electricity.....28.3%</p> <p>Environmental load reduction targets other than CO<sub>2</sub>.....Not set</p> <p><small>* Reduction rate based on the baseline year of FY2022 for Scope 1 and Scope 2 emissions from our own company</small></p>



## Measures to strengthen non-financial capital

## Related pages

- Promotion of diversity and human resources development
- Promotion of work environment improvement activities
- Promotion of health management and workplace environment improvement activities

pp.61-62  
p.63  
p.60, p.63

- Expansion of the customer base through the development of the circular economy business
- Strengthening of the compliance system
- Promotion of carbon neutrality

pp.6-9, pp.16-17, p.46  
p.77  
pp.44-45, pp.51-55

- Promotion of technology development
- Joint development of new technologies with universities and companies
- Development of new businesses

p.79  
pp.6-9, pp.16-17  
pp.6-9, pp.16-17

- Establishment of new works in underserved areas of Japan
- Enhancement of processing capacity
- Maintenance of disaster recovery support systems, securing equipment and personnel necessary for collection and transportation

pp.18-19  
pp.18-19  
pp.18-19, p.47

- Promotion of measures to achieve SBTi targets
- Promotion of renewable energy introduction and energy-saving activities
- Reduction of emissions of water resources, air pollutants, chemical substances, and toxic substances

p.55  
p.55  
p.57

Interview with CFO (General Manager, Headquarters of Planning and Management)

# Communicating the overall picture of value creation at Daiseiki and correctly conveying its value in the social and economic sphere.

## Daiseiki's present and future as shown in the Integrated Report

**Hideki Katase** Managing Executive Officer General Manager, Headquarters of Planning and Management



— Please tell us about the aim of upgrading the ESG Report to the Integrated Report.

Daiseiki has been actively disclosing non-financial information from an ESG (Environment, Social, and Governance) perspective since 2020, when it reorganized its existing CSR Report into an ESG Report to better clarify its corporate social responsibility. This has made it possible to communicate our corporate activities that have contributed to environmental protection and resource protection, as well as our corporate activities that contribute to CO<sub>2</sub> reduction for our customers. As a result, Daiseiki's social and environmental value has been highly regarded in the market, leading to an increase in our corporate value and market capitalization.

We believe that corporate value and future potential lie not only in financial information but also significantly in non-financial information that is not quantified. We have further revised our ESG Report and publish an Integrated Report that combines financial and non-financial information to create a consistent "story of value creation" that describes Daiseiki's Management Principles, DNA, business model, strategy, governance, and other aspects of the company, to widely communicate the value of Daiseiki's existence and transform it into a force for further growth.

In preparing this Integrated Report, about 10 mid-career employees were selected as editorial staff members.

This also links to our succession plan, which is designed to develop our IR Department and executives. The editorial meeting started with a thorough discussion of Daiseiki's inherited DNA, competitive advantages, intellectual property, customer assets, human capital, and brand. These members were also involved in the complete revision of our website, which was renewed last year, and I expect that these efforts to objectively understand and proactively communicate the value of the Company will directly lead to the enhancement of Daiseiki's human capital.

— What type of non-financial information have not you disclosed in the past?

Discussions with the Integrated Report editorial staff members have visualized various aspects of our value that are difficult to express in numbers. Daiseiki has many technologies that are unrivaled by other companies, giving it pricing power in the industry. In addition, the activated sludge that we have cultivated contains many microorganisms that can decompose specific substances, and this can be considered a treasure trove for future patents. Furthermore, we currently are contributing to the reduction of approximately 600,000 tons of CO<sub>2</sub> emissions annually for our customers, and when carbon pricing becomes mandatory in Japan, we believe it will give us a further advantage us in price negotiations.

Our emergency support activities in disaster-stricken areas, such as the Noto Peninsula Earthquake, the Great East Japan Earthquake, and the heavy rains in western Japan are based on our desire to be a company that is useful to the world and that can be relied on in times of need. The trust and relationships gained through these community-based sales activities are enduring and will be passed on to future generations. This is Daiseiki's fundamental strength and the source of its sustainable growth.

In terms of human capital, in addition to enhancing systems such as training and support for qualification acquisition, we also launched a restricted stock incentive plan for the shareholding association system this year. Daiseiki has long made it a corporate policy to put employees first. We are proud that this has led to Daiseiki's low turnover rate of 1.9% on a non-consolidated basis and 3.9% on a consolidated basis, as well as an ability to

secure employees with a strong desire to improve.

We are in the midst of our Long-Term Business Plan VISION 2030, and five new businesses have been launched, each of which is receiving aggressive investment. Group synergies are also being demonstrated in these areas, such as technological development through collaboration with venture companies and both upstream and downstream sales. We hope you will read this report to gain a more accurate understanding of Daiseki's sustainability and social value, and to learn more about the significance of Daiseki as a company and its future growth strategy.

#### — What is the main information newly disclosed in the Integrated Report?

We have clearly stated our management approach with an awareness of the share price and the cost of shareholders' capital, as requested by the Tokyo Stock Exchange. The cost of shareholders' capital is calculated using CAPM (Capital Asset Pricing Model), and is believed to be around 8.5%. ROE is currently between 10% and 11%, and we intend to increase ROE to 12% and the equity spread (ROE - cost of shareholders' capital) to at least 3.5% to 4% within three years. To achieve this, we need to stabilize the cost of shareholders' capital, in other words, reduce the  $\beta$  value (volatility risk) of Daiseki's consolidated cost of shareholders' capital. We have begun measures to reduce the volatility of Daiseki Eco. Solution's soil contamination remediation business, which has relatively large earnings volatility within the Group. We are developing sales activities to acquire customers ahead of other companies by utilizing Daiseki's customer network and working with Daiseki Eco. Solution to identify potential customers in advance. Our policy is to lower the cost of shareholders' capital by steadily accumulating projects each year to even out performance.

In addition, as an initiative to increase the ROE and stock price, we will control shareholders' equity, which is the source and denominator of ROE, by raising the dividend payout ratio to at least 40% and by buying back 12 billion yen of company shares over the next three years. Furthermore, we will enhance earning power, which is the numerator of ROE, by accelerating investments in growth, such as new businesses, expansion of the number of works, and human capital investment. We will increase the ROE through both of these efforts.

In terms of the path to achieving VISION 2030, we are now in the phase of aggressively allocating investments for the growth strategy. We will invest 26 billion yen in businesses with local governments such as Gamagori City, resource recycling businesses from gases such as ammonia recovery, R&D investments, human capital investments, and growth investments such as large-scale plant renovations. Although there will be a temporary period of restraint, we have set a course to increase ROE to at least

12% within three years and to at least 15% by FY2031, which is the long-term goal of VISION 2030. The new disclosures this time have been brought about through dialogues with investors, and we will continue to strive to disclose information that meets the needs of investors.

#### — What kind of stakeholders do you want to actively appeal to in the future?

While environmental initiatives are considered a cost by most companies, at Daiseki, environmental initiatives themselves are a business, and are directly related to CSV management\*, which make it possible to contribute to society while making a profit. With a tailwind blowing in Daiseki's favor now, we intend to roll out an aggressive growth strategy and enhance the external dissemination of information.

In December 2023, Daiseki was featured in a program called "The Unknown Gulliver - Excellent Company File." Daiseki was also featured in Nagoya City's FY2025 career education support materials, Work Notebook for third grade elementary school students. Daiseki is attracting attention from society, and we felt hopeful that we can be of help in environmental education for children, who will be responsible for the future. We would like to become an environment-creating company that can meet the expectations of not only companies and factories, but also citizens and local governments, as well as children, by making them aware of Daiseki.

\* CSV management  
CSV is an abbreviation for "creating shared value." It has been advocated by Professor Michael Porter of Harvard University. The aim is to make profits as a company through business that leads to social contribution. It is an approach that combines social contribution and business.



# Measures to achieve management conscious of the cost of capital and stock price

## 1 Basic approach to the mid-term management plan

### Focus on the continuation of active dialogues

#### ① Current cost of shareholders' capital

- The cost of shareholders' capital is 8.5% as of the end of February 2024  
(Risk-free rate (30-year government bond yield) 1.74%, risk premium 6.24%,  $\beta$ 1.09)  
➔ Focus on Daiseki Eco. Solution, which has large performance fluctuations compared to Daiseki
- Efforts to reduce the volatility of the soil business of Daiseki Eco. Solution
  - Improve the accuracy of performance forecasts (manage projects intensively for six months)
  - Stabilize earnings by reviewing business portfolio and investing management resources in the recycling business
  - Reduce dependence on large-scale infrastructure projects by strengthening consulting sales and cooperation with Daiseki
  - Expand information bases to obtain stable project information
  - Roll out new initiatives such as cost caps
- ➔ The mid-term management plan projects a 4% growth rate in the soil business

#### ② To improve ROE

- Growth investments: secure a 26 billion yen budget for M&As and human capital investments
- Shareholder returns: dividend payout ratio to at least 40%, aiming for approximately 12 billion yen of company share buybacks over three years  
➔ Aim for ROE to at least 12% by the fiscal year ending February 28, 2027

#### ③ Investment in human capital for growth

- Implement the following measures in an aim to improve employee engagement
  - Introduce a restricted stock incentive plan for the shareholding association system
  - Implementation of a continuous base salary increase, introduction of a qualification allowance system (March 2024)

#### ④ Continuation of active dialogue with institutional investors

(Unit: Times)

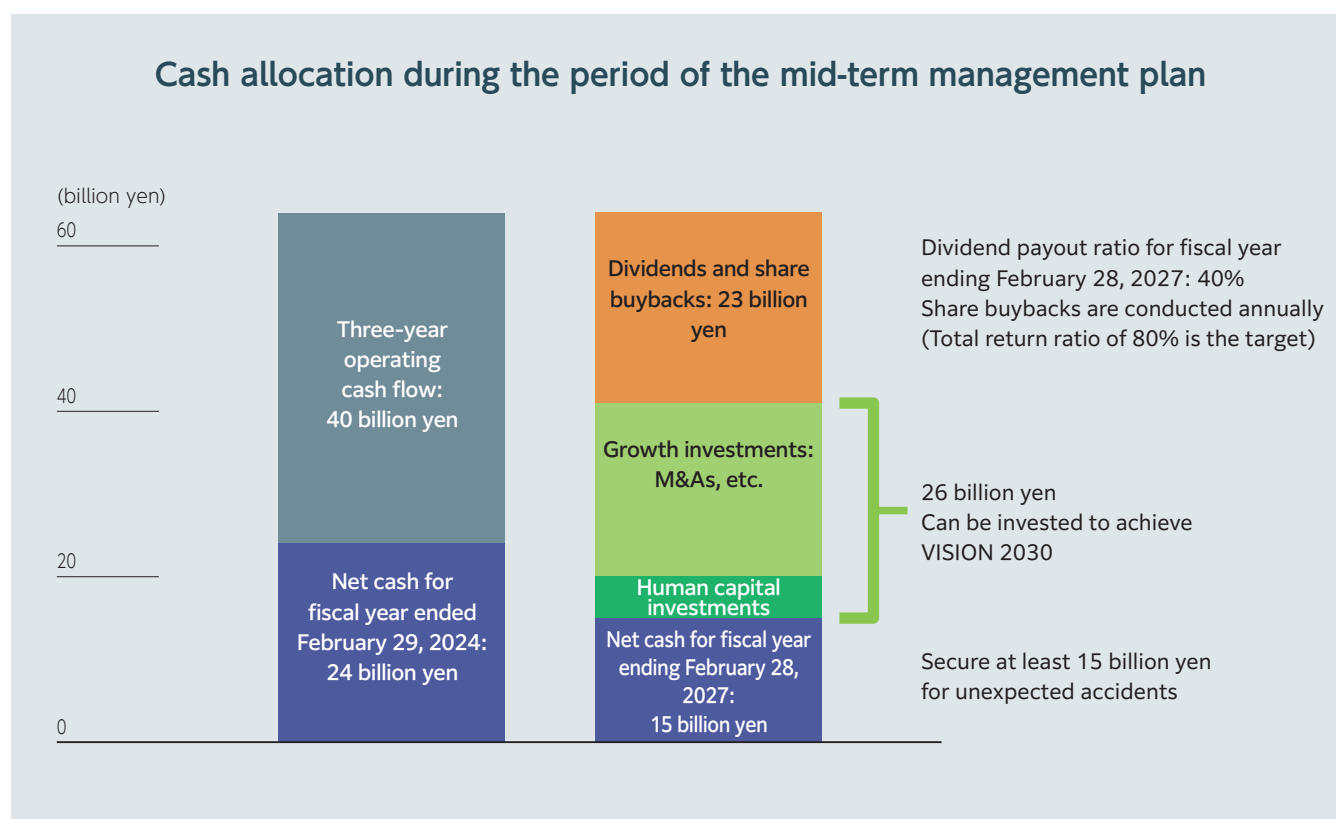
	First half of fiscal year ended February 28, 2023	Second half of fiscal year ended February 28, 2023	First half of fiscal year ended February 29, 2024	Second half of fiscal year ended February 29, 2024
1-on-1 meetings with Japanese institutional investors	59	56	55	61
1-on-1 meetings with overseas institutional investors	64	58	52	46
Small meetings	1	1	1	2
Plant tours	—	—	—	1



## 2 Cash allocation

Cash will be allocated to the following three areas during the period of the mid-term management plan

(1) Investment for growth, (2) Dividends and share buybacks, (3) Contingency reserve funds.

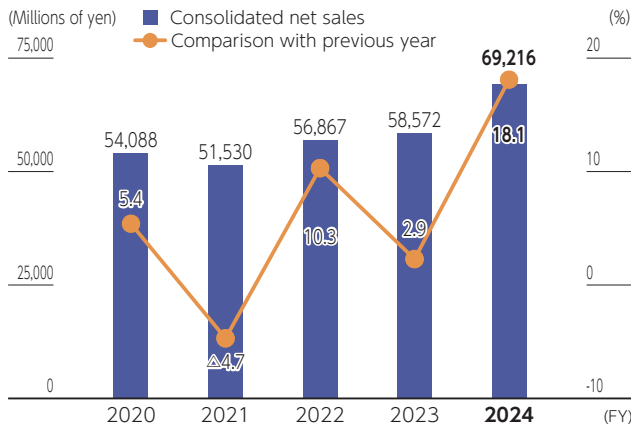


As growth investments, Daiseiki plans to invest 26 billion yen in expanding the market share of the domestic wastewater business, expanding new businesses of Daiseiki and Daiseiki Eco. Solution, and M&As and human capital investments.

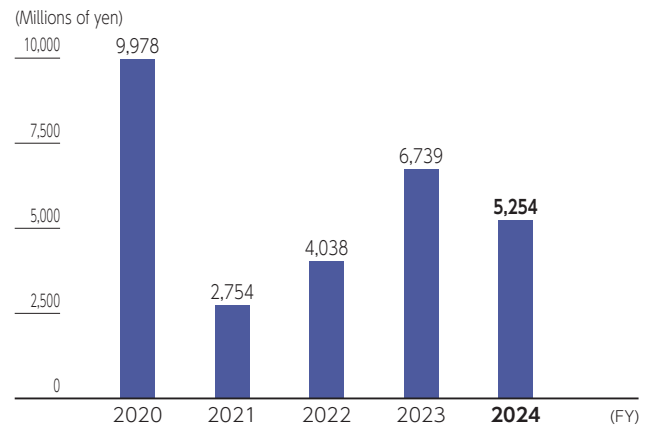
# Financial and Non-Financial Highlights

## Financial Highlights

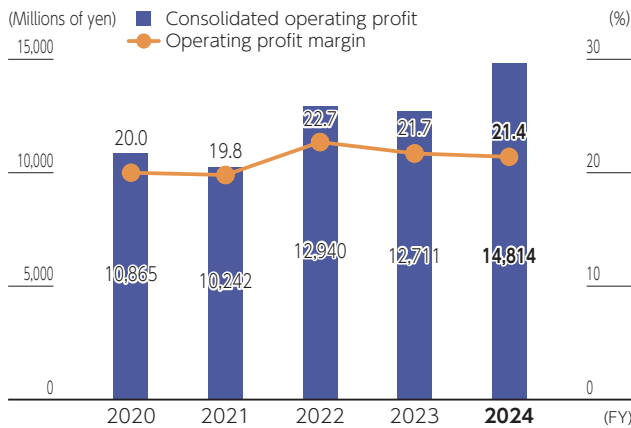
### Consolidated net sales



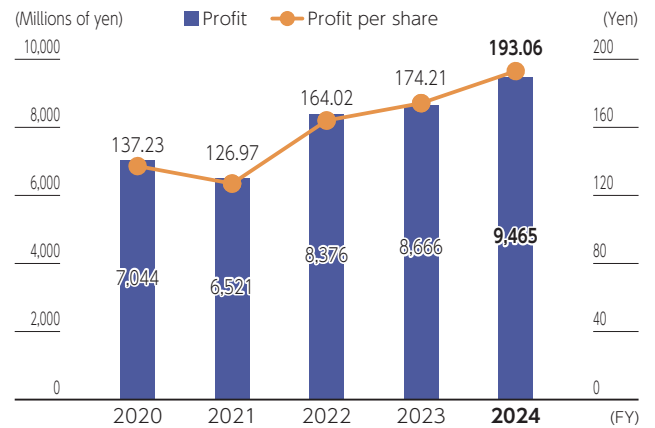
### Consolidated capital investment



### Consolidated operating profit, Operating profit margin

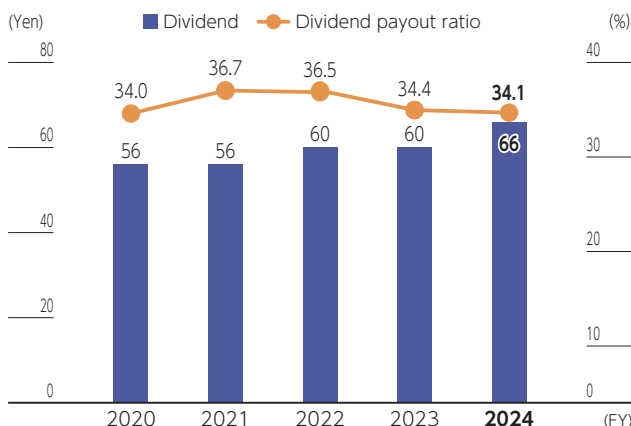


### Profit attributable to owners of parent

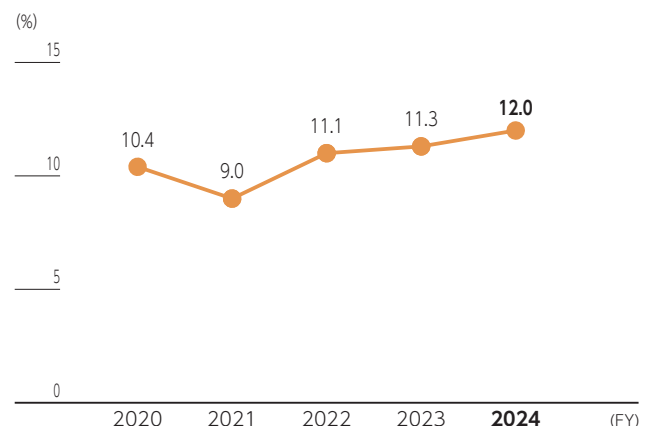


Note: Profit per share was calculated with reference to the 1.2-for-1 stock split of common stock carried out in September 2021, and assumes a stock split at the beginning of FY2020 in line with this.

### Dividend, consolidated dividend payout ratio

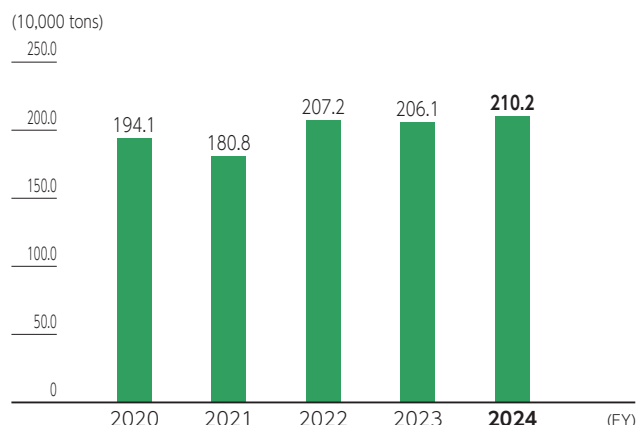


### Consolidated ROE

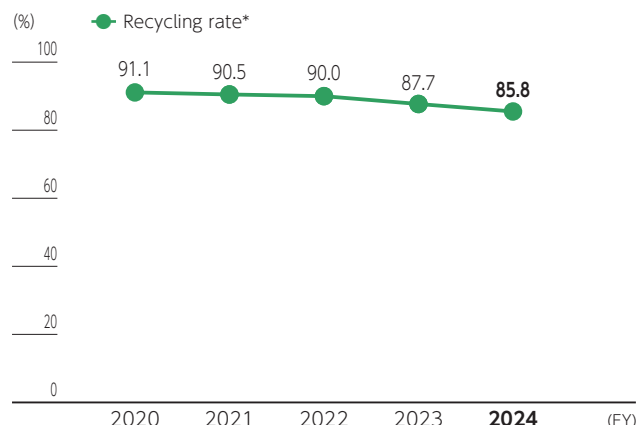


## Non-Financial Highlights

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

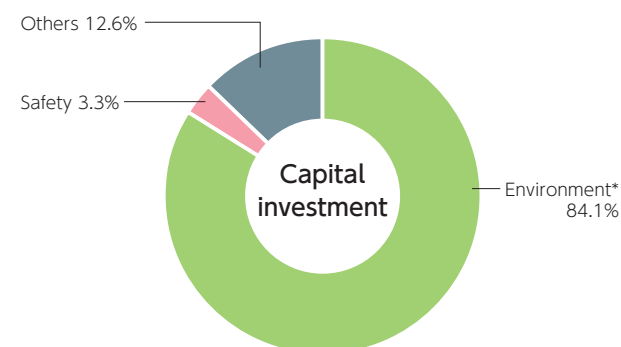


### Daiseiki Group Recycling Rate



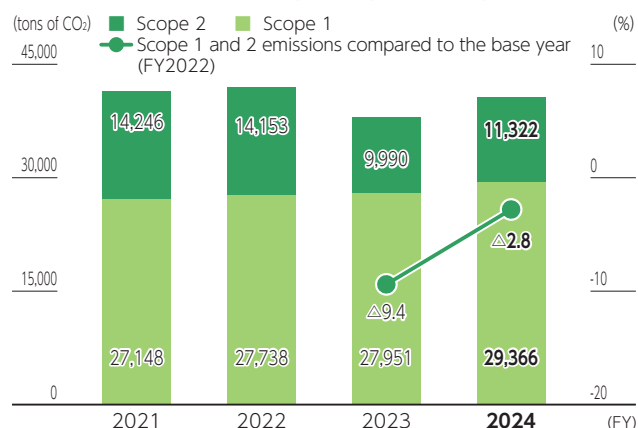
Note: In recent years the recycling rate has dropped as we take on challenges to recycle items that are difficult to treat, and we are currently developing technologies to raise the recycling rate.  
\* See page 51 for the definition of recycling rate.

### Breakdown of the Daiseiki Group Capital Investment by Purpose (FY2024)



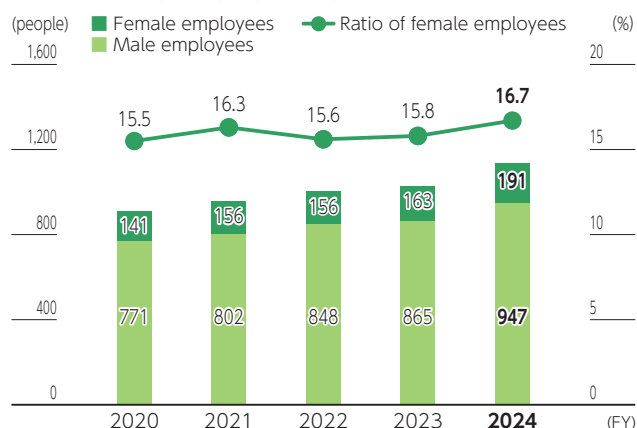
Note: This figure for investment in equipment does not include expenses for the purchase of land  
\* Capital investment for environment includes expenditure for recycling promotion, prevention of pollution, and reduction of CO<sub>2</sub> emissions.

### Change in the Daiseiki Group's Scope 1 + Scope 2 emissions



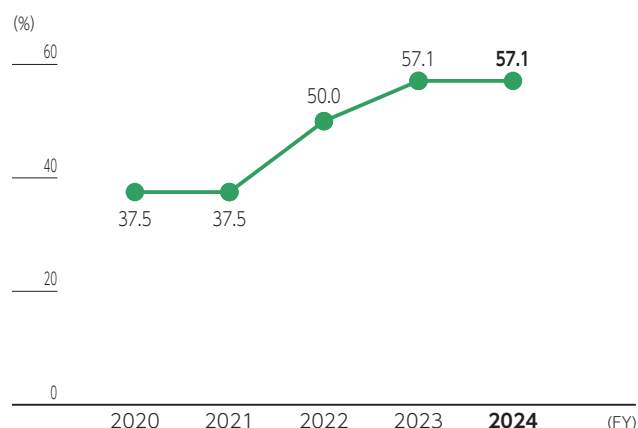
Note: Group emissions for FY2020 is undisclosed.  
Note: Emissions for FY2024 increased due to the overall increase in Group activities and the M&A with Sugimoto Group.

### Daiseiki 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 Daiseiki external directors



Note: Based on the composition of officers as of the date of submission of the securities report for the relevant fiscal year.

# Overview of the Daiseki Group's Performance

Company name	Main business description	Fields	Response to risks
Daiseki	Wastewater, Waste Oil, and Sludge Recycling	Wastewater, Waste Oil, and Sludge Recycling	The risk is that if the long-term stagnation of the domestic manufacturing industry continues in the future, the market for industrial waste disposal business will also hit a ceiling. We will seek to capture new markets centered around the circular economy.
Hokuriku Daiseki	Recycling of waste oils, manufacturing and sales of lubricants, etc.		
Daiseki Eco. Solution	Contaminated Soil Recycling	Contaminated Soil Recycling	The risk is that the market will hit a plateau if capital investment runs its course in the soil contamination survey and treatment business. We will work to improve profitability as an issue.
Daiseki MCR	Recycling of lead from waste batteries	Lead Recycling	The rise of illegal dismantling and export traders of raw materials such as waste lead batteries is an issue for stable procurement. We will increase direct contracts and direct collections with waste generators to ensure stable procurement.
System Kikou	Cleaning work and related work for large tank storage equipment	Large Tank Cleaning	There is a risk of market contraction due to reduced demand for fossil fuels. We will work to obtain cleaning projects arising from dismantling and change of use. We will expand business to include the cleaning of large tanks when their use is changed from crude oil to hydrogen and ammonia, pigging of auxiliary piping facilities prior to dismantlement due to closure and decommissioning, and the cleaning of plant tanks, even for small and medium-sized tanks, where there are many difficult residues due to factors such as solidification and reactions.
Green Arrows Chubu	Plaster recycling from waste plasterboard	Plasterboard Recycling	The resource recycling business is still insufficient in terms of production capacity (manpower and equipment). We will establish a stable revenue base and expand the scale of the business because the market growth potential is high.
Green Arrows Kyushu	Plaster recycling from waste plasterboard		
Daiseki Eco. Solution	PCB and biodiesel fuel	Other Resources Recycling	The resource recycling business is still insufficient in terms of production capacity (manpower and equipment). We will establish a stable revenue base and expand the scale of the business because the market growth potential is high.
Sugimoto Trading Company Co., Ltd.	General waste disposal, waste plastic recycling		
Sugimoto Paper Industry Co., Ltd.	Used paper recycling		



	Capturing growth opportunities	Number of employees*1 (people)	Net Sales*2 (millions of yen)	Operating profit*2 (millions of yen)	Operating cash flow (millions of yen)
	We will roll out intermediate treatment and recycling services for industrial waste with low greenhouse gas emissions, driven by demand for carbon neutrality. As more and more customers seek a transition to a circular economy, we will develop new businesses centered on the circular economy by leveraging the technologies and customer networks that have been cultivated in the recycling business up until now.	740	38,168	10,577	13,792
	The market is expected to expand due to the trend toward carbon neutrality, the circular economy, and the reorganization of manufacturing bases in Japan due to factors including the shift to EVs.	140	19,413	1,810	
	In addition to the reduction of environmental impact that has already been addressed, we will offset CO <sub>2</sub> emitted by our trucks when collecting waste lead-acid batteries from FY2025 by using J-Credits, thereby increasing transactions with waste generators who are conscious of reducing CO <sub>2</sub> emissions.	79	4,053	929	
	Based on the cleaning know-how accumulated in the petroleum industry, we will expand our business to cover all types of plants that require maintenance and management.	67	3,949	573	
	The resource recycling business has high market growth potential, with the tailwind of SDGs, ESG investments, and high resource prices.	112	4,736	982	
	The resource recycling business has high market growth potential, with the tailwind of SDGs, ESG investments, and high resource prices.				

\*1 The number of employees is the number of full time employees

\*2 Net sales and operating profit of Daiseiki Eco. Solution Group are after elimination of intercompany transactions

## Wastewater, Waste Oil, and Sludge Recycling Business

Business description	<ul style="list-style-type: none"> <li>● Business centered on the collection, transportation, intermediate treatment of industrial waste, and manufacturing and sales of recycled products</li> </ul>
Review of FY2024	<ul style="list-style-type: none"> <li>● We achieved record high net sales and operating profit due to an increase in the amount of wastewater received centered on major customer factories and strong sales of recycled fuel</li> </ul>
Basic strategy	<ul style="list-style-type: none"> <li>● Improve market share by expanding items accepted and amount received through technological enhancement and new equipment introduction</li> <li>● M&amp;A with an emphasis on environment and recycling</li> </ul>
Market Environment	<ul style="list-style-type: none"> <li>● While industrial production in Japan is expected to remain flat or decrease in the long term, the demand for carbon neutrality and the circular economy may increase</li> </ul>

	Positive factors	Negative factors
Internal factors	<p><b>S</b>trength</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 wastes and 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>W</b>eakness</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>O</b>pportunity</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>T</b>hreat</p> <ul style="list-style-type: none"> <li>● Shrinkage of the Japan industrial waste market due to stagnation of the domestic 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>

Future growth strategies	<ul style="list-style-type: none"> <li>● Expansion of market share of industrial waste recycling business, development of recycling treatment services for industrial waste with low greenhouse gas emissions, development of new businesses related to the circular economy through research and development</li> </ul>
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# Contaminated Soil Recycling Business

<b>Business description</b>	<ul style="list-style-type: none"> <li>One-stop soil contamination remediation consulting, investigation, analysis, construction, and treatment</li> </ul>
<b>Review of FY2024</b>	<ul style="list-style-type: none"> <li>Large-scale soil treatment and construction projects performed well, which contributed significantly to net sales and profit growth</li> </ul>
<b>Basic strategy</b>	<ul style="list-style-type: none"> <li>Establish a firm position as a “total solution company for soil contamination remediation” by improving consulting capabilities and contaminated soil treatment capabilities and diversifying treatment methods</li> </ul>
<b>Market Environment</b>	<ul style="list-style-type: none"> <li>The market is expected to expand due to the depreciation of the yen, the trend toward carbon neutrality, the circular economy, and the reorganization of manufacturing bases in Japan due to factors including the shift to EVs</li> </ul>

	Positive factors	Negative factors
<b>Internal factors</b>	<p><b>S</b>trength</p> <ul style="list-style-type: none"> <li>High recycling rate</li> <li>Strong network for investigation and treatment responses deployed throughout Japan</li> <li>Wide scope of business due to providing total solutions for soil contamination measures</li> </ul>	<p><b>W</b>eakness</p> <ul style="list-style-type: none"> <li>Susceptible to public works and corporate capital investment conditions</li> <li>Capital investment has run its course, and improving profitability is an issue</li> <li>Loss of order opportunities due to lack of qualified construction workers</li> </ul>
<b>External factors</b>	<p><b>O</b>ppportunity</p> <ul style="list-style-type: none"> <li>High barriers to entering the contaminated soil treatment in Japan due to the Soil Contamination Countermeasures Act</li> <li>Increased research opportunities due to the return of the manufacturing industry to the Japanese market as a result of factors including the weak yen</li> <li>Increase in the amount of soil requiring remediation due to active investment in transportation infrastructure</li> </ul>	<p><b>T</b>hreat</p> <ul style="list-style-type: none"> <li>Contaminated soil treatment market contracting due to stagnant public works and corporate capital investment conditions</li> <li>Decrease in survey and construction opportunities due to cost cap orders from other companies</li> <li>Deterioration in earnings due to higher manufacturing costs (cement treatment costs, collection and transportation costs, etc.)</li> </ul>

<b>Future growth strategies</b>	<ul style="list-style-type: none"> <li>Establish a new Sales Promotion Office to achieve net sales growth through consulting sales and collaboration with Daiseiki, and stimulate KPI sales measures and collaborative sales</li> <li>System investment to improve the quality of sales activities, improve sales administration efficiency, and analyze and utilize sales data</li> </ul>
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## Overview of the Daiseki Group's Performance

### Lead Recycling Business

Business description	<ul style="list-style-type: none"> <li>● Recycling, refining, processing, and sales of lead</li> <li>● Industrial waste disposal business (waste lead batteries)</li> <li>● Trading of nonferrous and precious metals</li> </ul>
Review of FY2024	<ul style="list-style-type: none"> <li>● Despite a slight decline in the LME price of lead, lead sales prices remained strong due to the weak yen against the U.S. dollar</li> </ul>
Basic strategy	<ul style="list-style-type: none"> <li>● We will work to prevent pollution, reduce environmental impact, and improve recycling rates through our lead recycling business and all other corporate activities in order to protect the global environment. Contribute to society by providing high-quality products to the market as a leading company in the secondary lead refining industry while at the same time protecting the environment</li> </ul>
Market Environment	<ul style="list-style-type: none"> <li>● Continued depreciation of the yen against the U.S. dollar will be a tailwind for sales</li> <li>● Our carbon neutral initiatives have been highly regarded by our lead customers and are beginning to have a positive impact on sales</li> </ul>

	Positive factors	Negative factors
Internal factors	<p><b>S</b>trength</p> <ul style="list-style-type: none"> <li>● Provision of one-stop solutions (everything from the collection to disposal of used lead-acid batteries is performed within the Group)</li> <li>● Implementation of measures to reduce environmental impact through recycling processes ahead of competitors and measures to reduce CO<sub>2</sub> emissions</li> <li>● Offsetting CO<sub>2</sub> emissions from our trucks during the collection of waste lead-acid batteries by using J-Credits from FY2025</li> </ul>	<p><b>W</b>eakness</p> <ul style="list-style-type: none"> <li>● Room for improvement in securing and training human resources</li> <li>● Need to accumulate know-how on our own as the only plant in Japan</li> <li>● Need to expand facilities to increase production because the plant is already operating at full capacity</li> </ul>
External factors	<p><b>O</b>ppportunity</p> <ul style="list-style-type: none"> <li>● Strengthening purchasing of recycled parts and materials from customers</li> <li>● Increasing demand for CO<sub>2</sub> reduction from business partners</li> <li>● Exclusion in response to illegal dismantling and export of waste lead-acid batteries in the world</li> </ul>	<p><b>T</b>hreat</p> <ul style="list-style-type: none"> <li>● Orders currently increasing, but there is a future trend toward lead market contraction</li> <li>● Possible loss in raw material procurement to competitors due to increased costs associated with CO<sub>2</sub> emission reduction measures</li> <li>● Illegal dismantlers and illegal exporters are competing for raw materials</li> </ul>

#### Future growth strategies

- In smelting furnaces, we were the first company in Japan to introduce a reduction furnace plant that uses LNG, and as in refining furnaces, we were the first in the world to install an induction heating refining furnace that uses electricity. We proudly consider our equipment to be the most advanced in CO<sub>2</sub> reduction compared to lead smelting companies worldwide. We will steadily implement GX with the aim of achieving carbon neutrality by 2030.



## Large Tank Cleaning Business

Business description	<ul style="list-style-type: none"> <li>Large-scale tank cleaning, pipe cleaning, wastewater treatment, piping, tank-related maintenance work, environmental improvement business (VOC gas collection), development of tank cleaning equipment and rental business</li> </ul>
Review of FY2024	<ul style="list-style-type: none"> <li>Net Sales and operating income fell short of targets due to construction delays caused by poor weather. Achieved 75% share of the national oil storage tank cleaning market by acquiring new projects</li> <li>Expect net sales increase next fiscal year due to synergies between System Kikou and Daiseki</li> </ul>
Basic strategy	<ul style="list-style-type: none"> <li>Refine the COW method, which is now a global standard for safely, quickly, and inexpensively recovering crude oil sludge deposited in large crude oil tanks, and aim to diversify into related businesses, including tank cleaning and pipe cleaning</li> </ul>
Market Environment	<ul style="list-style-type: none"> <li>The scale of the Japanese market for petroleum tank cleaning is about 10 billion yen. There is an urgent need to diversify the business as the petroleum industry is shrinking</li> </ul>

	Positive factors	Negative factors
Internal factors	<p><b>S</b>trength</p> <ul style="list-style-type: none"> <li>Ensure high mobility with a wide variety of equipment and materials. Maintenance and renewal of equipment is performed throughout the year to maintain and ensure the soundness of materials and equipment</li> </ul>	<p><b>W</b>eakness</p> <ul style="list-style-type: none"> <li>There are challenges in securing human resources, similar to general trends</li> </ul>
External factors	<p><b>O</b>ppportunity</p> <ul style="list-style-type: none"> <li>In addition to facility maintenance, there are a wide range of opportunities that require cleaning, such as demolition and equipment modification</li> </ul>	<p><b>T</b>hreat</p> <ul style="list-style-type: none"> <li>Decrease in oil storage facilities due to declining fossil fuel demand</li> </ul>

### Future growth strategies

- Provide services to energy companies to protect safety and the environment so that their customers can continue their business. Aim for net sales of 5 billion yen by selling materials and equipment overseas to take advantage of the yen depreciation and by receiving orders for various types of cleaning work associated with plant closures.

## Overview of the Daiseki Group's Performance

### Plasterboard Recycling Business

Business description	<ul style="list-style-type: none"> <li>Promotion of recycling of waste plasterboard through an integrated system from discharge to intermediate treatment and delivery to manufacturers</li> <li>Manufacture of soil solidifiers using recycled gypsum powder</li> </ul>
Review of FY2024	<ul style="list-style-type: none"> <li>Net sales and profits remained steady</li> </ul>
Basic strategy	<ul style="list-style-type: none"> <li>Establish low-cost and reliable recycling routes, produce high-quality recycled raw materials, observe compliance, and take advantage of one of the largest waste plasterboard recycling facilities in Japan and good access</li> </ul>
Market Environment	<ul style="list-style-type: none"> <li>Waste plasterboard emissions expected to continue to increase</li> <li>Decreased generation of desulfurized gypsum due to a decrease in thermal power plants. Increased need for recycled gypsum powder from waste plasterboard</li> </ul>

	Positive factors	Negative factors
Internal factors	<p><b>S</b>trength</p> <ul style="list-style-type: none"> <li>High recycling rate</li> <li>A consortium formed through joint investment by the Company, a major general contractor, and a plasterboard manufacturer has formed a large resource recycling system</li> </ul>	<p><b>W</b>eakness</p> <ul style="list-style-type: none"> <li>Loss of opportunity to expand scale of business due to limited processing capacity</li> <li>Need to improve working environment such as dust control in factories to secure human resources</li> </ul>
External factors	<p><b>O</b>pportunity</p> <ul style="list-style-type: none"> <li>Rising prices of cement modifiers due to rising prices of raw materials for cement and growing needs for soil solidifiers using waste gypsum powder</li> <li>Increase in the volume of received by plasterboard manufacturers</li> </ul>	<p><b>T</b>hreat</p> <ul style="list-style-type: none"> <li>Soaring labor and utility costs, rising cement material prices</li> <li>Limited area for plant expansion due to distance of delivery to plasterboard manufacturers</li> </ul>

Future growth strategies	<ul style="list-style-type: none"> <li>Green Arrows Chubu is considering establishing a new plant to expand its business, despite fluctuations in the construction market</li> <li>Green Arrows Kyushu aims to further expand its market share in Kyushu, Chugoku, and Shikoku by implementing initiatives for processing difficult-to-process materials to differentiate itself from its competitors</li> </ul>
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## Other Resources Recycling Business

<b>Business description</b>	<ul style="list-style-type: none"> <li>● Collection and transportation of general waste, collection, transportation, and disposal of industrial waste such as waste plastics, collection of used paper and cardboard, utilization of waste cooking oil, and manufacturing and sales of biodiesel fuel</li> </ul>
<b>Review of FY2024</b>	<ul style="list-style-type: none"> <li>● Although the initial acceptance of industrial waste including waste plastics was suspended by factories conducting maintenance work, other businesses such as recycled paper and PET bottle recycling and the contract repair business remained strong</li> <li>● Volume of biodiesel fuel production fell short of the plan due to insufficient acquisition of waste cooking oil as a raw material and lack of development of new customers to ship products to</li> </ul>
<b>Basic strategy</b>	<ul style="list-style-type: none"> <li>● Contribute to resource conservation, waste reduction, air pollution prevention, and global warming prevention through recycling by engaging in energy and resource conservation activities as a recycler and processor</li> <li>● Diversify waste cooking oil acquisition channels and increase biodiesel fuel production volume to reduce CO<sub>2</sub> emissions separately from SAF (Sustainable Aviation Fuel) use</li> </ul>
<b>Market Environment</b>	<ul style="list-style-type: none"> <li>● Growth of needs for waste plastic recycling due to the new Act on Promotion of Resource Circulation for Plastics, etc.</li> <li>● Decrease in the market for recovered paper</li> <li>● Increase in the number of SAF production facilities and expansion of sales channels through development of biodiesel fuel applications</li> </ul>

	Positive factors	Negative factors
<b>Internal factors</b>	<p><b>S</b>trength</p> <ul style="list-style-type: none"> <li>● Synergies from cooperation with the Daiseki Group</li> <li>● Cooperation with general retailers for collection, transportation, and processing</li> <li>● Product quality control</li> </ul>	<p><b>W</b>eakness</p> <ul style="list-style-type: none"> <li>● Loss of opportunity to expand scale of business due to limited waste plastic processing capacity</li> <li>● Difficulties in continuing the transportation business due to lack of drivers</li> </ul>
<b>External factors</b>	<p><b>O</b>ppportunity</p> <ul style="list-style-type: none"> <li>● Growth of needs for waste plastic recycling due to the new Act on Promotion of Resource Circulation for Plastics, etc.</li> <li>● Promotion of fuel conversion to reduce CO<sub>2</sub> emissions</li> </ul>	<p><b>T</b>hreat</p> <ul style="list-style-type: none"> <li>● Contraction in the market for recovered paper due to non-use of paper by ICT</li> <li>● Decrease in general waste emissions and collection and transportation due to population decline</li> <li>● Emerging SAF alliances are expanding the acquisition of waste cooking oil</li> </ul>

<b>Future growth strategies</b>	<ul style="list-style-type: none"> <li>● Considering adding more shredders and compressors to increase the processing capacity of the industrial waste treatment plant handling waste plastics. We aim to improve efficiency by coordinating with partner companies to consolidate and modify collection routes to address the driver shortage in collection and transportation</li> <li>● We will increase the production and sales of high-quality biodiesel fuel, and contribute to CO<sub>2</sub> reduction for companies by utilizing existing internal combustion engines</li> </ul>
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## Overview of the Daiseki Group's Performance

### Dialogue with the Top Management of the Daiseki Group's Sales Divisions

# As an environment-creating company, the Daiseki Group will work together to contribute to both environmental protection and manufacturing

#### Participants in the dialogue

**Koji Amano** ..... Director & Senior Managing Executive Officer, Deputy General Manager of Headquarters of Business Generalization, Daiseki Co., Ltd.  
**Yasumasa Matsuoka** .... Senior Managing Executive Officer and General Manager of Headquarters of Environmental Business in charge of the Eastern Japan area, Daiseki Eco. Solution Co., Ltd.  
**Hirohide Omori** ..... Deputy General Manager of Sales Division and Director of Tokyo Sales Office, Daiseki MCR Co., Ltd.  
**Masashi Nakayama** ..... Executive Vice President of System Kikou Co., Ltd.  
**Yusuke Kitagawa** ..... Deputy General Manager of Sales Division of Hokuriku Daiseki Co., Ltd.

### We will strengthen our aggressive business approach in response to the tailwind of environmental needs

#### — Could you share your insights on the business environment surrounding the Daiseki Group and the measures to be implemented?

**Amano** The business environment surrounding the entire Daiseki Group is experiencing a time of transformation due to trends in manufacturing in Japan and growing environmental needs. While production volume in the manufacturing industry in Japan has been stagnant overall, Daiseki has strengthened sales activities targeted at large-scale factories, which has made it

possible to increase its market share in FY2024.

**Matsuoka** The trend toward carbon neutrality and the adoption of EVs, coupled with the depreciation of the yen, is causing an increasing number of companies to establish and expand their manufacturing bases. Furthermore, the field of Daiseki Eco. Solution, which provides one-stop services ranging from consulting to surveys and countermeasures, is expanding due to stricter soil-related laws and regulations. Moreover, the environment is becoming an increasingly important factor in the decision-making process of customers. Recently, we have been receiving an increasing number of inquiries about our material recycling of plasterboard and waste plastic, and the production of biodiesel fuel from waste oil.



Back row, from left: Omori, Kitagawa Front row, from left: Matsuoka, Amano, Nakayama





**Omori** Environmental initiatives are starting in every industry. Daiseki MCR's main business is the recycling of lead-acid batteries used in vehicles. Although the demand for lead-acid batteries is gradually decreasing with the advancement of EVs, there is an increasing demand for stationary lead-acid batteries in the field of renewable energy.

**Nakayama** The key is to swiftly adapt to changes in the business environment. Although System Kikou primarily focuses on the maintenance and cleaning of large tanks at refineries and crude oil storage bases, in anticipation of shrinking demand for fossil fuels, it is in the process of embarking on expanding our scope of work in response to changes, such as maintaining existing maintenance cleaning projects while acquiring new projects for demolition and change of use.

**Kitagawa** Hokuriku Daiseki's customers are mainly construction machinery and machine tool manufacturers, which are local industries, and although the company has performed well in recent years, the Noto Peninsula Earthquake in January 2024 damaged the manufacturing industry and the business environment has changed dramatically. The Company will continue sales activities to help the recovery of local industries, although the local economy is still facing difficulties.

**We will fulfill our mission as an environment-creating company that achieves a balance between manufacturing and environmental protection**

— What kind of business activities do you think the Daiseki Group should conduct from the viewpoint of sustainability?

**Amano** When I hear about the activities of each company, I realize that we are a rare corporate group that can simultaneously fulfill our two missions of

supporting Japanese manufacturing and environmental protection. The more the Daiseki Group grows, the more it will help preserve the global environment and create a virtuous cycle that circulates resources in resource-poor Japan. I am now more convinced that our core business is to realize sustainability.

**Omori** Daiseki MCR also inherits Daiseki's DNA of constantly pursuing better ways to reduce environmental impact. Lead, which we handle, is known as a recycling champion due to its safe and efficient recycling methods. As environmental protection through lead utilization is one of our Management Principles, we have introduced plants that achieve reductions in SOx, NOx, and CO<sub>2</sub>.

**Nakayama** System Kikou is the only Group company without its own plant, so we invest intensively in people and equipment. Specifically, we are introducing low-fuel consumption models of generators and compressors, hybridizing construction vehicles, and adopting uniforms made from recycled materials.

**Matsuoka** For Daiseki Eco. Solution, soil contamination countermeasures pose significant cost factors for client companies and can be a bottleneck in the liquidation of real estate and the effective utilization of plant sites. By bringing the entire process ranging from surveys to countermeasures in-house, and increasing the number of proposal patterns to meet customer needs, we are balancing the company's goal of land use and reduction of environmental impact.

**Kitagawa** I am once again aware of our role as the Daiseki Group, a leader in sustainability in Japan, after hearing about the efforts of each company. I would like to make it the mission of Hokuriku Daiseki to reach out to local manufacturers in Hokuriku and provide backup for resource recycling and environmental protection efforts at SMEs.



## Overview of the Daiseki Group's Performance



### Responding to the trust of our customers by placing the highest priority on compliance

— Please tell us about your customers' view of the Daiseiki Group and how you provide the value they seek.

**Amano** The reason Daiseiki has continuously been chosen by major manufacturing customers is largely due to its thorough compliance. Under the Waste Management and Public Cleansing Act, improper handling by an industrial waste disposal company can result in severe penalties for the contracting waste generators. Daiseiki has a long track record of legal compliance, and it is the first dedicated waste disposal company listed on both the Tokyo and Nagoya Stock Exchanges. Furthermore, Daiseiki's recycling process with low greenhouse gas emissions and recycled fuels have been highly regarded by customers and are in ever-increasing demand. In addition to our commitment to compliance, we think that we are gaining strong trust as a company that contributes to the creation of a sustainable society.

**Kitagawa** Hokuriku Daiseiki strictly adheres to laws and provides one-stop services for the production, sale, recycling, and recovery of lubricants and petroleum products, as well as the recycling and recovery of waste oils (including engine oils), enhancing both benefits and environmental protection.

**Nakayama** At System Kikou, we focus on properly assigning qualified personnel and conducting in-house training to safely and adequately complete hazardous tank and piping cleaning tasks. Furthermore, we are enhancing equipment investment to mechanize dangerous tasks, improving safety and efficiency, which is well regarded by our customers.

**Matsuoka** Compliance is a common strength across the Daiseiki Group. The Soil Contamination Countermeasures Act, which Daiseiki Eco. Solution is involved in, is a specialized and complex law. Taking

advantage of our knowledge of the regulations and applications, we propose soil remediation measures that meet the needs of our clients, which leads to improved customer satisfaction. In addition, we are receiving an increasing number of requests for surveys and removal of buried materials containing PCBs (polychlorinated biphenyl waste) in anticipation of the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, which will expire in March 2027. We have established a PCB Section in the Resource Recycling Division to promote compliance with the highest priority in processing and reducing environmental impact.

**Omori** We are entering an era in which the companies that are the first to successfully respond to environmental issues in compliance with the law will survive. Daiseiki MCR has taken the lead over its competitors by introducing environmental impact reduction measures and CO<sub>2</sub> reduction strategies. From the current fiscal year, we will offset all CO<sub>2</sub> emissions from our own collection trucks through the J-Credit system's forest-derived credits, which will accelerate CO<sub>2</sub> reduction.

### We promote one-stop sales activities by combining the strengths of each company

— Could you provide specific examples of synergies within the Daiseiki Group companies?

**Amano** Daiseiki obtained the first industrial waste treatment license from Nagoya City in 1972, and has been processing waste oil and sludge using proprietary technologies to convert them into raw materials for cement and recycled fuel. Waste is raw material for Daiseiki. By pursuing this idea, we have been able to have both customers who are industrial waste generators and customers who demand raw materials. Going forward, we would like to start creating group synergies in addition to developing new businesses.

**Matsuoka** Daiseiki Eco. Solution has been highly



regarded by customers for its transparency of treatment details through thorough certificates and ledger management showing proper treatment of soil contamination countermeasures. Furthermore, our commitment to recycling plasterboards, waste plastics, and biodiesel fuel sets us apart from other companies. Our strength lies in our ability to think flexibly and act on how to reduce environmental impact and respond to new environmental issues.

**Amano** Daiseki and Daiseki Eco. Solution have many customers in the manufacturing industry. We identify potential Daiseki Eco. Solution customers from approximately 5,900 plants that deal with Daiseki and conduct joint sales visits. As a result, this led to an increase in sales of approximately 900 million yen last fiscal year.

**Omori** At Daiseki MCR, we have strengthened our transactions with car dealers and auto parts retailers, and established a one-stop system where we collect batteries and Daiseki collects waste oil. Among many competitors specializing in either collection or refining, our strength lies in our ability to do both, which makes us a preferred choice for customers.

**Nakayama** The advantages of one-stop services are significant for customers. At System Kikou, we receive tank cleaning projects from Daiseki's customer plants and request Daiseki to handle the waste generated from our work. This establishes mutual collaboration, which amounted to 20 projects last fiscal year. While other companies in the same industry can only handle a few large tank cleaning projects simultaneously, we have established a system that makes it possible to handle more than 14 projects at a time. One of our strengths is our ability to easily secure orders from large customers.

**Kitagawa** At Hokuriku Daiseki, we request waste oil and wastewater processing from Daiseki Hokuriku Works and collect waste cooking oil recycled by Daiseki Eco. Solution. We regularly ship batteries collected by our Company to Daiseki MCR. Going forward, we plan to strengthen sales activities that create synergies by introducing contamination soil and PCB projects to Daiseki Eco. Solution and tank cleaning projects to System Kikou.

## Growth strategy to be realized by the Daiseki Group toward the achievement of VISION 2030

— Please tell us about the status of initiatives toward achieving VISION 2030 and the strategies and measures to continue growth and development in the future.

**Amano** Daiseki is simultaneously deepening relationships with existing customers in the industrial waste recycling business and developing new businesses



in order to achieve VISION 2030. We intend to contribute to the realization of the circular economy by proposing raw material selection and processes at the manufacturing stage to our customers in the manufacturing industry.

**Matsuoka** Daiseki Eco. Solution will shift its focus from processing orders to developing consulting projects for upstream customers by expanding its sales and research structure in metropolitan areas and investing in human capital. We hope to become a company that is relied upon by our customers, especially those in the manufacturing industry, by strengthening our ability to propose environmental measures.

**Omori** In order to fulfill the Daiseki Group's purpose, Daiseki MCR will continue to invest in equipment that will lead to decarbonization measures and reduction of environmental impact. At the Hiraide Plant, we are planning to try to install a solar power generation and storage system with lead-acid batteries. We would like to link lead recycling to the trend of decarbonization in the world.

**Nakayama** In System Kikou, we will strive to level out the volatility of net sales by expanding the types of work we do in the chemical and water treatment industries and by increasing mobility through the introduction of new construction vehicles to capture a wide range of projects, ranging from small-scale construction to high-margin projects.

**Kitagawa** Hokuriku Daiseki intends to strengthen its strategy to grow together with the local economy by utilizing its foothold rooted in local companies to absorb the needs of SMEs and feed them back to the Group.

**Amano** I have been able to see an overview of the growth strategy from the efforts of each company to directly link their business to the creation of a sustainable society. Let's continue to share information and technologies within the Group, maximize synergies, and continue to grow as an environment-creating company.



# Contribution to Reduction of Greenhouse Gas Emissions through Recycling

## Reduction of greenhouse gas emissions through recycling as a supplier

Of all the CO<sub>2</sub> emissions related to waste processing in Japan, waste oil processing accounts for approximately 30%. Approximately 40% of waste oil is simply incinerated, and the carbon contained in the waste oil is emitted into the atmosphere as during incineration (based on a survey conducted by the Ministry of Environment in FY2020). Daiseki does not burn waste oil and waste solvents, but recycles them into recycled fuel using recycling technology to provide users with a new source of energy. According to the Database on Emissions Intensity for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.3), published by the Ministry of the Environment as secondary data, the emission factor for recycling waste oil is set to 0 for Scope 3, Category 5 (waste). As a result, waste generators who contract Daiseki to process waste oil can reduce their Scope 3 emissions.

## Daiseki's reduction of greenhouse gas emissions in waste oil processing

Currently, some waste is incinerated, which emits a significant amount of CO<sub>2</sub> during disposal and is landfilled as incineration ash. Daiseki is contributing to the realization of a carbon neutrality and circular economy by recycling waste into resources through the use of recycling technology and reducing the amount of waste that is incinerated without other treatments.

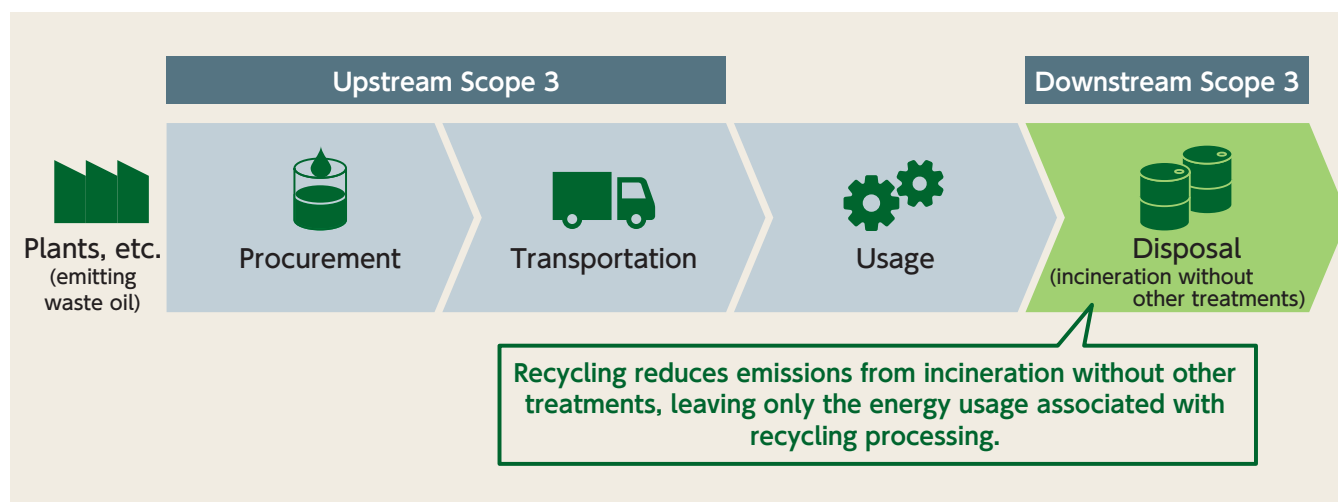
The concept of avoided emissions is presented as an expression of such contribution to the decarbonization of society. In March 2023, the GX League drew up its Basic Guidelines for Disclosure and Evaluation of Climate-related Opportunities, which include a summary of the concept of avoided emissions. Based on these basic guidelines, Daiseki calculates the CO<sub>2</sub> avoided emissions of recycling technologies in order to visualize the impact of its business operations.

In evaluating the avoided emissions, Daiseki set the baseline as the amount of greenhouse gas emissions from incineration without other treatments of waste oil and compared it to the emissions during waste oil processing in FY2024 (primary data), resulting in a 98% reduction in waste oil processing and a 97% reduction in waste solvent processing. See next page for details.

## Consideration of adverse effects of recycling

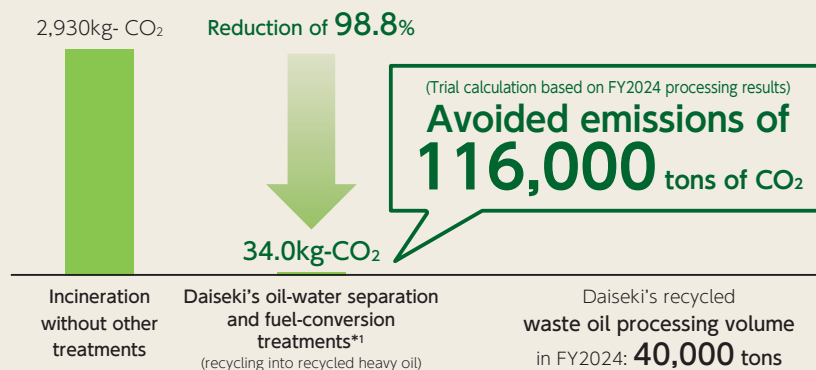
Daiseki has evaluated other impacts associated with recycling into recycled fuel. Although recycling reduces the amount of CO<sub>2</sub> emitted at the time of disposal, greenhouse gases are still emitted when the recycled fuel is used. However, because recycled fuels do not have significantly higher emissions during use than fossil fuels, they are not identified as a significant adverse impact. Daiseki will continue to evaluate environmental impacts from multiple perspectives.

Image of the supply chain related to industrial waste processing

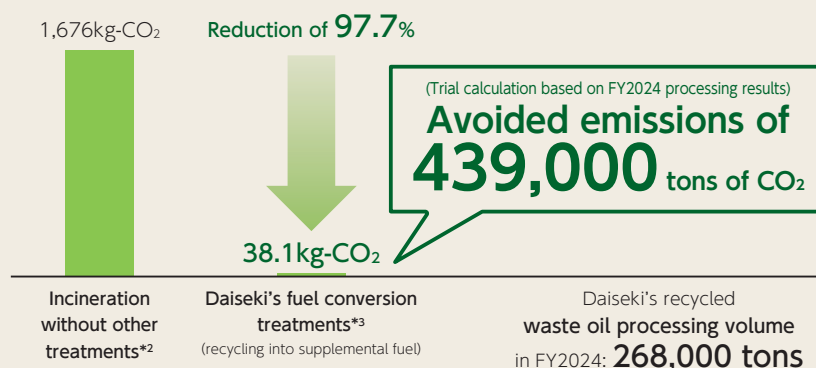


The avoided emissions for recycling waste oil calculated is a theoretical value based on the the Company's processing performance in FY2024 compared to the emissions from incineration without other treatments by customers. The amount of emissions from incineration without other treatments are based on the carbon content in the waste oil, calculated to be 2,930 kg-CO<sub>2</sub>, according to the emission factors cited in the Ministry of the Environment's Greenhouse Gas Emission Calculation and Reporting Manual. Meanwhile, for waste solvents, Daiseiki calculates the carbon-derived CO<sub>2</sub> from fuel-processed waste solvents based on the above emission factors and calculates the emissions if they were incinerated without other treatments. Based on performance in FY2024, the avoided emissions from oil-water separation and fuel processing of waste oil and fuel processing of waste solvents amounted to 555,000 tons of CO<sub>2</sub>.

### Comparison when treating one ton of waste oil



### Comparison when treating one ton of waste solvent



\*<sup>1</sup> Calculated by totaling 1-3 below (from Daiseiki FY2024 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>2</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 waste solvent received for recycling in FY2024 was a mixture of 145,000 tons of components close to waste oil and 123,000 tons of water. These figures fluctuate every year depending on the ratio of components in the material received

\*<sup>3</sup> CO<sub>2</sub> calculated according to the amount of electricity used for fuel-conversion treatments, based on Daiseiki's FY2024 processing results

\*<sup>4</sup> In FY2023, annual CO<sub>2</sub> emissions per household were 2.59 tons of CO<sub>2</sub> (according to the FY2023 Survey on Actual CO<sub>2</sub> Emissions in the Household Sector)

\*<sup>5</sup> In the mid-term management plan for FY2022, it was expected that Daiseiki's nonconsolidated 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

# Avoided emissions of 555,000 tons of CO<sub>2</sub>

(Equivalent to the annual CO<sub>2</sub> emissions of 210,000 households\*<sup>4</sup>)

## Target by FY2025: Avoided emissions of

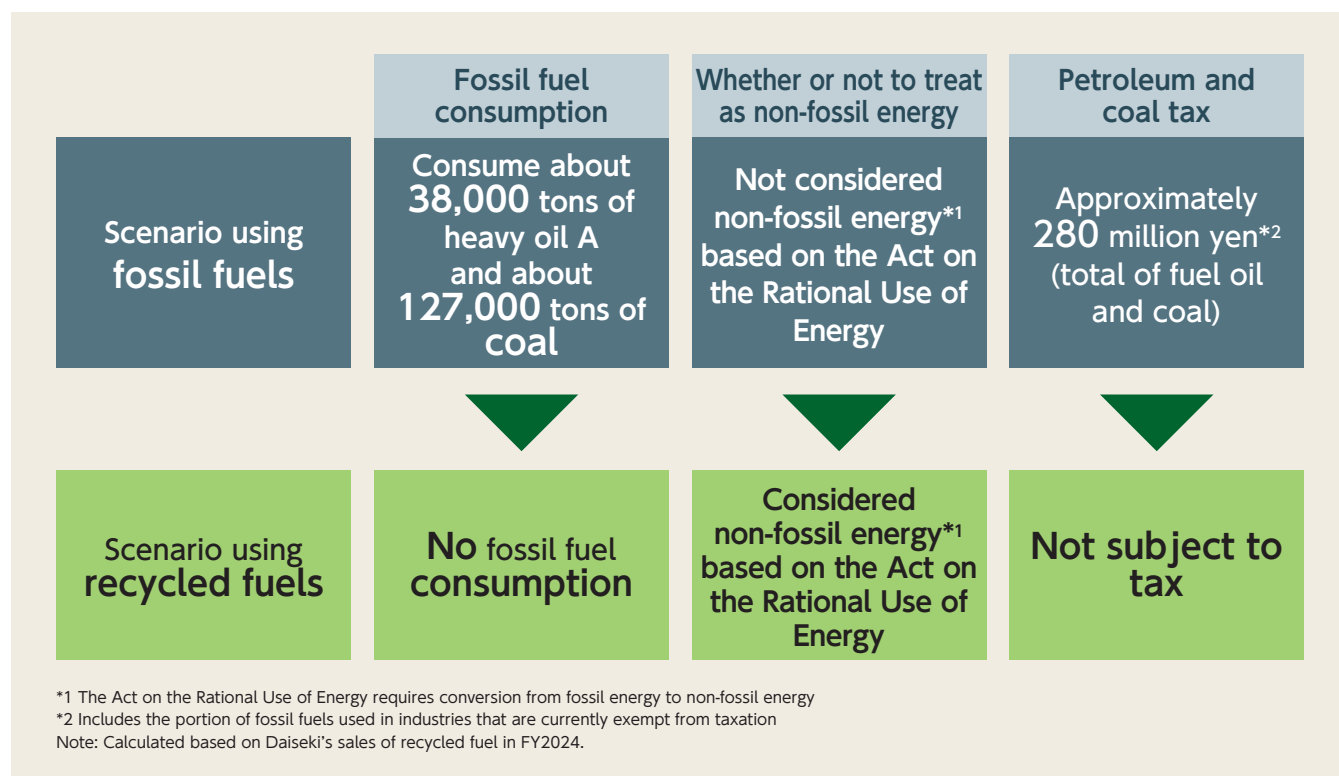
# 680,000 tons of CO<sub>2</sub>\*<sup>5</sup>

(Equivalent to the annual CO<sub>2</sub> emissions of 260,000 households\*<sup>4</sup>)



### Substitution of Fossil Fuels with Recycled Fuels

Daiseki recycles to recycled fuels such as supplemental fuels and recycled heavy oil. Supplemental fuel is mainly used as a substitute for coal, and recycled heavy oil is mainly used as a substitute for heavy oil A. The use of recycled fuels reduces the consumption of fossil fuels.

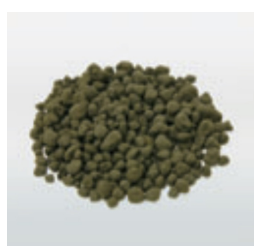


### Contribution to Circular Economy through Recycling

Daiseki is contributing to the promotion of the circular economy by manufacturing and selling a variety of recycled products that serve as substitutes for metals and natural resources.

#### Output amounts of major recycled resources by the Daiseki Group in FY2024

Recycled resources	FY2024 output amount	Alternative natural resources
Raw materials for cement	600,000 tons	Limestone
Usable metals, etc.	10,000 tons	Metal resources, agents, etc.
Recycled lead	12,000 tons	Lead
Raw materials for plasterboard	93,000 tons	Plaster
Paper raw materials	36,000 tons	Paper



Raw materials for cement



Usable metals, etc.



Recycled lead



Raw materials for plasterboard



Paper raw materials

## Contribution to Ensuring Prosperous Lifestyles through Disaster Recovery Support

Daiseki processes 1.11 million tons of industrial waste per year from the approximately 5,900 plants with which it does business. When natural disasters such as earthquakes and floods occur, Daiseki's nationwide network of 7 works and 234 collection and transportation vehicles allow us to quickly respond with

collection and transportation vehicles to our affected customers and provide support for restoration. The development of the manufacturing and service industries is indispensable for the establishment of abundant lifestyles. Daiseki supports Japan's manufacturing industry as a behind-the-scenes force.

### Daiseki's major disaster recovery support

#### Great East Japan Earthquake (2011)

The Great East Japan Earthquake caused many of Daiseki's customers with production bases in eastern Japan to be affected by the earthquake and tsunami, causing heavy oil and other materials to spill into the soil, ocean, and rivers. Because heavy oil is insoluble in water, it spreads to the surrounding area once spilled, resulting in increased pollution. Daiseki's Kanto Works and Chiba Works set up an emergency system to go to the aid of customers. The collection and transportation vehicles of the Kanto Works were certified by Tochigi Prefecture as emergency vehicles, which enabled priority access to expressways and made it possible to quickly rush to the affected customers.

We received a letter of appreciation from the customer for our assistance in treating wastewater and restoring the damaged plant. We feel that this experience has further deepened our relationship of trust with our customers.

#### Torrential rainfall in Saga Prefecture (2019)

Daiseki received a request for assistance after a torrential rainstorm in Takeo City, Saga Prefecture, caused a river to overflow, resulting in an oil spill from a nearby plant. Daiseki, mainly through its Kyushu Works, collected and processed the spilled waste oil. Afterwards, we received a letter of appreciation from Takeo City.

#### Noto Peninsula Earthquake (2024)

When the Noto Peninsula Earthquake occurred on January 1, Daiseki checked the safety of its employees and the condition of its equipment, and on January 3, sent aid from its Hokuriku Works and Nagoya Works to customers affected in Ishikawa and Toyama prefectures. We heard words of joy from customers, such as "the restoration, which was expected to take six months, was completed early" and "thanks to the restoration of lifelines like the cafeteria and bath, we were able to open them for use by employees and their families."



Recovery support for the Noto Peninsula Earthquake

## Overview of the Daiseki Group's Performance

### Dialogue with Daiseki Technical Divisions

# Contributing to a sustainable society with technology for recycling and environmental protection

Participants in the dialogue

**Kazuya Nishita** ..... Department Manager, Production Technology Development Department, Headquarters of Business Generalization  
**Tomoshige Kondo** ..... Chief Technician, Production Technology Division, Technical Department, Nagoya Works  
**Yuji Hasegawa** ..... Assistant Chief Technician, Production Technology Division, Technical Department, Nagoya Works  
**Tsuyoshi Tokuno** ..... Deputy Department Manager, Production Technology Division, Production Department, Hokuriku Works  
**Takeshi Yatsuyama** ..... Chief Technician, Production Technology Division, Production Department, Kyushu Works  
**Kazunori Isomura** ..... Deputy Factory Manager and Deputy Department Manager, Technology Department, Kanto Works

### Social value of Daiseki as an environment-creating company

— How do you perceive the social position of Daiseki as an environment-creating company from a technical perspective?

**Nishita** Daiseki, as a leading company in the industrial waste collection and recycling industry, plays a significant role during disasters and emergencies in supporting the affected areas.

**Isomura** During the Great East Japan Earthquake, emergency vehicles from the Kanto Works were dispatched to collect wastewater and waste oil from affected plants. The joy of the people in the affected areas and our contribution to the recovery brought us great happiness. Daiseki has always been the company that promptly responds to disasters such as natural disasters, plant fires, and wastewater leaks to process waste and assist in recovery.

**Hasegawa** Daiseki's business development is based on the

needs of a diverse range of customers, and our customers include every manufacturing industry in Japan, so our business base is truly broad. I am proud to say that Daiseki is a behind-the-scenes force that supports industry in Japan.

**Tokuno** I believe that when people get to know Daiseki, the image of the industrial waste disposal industry in general will be overturned. After all, we have neither landfills nor incineration facilities. Our policy since our founding has been to recycle various waste into resources with our own hands.

**Kondo** We turn what other companies throw away into resources. We have turned a negative into a positive through our creativity and technological capabilities. That is Daiseki's source of growth.

### Daiseki's culture of taking on challenges while making the most of failures

— What do you think is the driving force behind Daiseki's growth?



Back row, from left: Yatsuyama, Isomura, Nishita, Hasegawa Front row, from left: Tokuno, Kondo



**Nishita** It is thanks to Daiseiki's open corporate culture that we have been able to make the impossible things in the world possible. Although I believe I am the one who has failed the most among us, the idea that failures are experiences to find new knowledge has taken root, fostering a culture where we take on challenges without fear of failure.

**Tokuno** I've experienced many situations in which failure leads to the next technology. At Daiseiki, it is common not to let failures end as just failures but to use them in the next steps or in different fields.

**Yatsuyama** The network among works and engineers is strong. While each works develops technology suited to the local industry, we can share information and collaborate with technology beyond our works when new challenges arise. I feel a culture of enhancing each other throughout Daiseiki has taken root.

## Making harmful waste harmless by combining wastes Strengths of technologies, field, and scale

— What are the strengths of Daiseiki compared to other companies?

**Yatsuyama** One of Daiseiki's strengths, which no other company can match, is the composite processing technology that makes waste harmless by combining wastes.

**Isomura** We are able to reduce costs and improve price competitiveness by substituting waste materials for treatment chemicals that would normally have to be purchased.

**Hasegawa** What is essential for practical application is quantity. While there is always an imbalance in the amount of waste delivered, Daiseiki has the advantage of being able to easily coordinate and flexibly adjust production because it handles waste in large facilities with multiple locations and large volumes and varieties of waste. We can take advantage of these economies of scale.

**Kondo** I believe that our engineers' footwork and technical capabilities, which makes it possible to quickly rush in and solve problems at our customers' plants, are also unique to the Company.

**Tokuno** Technical capabilities in the field are also indispensable. We have the experience and skills to handle waste materials, which vary in condition and quantity each time, and to what level they need to be processed, in a lean and sound way. Daiseiki is a company that has always been creating new technologies and linking them to the next generation. For example, the Hokuriku Works began recovering copper from wastewater about 20 years ago, and has since expanded its technology to other metals such as nickel.

**Nishita** The resource collection that started at the Hokuriku Works has since been expanded to all plants. It all started when I whimsically recovered silver from wastewater and made a silver medal, and at the chairman's suggestion, it became a resource collection project, where all works worked on recovering valuable metals from wastewater.

**Yatsuyama** In the waste oil recycling we have cultivated since our founding, we have developed technologies to blend recycled fuels to adjust the calorific value and composition according to customer needs, which is now one of our main businesses.

**Hasegawa** Daiseiki contributes not only to resource collection but also to environmental protection. Our activated sludge treatment facilities, which purify wastewater using microorganisms, operate microorganisms with unparalleled capabilities while conducting large-scale water treatment. With a processing capacity comparable to that of government sewage treatment plants, Daiseiki handles highly contaminated wastewater that customers cannot process. Both our technology and microorganisms have evolved to handle this.

## Technologies needed for Daiseiki's future

— What are the strategies needed for continued growth and development from a technical perspective?

**Kondo** Reflecting back, I think that the waste oil recycling that Daiseiki established more than 50 years ago was the start of the circular economy.

**Nishita** In order to establish the circular economy as a business in the future, I think that one of our priority issues will be to research and develop technologies for "separation."

**Hasegawa** For example, by involving ourselves in the supply chain and production planning of manufacturing industries, we could also engage in developing materials and processes that make products easier to sort and disassemble at disposal.

**Tokuno** It is also essential to involve businesses with different technologies and attempt to fundamentally change the systems of manufacturing and recycling.

**Yatsuyama** In the Kyushu area, where I am and the semiconductor industry is thriving the content of waste changes over time. We intend to design more versatile processing facilities in anticipation of future needs.

**Isomura** Just as Daiseiki's engineers have carried forward technology to the next stage, it is urgent to enhance the education, facilities, and work environment for the younger members who will carry on the future.

**Nishita** What I want to pass on to the future is Daiseiki's deeply ingrained spirit of not wasting. We always seriously consider how any waste can somehow be recycled.



## Environmental protection

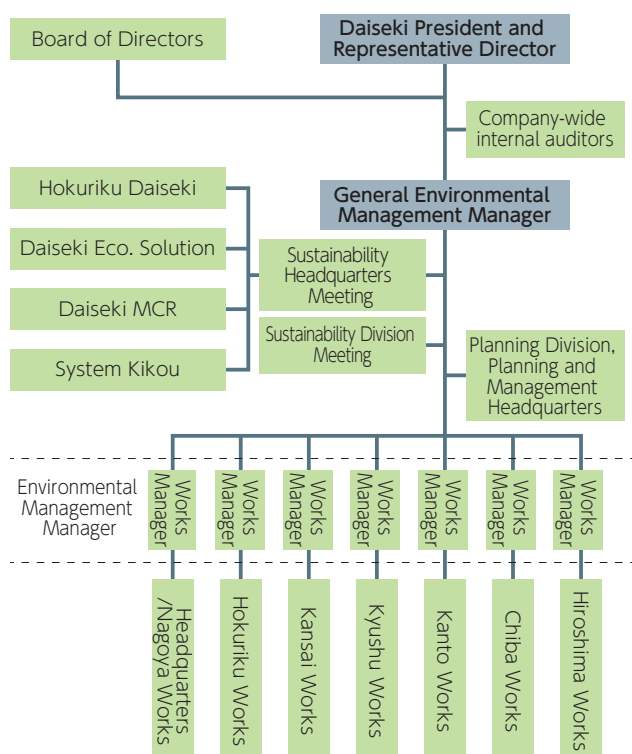
As a venous enterprise running through society feeding into manufacturing and other arterial industries, Daiseki recycles industrial waste to the fullest extent possible, utilizes resources effectively and strives to reduce environmental burdens in the waste treatment process.

## Promoting Environmental Management

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

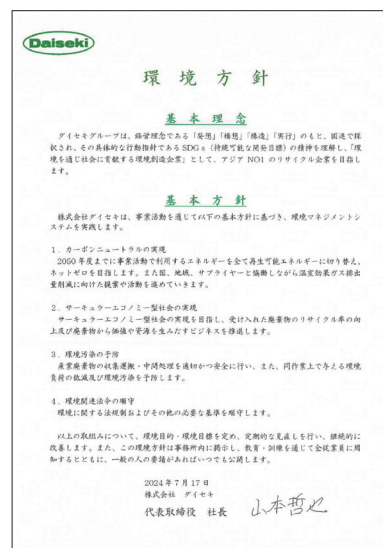
We hold the Sustainability Headquarters Meeting, composed of the President and Executive Officers of Daiseki and the Presidents of Group companies, twice a year to deliberate and decide on important matters, including risk management related to environmental protection climate change and human capital issues. The General Manager of the Planning and Management Headquarters, appointed by the President as the General Environmental Management Manager responsible for the environmental field, including climate change issues, submits specific plans to the Sustainability Headquarters Meeting, where these plans are deliberated and formulated. The content and progress of these plans are reported to the Board of Directors.

### 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 that is disseminated to all employees based on the Group's shared core principles and bringing together the core policies guiding environmental initiatives at each of its Group companies. In July 2024, Daiseiki revised its Environmental Policy to include content on carbon neutrality and circular economy.



Daiseiki's Environmental Policy

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

Out of the Daiseiki Group's 49 locations, 21 have obtained ISO 14001 or Eco Action 21 certification. These 21 locations conduct audits related to environmental and legal compliance.

### Implementation of Environmental Management

	FY2022 end	FY2023 end	FY2024 end
Number of work sites	41	42	49
Number of sites certified for ISO 14001 or Eco Action 21	19	21	21
Number of sites that implemented audits related to environment and laws and regulations	19	21	21



## Key environmental achievements in FY2024 (Daiseiki Group)

Amount of materials  
received for recycling

**2,102,000** tons  
(1,113,000 tons)

Recycling rate

**85.8%**  
(87.2%)

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

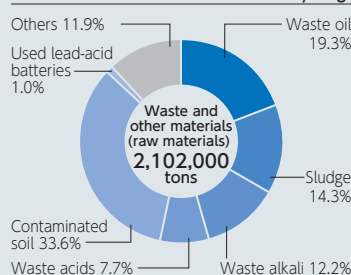
**41,000** tons of CO<sub>2</sub>  
(28,000 tons of CO<sub>2</sub>)

Note: ( ) shows the number with Daiseiki only

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

### INPUT

#### Amount of materials received for recycling



#### Supplemental materials

**110,000** tons

#### Water

**921,000** tons

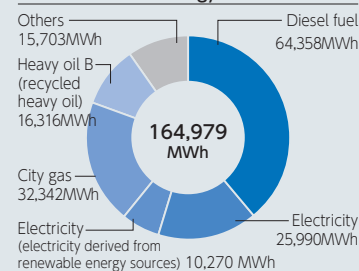
#### Raw material for petroleum products

**1,000** kl

#### Recycled water (rainwater)

**40,000** tons

#### Energy



### Daiseiki Group

#### Waste oil treatment



Waste oil



Recycled fuels  
(recycled heavy oil/  
supplemental fuel)

#### Treatment of waste acids and waste alkalis



Waste acid and waste alkali



Raw materials for cement  
(from waste)



Usable metals, etc.



Purification/discharge

#### Sludge treatment



Sludge



Raw materials for cement  
(from waste)



Purification & discharge  
(purification & discharge  
after dehydration)

#### Contaminated soil treatment



Contaminated soil



Raw materials for cement  
(from contaminated soil)

#### Lead recycling



Used lead-acid batteries



Recycled lead

Daiseiki Group  
Recycling Rate

**85.8%**

Amount of materials received for recycling—  
intermediate treatment residue (non-recyclable)  
Amount of materials received for recycling x 100

Waste collection

Petroleum product  
manufacturing

### OUTPUT

#### Recycled products shipment

Recycled fuels:	239,000 tons
Raw materials for cement (from waste):	240,000 tons
Useable metals and similar:	10,000 tons
Raw materials for cement (from contaminated soil):	360,000 tons
Recycled lead:	12,000 tons
Other recycled materials:	333,000 tons

#### Drainage to sewer or rivers/other bodies of water

Purification & discharge (sewer discharge)	960,000 tons
Purification & discharge (river discharge)	266,000 tons
Purification & discharge (ocean discharge)	66,000 tons

Note: Discharged after purifying to the value under standard

#### Intermediate treatment residues (non-recyclable)

Incinerated	10,000 tons
Final disposal (landfill)	289,000 tons

Note: Intermediate treatment residue is outsourced

Petroleum products **2,000 kl**

#### Emission into the air

CO <sub>2</sub> total emission	41,000 tons of CO <sub>2</sub>
SOx emissions	28.4 tons
NOx emissions	72.4 tons
Soot and dust emissions	0.7 tons

## Climate Change Scenario Analysis

Daiseki holds the Sustainability Headquarters Meeting twice a year to manage risks, including climate change-related risks. 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 4.0°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 its 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>Opportunities</b> Somewhat increased demand for Daiseki's low-emissions industrial waste treatment services	Expanding our industrial waste treatment business operations
	Increased severity of typhoons, torrential rain, and other natural disasters	<b>Opportunities</b> Somewhat increased demand for recycled fuels	Expanding our recycling operations in the recycled fuels category
	Rising sea levels and other changes in the marine environment	<b>Risks</b> Disasters force Daiseki and/or its customers to cease operations <b>Risks</b> Flooding forces Daiseki and/or its customers to cease operations	Disaster prevention measures and securing our supply chain 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

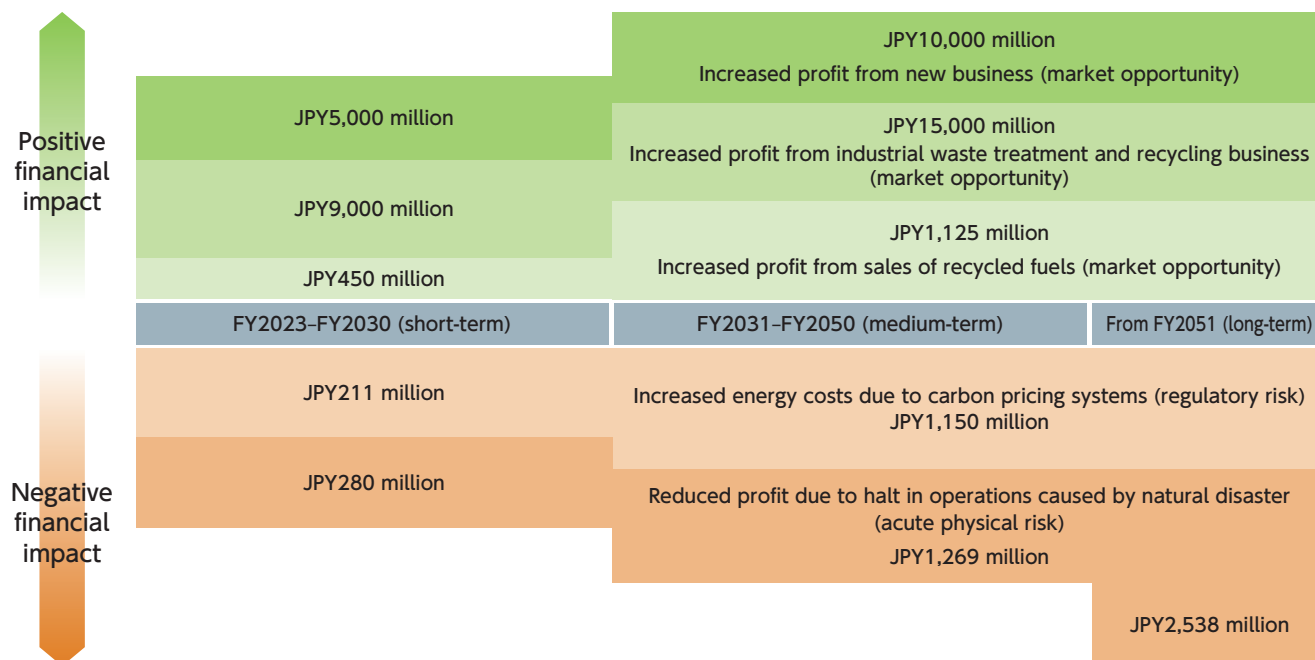
In this scenario, greenhouse gas emissions regulations such as carbon pricing systems and carbon taxation are adopted, resulting in increased energy costs, so we respond by adopting the use of renewable energies and deploying low-emissions vehicles and processing equipment. Fossil fuel usage also decreases, 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 its 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.

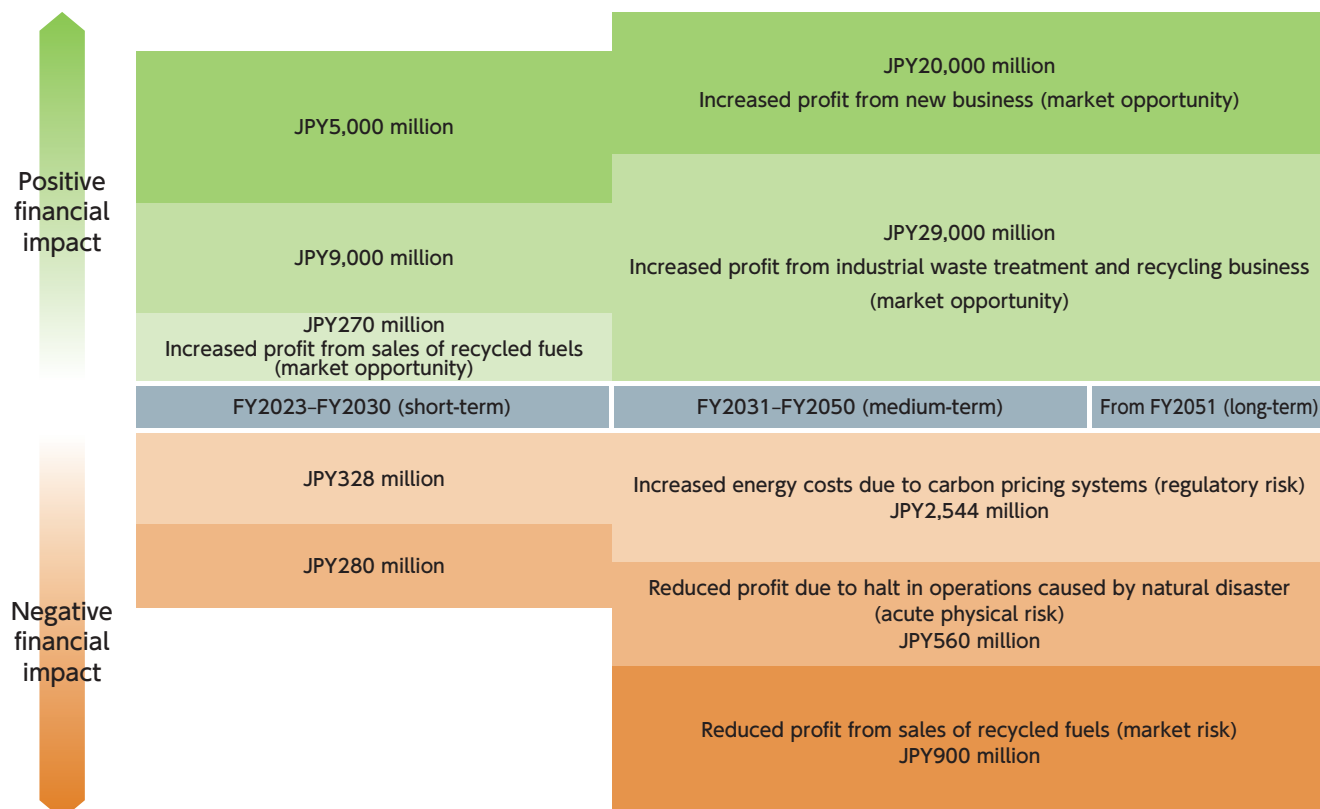
	Possible Situation	Impact Assessment	Response
1.5°C Scenario (controls applied)	Greenhouse gas emissions regulations are strengthened (carbon pricing systems and carbon taxation are adopted)	<b>Risks</b> Increased energy costs	Adopting use of power by renewable energies and low-emissions equipment
	Advances in businesses' emissions reduction efforts	<b>Risks</b> Reduced fossil fuel usage ⇒ Reduced sales of recycled fuels	Shifting operations from recycled fuels to material recycling
		<b>Opportunities</b> Increased demand for Daiseki's low-emissions industrial waste treatment services	Proactively expanding our industrial waste treatment service operations
		<b>Opportunities</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 its 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 its 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



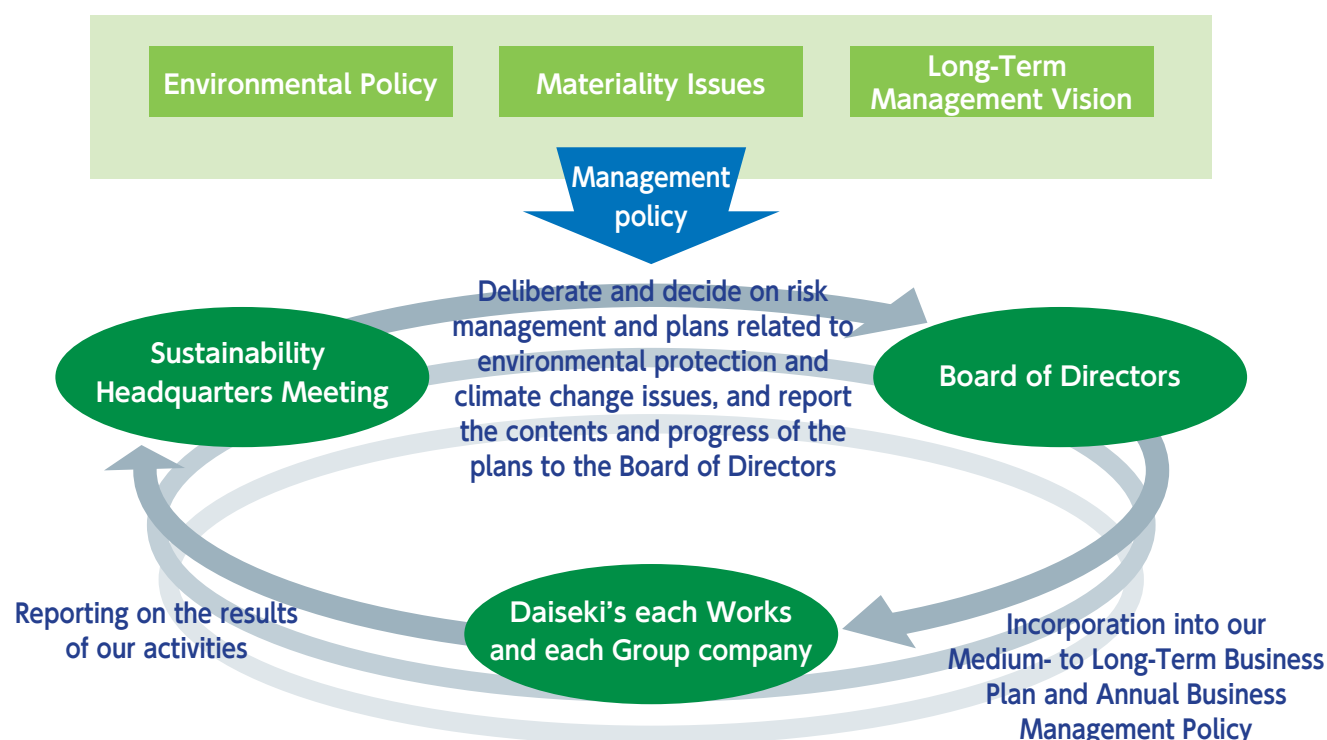
### 1.5°C Scenario



Note: Estimated positive and negative financial impact on operating profit per year based on actual results for FY2023

Refer to "Basis of Calculation of Analysis of the Financial Impact of These Risks and Opportunities on Our Business Activities" for the basis of calculation.

## Management Strategy Based on Our Scenario Analysis



## 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 the SBTs, 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.

	FY2025–FY2030 (short-term)	FY2031–FY2050 (medium-term)	From FY2051 (long-term)
Risk reduction measures	<ul style="list-style-type: none"> <li>● Deploy emergency generators at all sites in preparation for damage to production facilities due to severe climate change</li> <li>● Introduce renewable energy in preparation for stricter carbon pricing system, request commercial vehicle manufacturers to develop EV commercial vehicles, use fuel with credits</li> <li>● Development of new business (material recycling) in preparation for the risk of reduced demand in the fuel recycling business</li> </ul>	<ul style="list-style-type: none"> <li>● Install watertight walls at business sites at risk of flooding in preparation for damage to production facilities from severe climate change</li> <li>● Introduce renewable energy in preparation for stricter carbon pricing system, use EV commercial vehicles, use fuel with credits</li> <li>● Promote business conversion to new business (material recycling) in preparation for the risk of reduced demand in the fuel recycling business</li> </ul>	<ul style="list-style-type: none"> <li>● Install strong watertight walls at business sites at risk of flooding in preparation for damage to production facilities from further severe climate change</li> <li>● Introduce renewable energy in preparation for stricter carbon pricing system, use EV commercial vehicles, use fuel with credits</li> <li>● Promote business conversion to new business (material recycling) in preparation for the risk of loss in the fuel recycling business</li> </ul>
Measures to capture opportunities	<ul style="list-style-type: none"> <li>● Promote existing industrial waste recycling business to prepare for increased demand for recycling processing services and recycled fuels</li> <li>● Develop new business (material recycling) to prepare for future increase in circular economy demand</li> </ul>	<ul style="list-style-type: none"> <li>● Develop new business (material recycling) to prepare for the increase in circular economy demand</li> </ul>	<ul style="list-style-type: none"> <li>● Establish new business (material recycling) to prepare for the increase in circular economy demand</li> </ul>

## Greenhouse Gas Emissions Reduction Targets and Results

The Daiseki Group's established greenhouse gas emission 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

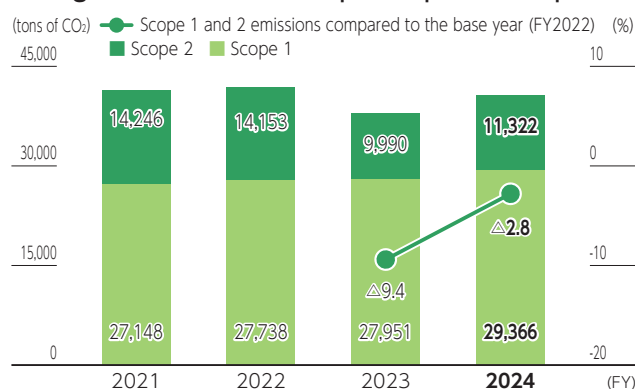
\*1 SBTi: SBTi is a joint international initiative established in 2015 by the CDP, the UN Global Compact, World Resources Institute (WRI), and World Wide Fund for Nature (WWF) to verify and certify that greenhouse gas emissions reduction targets set by companies are science based and in line with the 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

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



Emissions for FY2024 increased due to the overall increase in Group activities and the M&A with Sugimoto Group

## Promotion of switching to electric power from renewable energy

The Daiseki Group began switching to electric power from renewable energy (renewable energy electricity) in FY2022. We have a target to introduce the use of renewable energy at all works and in all of our Group companies by FY2028, ahead of the preset goal of reducing our Scope 2 emissions to zero. In FY2024, Daiseki, Daiseki Eco. Solution, and Daiseki MCR, which use relatively large amounts of electricity, continued to introduce renewable energy, and 28.3% of the electricity used by the Daiseki Group was switched to renewable energy. In FY2025, we plan to increase the amount of renewable energy introduced by these three companies.

## Engagement with customers and our supply chain

Daiseki is promoting engagement in the following ways with the aim of reducing greenhouse gas emissions.

### ● Customers that order waste treatment to Daiseki

Reduce emissions in Scope 3, Category 5 (waste) by using our non-combustible waste disposal method (see page 45 for reduction contribution), and continue to develop and realize new recycling technologies and encourage sorting industrial waste when discharged from customers in FY2024 to increase reductions of Scope 3 emissions

### ● Customers that purchase our recycled products

Reduce Scope 1 and Scope 3, Category 1 (purchased products and services) by using recycled products that are substitutes for Daiseki's fossil fuels and natural resources, expand recycled fuel production plant (Kyushu) and open new works (Hiroshima) in FY2024 to increase sales volume of recycled fuel

### ● 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 33 transportation companies to calculate emissions, and develop treatment technologies to reduce residues from waste treatment



### Selected as an A-list company by CDP

Daiseiki Co., Ltd. has been selected by CDP, an international environmental rating organization, as an A-list company, the highest ranking in the climate change category for FY2024. Among over 21,000 companies scored worldwide, only 362 companies are climate change A-list companies. Our transparency in disclosing information on climate change and our leadership in performance were recognized and highly regarded. We will continue to improve in response to climate change to remain a climate change A-list company.



CDP climate change A-list company logo

### Awarded the ESG Finance Award Japan

Daiseiki and Daiseiki Eco. Solution were recognized as Environmental Disclosure Progress Companies in the 5th ESG Finance Award Japan by the Ministry of the Environment. This award was established by the Ministry of the Environment to evaluate and recognize financial institutions and organizations that actively engage in ESG finance and companies that engage in environmentally sustainable management.



ESG Finance Awards Japan "Environmental Disclosure Progress Company" logo

### Member of Japan Climate Leaders Partnership (JCLP)

Daiseiki joined the Japan Climate Leaders' Partnership (JCLP) in August 2023. The JCLP is a group of companies that supports the goal of zero greenhouse gas emissions by 2050 and aims to realize a sustainable and decarbonized society.



JCLP logo

### Joined Circular Partners (CPs)

In December 2023, Daiseiki joined the Circular Partners, an ambitious and pioneering initiative that brings industry, academia, and government together in a collaborative effort to achieve a circular economy. Circular Partners is a partnership to promote cooperation between industry, academia and government established by the Ministry of Economy, Trade and Industry to achieve a circular economy based on the "Growth-Oriented, Resource-Autonomous Circular Economy Strategy" formulated in March 2023.



Circular Partners logo

# Initiatives to protect the environment and biodiversity

## Initiatives to reduce environmental impact

Daiseiki is striving to reduce the use of water resources used in its business activities and to reduce external emissions of air pollutants, chemical substances (PRTR substances), and hazardous materials.

Water resources are mainly used for washing industrial waste collection and transportation vehicles, and rainwater is reused to reduce water resources.

The main sources of air pollutant emissions are boilers and other soot and smoke generating facilities and collection and transportation vehicles. For the soot and smoke generating facilities, 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. We are also working to reduce emissions from some of our soot and smoke generating facilities by switching from liquid fuels to gaseous fuels, which generate less air pollutants. For industrial waste collection and transportation vehicles, we are gradually switching to low-pollution vehicles to reduce emissions, and as of February 29, 2024, 97.4% of Daiseiki's 234 collection and transportation vehicles are low-pollution vehicles.

The main sources of emissions of PRTR Act-targeted chemical substances are the fuels used for on-site heavy machinery and soot and smoke generating facilities and the purified water discharged into rivers after biological treatment. To reduce these emissions, we promote fuel-efficient driving of heavy machinery and thoroughly conduct water quality inspections by setting stricter in-house discharge standards than the legal standards for discharged water.

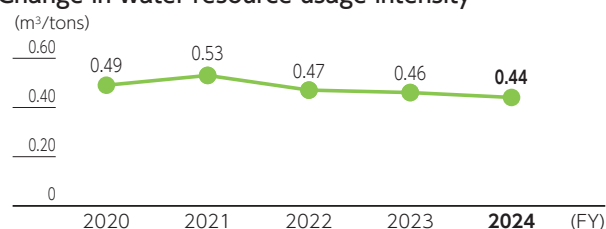
At Daiseiki, we accept special control industrial waste which includes toxic substances such as strong acids, strong alkalis, and heavy metals, and detoxify such toxic substances by appropriately treating them with treatment agents. In FY2024, we accepted 204,000 tons of special control industrial waste, and following treatment we sent 12,000 tons of special control industrial waste in the form of residues, etc., to an external treatment company. Special control industrial waste is defined as highly hazardous under the Waste Management Act, and even small quantities of such waste have an adverse impact on the natural environment. To reduce emissions of these hazardous substances, we are working to reduce the volume of residual materials after treatment and promote in-house processing.

Other environmental impacts include water quality and odor impacts. To reduce the impact on water quality, 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.

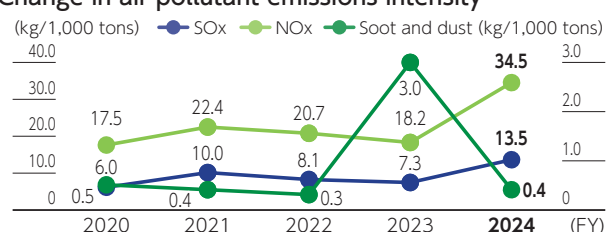
As steps to counter unpleasant odors, we analyze samples of industrial waste before it is delivered to us and,

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 each plant to remove odors before release into the atmosphere.

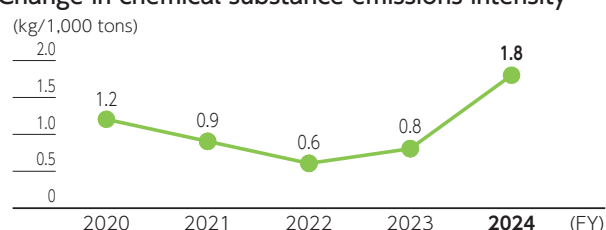
### Change in water resource usage intensity



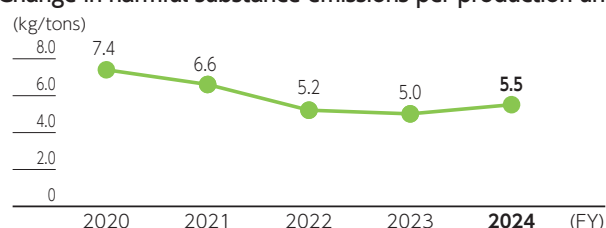
### Change in air pollutant emissions intensity



### Change in chemical substance emissions intensity



### Change in harmful substance emissions per production unit



## Biodiversity initiatives

At Daiseiki, 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, Daiseiki 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 Daiseiki's initiatives to protect biodiversity,

refer to the section of our website on biodiversity.



Coastal clean-up  
(Daiseiki Hokuriku Works)

Dialogue between Daiseki and Daiseki Eco. Solution's Department Manager of Human Resources Department

## We aim to develop people and organizations that can “Nurture the Future” by developing the challenge and initiative of our employees



**Akitaka Murakami**

Department Manager, Human Resources Department, Headquarters of Planning and Management, Daiseki Co., Ltd.

**Kenzo Tsuge**

Department Manager, Human Resources and General Affairs Department, Headquarters of Planning and Management, Daiseki Eco. Solution Co., Ltd.

### — What is the future Daiseki aims for, and the role of the Human Resources Department?

**Murakami** We aim to contribute to Japanese manufacturing through the purpose of “an environment-creating company contributing to society through the environment by making the best use of limited resources.” To this end, the role that human resources should play is to create an environment in which employees who share the same passion can maximize their abilities. In this sense, I believe that the Human Resources Department, which is responsible for hiring and training employees, is the beginning of a change in the company.

**Tsuge** Our mission at Daiseki Eco. Solution is to “solve environmental problems by creating a new mechanism to revalue things that are no longer needed in society or that have an impact on the environment through ingenuity,” and we believe that it is important to provide a safe and secure work environment for employees with an emphasis on compliance, and to support asset building.

**Murakami** President Yamamoto often says, “We want to be a company that our employees can be proud of for their families,” and I believe this is Daiseki’s belief that we should be a company that we can be proud of for ourselves, our families, and society. In order to get closer to this vision, I recognize that a major role of the Human Resources Department is to achieve systems and measures that more

and more employees can sympathize with and agree with.

### — What is the meaning behind the phrase “Nurture the Future?”

**Murakami** The core value of Daiseki’s human resources strategy is “Nurture the Future,” and it is a phrase coined mainly by employees in their 30s and 40s. We prioritized nurturing people when we thought about creating a company that contributes to Japan and Asia with ourselves at the center.

As I mentioned earlier, the Human Resources Department is the starting point for transforming the company, and we want to be a company that can think together with its employees about the direction in which the company should go. Each employee is a strong presence that can change the company, and it is important for employees to be aware of this in order to increase their willingness to take on challenges and to be more independent.

**Tsuge** In Daiseki Eco. Solution, many employees join the Company with a desire to solve environmental issues in some way and to be of service to the world. In particular, many new graduates are attracted to the disaster relief work we have been doing since the Great East Japan Earthquake, and many of them apply because they want to contribute to the recovery efforts.



**Murakami** It is necessary to create an environment in which employees can share such a desire. We also believe that it is necessary to develop human resources capable of creating one from zero in order to communicate our value externally and to become a company that is known throughout the world. We also believe that by having people who can embody the passion, essence, responsibility, innovation, and consideration that we advocate in our personnel recruitment policy, Daiseiki will grow into a company that is needed by our customers, a company where each and every employee is rewarded and shines, a company that is trusted and expected by society and that lives up to those expectations with integrity, and a company that is trusted and expected of by society and that lives up to those expectations with integrity. I believe that this will lead to the realization of what President Yamamoto calls “a company that our employees can be proud of for their families.”

— Please tell us about specific initiatives to foster a spirit of challenge and independence among employees.

**Murakami** At Daiseiki, we emphasize self-learning initiatives to foster a spirit of challenge and independence among employees. We have established training programs for each stage, such as step-up training, training for newly appointed managers, and training for new employees with outside instructors, and we are implementing measures to link learning as an individual to spontaneous learning.

**Tsuge** With regard to training, we are currently reviewing our training system based on the policy of “providing the minimum necessary education to all employees and more actively supporting the spontaneous learning of motivated employees.” On the other hand, with regard to job types and work locations, employees can express their wishes through the self-reporting system once a year, and if they desire so, they can also meet with an officer to discuss their wishes in person. The details of such requests are shared with all officers and the Human Resources Department, and are taken into consideration when considering subsequent personnel transfers. In addition, the self-reporting system makes it possible for employees not only to express their desired job type and work location, but also to make suggestions on how the Company should do this in the future.

**Murakami** This system embodies the idea that employees can create their careers and positions and change the

Company's future. Daiseiki has implemented regular interviews with new graduates and mid-career hires, created a human resources guidebook, introduced a mentoring system, and revised the definition of recruitment interviews to prevent mismatches, which has contributed to achieving a turnover rate of 1.9% for Daiseiki on a non-consolidated basis.

— What are the challenges to be addressed and HR policies to be implemented from this fiscal year onwards?

**Murakami** Daiseiki and Daiseiki Eco. Solution have conducted an employee engagement survey since FY2023. In the future, building a system to improve employee engagement based on the results of the survey may be an issue for the entire Group.

**Tsuge** Yes, that is right. While we had previously conducted the survey internally at Daiseiki Eco. Solution, we conducted an employee engagement survey using an external research firm so that we could compare our results to those of other companies' in FY2024. Going forward, we plan to use the results of this survey to determine and implement the themes and contents of our initiatives.

**Murakami** As a medium- to long-term plan, Daiseiki intends to completely review and revise its personnel system, including scope of duties, salary structure, bonus evaluation, promotion, and education. The evaluation system up until now seems to be immature in many areas from the perspective of the challenge and initiative discussed by Department Manager Tsuge, so we will subdivide the evaluation axis and highlight human resources and abilities that have not been focused on up until now. By doing so, we hope to develop employees who can play an active role in creating new value.

**Tsuge** Daiseiki Eco. Solution was established as a company to develop various new businesses that Daiseiki had not yet engaged in. In light of this background, we should place even greater emphasis on taking on challenges and initiative than Daiseiki does, and going forward we will roll out measures with a strong awareness of challenge and initiative and actively promote employees who can meet the Company's expectations even more than before.

**Murakami** Let's work together as a Group to take on the challenge of “Nurture the Future” through a corporate culture that allows each and every employee to grow and personnel policies that make the most of people.







## Human capital

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 certified as a 2024 Health and Productivity Management Organization, continuing from the previous year. 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 Daiseki Group promotes health management through health consultations and health guidance by public health nurses and external organizations.

#### Health management expenses of the Daiseki Group (Millions of yen)

	FY2024
Health Management Expenses	46

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

A public health nurse hired by Daiseki in FY2024 recommended that employees eligible for specified health guidance receive medical examinations, provided support for quitting smoking, held health seminars for employees, sent out health newsletters, and provided mental health counseling, with the aim of improving the physical and mental health of employees.

#### ● 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 and their families 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 nurses 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.

#### Daiseki Group's stress checks implementation (%)

	FY2022	FY2023	FY2024
Stress check implementation rate	90.0	89.6	85.7
Proportion of highly stressed employees	8.7	10.1	11.4

#### ● 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 (FY2024) (%)

	Regular medical checkups	Comprehensive health examinations
Attendance rate	100	91.4*

\* Sugimoto Trading Company Co., Ltd. and Sugimoto Paper Industry Co., Ltd., which joined the Daiseki Group in March 2023, do not conduct comprehensive health examinations, but are considering introducing comprehensive health examinations.

#### ● 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 FY2024 (Daiseiki Group)

### Training hours per person

**7.5** hours/person  
(7.9 hours/person)

### Turnover rate

**3.9**%  
(1.9%)

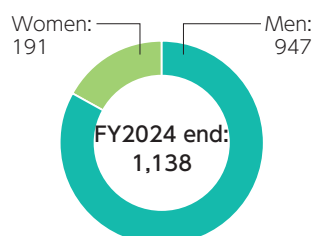
### Paid leave acquisition rate

**63.4**%  
(70.1%)

Note: ( ) shows the number of Daiseiki only

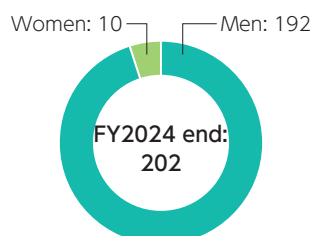
## Daiseiki Group's Promotion of Diversity

### Employees by Gender



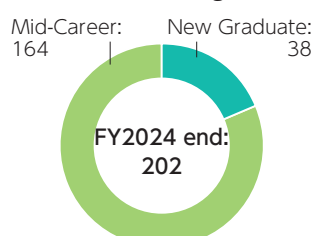
Note: Full-time employees only

### Managers by Gender



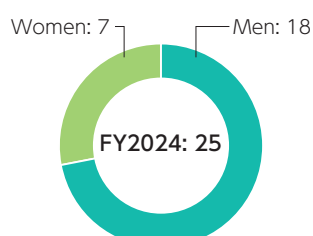
Note: Full-time employees only

### New Graduate and Mid-Career Managers



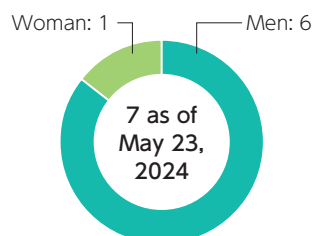
Note: Full-time employees only

### Hires by Gender (New Graduates)

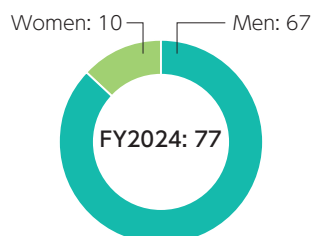


Note: Full-time employees only

### Directors by Gender



### Hires by Gender (Mid-Career)



Note: Full-time employees only

### Average Length of Service by Gender



Note: As of FY2024 end; full-time employees only

### Average Annual Salary by Gender



Note: 1. As of FY2024 end; full-time employees only  
Note: 2. Male average age: 43.1 years old; female average age: 37.6 years old

## Promoting diversity and creating comfortable working environments

In FY2024, 23 Daiseiki Group employees utilized childcare leave, of whom 15 were men employees.

### Acquisition of paid leave and maternity/childcare leave at the Daiseiki Group

	FY2022	FY2023	FY2024
Paid leave acquisition rate (%) <sup>*1</sup>	60.5	67.3	63.4
Utilized maternity leave (people)	7	10	3
Men who utilized childcare leave (%) <sup>*2</sup>	10.8	21.4	37.5
Avg. number of days used for men's childcare leave (days)	-	12.1	61.7
Women who utilized childcare leave (%) <sup>*2</sup>	85.7	150.0	200.0
Avg. number of days used for women's childcare leave (days)	-	255.3	454.3

### Daiseiki Group's turnover rate (FY2024) (%)

	Male employees	Female employees	Total
Turnover rate (%) <sup>*3</sup>	3.9	4.2	3.9

<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 FY2024 within the number of employees in February 2024

## Promotion of active participation of women

Daiseiki aims to increase the ratio of female managers to 10% by the end of FY2027. In FY2024, three female employees at the assistant division chief level attended a four-day female manager training course, where they learned about the role of female managers and the



formulation of action plans. We will continue bolstering efforts for the development of female managers.

Female manager training course

## 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' perspectives, 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

The Daiseki Group has set targets related to the turnover rate, paid leave utilization rate, and ratio of female managers in order to promote health management and diversity in FY2023.

#### Actual and target figures related to human resources for FY2024

	Actual	Target
Turnover rate	3.9% (1.9%)	Less than 2% by FY2031 (less than 1%)
Paid leave acquisition rate	63.4% (70.1%)	By FY2031 80% or more (80% or more)
Rate of female managers	5.0% (3.8%)	By FY2027 10% or more (10% or more)

Note: ( ) shows the number of Daiseiki only

### Efforts for nurturing human resources

#### ● Employee trainings

The Daiseiki Group actively implements training programs recognizing that employees are our human capitals. From FY2023, we are sending employees to a training course for female candidates for management positions. We will also continue holding compliance study sessions for all employees.

#### Total training hours at the Daiseiki Group (FY2024)

Description	Total training hours (hours)	Total number of attendees (people)
Compliance study sessions	7,035 (5.7 hours per employee)	14,070
Training per job levels	562	44
Female manager training courses	58	3
Online management training	458	11
Other trainings	1,113	159
Total	9,226 (7.5 hours per employee)	14,287

### Securing human resources to achieve VISION 2030

To achieve the ambitious goals of VISION 2030, we are focusing more than ever on developing and recruiting talented human resources to maximize employee capabilities. Eleven management-level employees, who will be the core of Daiseiki in the future, have started an online management training program provided by an outside vendor in FY2024. In this program, they can learn business skills as managers through management perspectives.

### Training per job levels

Daiseiki provides training to develop employees in accordance with their career advancement.

#### ● Step-up training

Daiseiki provides training for candidates for promotion to chief position to help them become independent as professional human resources. The training emphasizes taking a self-assessment, drawing up a vision of where they want to be and what they want to achieve in their career, and enhancing their intrinsic motivation. In FY2024, 23 employees participated in this two-day training program and learned about the future vision of Daiseiki and themselves, junior staff development, and goal setting.

#### ● Training for newly appointed managers

Daiseiki conducts training for employees newly appointed as managers. The training emphasizes the importance of acquiring a managerial mindset, a high perspective, a broad view, and the ability to manage junior staff and the workplace. In FY2024, 16 employees participated in this two-day training and learned about the Daiseiki Group's vision, the ideal supervisor, and appropriate evaluation methods for junior staff through lectures and group discussions.

### Hiring and training-related investments

The Daiseiki Group is strengthening its investment in hiring and training to secure human resources that drive growth.

(Millions of yen)

	FY2022	FY2023	FY2024
Hiring and training-related investments	27	23	27

### Creating comfortable working environments

#### ● Internal environment improvement policy

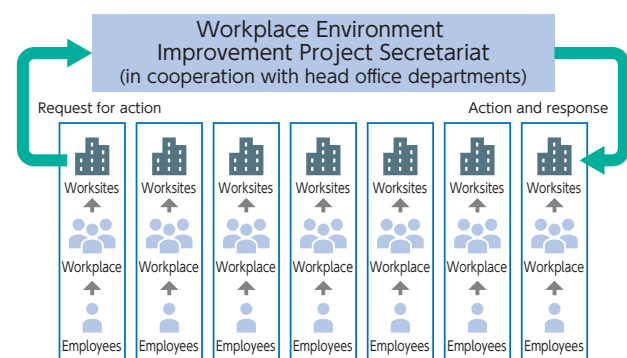
In order for employees to be proud of their work for their families, we believe it is important that they are fulfilled in

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 it to consider everything from its 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 for their families.

### ● Workplace Environment Improvement Project

Since FY2020, at Daiseki, the employees in charge of the project and each department have been working together on improvements while listening to employees' opinions toward improvements of the workplace environment. In December 2023, we revised systems to make it easier to hear the feedback of employees more directly. By hearing opinions directly from employees, we can use this information when considering measures.



Workplace Environment Improvement Project implementation framework

### ● Introduction of a system that facilitates balancing childcare and work

At Daiseki, employees raising children up to the beginning of the fourth grade of elementary school can choose shortened working hours to achieve a balance between childcare and work. Furthermore, in March 2024, we revised our work regulations to allow them to select from 4, 5, or 6 working hours per day and a 9 or 10 a.m. start time.

### ● Qualification acquisition support system

Daiseki revised the qualification support regulations in March 2024 to enhance employees' willingness to learn and their abilities. We have decided to subsidize the cost of acquiring qualifications designated by the Company, and to provide a qualification allowance to employees who make use of the qualifications they have acquired in their work. We will strive to create a rewarding workplace where employees can maximize their abilities.

### ● Shareholding association system

To encourage employees to have an interest in the Company's management and to expand employee benefits, Daiseki grants a stock holding incentive of 15% of the reserve amount to support employee ownership of company shares. In addition, in April 2024, we decided to introduce a restricted stock incentive plan for the shareholding association system (shareholding association system RS). We hope that our employees will work harder and perform better than ever to improve the Company's business performance.

### ● 360-degree diagnosis

Daiseki started the 360-degree diagnosis in FY2024. This is an effort to visualize the abilities of employees in management positions by observing their usual management behavior from multiple perspectives, including supervisors, subordinates, and colleagues, and to provide them with opportunities to notice their abilities to improve the work environment and organizational performance. In FY2024, we conducted a 360-degree assessment of employees at the general manager level and above, and the results showed that employees who took the assessment said they became more aware of how their junior staff view them. Daiseki believes that the participants learned how their daily activities were perceived by those around them, and were able to identify strengths and weaknesses in management and leadership that they did not recognize. In FY2025, we will expand this initiative to include deputy general manager level employees and deepen it further.

### ● Comments from employees who took childcare leave Voice

#### Irreplaceable moments

Daiseki, Kyushu Works, Production Technology Division, Technician Takuma Tanabe

My first child (first daughter) was born in June 2023, and after my wife went to her parents' house for a month right after giving birth and then returned home, I took a one-month childcare leave. During this childcare leave, I was able to reduce my wife's workload by doing housework and changing diapers for the children. Although there were many days when it took us a long time to put the child to bed, thanks to the childcare leave, I was able to do so with more time and a peace of mind. As it was our first child, we knew nothing about childcare. However, having time to think together and sharing childcare helped her physically and mentally. I am grateful that I could take childcare leave thanks to the cooperation of my supervisors and colleagues at work.



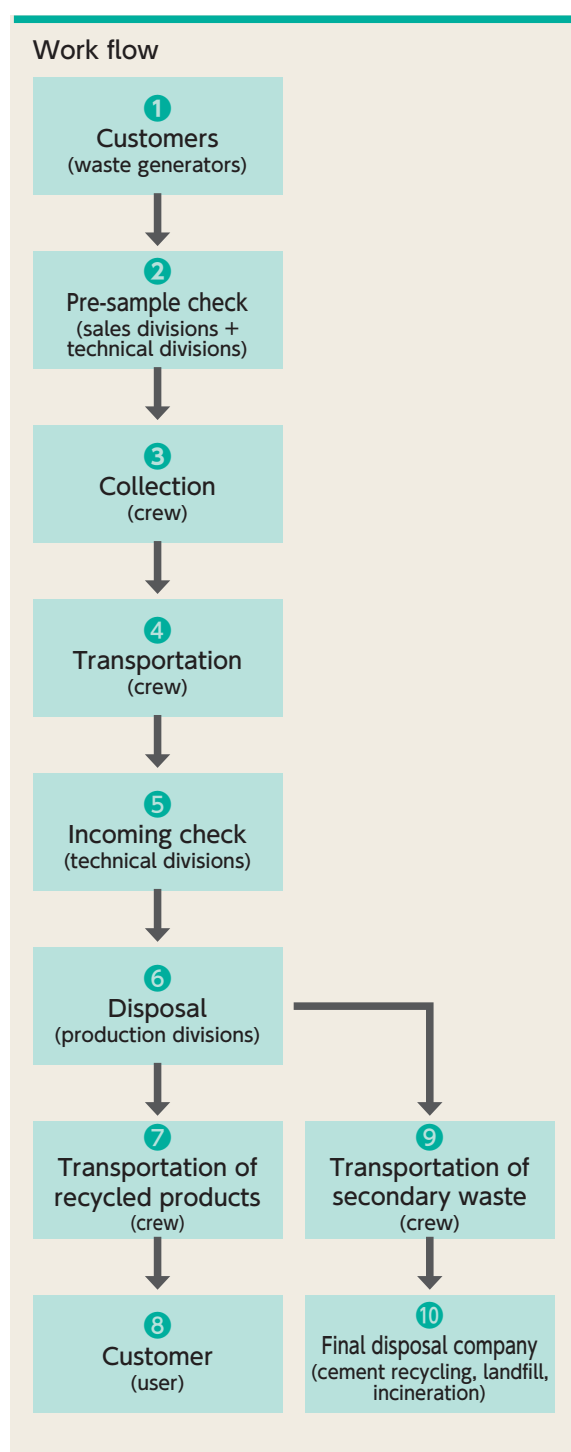


## Safety Management

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

### Work Flow and Operational Risks in Daiseki's Industrial Waste Treatment

The risks inherent in each process of Daiseki's business operations include the following. Based on an understanding of these risks, we have established a system to prevent accidents by installing safety equipment such as fume hoods and formulating rules for safe handling.



Work process	Work content	Operational risks
1	The sales division receives waste information from the customer	Risks due to lack of information, discrepancies between actual incoming goods and advance information
2	The sales division takes a pre-sample of the waste, and the technical division conducts an inspection	Toxic gases generated and inhaled during inspections
3	The crew drives a large vehicle to pick up the waste at the customer's plant	Traffic accidents with large vehicles, occupational accidents during pick up, and leakage accidents
4	The crew drives a large vehicle to transport waste to the Company's plant	Traffic accidents with large vehicles, occupational accidents during unloading, and leakage accidents
5	The technical division checks the properties of the incoming material	Toxic gases generated and inhaled during inspections
6	The production division disposes of the waste according to the instructions of the technical division	Industrial accident during disposal work, unexpected reaction accident
7	The crew transports recycled products to the customers who need the recycled products	Traffic accidents with large vehicles, occupational accidents during unloading, and leakage accidents
8	The customer uses the recycled products	—
9	The crew transports secondary waste	Traffic accidents with large vehicles, occupational accidents during unloading, and leakage accidents
10	The final disposal company dispose of secondary waste (cement recycle, landfill, and incineration)	—

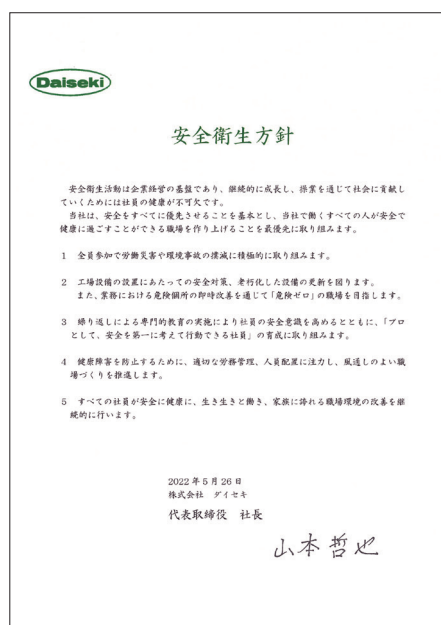


## Work-related Safety and Health Initiatives

Daiseiki has established a Safety and Health Policy, built a management system, set appointed personnel, and endeavors to prevent accidents by raising employee awareness and knowledge of safety through various activities.

### 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

### Safety Promotion Manager Appointment

"Safety Promotion Office" has been established at each Daiseiki worksite managed by "Safety Promotion Manager." One Safety Promotion Manager is appointed at each site to promote safety.

The Safety Promotion Manager, who has been delegated safety authority by the President, is responsible for instructing employees and ensuring that various safety measures are implemented at each worksite.

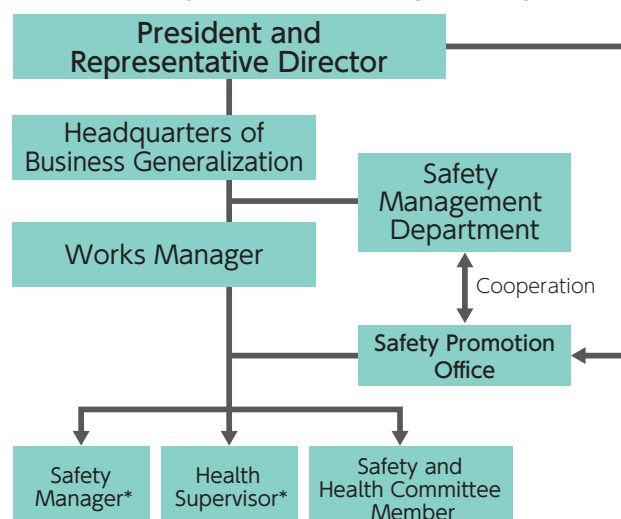


Safety Promotion Manager Appointment Ceremony

### 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 worksite 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



\* At the Chiba Works and Hiroshima Works, which have less than 50 employees, it is not necessary to appoint a Safety Manager and Health Supervisor, thus a Safety and Health Promoter has been appointed

### Targets for Safety Management

Daiseiki sets targets for safety after determining policies, establishing a safety management system, and appointing a Safety Promotion Manager. Daiseiki's target is to achieve zero annual occupational accidents accompanied by lost worktime at each worksite. As a target for the Daiseiki Group, we aim to reduce the incidence and severity rates of occupational accidents in the Group to below the average of the manufacturing industry by 2030.

	Results (January to December 2023)	Target (every year)	Long-term target (January to December 2030)
Number of accidents accompanied by lost worktime (Daiseiki)	10	0	0
Frequency rate of occupational accidents (Daiseiki Group)	3.27	-	Less than 1.00
Intensity rate of occupational accidents (Daiseiki Group)	0.05	-	Less than 0.06

## Safety conference

At the beginning of each half-year period, the President, along with responsible officers and safety management personnel, visits every worksites to hold a safety conference.

The safety conference addresses the following items to emphasize the priority of health and safety.

- President's address
- Safety Promotion Manager appointment
- Group awards for operations department (crew) who have achieved zero accidents
- Lecture by the Headquarters Safety Management Department
- Safety Promotion Manager's address
- Works Manager address (declaration of priority action items in the form of a promise to the President)
- Recitation of the original safety slogan

Content of the safety conference



Recitation of safety slogans at the safety conference

## Safety training

### ① Compliance study sessions

We hold monthly compliance study sessions with topics related to safety for all employees. Accidents that occurred in the previous fiscal year and dangerous waste materials were set as safety topics for 2023 to ensure thorough compliance with internal rules and to educate employees on how to handle dangerous hazardous substances.

#### 2023年6月 コンプライアンス勉強会資料

#### 廃棄物の危険性について(酸、アルカリなど)



Compliance study session materials

### ② Risk assessment workshop

Risk assessment is required to be carried out under the Industrial Safety and Health Act. Risk assessment requires not only compliance with the minimum standards for the prevention of harm as stipulated by law, but also requires voluntary health and safety management by business operators. Daiseiki conducts risk assessment training workshops with the aim of preventing accidents from occurring.

実施内容	
■開催日時	〈第1回目〉12月7日(水) 15:00 ~ 16:00 〈第2回目〉12月7日(水) 17:00 ~ 18:00 〈第3回目〉12月8日(木) 8:45 ~ 9:45 〈第4回目〉12月8日(木) 10:00 ~ 11:00
■対象者	管理職、営業、生産、業務(実績: 28名出席)
■実施内容	①リスクアセスメントの概要説明 ②リスクの分類、リスクの見積もり、進め方等 ③リスク低減処置の検討順位
■効果確認	今後の導入に向けた意識・内容を理解していただけた

Contents of the risk assessment workshop

### ③ Safety training workshop for partner companies

Daiseiki's waste collection operations are made possible by the cooperation of its partner companies. In waste collection operations, there is a risk of chemical injuries due to exposure to collected materials containing hazardous substances. In the case of work involving construction, there is also the risk of injury from falls and other accidents. We conduct regular safety training workshops to increase the awareness and knowledge of our partner companies toward safety.



Safety training workshop for partner companies

## Safety training achievements

The Daiseki Group's safety training achievements are as follows. (Includes the safety education results of the compliance study sessions on p. 62.)

	FY2024
Total hours of safety training (hours)	4,071
Total number of attendees (people)	4,615

## Elimination of unsafe conditions

Daiseki has been implementing activities to ask customers to cooperate in the elimination of unsafe conditions to enable the safe collection of waste by identifying unsafe locations at customer sites where waste is generated. In addition, we have been addressing the lack of or incorrect information on waste materials and hazardous incoming materials. These initiatives are not only meant to prevent occupational accidents, but also leakage accidents and unexpected reaction accidents. As a result, in 2023, we could eliminate 31 out of the 34 unsafe conditions.



Example of improvement of a customer's unsafe conditions  
(elimination of loose electric wires at the customer's premises)

## Analysis of accident factors and countermeasures

Daiseki analyzes the factors that led to accidents and examines the approach to countermeasures in order to prevent recurrence of accidents. Specifically, the process leading up to the accident is identified, and a why-why analysis is conducted to determine why the event that resulted in the industrial accident or incident occurred, why the action was taken, and the true cause. We analyze where the problems were from the viewpoint of worker factors, work environment (equipment and materials) factors, and management factors. In addition to specific countermeasures for each individual accident, we also develop fundamental countermeasures and rules that can be broadly applied.

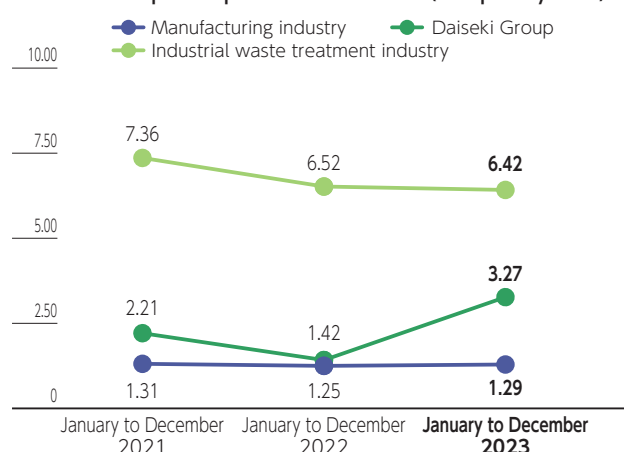
## Daiseki Group's work-related accident record

In the Daiseki Group, there were 10 accidents accompanied by lost worktime and 16 accidents not accompanied by lost worktime in FY2024. The number of accidents accompanied by lost worktime included injuries caused by falls and tumbles, while the number of accidents not accompanied by lost worktime included injuries caused by contact with wastewater, cuts, and other accidents.

### Daiseki Group's work-related accidents (cases)

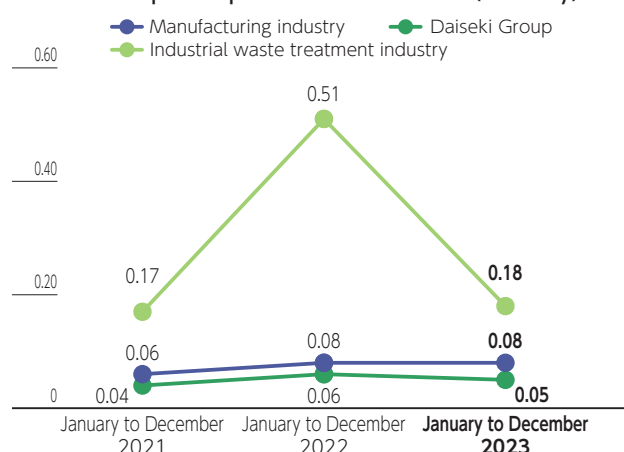
Year	January-December 2019	January-December 2020	January-December 2021	January-December 2022	January-December 2023
Fatalities	0	0	0	0	0
Accidents accompanied by lost worktime	7	7	6	4	10
Accidents not accompanied by lost worktime	5	2	7	13	16

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



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

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



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



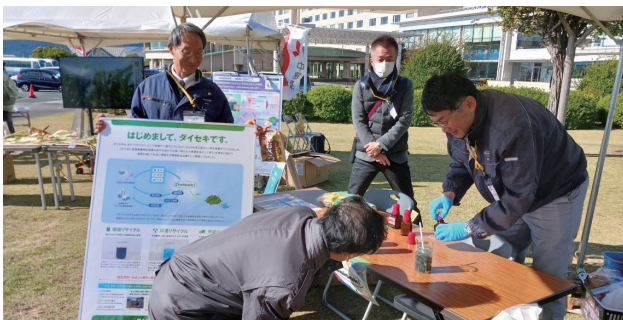


## Local Communities

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 for local communities.

### Promotion of a circular economy business 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. Gamagori City is working on forming a regional circular symbiotic zone centered on the general waste treatment plant and launching industry-academia-government collaboration to achieve this. Daiseki is planning to work with this initiative to produce biomass fuel from general waste to generate electricity and supply the region with electric power. In this manner, Daiseki will work toward the realization of a circular economy that coexists with the local community.



Daiseki's booth at the Circular City Gamagori event held by Gamagori City

### Making a hometown tax donation to Harima Town

In October 2023, Daiseki made a corporate version of “hometown tax donation” to Harima Town, Hyogo Prefecture. The town used the donation to install electric vehicle charging facilities. In June 2024, an unveiling ceremony was held, and the Daiseki Kansai Works Manager attended.



Unveiling ceremony of charging facilities funded by Daiseki's hometown tax donation (Daiseki Kansai Works)

### Support for flood disaster recovery in Toyokawa City (Daiseki Eco. Solution)

In June 2023, local heavy rainfall in the Tokai region caused river flooding in Toyokawa City. Daiseki Eco. Solution, which belongs to the Aichi Industrial Resources Recycling Association, conducted disaster waste treatment activities in Toyokawa City together with about 40 supporting companies at the request of the city. The disaster waste was taken to temporary storage sites and collection points in the city, sorted, and disposed of by various industrial waste disposal companies. Daiseki Eco. Solution was in charge of sorting and managing the removal of disaster waste from temporary storage sites and collection points, as well as processing the muddy soil mixed with waste from the collection points, and processed approximately 3,000 tons of muddy soil. Through restoration support activities in cooperation with supporting companies, we were able



to complete prompt and accurate processing of disaster waste.

Disaster waste removed to a collection point in Toyokawa City

### Carrying out plant tours

Daiseki has been holding plant tours from time to time, mainly for customers and neighborhood residents who are industrial waste generators, and 1,545 people from 807 companies visited plants in FY2024. Visitors were asked to complete a questionnaire that rated the health and safety conditions at the plant and the responsiveness of employees on a 5-point scale, with an average score of 4.5 in FY2024. We have been explaining to neighboring residents about Daiseki's implementation of proper treatment and compliance with laws and regulations, and have gained their understanding.



Residents living near the plant are invited to plant tours on a regular basis (Daiseki Nagoya Works)



## Disseminating Information and Interacting with Local Communities and Stakeholders

Daiseiki makes an effort to engage in dialogues with residents living near its 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 COP28 Virtual Japan Pavilion

Daiseiki joined COP28 Virtual Japan Pavilion organized by Ministry of the Environment in November 2023. 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 oil, which can reduce the use of fossil fuels, and that Daiseiki's waste recycling reduces greenhouse gas emissions by 97% compared to simple incineration.



Presentation slide for COP28 Virtual Japan Pavilion

### Cooperation with the University of Tokyo OEGs

In FY2023, Daiseiki 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, and conducted activities for the second year in FY2024. In this project, students of the University of Tokyo are taking the initiative to study circular economy businesses that can contribute to the preservation of the global environment. In FY2024, students explored the possibility of circular economy businesses using microorganisms, and in February 2024, students presented their proposal to the Board of Directors of Daiseiki. We plan to continue this activity in FY2025.



Proposal presentations by students from the University of Tokyo OEGs (at Daiseiki Headquarters)

### Certified as a Leading Company in Utsunomiya City (Daiseiki MCR)

In May 2024, Daiseiki MCR was recognized by Utsunomiya City as a Leading Company in Utsunomiya City for FY2024, in recognition of its high contribution to the local economy. Daiseiki MCR, under the slogan "Clean & Recycle," collects, crushes, melts, refines, and molds waste lead batteries to produce 99.99% pure lead ingots, making it the largest lead smelting company in the Kanto-Koshinetsu area. In addition to using the first rotary melting furnace fueled by natural gas in Japan and the world's first induction heating lead smelting furnace, the Company has introduced Tokyo Gas's carbon-neutral LNG and is actively working toward carbon neutrality. Daiseiki MCR's contributions to employment and corporate tax payments to the City were highly appreciated by Utsunomiya City.



Leading Company in Utsunomiya City certification ceremony (Daiseiki MCR)

### Award for Distinguished Service in the field of Environmental Protection in FY2025

Organizations and individuals who have made significant contributions to environmental protection in Aichi Prefecture are recognized by the governor. In June 2024, Daiseiki's vice president was awarded for his long-term dedication to promoting environmental sanitation projects and achieving remarkable accomplishments.



Award for Distinguished Service in the field of Environmental Protection in FY2025 presentation ceremony



## A Roundtable Discussion with Our External Directors

# Strengthening growth as an environment-creating company through governance that supports aggressive management

### Strengthening governance related to investment to contribute to Daiseki's aggressive management

— What are your thoughts on efforts to strengthen the effectiveness of the Board of Directors?

**Sahashi** At Daiseki, we have been working to strengthen the management oversight function of external directors. As a result, we feel that the Board of Directors has become more active and its effectiveness has increased. Since the appointment of President Yamamoto, we have been able to better understand the operational status of each works, and as external directors, we aim to conduct audits while gaining an accurate understanding of the actual situation of each works and Group company, and provide appropriate advice to the management team.

**Okada** I have been participating in the Board of Directors meetings, where lively discussions take place, since last year. Based on my experience in group company management, I believe it would be beneficial to make the criteria and evaluation process for investment projects involving significant amounts of money stricter and have them approved by the Board of Directors. I proposed this, and as a result, the criteria have been revised to bring investment projects above a certain threshold to the Board of Directors for deliberation.



**Mitsuru Okada**

After working at Furukawa Electric Co., Ltd., he became President and Representative Director of UACJ Corporation in October 2013. Took on his current role at Daiseki in 2024.

**Maeda** That's quite a quick response. I joined the Company this year and feel that Daiseki has an open atmosphere where people can speak frankly.

**Suganuma** I also felt the same way. Order and control are necessary, and a Board of Directors that simply approves matters has no meaning. When I joined in May, the President encouraged me to speak candidly at the Board of Directors, and I feel that there is an environment where employees can actively exchange information and express their opinions to their supervisors, just like at meetings of the Board of Directors.

**Sahashi** As Director Suganuma mentioned, one of our important roles is to ensure good governance by checking the Company, reporting to the Audit and Supervisory Committee, and expressing our opinions as necessary through our attendance at meetings of the Board of Directors.

**Okada** Because risks have been diversifying recently, I would like to see the Board of Directors address all issues that may affect the Company as a whole. For example, regarding the evaluation of investment projects, I would like to see more projects brought up for deliberation by lowering the threshold further. While increasing the number of agenda items might add to the burden and pressure on the employees explaining them, it will also naturally enhance their sense of responsibility and motivation. I hope the Board of Directors will continue to evolve by functioning as a forum that not only strengthens governance but also contributes to the growth of core employees.

### New business development and expansion of existing businesses Accelerating growth from two axes

— What is your evaluation of the measures toward achieving VISION 2030?

**Sahashi** In order to achieve VISION 2030, we are diversifying into new business development, business expansion, and M&As. However, I feel that we need to sow more seeds to achieve the Group's overall target of





25 billion yen in operating profit. FY2025 will be the halfway point toward VISION 2030. I think one critical point is whether we can prioritize highly profitable businesses in this year.

**Okada** The goal of 25 billion yen in operating profit is very ambitious. I see this as a strong declaration of Daiseiki's determination. However, time is limited. We also need to focus on expanding existing businesses through business expansion while running new businesses.

**Maeda** The 3-3 Project targets include developing three business locations, establishing three new core businesses, and achieving a 30% domestic market share in core businesses. I think the Asian market has great potential as we look for breakthroughs beyond that. Industrial waste treatment and recycling with low environmental impact is a need that will surely emerge, and there are many possible methods and forms of advancement. We have already begun investigations and dialogues with authorities in some countries, and advancing such activities actively will significantly contribute to Daiseiki's growth and have great social significance.

**Suganuma** I have been involved in the formulation of various plans in the prefectural administration, and I believe there is no point in setting goals that can be achieved by the way we have been doing. I believe that a plan becomes meaningful only by setting ambitious goals and incorporating a strong will to achieve them. Director Sahashi said, "We need to sow more seeds," and I think that we need to take steps to not only increase the numbers but also accelerate growth.

**Strengthening measures that lead to diversity and maximizing the vitality and capabilities of employees is also essential**

— What do you think about the efforts toward sustainability so far?

**Sahashi** Strengthening human capital is an essential priority for future expansion. I feel that Daiseiki is still not well known in terms of securing human resources. What should we do to promote the image of Daiseiki as an environment-creating company? Last December, Daiseiki was featured in a documentary program called "The Unknown Gulliver." Young people who are our recruitment targets may have seen it.

**Maeda** Job changes and job hunting through social media are becoming more common among the younger generation. The younger generation relies on sources



**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 Daiseiki Auditor in 2012.



#### Katsumi Maeda

After working at Deloitte Touche Tohmatsu LLC Nagoya Office, established Maeda Katsumi Certified Public Accountant & Tax Accountant Office in 2016 and assumed the position of Director (current position). Took on his current role at Daiseiki in 2024.

other than traditional mass media, so we should explore approaches accordingly. I have seen various companies during my time as an auditor, and I observed that companies where young people are given authority are working lively and growing at a faster pace.

**Okada** There is also an urgent need for measures to harness the power of current employees. I advised on the merits of having employees explain investment projects at meetings of the Board of Directors, and I think it is necessary to activate such movements in all departments within the Company and link them to the Company's evaluation.

In addition, at each of our works, the Works Manager operates with significant authority and ambition. This is great, but many of these Works Managers come from sales backgrounds. In order to ensure diversity, I suggested that it would be good to promote\* people with technical backgrounds as well.  
\* Works Manager with a technical background took over at the newly established Hiroshima Works in March 2024

**Suganuma** As they say, "The people are the castles, the stone barriers," and I believe that if we could successfully draw out people's abilities and motivation, they would help us in all kinds of ways. I would like to express my respect for Daiseiki's commitment to diversity and inclusion, and for quickly implementing improvement



measures. I believe we can expect even more from them. Having people with diverse experiences and ways of thinking will lead to new perspectives and plans.

Regarding promotion of the active participation of women, we have been focusing on childcare support and the promotion of women to management positions. These measures will create comfortable working environments, including not only female employees but also male.

**Okada** When I visited the Kansai Works, I was surprised to see a female employee of the Production Engineering Division working on top of a tanker truck with a smile. I heard that it was believed that women could not do dangerous work in the past, but this would have limited the scope of work for female employees. So, during workplace improvement activities, measures were requested to allow women to work safely on vehicles. Following this request, fall prevention measures and steps were installed on the vehicles, creating a safe work environment for everyone, not just women. Flexibly responding to employees' opinions and requests is a strength of Daiseiki.

**Sahashi** I also think that the Company listens sincerely to the voices of its employees. I would like to see Daiseiki promote to create comfortable working environment, including the active promotion of women, in order to secure new human resources.

### Delegate authority and manage talent selectively to develop the next generation of leaders

— What is necessary for developing Daiseiki's future leaders?

**Sahashi** One of Daiseiki's challenges in developing the next generation of leaders is the age distribution of employees, with few mid-career employees. Director Maeda mentioned previously that delegating authority to the younger generation should be a priority.

**Okada** The Nomination and Compensation Committee





has begun discussions on the definition of requirements for candidates, and the transfer of authority is one of the important milestones in developing the next generation. The most urgent issue is to select board members from among employees in their late 40s to early 50s, and I think it is acceptable to give each of them a mission and promote them based on their achievements.

**Sahashi** We need to create an environment where human resources are nurtured and evaluated respectfully. The entire Board of Directors will work on this with a sense of urgency.

### Fulfilling the mission of a leading company for a resource-oriented society

#### — What do you think is the ideal future for Daiseiki and the role of external directors?

**Sahashi** One of the key factors that has enabled Daiseiki to grow steadily over the years is its strong ties with the local community. Currently, although Daiseiki Co., Ltd. has seven works in Japan and plans to increase the number in the future, building good relationships with local businesses, governments, and residents is extremely important and takes time. I hope Daiseiki will see community ties as part of its growth strategy, and it will continue to work on this as it has in the past.

**Maeda** I joined an auditing firm in my previous position in 1997, around the time Daiseiki went public in 1995 and was listed on the First Section of the Tokyo Stock Exchange in 2000 when the Company was really beginning to emerge. My supervisor at that time was involved in the development of accounting standards for Daiseiki, and because it was the first time a company specializing in industrial waste treatment had gone public, I worked on creating new accounting standards. I remember watching that and feeling inspired, realizing that the work of an accountant is incredibly creative, as if it happened yesterday. Nearly 30 years have passed since then, and I feel that Daiseiki's presence and recognition as a leading company in the industry have



increasingly grown. I intend to actively provide advice on financial and accounting matters and contribute to Daiseiki's growth.

**Suganuma** I had the privilege of awarding the prefectural environmental prize to the Daiseiki Group when I was serving as the director of the Environment Department of Aichi Prefecture. The award was given in recognition of the Daiseiki Group's pioneering role in the recycling field, and the fact that the Group is active throughout Japan not only in normal times but also in times of disasters. I am convinced that Daiseiki's efforts toward a circular economy will significantly contribute to building a sustainable society. I hope to leverage my experience in administration related to the environment, education, welfare, and promoting the active participation of women at Daiseiki.

**Okada** Today, we had a candid discussion with everyone, and I believe the primary role of external directors is to fulfill their duty of care toward the company. My goal is to fulfill this role with fairness and objectivity. In addition, the company's growth is largely dependent on the growth of its employees. I will make every effort to create an environment in which all Daiseiki employees can perform to the best of their abilities.



#### Ayako Suganuma

After working for the Aichi Prefectural Government, became the President of the Aichi Prefectural Culture Promotion Foundation in 2018. In 2023, became the President of the Aichi Prefecture Women's Welfare Association. Took on current role at Daiseiki in 2024.



## Compliance

For the 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

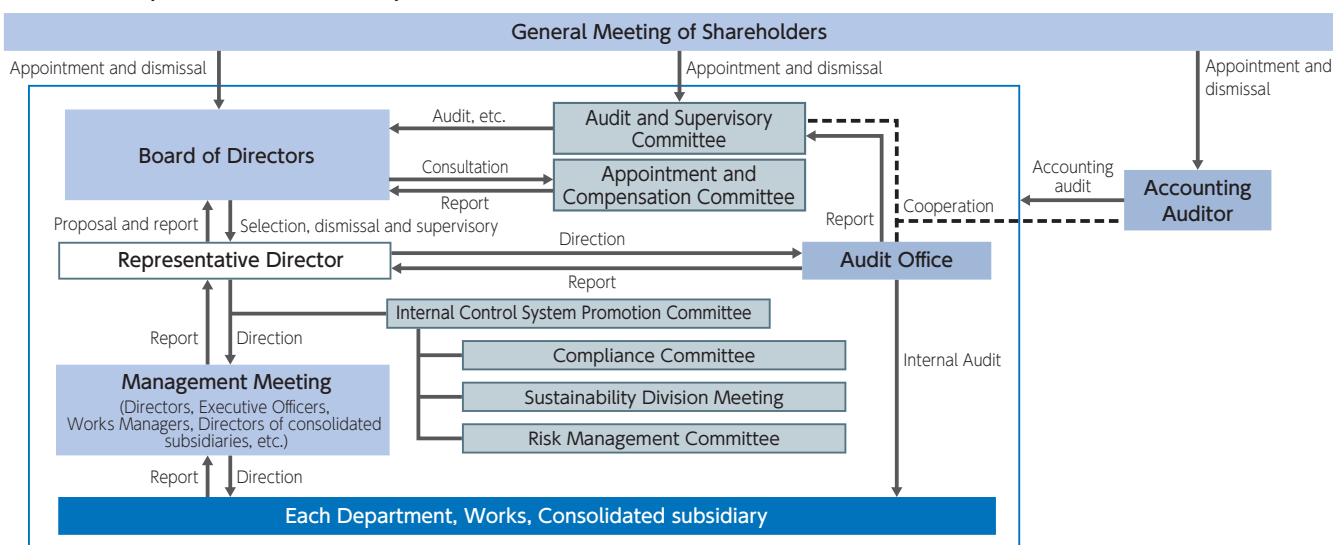
delegated to the Works Managers at each works and the Presidents of each Group company, with the Management Meeting held with the participation of directors, executive officers, Works Managers, directors of consolidated subsidiaries and other staff.

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.

The Corporate Governance Report disclosed by Daiseki in May 2024 can be found here (In Japanese).

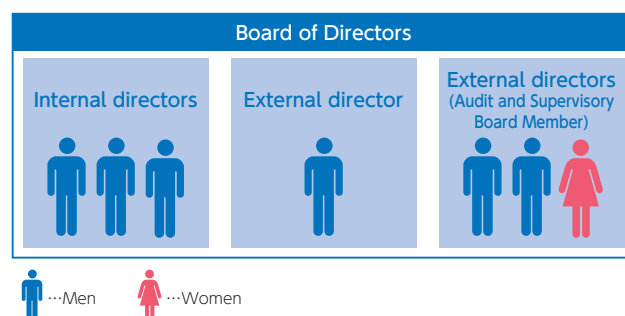
[https://www.daiseki.co.jp/image/sustainability/governance/corporate/Corporate\\_Governance\\_Report\\_2405.pdf](https://www.daiseki.co.jp/image/sustainability/governance/corporate/Corporate_Governance_Report_2405.pdf)

## 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 FY2024 (Daiseiki)

Meetings of the Board of  
Directors held

Held **20** times

Meetings of Audit and  
Supervisory Committee  
held

Held **14** times

Ratio of external directors  
within all directors  
(as of May 23, 2024)

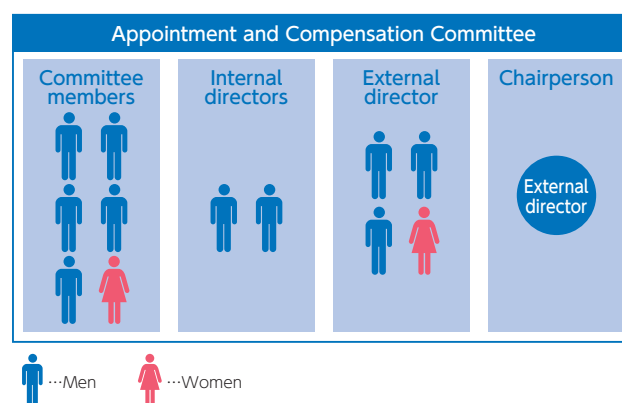
**57.1** %

### Sustainability governance by the Board of Directors

We hold the Sustainability Headquarters Meeting, composed of the President and executive officers of Daiseiki and the Presidents of Group companies, twice a year to deliberate and decide on important matters, including risk management related to environmental protection, climate change and human capital issues. The General Manager of the Headquarters of Planning and Management, appointed by the President as the General Environmental Management Manager responsible for the environmental field, including climate change issues, submits specific plans to the Sustainability Headquarters Meeting, where these plans are deliberated and formulated. The content and progress of these plans are reported to the Board of Directors.

### Governance by the Appointment and Compensation Committee

The Appointment and Compensation Committee decides on the appointment, dismissal, and compensation of directors based on consultations from the Board of Directors, thereby enhancing the independence, objectivity, and accountability of the functions of the Board of Directors. The Appointment and Compensation Committee was held five times in FY2024.



### Directors skill matrix

The skills matrix of directors ensures an appropriate number of members for accurate and prompt decision-making by the Board of Directors and balances knowledge, experience, and abilities and considers diversity. Individual directors are selected based on their reputation, insight to ensure compliance with laws, regulations, and corporate ethics, as well as excellent judgment, decision-making ability, achievement-oriented ability, and self-control.

#### Directors skill matrix (as of May 23, 2024)

Name	Title	Age	Gender	Term of office	Committee		C	B	O	G	SA	M	F	S	T	H
					A	Audit, etc.										
Tetsuya Yamamoto	Representative Director	59	Men	29	○		●	●					●	●	●	
Yasuo Ito	Representative Director	51	Men	14	○		●		●	●	●					
Koji Amano	Directors	63	Men	21				●			●					●
Mitsuru Okada	Independent External Directors	67	Men	1	○		●		●	●						
Norikazu Sahashi	Independent External Directors	65	Men	8	○	○		●				●		●		
Katsumi Maeda	Independent External Directors	49	Men	—	○	○			●	●		●	●			
Ayako Suganuma	Independent External Directors	66	Women	—	○	○			●			●				●

Note: A: Appointment and Compensation 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

## Governance of Group companies

The Daiseki Group is engaged in various efforts to strengthen the governance of Group companies as follows.

### 1 Management Meeting

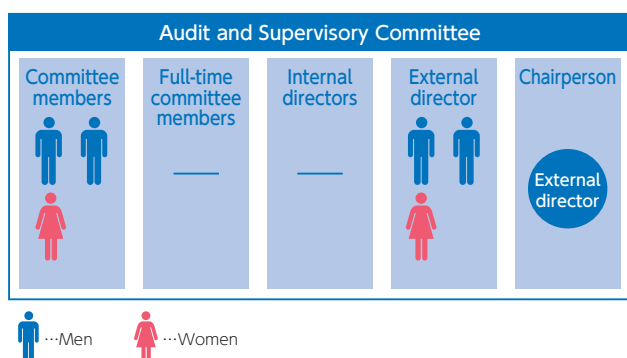
A Management Meeting is held every month, attended by Daiseki directors, executive officers, and Works Managers of each works as well as directors of Group companies. Important matters are directed, communicated, and opinions and information are exchanged at the Management Meeting.

### 2 Dispatch of directors to Group companies

Daiseki dispatches one director each to Daiseki MCR, System Kikou, and Hokuriku Daiseki to conduct governance of the Group companies.

### 3 Audit and Supervisory Committee

Daiseki is a company with an Audit and Supervisory Committee, and as a general rule, the Audit and Supervisory Committee which consists of three external directors who have no vested interest in the company, meets once a month. The Audit and Supervisory Committee reports, discusses, and resolves important matters related to audits and other matters. In March 2024, the Audit and Supervisory Committees of Daiseki and Daiseki Eco. Solution shared awareness of business differences and the role of members of the Audit and Supervisory Committee, discussed collaborative efforts, and discussed risk management with the aim of strengthening Group governance.



### 4 Strengthening communication with Group companies

Since FY2024, Daiseki Co., Ltd. has been holding company-specific Management Meetings with Group companies, with the Headquarters of Business Generalization responsible for implementing business activities and the Headquarters of Planning and Management responsible for compliance, both of which are responsible for strengthening communication and understanding of the actual situation of Group companies. They discuss a wide range of issues, including confirmation of progress on management results, consultation on management issues, and requests for support from Daiseki Co., Ltd.

## 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 Executive officer to ensure reliable financial reporting through the establishment and maintenance of internal control system programs.

## Risk Management

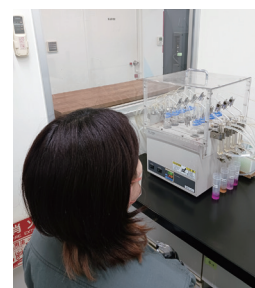
Daiseki established Risk Management Regulations in 2006 to address various risks including earthquakes and other natural disasters, occupational accidents and information leaks. Additionally, we created a risk map and established a response system defining responsible departments for each risk classification.

The Risk Management Committee, which plays a central role in risk management, is chaired by the President Executive officer 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 Headquarters 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.

## Quality control system

Daiseki confirms that recycled products, secondary waste from landfill and incineration, cement raw materials, and other materials comply with internal standards that are stricter than laws and regulations when they are shipped.



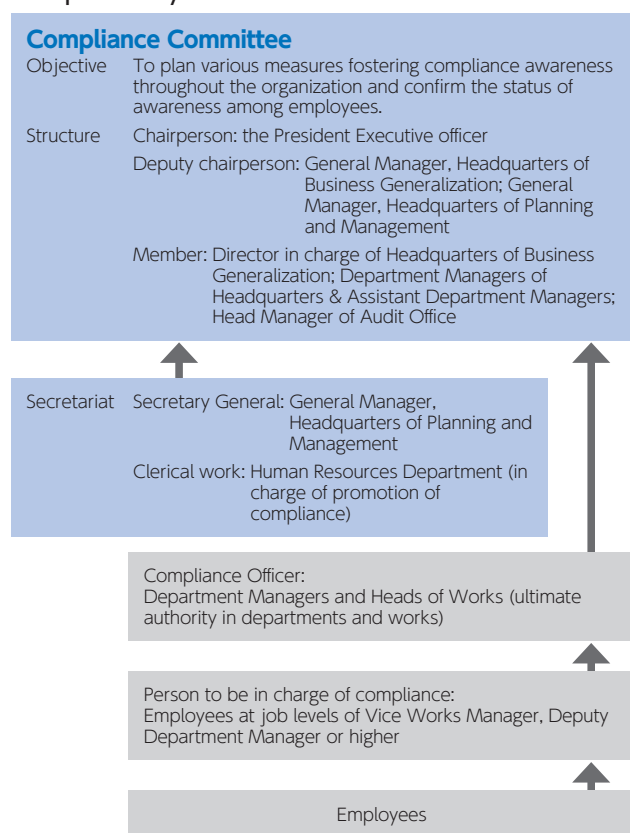
Quality control analysis in progress



## 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 Executive officer 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



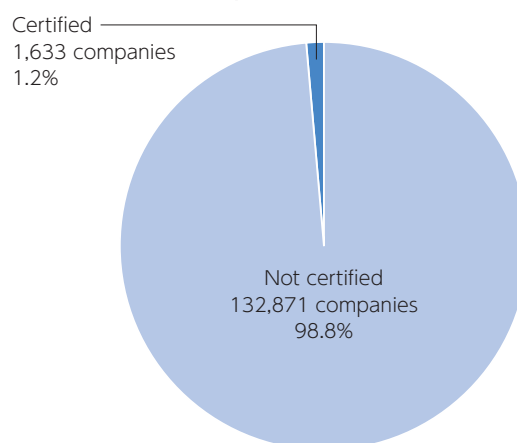
## Compliance consultation desk and protection of whistleblowers

The Daiseki Group established a compliance consultation counter where employees can directly consult with 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 are handled in the strictest confidence only by those who respond in the whistleblower system so no information is leaked to the outside.

## 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. The criteria for certification as an excellent certified business include assurance of legal compliance, disclosure of business information, implementation of environmentally friendly measures, and financial soundness. Once certified, the business is entitled to benefits such as an extension of the validity period of its industrial waste treatment license and an advantage in contracts for the treatment of industrial waste by local governments based on the related law (the Act on Promotion of Contracts of the State and Other Entities, Which Show Consideration for Reduction of Emissions of Greenhouse Gases, etc.). Daiseki was the first operator to be certified under this system by the city of Nagoya in 2011, and as of the end of February 2024 (February 29, 2024), we were certified as Excellent by a total of 49 local governments (45 prefectures and four cities), excluding Hokkaido and Okinawa Prefecture. As of FY2024, there were 134,504 industrial waste disposers (disposal companies and collectors/transporters) in Japan, of which 1,633 companies, or about 1.2%, have been certified as excellent industrial waste disposers.

### Percentage of companies certified as excellent industrial waste disposers



## Status of compliance

The Daiseki Group has complied with various laws and regulations, including environmental laws and regulations, in FY2024, and has not received any adverse dispositions (orders for improvement, orders for action, or business suspension orders).

## Human Rights Protection Policy

Daiseki has established its policy and norms regarding the protection of human rights in its Ethics Charter and Code of Conduct, and disseminates them to all Daiseki Group employees.

### **Ethics Charter (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 (respect for fundamental human rights)**

It is important for employees with different values and perspectives to respect each other's differences in order to cooperate and work together. Mutual understanding, progress, and development are born by acknowledging differences. The Daiseki Group always respects basic human rights, which is the premise of mutual understanding.

- ① We respect the basic human rights of employees and do not discriminate based on race, creed, gender, or physical disabilities under any circumstances.
- 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

Harassment workshops for all managers are conducted regularly by an outside lecturer at the Daiseki Group. Additionally, we are conducting training aimed at preventing sexual harassment and abuse of authority for newly appointed managers. Further, the Human Resources Department regularly interviews employees to monitor for human rights violations.

The Daiseki Group does not engage in discrimination, forced labor, child labor, human trafficking, or any other acts that are detrimental to human rights.

## Preventing corruption

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

### ① Appropriate approach to entertainment, gifts, and similar practices

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

### ② Transactions with public institutions, handling of political contributions and donations

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

### ③ Compliance with the antimonopoly act

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

### ④ Handling of inside information

Employees must under no circumstances use insider information, which is strictly confidential information obtained in the course of their work, for personal financial gain. It is illegal and will hinder sound trading of stocks and other securities on securities markets.

1. Information must not be provided to third parties.
2. Information must not be used for personal gain through private use.

## Status of corruption incidents

In FY2024, there were no cases of employees being dismissed or disciplined due to corruption in the Daiseki Group.

There were also no cases of contracts with business partners being terminated or renewal refused due to corruption-related contract violations. In addition, no lawsuits related to corruption were filed against the Daiseki Group or its employees.

## Securing and utilizing 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 (FY2024 end) (cases)

	Patents holding	Patent pending
Number of intellectual property rights	4	4

## Ensuring information security and utilization of ICT

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 FY2024, there were no incidents involving the leak of personal information.

We conduct information security education and targeted e-mail training, etc., to improve IT literacy as part of our information security measures. We also provide education on this topic including training for new employees and newly appointed managers.

We cover cyber risk insurance as a precautionary measure against cyber risks, such as cyber-attacks and information leaks. This mitigates financial losses in the event of an incident and supports prompt recovery activities.

In addition, after formulating VISION 2030 in FY2019, Daiseiki has introduced business systems such as an attendance management system, a vehicle dispatch request web service, a vehicle dispatch management system using tablets, and an industrial waste contract application system, and is improving operational efficiency through ICT.

## Effectiveness evaluation of Board of Directors

Effectiveness evaluation of Board of Directors held in FY2024 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 2022 through September 2023

- **Person in charge of evaluation** ..... All Directors

- **Overview** ..... Items to be evaluated
  - (1) Composition and operation of the Board of Directors
  - (2) Management strategy and business strategy
  - (3) Discussions at the Board of Directors
  - (4) Operation of the Board of Directors
  - (5) Dialogue with external directors
  - (6) 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.
- Consideration of increasing the amount of time for discussion on succession planning to ensure greater diversity and sustainability of the management team and functions of the Board of Directors.
- Consideration of training candidates for female directors from the company, as the Basic Policy on Gender Equality and Empowerment of Women includes the goal of increasing the percentage of female directors at Prime-listed companies to at least 30% by 2030.
- Consideration of establishing a forum to discuss medium-to long-term management issues and sustainability initiatives with the presidents of Group companies.

## Daiseiki's supply chain management

Daiseiki contracts the collection, transportation, and final disposal of industrial waste to suppliers. To ensure that these suppliers comply with the Waste Management and Public Cleansing Act and other laws and regulations, Daiseiki systematically visits suppliers every year to check their compliance with related laws and regulations.



Visits to suppliers' sites

## Third-Party Assurance

### Verification Opinion



24 June 2024  
Opinion No : SGS24/050

Mr. Tetsuya Yamamoto  
President and Representative Director  
Daiseki Co., Ltd.  
1-86 Funami-cho Minato-ku, Nagoya, Aichi, Japan

#### Objective

SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by Daiseki Co., Ltd. (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO14064-3: 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, and Scope 3 emissions.  
The period subject to report is from 1 March 2023 to 29 February 2024.  
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 Daiseki Co., Ltd. Kyusyu Works and Green Arrows Kyushu Co., Ltd., 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 the GHG Emissions Calculation and Reporting Manual Ver. 5.0, Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.6, Emission Factor Database on the same Accounting Ver. 3.4, IDEEA 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, Godo-cho, Hodogaya-ku, Yokohama  
Business Assurance  
Head of Certification/Accreditation

Yuji Takeuchi

1 / 2

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Attached file

24 June 2024  
Opinion No : SGS24/050

#### The details of the scope of verification

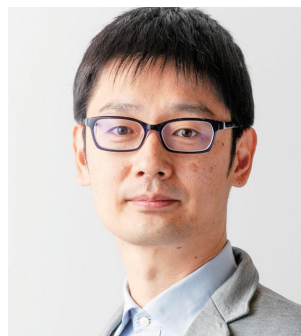
The Scope	The Boundary	The Statement
1 The performance data Scope 1 and 2 from energy related carbon dioxide emissions	The Organization and the consolidated companies	Scope 1 : 29,366 t-CO <sub>2</sub> Scope 2 : 11,322 t-CO <sub>2</sub>
2 Scope 3 (category 1)	The Organization and the consolidated companies	82,082 t-CO <sub>2</sub>

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## Third-Party Opinion



### Professor Hidemichi Fujii

Graduate School of Economics, Kyushu University

Specializes in Japanese economics and environmental economics. He conducts research on institutional design for a sustainable society. In 2021, he received the Young Scientists' Award by the Minister of Education, Culture, Sports, Science and Technology for his "research on innovation for a sustainable society." In 2021, he wrote a series on corporate environmental management for "the Easy Economics" section of the Nihon Keizai Shimbun, and in 2022, for "the Scholars' Perspectives on Issues" section of the Weekly Economist. He co-authored "Measuring Happiness: Understanding Well-being" (Chuokeizai-Sha, 2021).

I believe that the industrial waste treatment and recycling industry is a business that contributes greatly to balancing environmental protection and economic development, which is important in considering a sustainable society. In particular, in Japan, where resource reserves are scarce, the recycling of resources from industrial waste is important from the perspective of resource and energy security. In March 2024, the Japanese Cabinet approved the Law Concerning Advancement of Recycling Businesses to Promote Resource Recycling, which aims to promote efforts to solve various social issues such as carbon neutrality, economic security, and regional development.

Against this backdrop, Daiseki Co., Ltd. has formulated its long-term business plan VISION 2030 as a milestone for realizing a company that prospers for 100 years, setting the company's purpose of "an environment-creating company contributing to society through the environment by making the best use of limited resources." In addition to the expansion of existing businesses, the plan is highly commendable in its willingness to take on the challenge of new business models, including collaboration with local governments and venture companies, as well as entering new markets through M&As, with the aim of establishing three new core businesses.

In addition, "the Story of Value Creation at Daiseki" explained in the report enables the reader to understand from a variety of perspectives how Daiseki is pursuing its management strategy to enhance corporate value. In addition, the Dialogue with the Top Management of Daiseki Group's Sales Divisions shows how the Daiseki Group's purpose has firmly penetrated into each Group company, and how it is boldly taking on challenges by leveraging its unique strengths. In particular, the efforts to utilize carbon credits and the shift in business model from processing orders to developing consulting projects are based on future market trends, and demonstrate the Daiseki Group's willingness to take on challenges without fear of change. In addition, by sharing the know-how gained from these initiatives among the Group companies, we can expect to achieve significant synergies, which we believe will greatly contribute to improving the value of the Group as a whole.

Daiseki Co., Ltd.'s active approach to environmental issues as an environment-creating company can be seen from third-party evaluations. In particular, it is highly commendable that Daiseki Co., Ltd. received an A rating in

the CDP climate change report published by CDP, a non-profit organization that evaluates the environmental initiatives and information disclosure of companies. In the 2023 edition, out of about 2,000 Japanese companies evaluated, only 109, or approximately 5%, received the highest A rating. Moreover, Daiseki Co., Ltd. is the only company in Japan involved in waste disposal and recycling to receive an A rating, which is an outstanding achievement.

Although Daiseki Co., Ltd. has made excellent efforts and information disclosure, I would like to discuss some points that I would like to see in the disclosure of information in future integrated reports. First, I would like to see the establishment of quantitative key performance indicators (KPIs) for the materiality issues. It is important to evaluate the contents of the materiality issues by using the PDCA cycle to see if the initiatives are resulting in improvements or not. Of course, although there are items that are difficult or unsuitable for quantitative evaluation, we think it is important to first set quantitative indicators to the extent possible. By setting target values for key evaluation indicators, we can expect to deepen employees' awareness and understanding of key items and facilitate the sharing of targets to be achieved.

The second point is about the SWOT analysis of each business, which was newly added the current fiscal year. Regarding each business, basic strategies and market environment have been considered to introduce strengths, weaknesses, opportunities, and threats, and there are some businesses where noticeable blanks are evident. Furthermore, the relationship between the content of the SWOT analysis and the content of the Story of Value Creation is unclear. In this regard, I felt that there is a gap between what you want to convey to the reader and what is described. Instead of using a SWOT analysis in this section, explaining the challenges and initiatives of each business in relation to the key materiality issues set by Daiseki Co., Ltd. would convey how the Group's overall management strategy is integrated into each business.

These are my third-party opinion. The business activities of Daiseki's Co., Ltd. are essential to promoting "achieving a balance between the environment and the economy." I look forward to Daiseki's accelerated efforts as an environment-creating company, and I hope it will become a world-leading recycling company.

# Main Sustainability Reporting

## Environment (Daiseki Group)

### Scope 1 Emission Breakdown (FY2024) (tons of CO<sub>2</sub>)

	Scope 1 Emission
Diesel fuel	15,971
City gas	5,304
Heavy oil B (recycled heavy oil)	4,351
Others	3,740

### Scope 3 Emission Breakdown (FY2024) (tons of CO<sub>2</sub>)

	Scope 3 Emission
1. Purchased products and services	82,082
2. Capital goods	20,959
3. Activities related to fuel and energy not included in Scope 1 and 2	6,599
4. Transportation and distribution (upstream)	12,444
5. Wastes generated by businesses	42,188
6. Business trip	990
7. Employees' commute	2,379
8. Lease assets (upstream)	0
9. Transportation and distribution (downstream)	397
10. Conversion of sold products	502
11. Use of sold products	7,555
12. Disposal of sold products	74
13. Lease assets (downstream)	0
14. Franchise	0
15. Investments	0

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

	FY2022	FY2023	FY2024
Scope 1	27,738	27,951	29,366
Scope 2	14,153	9,990	11,322
Scope 3	152,931	156,809	176,169
Total	194,822	194,750	216,857

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

	FY2022	FY2023	FY2024
Scope 1 and 2 emissions intensity	0.021	0.019	0.020
Amount of materials received for recycling (tons)	2,072,229	2,061,092	2,102,036

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

### Energy consumption (MWh)

	FY2022	FY2023	FY2024
Electricity (power by non-recycled energy)	34,353	25,996	25,990
Electricity (power by recycled energy)	330	8,849	10,270
Diesel fuel	51,294	55,716	64,358
City gas	27,115	29,167	32,342
Heavy oil B (recycled heavy oil)	14,895	15,231	16,316
Others	26,852	21,288	15,703

### Energy intensity (MWh/tons)

	FY2022	FY2023	FY2024
Energy intensity	0.08	0.08	0.08

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

### Water consumption (10,000 tons)

	FY2022	FY2023	FY2024
Water consumption	96.9	93.3	92.1

## Governance (Daiseki or the Daiseki Group)

### Number of directors (people)

	As of May 25, 2023	As of May 23, 2024
Internal directors	3	3
External directors	4(1)	4(1)

( ) shows female

### Compensation for executives

	FY2023			FY2024		
	Directors (Excluding Audit & Supervisory Board Members)	External Directors (Excluding Audit & Supervisory Board Members)	External Directors (Audit & Supervisory Board Members)	Directors (Excluding Audit & Supervisory Board Members)	External Directors (Excluding Audit & Supervisory Board Members)	External Directors (Audit & Supervisory Board Members)
Number of executive (people)	5	0	3	3	1	3
Compensation amount (Millions of yen)	147	0	6	129	1	7

## Society (Daiseki Group)

### Breakdown of regular positions and general positions (full-time employees only) (people)

Category	FY2023 end	FY2024 end
Regular positions	794	826
General positions	93	102
Not categorized	141	210

### Mid-career hire rate (%)

Category	FY2023	FY2024
Mid-career hire rate*	1.0	3.9

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

### Number of foreigner employees (people)

	FY2022 end	FY2023 end	FY2024 end
Number of foreigner employees	0	0	0

### Employment of persons with disabilities and re-employment

	FY2022	FY2023	FY2024
Number of persons with disabilities employed (people)	15	20	20
Re-employment rate of retirees (%)	100	98	100
Rehired Employees (%)	100	100	100

### Average monthly overtime hours (hours)

	FY2022	FY2023	FY2024
Average monthly overtime hours	39	39	37

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

Category	FY2023	FY2024
Number of flexible work arrangements utilization	141	188

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

Category	FY2023	FY2024
Number of short work hours utilization	6	10

### Number of nursing leave utilization (people)

Category	FY2023	FY2024
Number of nursing leave utilization	0	1

### Specific health guidance rate (%)

Category	FY2023	FY2024
Employees who needed specific health guidance rate*	26	27

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

### Smoking rate (%)

Category	FY2023	FY2024
Smoking rate*	36	36

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

### Number of shareholding association members (people)

	FY2022 end	FY2023 end	FY2024 end
Number of shareholding association members*	694	729	709

\* Number of shareholding association members within the Daiseki Group

### Number of committees held (times)

	FY2023	FY2024
Appointment and Compensation Committee	1	5
Audit and Supervisory Committee	14	14

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

	FY2023	FY2024
R&D cost	179	260

# Daiseiki Group Overview

## Corporate Overview

**Company name** Daiseiki 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)

\* The contact information for the head office during the expansion and renovation of the head office building from June 2024 is as follows.

Address: Nagoya Fushimi Eye Mark Building 8F, 1-23-10 Sakae, Naka-ku, Nagoya-shi, 460-0008, Japan

TEL: +81-52-728-1155 FAX: No change

**Capital** 6.382 billion yen (as of February 29, 2024)

**Net Sales** (consolidated) 69.216 billion yen  
(non-consolidated) 37.155 billion yen  
(year ended February 29, 2024)

**Number of employees** (consolidated) 1,215  
(non-consolidated) 769 (as of February 29, 2024)

## Stock information

as of February 29, 2024

<b>Securities code</b>	9793
<b>Listed stock exchange</b>	Tokyo Stock Exchange Prime Section Nagoya Stock Exchange Premier Section
<b>Round lot</b>	100 stocks
<b>Total number of authorized shares</b>	79,200,000 stocks
<b>Total number of stocks issued</b>	51,000,000 stocks
<b>Number of stock holders</b>	5,474
<b>Fiscal year</b>	From March 1 through end of February of the following year
<b>Annual General Meeting of Shareholders</b>	May of each year
<b>Shareholder registry administrator</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Audit company</b>	KPMG AZSA LLC.

## Daiseiki Group Overview

### Daiseiki Co., Ltd. [Nagoya]

Waste collection, Intermediate treatment and recycling  
Manufacturing and sales of petroleum products



### Daiseiki Eco. Solution Co., Ltd. [Nagoya]

Soil pollution survey, purification process, etc.



### Hokuriku Daiseiki Co., Ltd. [Kanazawa, Ishikawa]

Manufacturing of lubricant and sales of petroleum products



### Daiseiki 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]

Waste Plasterboard recycling



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

Waste 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 27, 2023**

## Assessment by a third party

**CDP A**

CDP—Climate Change 2023

**MSCI BBB**

March 2024

**S&P Score 40**

December 2023

**FTSE ESG Rating 3.6**

June 2024

**Nikkei SDGs ★★**

November 2023

**Toyo Keizai SDGs**

Utilization of human resources AA, Environment AA,

Corporate governance AA, Sociality A, Basic AA,

Growth potential A, Profitability, AAA, Safety AA,

Size AA

December 2023

**SOMPO Sustainability Index A**

February 2024



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

1-86 Funami-cho, Minato-ku, Nagoya, Aichi, Japan, 455-8505 Tel: +81-52-611-6321 (Representative)

\* The contact information for the head office during the expansion and renovation of the head office building from June 2024 is as follows. TEL: +81-52-728-1155

<https://www.daiseki.co.jp/english>

Published in Sep. 2024