

Corporate Governance

>> 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 have adopted the Audit and Supervisory Committee system with an Audit and Supervisory Committee comprising three external directors, further enhancing the supervisory function of the Board of Directors. Two of the external directors are women, who provide advice from perspectives informed by their experiences as women.

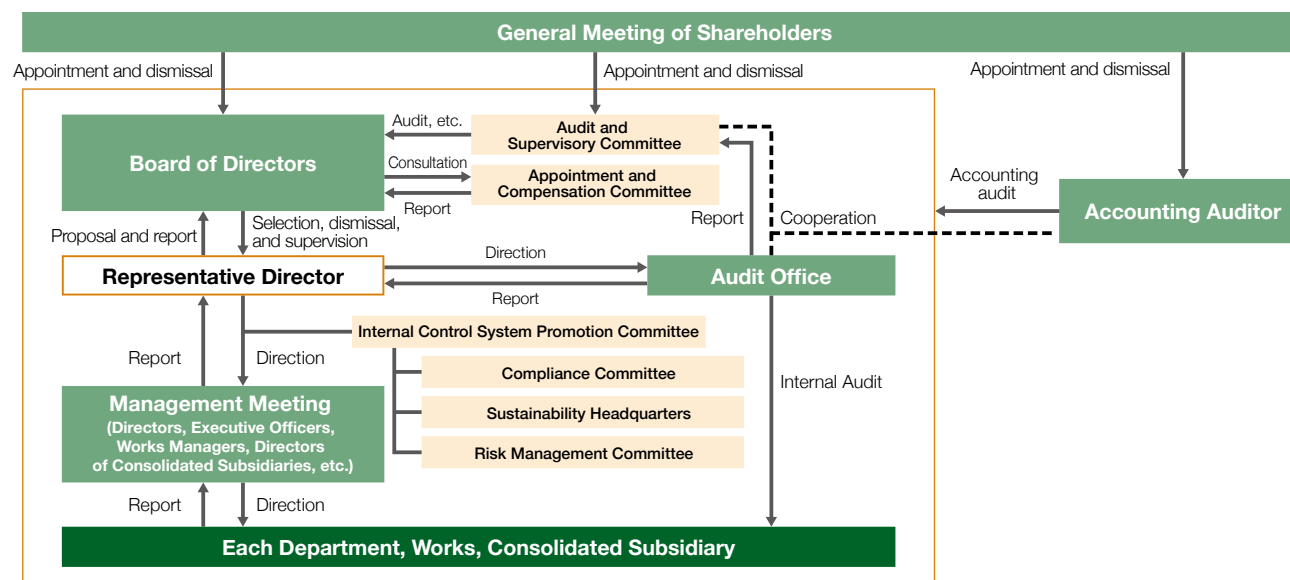
In May 2020, Daiseki introduced an executive officer system with the aim of clarifying business execution responsibilities, streamlining management and accelerating decision-making. Further, the authority necessary for conducting daily corporate

activities is delegated to the Works Managers at each Works site 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.

 [Corporate Governance Report \(In Japanese\)](#)

>> Daiseki's Corporate Governance System



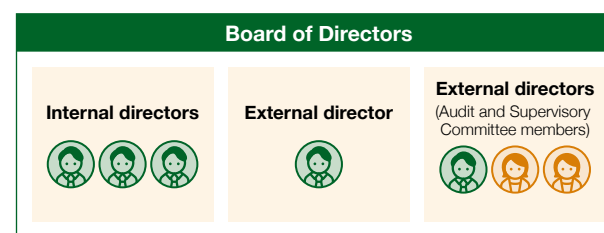
Board of Directors

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. Two of the directors are women, 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.

Priority themes for FY2026

- Tender offer for the shares of Daiseki Eco. Solution
- Acquisition of the SyncMOF business
- Major investment projects across the Group for the next three fiscal years
- Purchase and cancellation of treasury shares
- Confirmation of the policy on holding strategic shareholdings
- Evaluation of the effectiveness of the Board of Directors
- Promotion of plans to overhaul the personnel system from the following fiscal year onward
- Formulation of the Daiseki Group's Environmental Policy, Health and Safety Policy, Human Rights Policy, and Corruption Prevention Policy



Frequency of meetings and the number of meetings held

- Held once a month, in principle (with extraordinary meetings held as necessary)
- Held 21 times in FY2026

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 on, discusses, and resolves important audit-related matters and other matters.

Details of specific matters considered by the Audit and Supervisory Committee

- Establishment and operation of internal control systems
- Appropriateness of audits by accounting auditors
- Status of internal control establishment
- Performance of duties by directors, employees, etc.

Main activities of Audit and Supervisory Committee Members

- Attending important meetings, including the Board of Directors' meetings
- Attending audit feedback meetings, audit results briefings, etc.
- Exchanging opinions with directors and employees
- Viewing and examining important approval documents, etc.

Priority themes for FY2026

- Review of the appropriateness of the tender offer for the shares of Daiseki Eco. Solution
- Review of the appropriateness of the acquisition of the SyncMOF business



Frequency of meetings and the number of meetings held

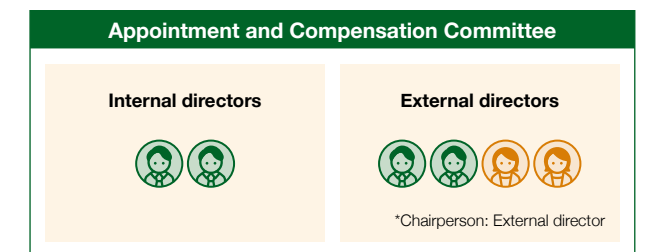
- Held once a month, in principle (with extraordinary meetings held as necessary)
- Held 14 times in FY2026

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.

Details of specific matters considered by the Appointment and Compensation Committee

- Selection and dismissal of directors and matters related to the upper limit and level of compensation for directors
- Other matters deemed necessary by the Board of Directors



Frequency of meetings and the number of meetings held

- Held at least once a year (with extraordinary meetings held as necessary)
- Held 3 times in FY2026

>> Compensation for Executives

Basic compensation, that is, fixed compensation and stock compensation, is paid to directors (excluding Audit and Supervisory Committee members and external directors), and basic compensation is paid to external directors (excluding Audit and Supervisory Committee members).

Daiseki has a compensation system linked to shareholder value so that it will function as an incentive for the sustainable improvement of corporate value and for the more intensive implementation and acceleration of sustainable management. Daiseki has a basic policy of ensuring appropriate levels of compensation in light of the responsibilities of each director in determining the amount of compensation for them.

The amount of compensation for external directors (Audit and

Supervisory Committee members) is determined through discussion by the Audit and Supervisory Committee, which ensures that the amount will not exceed the upper limit resolved at the General Meeting of Shareholders.

Daiseki has established the Appointment and Compensation Committee as a voluntary advisory body to the Board of Directors. This committee determines policies on compensation and others, deliberates on the contents of compensation, etc. for individuals, and gives advice and recommendations to the Board of Directors based on their results.

 [Securities Report \(In Japanese\)](#)

	Number of executives (people)		Compensation amount (million yen)	
	FY2025	FY2026	FY2025	FY2026
Directors (Excluding Audit and Supervisory Committee members and external directors)	3	3	146	144
External directors (Excluding Audit and Supervisory Committee members)	1	1	2	2
External directors (Audit and Supervisory Committee members)	5	3	7	8

>> Succession Plan

Daiseki is engaged in initiatives to develop both senior management and the next generation of leaders. In FY2026, 11 employees participated throughout the year in the Human Capital Consortium jointly organized by Keio University and the PERSOL Research and Consulting Co., Ltd. In June 2026, Daiseki also held a study session featuring an external corporate executive.

Corporate Governance

>> Sustainability Governance by the Board of Directors

We hold meetings of the Sustainability Headquarters, 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 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, where these plans are deliberated and formulated. The content and progress of these plans are reported to the Board of Directors.

>> 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 site as well as directors of Group companies. Important matters are directed and 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 oversee the governance of the Group companies.

(3) Strengthening communication with Group companies

Since FY2024, the Headquarters of Business Generalization, which is responsible for promoting business activities, and the Headquarters of Planning and Management, which is responsible

for compliance, have jointly held company-specific Management Meetings with Group companies to better understand their operations and strengthen communication. A wide range of matters are discussed, including progress in business performance, management issues, and requests for support from Daiseki.

(4) Advancing PMI toward integrated Group management

Following the conversion of Daiseki Eco. Solution into a wholly owned subsidiary and the acquisition of the SyncMOF business in FY2026, Daiseki has positioned FY2027 as the first year of Group collaboration. To realize integrated Group management, we will share our management philosophy and vision and integrate governance, while standardizing operational infrastructure and promoting organizational and cultural integration. Through cross-selling, we will maximize synergies across the Group.

>> Evaluation of the Effectiveness of the Board of Directors

In accordance with Japan's Corporate Governance Code, Daiseki recognizes the importance of further enhancing the functions and effectiveness of the Board of Directors. Each year, the Company analyzes and evaluates the effectiveness of the Board and discloses a summary of the results.

(1) Evaluation process

- Evaluation scope ... Board of Directors meetings held from September 2024 to August 2025
- Evaluators 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
- (7) Other topics for discussion by the Board of Directors

(2) Analysis and evaluation results

- Questionnaire results Generally positive
- Effectiveness of the Board of Directors Generally ensured

(3) Measures to realize effectiveness

- Three items pointed out as requiring improvement were as follows.
- (1) Consider establishing an opportunity for the Board of Directors to receive an explanation of the key considerations underlying the formulation and approval of the budget for the following fiscal year, and to engage in sufficient discussion of those matters.
 - (2) While the Board of Directors receives explanations of major planned investment projects and engages in sufficient discussion regarding whether to approve them, progress monitoring is also important. Consider establishing an opportunity for the Board to receive updates on the progress of such projects.
 - (3) In light of the Intensive Policy for Gender Equality and the Empowerment of Women, which includes a target of achieving at least 30% female representation among directors of Prime Market-listed companies by 2030, consider strengthening initiatives to develop future female director candidates from within the Company and enhancing the diversity of the Board of Directors.

Risk Management

>> Basic Approach to Risk Management

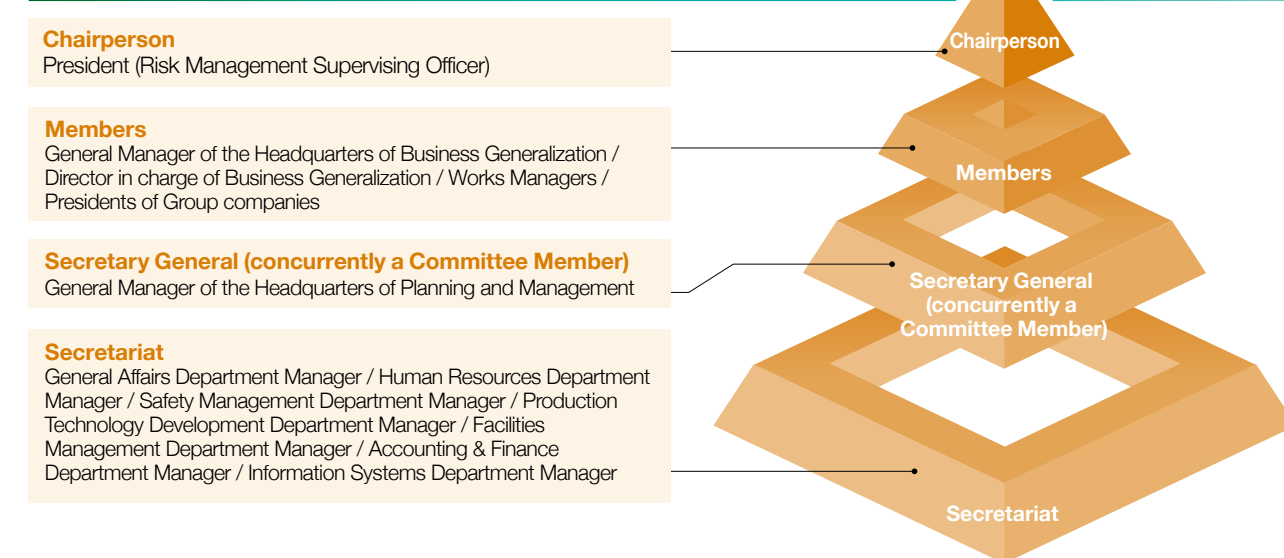
Daiseki established Risk Management Regulations in 2006 to address various risks including earthquakes and other natural disasters, occupational accidents and information leaks. Additionally, we created a risk map and established a response system defining responsible departments for each risk classification.

The Risk Management Committee, which plays a central role in risk management, is chaired by the President and Representative Director and manages risks facing the Daiseki Group thoroughly and comprehensively. The Audit Office audits the risk management

status of each department, reports the results to the Risk Management Committee and the Board of Directors on a regular basis, and deliberates and decides on improvement measures.

Our Sustainability Headquarters 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.

>> Composition of the Risk Management Committee



>> Risk Map and Measures to Address Risks * Risks with a high level of impact only

Impact	Frequency		
	Low	Medium	High
High	• Executives' infringement of disqualification provisions of the Waste Management and Public Cleansing Act • Violation of accounting-related rules • Deterioration in financial situation • Major typhoons/massive earthquakes • Abnormal fluctuations of management results/cash flows • Explosion/fire accidents (including damage from such accidents) • Transactions with a company with a problem • Response to anti-social forces • Leakage of business decision information • Occurrence of a significant legal case • Prolonged power outage/industrial water supply disruption • Server going down	• Insider trading • Major scandal caused by an employee • Suspension of acceptance by a final disposal site • Violation of the Antimonopoly Act resulting from a measure on competition • Action that is inappropriate in light of the Subcontract Act • Incomplete response to a legal revision • Violation of the Labor Standards Act and the Industrial Safety and Health Act or an occupational accident, which may result from long working hours • Inaccurate financial reporting	• Violation of the Waste Management and Public Cleansing Act ◦ Violation in terms of permission of a content (item, capacity, etc.) ◦ Absence, falsification, or loss of a contract ◦ Absence or falsification of a manifest • Violation of other laws and regulations specified by the Waste Management and Public Cleansing Act • Occupational accidents, leakage, and other accidents • Progress in material recycling • Prolonged disruption of supply chains due to war and other conflicts • Information system breakdown caused by a cyberattack

We have strengthened safety management and compliance measures because we have judged that violations of laws including the Waste Management and Public Cleansing Act and accidents such as occupational accidents and leakage will be the greatest risks. We are also developing new businesses and making research and development efforts to respond to the progress in material recycling.

