

Growth Strategies and Progress by Business Segment



Wastewater, Waste Oil, and Sludge Recycling Business

Main companies involved
Daiseki, Hokuriku Daiseki



Daiseki Nagoya Works' activated sludge treatment facility

The wastewater, waste oil, and sludge recycling business focuses primarily on the collection, transportation, and intermediate treatment of industrial waste, as well as the manufacture and sale of recycled products from the same.

Wastewater is treated until it meets the required standards, and the usable metals in the wastewater are recycled as metal residues; the waste oil is recycled as fuel; and the sludge is recycled as a raw material for cement.

Through these efforts, we are contributing to the preservation of the global environment and the realization of a sustainable society. Furthermore, by adopting recycling methods that reduce greenhouse gas emissions compared to incineration, we also contribute to carbon neutrality.

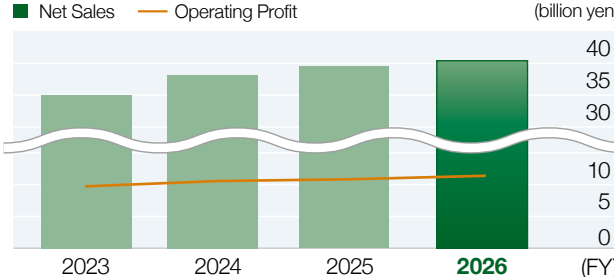
Strengths

- A business model that generates revenue from both the provision of industrial waste disposal services and the sale of recycled resources
- High recycling rate
- Contributes to carbon neutrality through low-carbon waste processing

- Wide range of industrial waste items handled
- A network of large-scale processing plants located throughout Japan
- High level of emergency response capability in the event of a disaster

FY2026 Achievements

- In FY2026, business performance was sluggish in the first half due to the impact of tariffs, but in the second half, the volume of wastewater received rebounded, and both net sales and operating profit reached record highs.
- Contribution to reducing clients' greenhouse gas emissions: 597,000 t-CO₂
- Amount of industrial waste accepted: 1.13 million t
- Recycled products shipments (usable metals): 2,000 t
- Recycled products shipments (recycled chemicals): 3,000 t



(billion yen)

FY	Net Sales	Operating Profit
2023	~32	~8
2024	~35	~10
2025	~38	~12
2026	~42	~15

(FY)

Business Environment

Risks

- Reduction of waste in the manufacturing sector and the establishment of recycling within manufacturing processes (in-house recycling) as the transition to a circular economy accelerates
- A prolonged rise in prices, including energy costs and outsourcing expenses
- Barriers to business expansion from strict waste disposal regulations

Opportunities

- Growing demand for waste recycling services due to an increasing number of clients seeking carbon neutrality
- Government policies to promote the transition to a circular economy and corporate initiatives to promote the use of recycled materials
- An expansion of business opportunities resulting from the return of manufacturing to Japan

Medium- to Long-Term Business Plans and Measures

- We are making capital investments to increase our treatment capacity for wastewater, waste oil, and sludge, as well as growth investments aimed at establishing new businesses, on an ongoing basis.
- We are currently revising our personnel system as part of our aim to evolve into a solution-oriented company.
- Having acquired SyncMOF's business, we are beginning to expand our operations into the recovery of gases such as ammonia, CO₂, and hydrogen using metal-organic framework (MOF) technology.

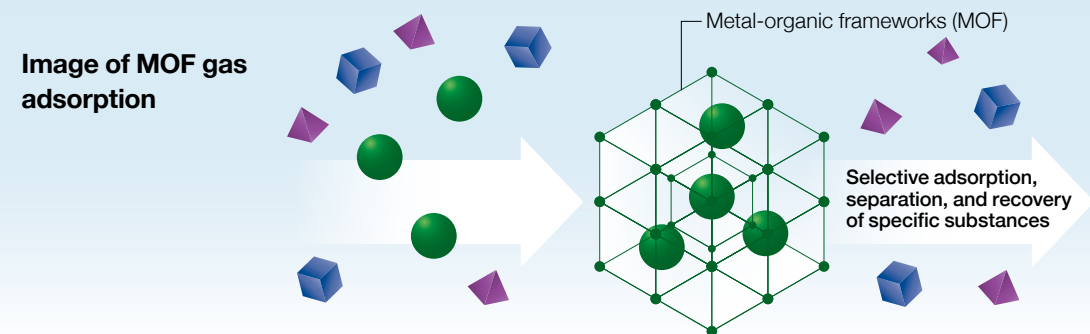
- We are planning a business to recycle used lubricating oil.
- We launched a tender offer for Daiseki Eco. Solution to further strengthen our business foundation through the mutual sharing of client bases among Group companies and to further deepen integrated Group management.

FOCUS MOF Technology Enabling the Recycling of Gases from Waste

Metal-organic frameworks (MOFs), also known as porous coordination polymers (PCPs), are porous materials formed by the interlocking of metal ions and organic ligands in a jungle-gym-like structure. Since MOFs allow for the flexible design of pore size and surface properties by varying the combination of metal ions and organic ligands, they can selectively adsorb and separate specific substances from a mixture of gases. Taking advantage of these characteristics, MOFs are expected to be applied in a wide range of fields, including gas separation and recovery and resource circulation, and research and development has been advancing worldwide in recent years. In October 2025,

three scientists, including Susumu Kitagawa, a Distinguished Professor at Kyoto University and a developer of MOFs, received the Nobel Prize in Chemistry, further increasing interest in MOFs.

Daiseki handles everything, from MOF synthesis and evaluation to equipment development, and is advancing applications for the recovery of gases, including ammonia, CO₂, and hydrogen. Furthermore, by combining this with Daiseki's resource recovery technology for wastewater, we aim to expand into areas where recycling was previously difficult to implement.



Highlights from FY2026

Daiseki's Hokuriku and Kanto Works collaborate to assist a company that suffered flood damage in the Joetsu region of Niigata Prefecture with its recovery efforts

Due to heavy rains in September 2025, a manufacturing firm experienced flooding throughout its entire factory, and a power outage prevented the company from draining the water outside the facility.

The next day, Daiseki arranged for several tanker and vacuum trucks to collect the wastewater, which was a mixture of rainwater and oil.

Thereafter, between September and December, Daiseki arranged for a total of 208 heavy-duty vehicles to collect 2,080 tons of wastewater, thereby supporting the company in the resumption of its production activities.



One of the vacuum trucks that played a role in the recovery efforts

Message from One of the Staff in Charge

For the swiftest recovery, disaster waste must be removed as quickly as possible. What posed a challenge for us was the need to arrange vehicles for the recovery efforts while simultaneously handling our regular dispatch operations. Our own fleet was nowhere near sufficient, but our partner companies responded to our call for help, lending us a large number of vehicles and supporting our efforts. Arranging and managing the operations of such a vast number of vehicles was by no means an easy task, but I believe that it was precisely the kind of role I should fulfill as a dispatcher.



The dispatcher from the Operations Department of the Hokuriku Works

Growth Strategies and Progress by Business Segment



Contaminated Soil Recycling Business

Main companies involved
Daiseki Eco. Solution



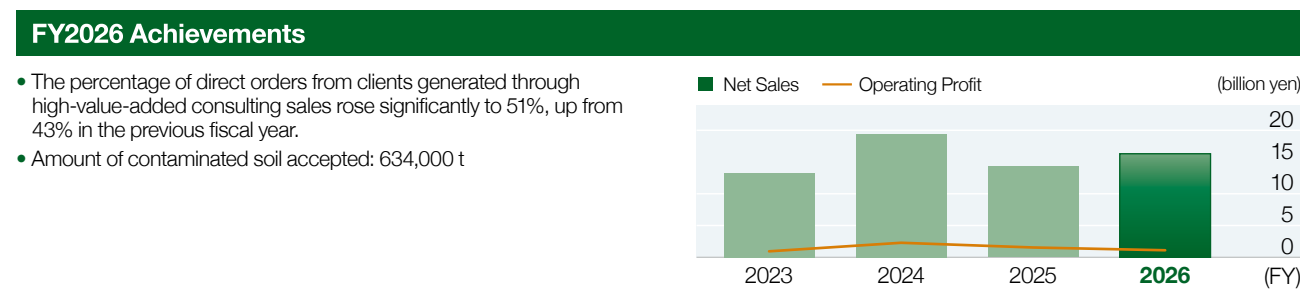
Daiseki Eco. Solution's Yatomi Recycling Center

In our soil contamination-related business, we have established a one-stop system that handles everything in-house, from consulting to surveys, analysis, and remediation.

We provide comprehensive services, including soil surveys using drilling and other methods, in-house environmental analysis, remediation work, and the disposal of contaminated soil through excavation and washing. Through efficient remediation and recycling of contaminated soil, we contribute to the creation of a circular society.

Strengths

- The ability of being able to handle surveys, construction, and remediation across Japan
- A breadth of business operations enabling the provision of one-stop solutions for soil contamination remediation
- The ability to provide solutions for hard-to-treat materials (such as buried PCBs, buried gypsum, and yellow phosphorus), rooted in soil contamination remediation expertise



Business Environment

Risks

- Decline in construction investment due to soaring construction costs
- Decline in earnings due to rising production costs (outsourcing expenses for cement companies, shipping companies, etc.)
- Consolidation and restructuring among cement companies due to a decline in cement production, as well as a reduction in our reception of raw material-based waste and construction-generated soil
- Impact of the situation in the Middle East on the Japanese market

Opportunities

- Leveraging the Daiseki Group's client base following Daiseki Eco. Solution becoming a wholly owned subsidiary
- Increased opportunities to survey contaminated soil due to the return of manufacturing to Japan, driven by factors such as the weaker yen
- Increase in the volume of soil requiring treatment due to the expansion of transportation and infrastructure projects under Japan's national resilience plan
- Strengthened regulations on the traceability of contaminated soil treatment following amendments to the Soil Contamination Countermeasures Act

Medium- to Long-Term Business Plans and Measures

- We have identified the following three growth drivers:
 - (1) Growth of core businesses: Strengthen consulting capabilities, expand market share
 - (2) Creating synergies: Strengthen Group collaboration and promote new business initiatives
 - (3) Human capital: Define the ideal employee profile, create opportunities for individual growth, and strengthen organizational capabilities

Highlights from FY2026

- To quickly resolve inefficient routine tasks and psychological barriers to AI adoption, and to promote the company-wide adoption of generative AI and improve productivity, we appointed cross-departmental DX promoters.
- We are currently developing a new system to streamline soil-related operations and strengthen our business foundation (scheduled for implementation in FY2027).
- We established a new technical sales department with the aim of further strengthening our technical consulting capabilities and improving our ability to generate proposals.

Core businesses
Evolution and growth of soil and resource recycling businesses

Synergies
Next-generation synergies created through diversity and possibilities

Human capital
Individual growth and shaping the future together as a team



Lead Recycling Business

Main companies involved
Daiseki MCR



Daiseki MCR Co., Ltd.'s rotary gas melting furnace at Utsunomiya Recycling Center

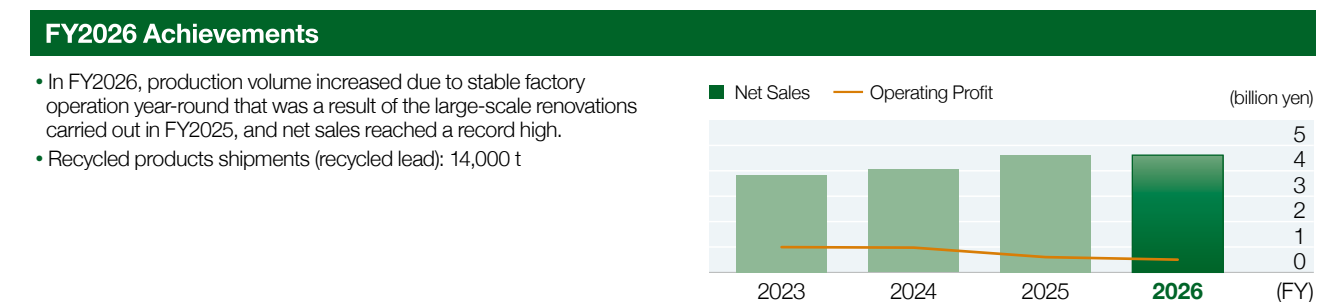
In our lead recycling business, we recycle lead from used lead-acid batteries.

We have introduced Japan's first LNG reduction furnace, which contributes to reducing CO₂ emissions, as well as a 50-ton induction heating refining furnace—a world-first in the lead smelting sector—enabling us to produce recycled lead with high efficiency and high quality.

We supply the recycled lead we produce to battery manufacturers, thereby contributing to the advancement of resource circulation and the reduction of environmental impact.

Strengths

- One-stop service delivery through Group collaboration
- Supplying recycled lead with the lowest CO₂ emissions in Japan by implementing measures to reduce environmental impact and achieve carbon neutrality through a recycling process to get ahead of competitors



Business Environment

Risks

- A shift toward a scramble for raw materials due to illegal demolition contractors and illegal recycling exporters
- Increased procurement costs due to rising prices of used lead-acid batteries, which we use as raw materials as described above

Opportunities

- Growing demand for recycled lead driven by government policies to promote the transition to a circular economy and corporate initiatives to promote the use of recycled materials
- Growing demand for low-environmental-impact lead recycling operations, driven by an increasing number of clients committed to carbon neutrality

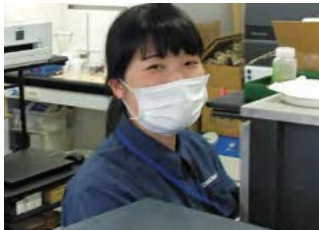
Medium- to Long-Term Business Plans and Measures

- Anticipating increased demand for recycled lead, we are moving forward with plans to invest 2.5 billion yen over the next three years to double our production capacity and expand market share in Japan from the current 5% to around 8–10%.
- We will relocate and consolidate the lead melting and casting processes—which were previously divided between the Utsunomiya Recycling Center and the Shinoi Factory—to the Hiraide Factory, and install one additional lead melting furnace at the Utsunomiya Recycling Center. In expanding our smelting and molding capacity and improving operational efficiency, and as part of the relocation and consolidation of our melting and casting operations, a new factory facility will be built on the site of a demolished warehouse on the grounds of the Hiraide Factory. By expanding our capacity to two melting furnaces, we aim to address the bottleneck in melting capacity and roughly double our total revenue and operating profit.

Highlights from FY2026

- We received the Supplier of the Year Award 2025.*

*A program administered by Energywith Co., Ltd. to recognize and honor suppliers who have achieved outstanding results in areas such as quality improvement, on-time delivery, cost reduction, and environmental conservation



Daiseki MCR Manufacturing Department Production Engineering Staff

Growth Strategies and Progress by Business Segment



Large Tank Cleaning Business

Main companies involved
System Kikou

In our large-scale tank cleaning business, we focus primarily on cleaning operations—including large oil tanks, piping, and pits installed at oil storage facilities—as well as tank-related maintenance work.

We utilize the COW method, a technology that cleans tank interiors and safely, efficiently, and quickly recovers crude oil sludge accumulated inside without the need for personnel to enter the tank, improving the efficiency of cleaning operations and reducing costs.

▶ P.27 From Solving Client Challenges to Anticipating Future Needs



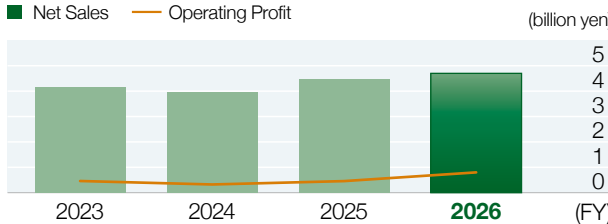
Large tank cleaning by System Kikou Co., Ltd.

Strengths

- A large inventory of specialized tank-cleaning equipment, enabling the company to undertake work at one of the largest numbers of sites simultaneously in Japan
- The COW method, a proprietary technology that enables safe, unmanned cleaning of tank interiors

FY2026 Achievements

- Thanks to the successful early completion of high-margin projects, both net sales and profit reached record highs.
- We were responsible for cleaning work at 4 of the 10 national stockpile sites across Japan, as well as at 3 joint stockpile sites operated in partnership with the private sector. We also carried out cleaning work at numerous private-sector oil refineries across Japan.



FY	Net Sales (billion yen)	Operating Profit (billion yen)
2023	~3.5	~0.5
2024	~3.8	~0.8
2025	~4.2	~1.2
2026	~4.8	~1.8

Business Environment

Risks

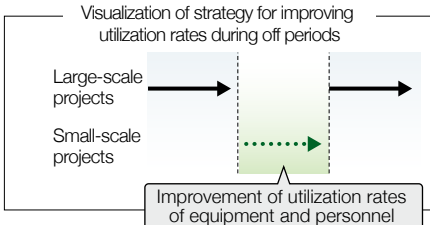
- Reduction in oil storage facilities due to declining demand for fossil fuels against the backdrop of progress toward carbon neutrality
- Difficulties in securing human capital due to the highly specialized nature of the market

Opportunities

- Opportunities to apply the COW method not only to maintenance work on large oil tanks but also to factory demolition and facility modifications
- Potential to expand client base through collaboration with Daiseki
- Government moves to expand and replenish joint oil stockpiles with producing countries amid escalating tensions in the Middle East

Medium- to Long-Term Business Plans and Measures

Many large-scale oil tank cleaning projects have long work periods, and maintaining capacity utilization during off periods poses a challenge. Therefore, System Kikou aims to improve the utilization rates of equipment and personnel by undertaking cleaning projects for small-scale facilities other than large oil tanks in between other projects.



Visualization of strategy for improving utilization rates during off periods

Large-scale projects → Small-scale projects → Improvement of utilization rates of equipment and personnel

Highlights from FY2026

- **Water mains cleaning**
In FY2026, we conducted cleaning operations as part of the replacement of aging water mains in Suginami and Katsushika wards in Tokyo. When replacing water mains, the “pipe-in-pipe” method—which involves inserting a new pipe inside an existing one—is used, and cleaning the old pipe is required as a preparatory step. System Kikou carried out this preliminary work and contributed to the maintenance and renewal of social infrastructure built during the period of Japan’s rapid economic growth.
- **Cleaning equipment rental business**
Starting in FY2026, System Kikou launched a business to rent cleaning equipment to clients during off periods with the aim of improving equipment utilization rates.



システム機工株式会社
資機材レンタルカタログ

System Kikou's equipment and materials rental catalog



Other Resource Recycling Businesses

Main companies involved
Daiseki Eco. Solution (BDF, PCBs), Green Arrows (plasterboard), Sugimoto Trading Company (general waste, recycled paper)

We contribute to the circular economy by crushing and processing waste plasterboard into gypsum powder and paper, and then recycling the processed gypsum powder as raw material for new plasterboard.



Green Arrows Central's Shizuoka Factory

We provide a wide range of environmental services, including the recycling of waste plastics and waste paper, the collection and transportation of general waste, the surveying and disposal of low-concentration PCB waste, the production and sale of biodiesel fuel (BDF), and the analysis of industrial waste and soil.



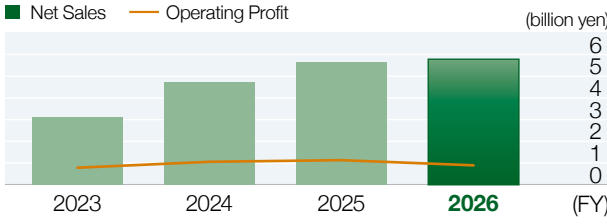
Waste paper recycling at Sugimoto Trading Company

Strengths

- Stronger Group collaboration and creation of synergies following Daiseki Eco. Solution becoming a wholly owned subsidiary of Daiseki
- High recycling rates and high-quality recycled materials
- Establishment of a circular supply chain through a joint venture consortium with a plasterboard manufacturer

FY2026 Achievements

- Recycled products shipments (plasterboard): 97,000 t
- Recycled products shipments (recycled paper): 35,000 t
- In December 2025, Green Arrows Central's new Shizuoka Factory began operations.



FY	Net Sales (billion yen)	Operating Profit (billion yen)
2023	~3.5	~0.5
2024	~3.8	~0.8
2025	~4.2	~1.2
2026	~4.8	~1.8

Business Environment

Risks

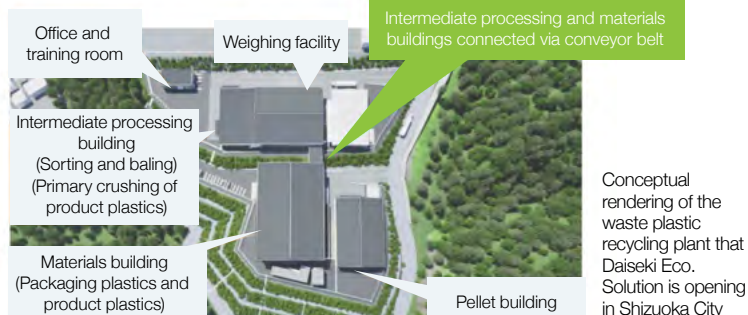
- Soaring raw material prices and instability in the supply chain due to the situation in the Middle East
- Intensifying competition due to the rising market value of waste plasterboard
- Contraction of the waste paper market due to the shift toward paperless operations

Opportunities

- Growing awareness of the circular economy
- Decreased supply of desulfurized gypsum, a raw material for products that compete with gypsum board, due to reduced operations at coal-fired power plants
- Increased demand for plastic waste recycling due to the enforcement of the Act on Promotion of Resource Circulation for Plastics in Japan

Medium- to Long-Term Business Plans and Measures

As a new business of Daiseki Eco. Solution, we plan to launch a material recycling business in April 2029 for plastic waste contained in municipal waste generated by Shizuoka City residents.



Office and training room
Weighing facility
Intermediate processing and materials buildings connected via conveyor belt
Intermediate processing building (Sorting and baling) (Primary crushing of product plastics)
Materials building (Packaging plastics and product plastics)
Pellet building

Conceptual rendering of the waste plastic recycling plant that Daiseki Eco. Solution is opening in Shizuoka City

Highlights from FY2026

- **Expanded waste plasterboard recycling business**
With the start of operations at Green Arrows Central's Shizuoka Factory, we are aiming to strengthen our regional capabilities, explore new markets, and expand our market share.
- **Absorption-type merger within the Group**
In February 2026, Sugimoto Trading Company absorbed and merged with Sugimoto Paper Industry. With this move, we aim to further strengthen our management foundation and accelerate decision-making.
- **Reception of the Kyushu Environmental Counseling Association Special Award**
In January 2026, Green Arrows Kyushu received the Eco-Action 21 Environmental Management Report Awards Special Award.