

Message from the CFO Capitalizing on growing demand for resource circulation, we will accelerate growth through the twin pillars of stronger profitability and proactive investment.

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Strengthening our earnings base by reducing outsourcing costs and shifting to clients in the semiconductor, chemical, and pharmaceutical sectors

The Daiseki Group is now aiming to evolve from a business focused primarily on industrial waste management to one that solves client challenges. To achieve this goal, we are not only strengthening the profitability of our existing businesses but also investing in new ventures, enhancing collaboration within the Group, and developing our human capital. As a result, we are making steady progress in laying the groundwork for our next phase of growth.

The Group's existing businesses are performing well. For the fiscal year ended February 2026, both consolidated net sales and gross profit reached record highs. Our core business—the treatment and recycling of factory wastewater—was the main driver of our performance. The volume of wastewater received, which had been sluggish in the first half of the year due to factors such as high U.S. tariffs, rebounded, starting in the second half. Over the past few years, we have been working to expand our reception of wastewater from the semiconductor, chemical, and pharmaceutical sectors where our recycling technologies can be effectively utilized. The results of our efforts are beginning to show, and profitability is improving.

Reducing outsourcing costs has also supported our profit growth. For example, instead of purchasing new chemicals

needed for waste management, we have reduced procurement costs by combining different types of waste for composite processing. We have also taken steps to reduce treatment costs by converting waste we previously paid to have processed by outside contractors into commercial-grade recycled fuel. By leveraging our technological capabilities and expertise, we have steadily reduced outsourcing costs as a percentage of net sales over the past several years. These efforts are bearing fruit, with Daiseki's gross profit rising steadily. We view the improvement in the profitability of our existing businesses and the strengthening of a stable foundation for cash generation as key achievements that will support our future growth investments.

Furthermore, during the fiscal year ended February 2026, Daiseki established new business relationships with 249 factories over the course of the year, and we also made steady progress toward our medium- to long-term goals for the number of relationships with large-scale factories. Group companies also expanded their client bases, including Daiseki Eco. Solution, which increased the proportion of revenue from consulting sales, and System Kikou, which expanded its market share in the large tank cleaning sector.

Identifying challenges from a client base of over 6,400 and evolving into a solution-oriented company

Meanwhile, against the backdrop of the progress being made in the fields of carbon neutrality and the circular economy, we expect our clients' awareness of the need to reduce their

environmental impact to manifest itself in the future as more specific challenges and needs. For the Daiseki Group to pursue sustainable growth, we must go beyond businesses

that are merely extensions of our existing operations and expand our services and create value from a client-centric perspective. To that end, we plan to invest in expanding our client base and strengthening our ability to provide solutions.

The source of Daiseki's value creation is its strong client base, consisting of more than 6,400 client factories, primarily in the manufacturing sector. As environmental awareness grows, the client base we have built presents opportunities to solve a variety of challenges that go beyond simply safely and reliably processing the waste we receive. If we can identify these latent needs and proactively offer environment-related products and services to our clients, the range of areas in which the Daiseki Group can play an active role should expand even further.

To achieve this, we are positioning FY2027 as "year one for Group-wide collaboration." By expanding our client reach while leveraging the client bases, technologies, and expertise across the Group, and by accelerating our evolution as a solution-oriented company, we will enhance Group management.

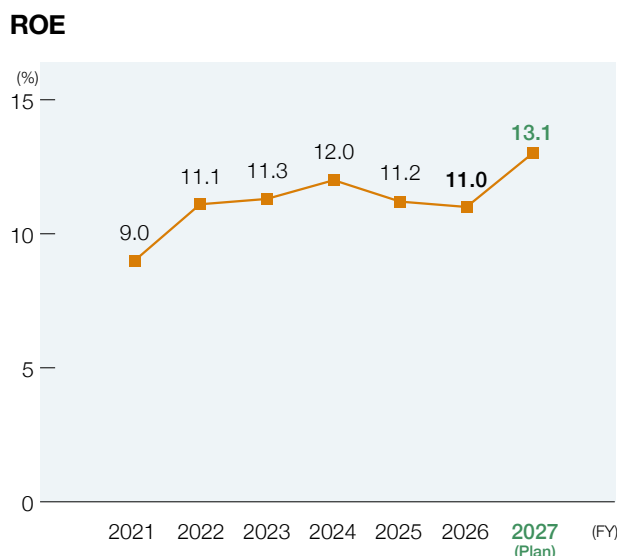
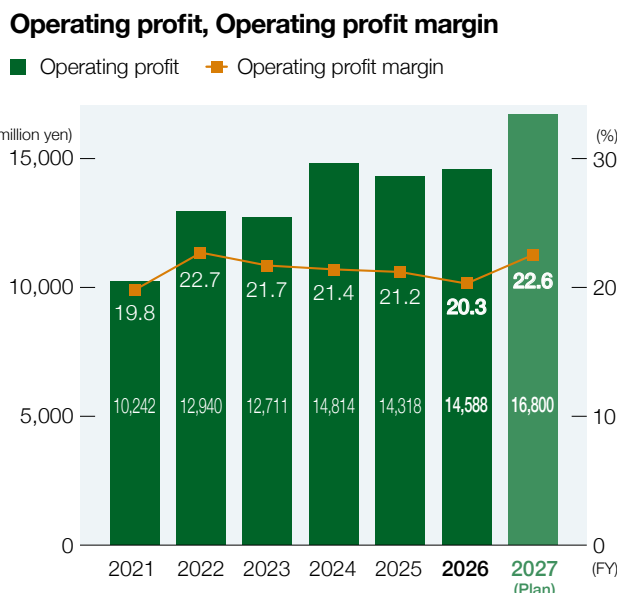
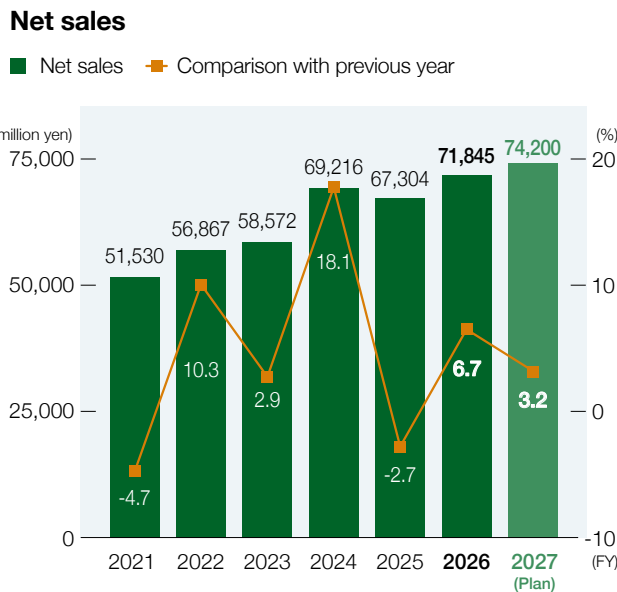
One example of how we quickly identify client needs and respond promptly through Group-wide collaboration is the dialogue we have with clients who come to tour Daiseki's factories. Through surveys, we confirm details such as whether a client has plans to rebuild or relocate a factory, and their need for a soil contamination survey. If clients consent to the sharing of this information, Daiseki Eco. Solution directly proposes soil contamination remediation measures. Broadening the range of survey questions would also enable us to understand clients' latent needs from multiple perspectives. Through such initiatives, we aim to evolve into a one-stop solutions provider offering all the products and services our clients need.

Investing in the recycled materials and recycling domains in recognition of the growing demand for resource circulation

The Daiseki Group is currently at an inflection point where growth opportunities are expanding significantly due to the growing need for resource circulation as a result of the escalating tensions in the Middle East. Given the current changes in the business environment, we believe now is the time to prioritize allocating cash generated by our core businesses to growth areas and accelerate the transformation of our business portfolio.

Although Daiseki's industrial wastewater treatment business and System Kikou's large tank cleaning business operate in mature markets, they hold significant market shares and serve as the cornerstones of the Group's existing businesses, underpinning its revenue base. We believe there is still some room for growth in our equipment utilization rate, and we expect these businesses to continue supporting the Group's growth investments while maintaining high profitability.

Meanwhile, there is a growing recognition that the plastic and lead recycling businesses operated by Daiseki Eco. Solution and Daiseki MCR are critical to resource circulation and economic security, and momentum is building for nationwide support for these initiatives in Japan. As manufacturers and suppliers have come to recognize the environmental value of recycled materials, signs of significant changes in the market environment are beginning to emerge, such as an increase in transactions at prices that include a "recycling premium," and the potential for medium- to long-term growth is expanding.



With an eye toward these expanding business opportunities, we are moving forward with investments in new areas. For example, in anticipation of increased demand for wastewater treatment following the completion of a large-scale semiconductor factory in the Kyushu region, we plan to invest approximately 2.5 billion yen in capital expenditures at our Kyushu Works over the next three years. In addition, with the aim of strengthening our supply capacity in anticipation of future demand for recycled materials, over the next three years we plan to invest approximately 7 billion yen in Daiseki Eco. Solution's waste plastic recycling plant in Shizuoka City and approximately 2.5 billion yen in the expansion of Daiseki MCR's lead recycling plant.

Daiseki has earned CDP's highest rating, an A score, for three consecutive years in the Climate Change category. CDP is an international environmental disclosure organization that evaluates the environmental initiatives of companies and municipalities worldwide. This recognition is leading to expanded opportunities to engage with environmentally conscious companies and to capture demand for new solutions. New demand is emerging from the perspective of decarbonization, as recycling helps reduce CO₂.

emissions associated with incineration. Furthermore, amid the instability in the Middle East, there is a growing recognition from the perspective of economic security that wastewater containing oil should be recovered and put to effective use as a resource rather than simply being disposed of.

Furthermore, as companies continue to advance their initiatives toward realizing the circular economy, we are receiving an increasing number of inquiries and requests from various industries in domains in which we have not yet established a presence regarding recycling that restores used materials to their original quality. We will carefully assess the technological maturity and market potential of these domains while investing in the necessary technological development and commercialization efforts, with the aim of enhancing our corporate value over the medium to long term.

› P.15 External Environment Surrounding Daiseki

› P.33 Daiseki Group's Business Strategy

Practicing disciplined capital allocation with an emphasis on future earnings growth

Under VISION 2030, the Daiseki Group has set targets of 150 billion yen in net sales, 25 billion yen in operating profit, and a return on equity (ROE) of 15.0%. If we continue to steadily build on the initiatives we currently have underway, we expect to achieve operating profit exceeding 21 billion yen for the fiscal year ending February 2031 from our existing businesses alone. We anticipate the remaining 4 billion yen to come from profit growth driven by new businesses and M&A.

To achieve an ROE of 15%, during the fiscal year ended February 2026, we conducted a share buyback of 800,000 shares, totaling 2.94 billion yen. In addition, with Daiseki Eco. Solution becoming a wholly owned subsidiary, ROE for the fiscal year ending February 2027 is expected to rise to the 13% range. Going forward, we will make use of bank loans when engaging in M&A while improving capital efficiency with the aim of achieving 15% ROE.

In the cash allocation plan announced in April 2026, we outlined 40 billion yen for growth investments and 20 billion yen for shareholder returns. With regard to net cash, we will set aside 12 billion yen to respond to sudden disasters and accidents. For the Daiseki Group today, proactive investment is essential to capitalize on growth opportunities. Starting in FY2027, we plan to increase the proportion of growth investments and prioritize investments aimed at generating profits.

To evolve into a solution-oriented company, we will expand our M&A targets to include all companies whose business focuses on factories. Even with regard to the business partners we deal with on a daily basis, there are many needs and challenges that we cannot fully address within our current business scope. In order to acquire products, services, and technologies that provide solutions in these areas, we plan to engage in M&A transactions of a certain scale and

larger that can be expected to have a significant financial impact.

The key will be to determine in what domains to allocate capital and what approach to take therein to drive future profit growth and enhance corporate value. We use a return on investment (ROI) of 10% or higher as one of our criteria for making investment decisions. The Board of Directors discusses and decides on major projects involving investments of 1 billion yen or more by Daiseki and 500 million yen or more by a Group company. External directors participate in these discussions, and the heads of subsidiaries provide direct explanations when necessary. Going forward, we plan to clarify not only the criteria for investment decisions but also those for resource allocation, including business divestitures.

We are not only pursuing short-term profit opportunities but are also investing in new growth businesses with an eye toward future growth. Our acquisition of SyncMOF's business in FY2026 is one such example. We made this decision on the understanding that this was a venture-backed business and that commercialization would take time; however, through this business acquisition, we have expanded the range of materials we handle from liquids to gases. Going forward, we will continue to carefully assess technological and market possibilities while investing in areas that will lead to the enhancement of our corporate value over the medium to long term.

We will also continue to actively invest in human resources. Under a "challenge first" approach, we are revising our personnel system for the first time in 20 years. We plan to invest in hiring DX specialists able to visualize everything, from the generation of wastewater, waste oil, and sludge through to their recovery, recycling, and the related CO₂ reduction effects, and use these insights to propose factory improvements and develop new services. We also intend to invest in securing global talent who understand overseas regulations and the resource recycling initiatives of leading international companies, and who will thus be able to offer proactive solutions to our Japanese clients. One of the strengths of Daiseki as well as the Daiseki Group as a whole is low employee turnover, with rates of just 2.1% and 3.4% respectively. We will also actively publicize that we are a CSV company* that our families can be proud of because we balance social and economic value, and use this to boost employee motivation.

› P.19 Long-Term Business Plan: Vision 2030

*CSV stands for Creating Shared Value. This is a concept proposed by Professor Michael E. Porter of Harvard University that combines social contribution and business, and aims to increase corporate profits through business that contributes to society.

Creating new revenue opportunities through cross-selling that leverages our client base

We place importance not only on growth driven by capital, such as M&A, but also on expanding growth opportunities by leveraging our existing client base. One such example is cross-selling through collaboration with external partners.

By forming business partnerships with companies that wish to do business with Daiseki's clients and serving as the point of contact for providing their products and services, we will expand the scope of solutions we offer to address client challenges while creating new revenue opportunities. Since sales representatives need to introduce partner products and services in a timely and appropriate manner, it is necessary to establish certain systems, such as training programs to strengthen their skills; however, this approach offers the potential to expand revenue opportunities

without requiring large-scale capital investment. We already have several concrete projects underway.

There is still significant room for growth in terms of synergies resulting from Group collaboration. For example, in the large tank cleaning and maintenance business which System Kikou had developed primarily targeting national strategic reserves and major oil distributors, sales efforts leveraging Daiseki's client base have proven successful in recent years, leading to the acquisition of new business, such as for oil tanks for paper manufacturers and chemical tanks for chemical manufacturers. Going forward, we will continue to combine the strengths and client bases of our Group companies to broaden the value we provide to our clients and thereby expand our revenue opportunities.

Aiming to enhance corporate value by supporting growth investments through appropriate risk-taking

Because waste management involves inherent risks, we have traditionally adopted a conservative financial management approach, such as building up cash reserves in preparation for any potential accidents. However, the business environment is changing, such as a reduction in the risk of accidents due to advances in safety-related technologies and a decrease in credit risk resulting from a review of our client base.

Based on these circumstances, we will strive to take appropriate risks going forward in order to support our growth investments. With a focus on achieving an optimal capital structure that strikes a balance between equity and debt, our Board of Directors will continue to review and discuss in depth our current capital

adequacy ratio—which is in the 70% range—and our debt-to-equity ratio (D/E ratio) of approximately 0.1x, with a view to balancing financial soundness and capital efficiency.

The Corporate Governance Code, which was revised in July 2026, identifies the promotion of growth investment and the strengthening of Board functions as key themes. As CFO, I will take responsibility for communicating information with regard to such matters publicly. Building on the stable earnings from our existing businesses, we will make investments in growth and human capital with appropriate financial discipline and aim for the sustainable enhancement of our corporate value.

I humbly ask for your continued understanding and support.

Cash allocation during the medium-term management plan period (to the FY ending February 2029)

