

CEO Message

Challenges for “One Daiseki”

Daiseki will establish a problem-finding business model to reduce environmental impacts and improve profitability and create a foundation for growth that supports a company that prospers for 100 years.

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Tetsuya Yamamoto

Points Conveyed in the Message from the President

- Daiseki's roots and corporate DNA
- Our Vision
- The value created by Daiseki
- Daiseki's business model and strengths
- Growth strategy and enhancement of human capital
- The importance of health, safety, and compliance
- Our determination to be a company that prospers for 100 years

Continually evolving in step with the times being the essence of Daiseki's DNA Our Inherited Management Principles being the foundation of our business activities

Daiseki has continuously addressed the social issue of industrial waste and responded to the ever-evolving demands of society. Our origins date back to 1945 in the immediate aftermath of the Pacific War when we commenced an oil refining business starting with rapeseed oil. Subsequently, Daiseki carried out and expanded its business by responding to the trends of the times such as the advance of the automobile industry and the growing production of concrete products. With Japan entering a period of rapid economic growth, pollution became an increasingly serious social problem. As these trends unfolded, we discovered the value of waste oil, which would otherwise have been discarded, as an unused resource and achieved an innovation that broke conventional wisdom by using technology to recycle waste oil. This allowed Daiseki to achieve a transition to becoming a waste processor.

Daiseki has flexibly changed its business model to keep up with the changing times. This has been possible thanks to its corporate DNA of responding to changes and challenges and the steady penetration of its Management Principles of “Ideas, Plans, Structures, Actions,” which are the basis of our business activities and the foundation of our corporate culture. Specifically, Daiseki identifies the essence of matters without being bound by conventional wisdom or past practices and opens the way to possibilities with new “ideas.” Next, we incorporate these ideas into concrete visions and “plan” the directions we should pursue. Then we build “teams,” or “structures,” to realize our vision and resolutely take “actions.” By constantly repeating this

cycle, we have adapted to changes in society and achieved both evolution and growth.

Contemporary society is now facing the key challenge of sustainability. There are growing calls for companies to have a higher sense of ethics and commit to creating social value, as issues such as finite resources, climate change, and environmental pollution pose increasingly serious threats. Having continuously dealt directly with the issue of waste material, Daiseki will process waste as well as utilize this waste as a resource that it returns back to society. This is the mission that Daiseki, which has continuously dealt with waste, must fulfill in the coming generations.

› P.05 The Roots of Daiseki

› P.17 The History of Daiseki's Value Creation

Combining our strengths cultivated through waste handling to realize a virtuous cycle for “One Daiseki”



For over half a century, we have consistently created value in environmental conservation and resource circulation by undertaking intermediate treatment and recycling of industrial waste generated by clients, mainly in manufacturing industries. A distinctive feature of Daiseki’s business model is the ability to generate revenue from both fee income for processing waste, which is the “entrance” for waste, and the sales of recycled products, which is the “exit.” Why have we been able to realize this business model? This is because Daiseki possesses strengths not easily replicated by other companies. Besides its history of continually handling waste, Daiseki’s business of recycling waste oil, which started in 1955, was structured to generate revenue through the low-cost purchase of used oil as a raw material or by collecting it as waste, processing it, and then selling it for a fee. Another reason underlying the success of our business model is the ability to ascertain the needs of both waste producers and users of recycled products based on our Management Principles of “Ideas, Plans, Structures, Actions.”

Close collaboration between Daiseki’s Sales Department and Technology Department is a strength that enhances the uniqueness and the inimitability of our business model. On the basis of issues identified by the Sales Department, the Technology Department develops unique treatment processes, which

are then proposed to clients by the Sales Department. Daiseki sometimes goes as far as the waste generation process in the upstream sector of the supply chain and starts by gaining a deep understanding of the client’s manufacturing process. Using one manufacturing client as an example, we exhaustively analyzed the components of waste liquid samples provided and identified which components were mixed in at which process. This analysis enabled us to propose a different method for processing the waste that up to then could only be incinerated. This ultimately contributed to reducing waste and enabling recycling. As this example illustrates, we have established a structure for quickly providing optimal solutions by identifying the essential issues faced by our clients from the perspectives of how we can recycle waste and generate sustainable profits rather than turning to incineration or landfill disposal. Daiseki’s network of seven works across the country serves as the foundation for responding flexibly to the characteristics of each region and for making quick responses in emergencies. Whenever natural disasters occur, we work closely with their bases to quickly set up support systems. This enables Daiseki to live up to the trust of clients who know that “we can leave it to Daiseki with a sense of reassurance.”

The “structure” of “One Daiseki” functions as Daiseki’s business model that competitors cannot replicate. This structure combines Daiseki’s shared sense of mission passed down through the generations and individual strengths that include a broad client base supported by strong technical and sales capabilities, an extensive network of offices, and consistency throughout the value chain. Furthermore, besides collaboration within the Group, the future of “One Daiseki” will require the utilization of business synergies through alliances with external partners. In working toward its major target of establishing a circular economy, we will collaborate with a variety of players from industry, government, and academia to realize value creation. In the seemingly mundane yet complex field of waste disposal, we will continue our unrelenting efforts to tackle challenges and solve problems with “wisdom, ingenuity, and action.” This stance is both a source of pride and part of Daiseki’s DNA.

› P.21 Value Creation Process

› P.27 Five Strengths That Support “One Daiseki”

Creating a new business model utilizing growing environmental awareness as an opportunity Addressing essential issues that clients are yet unaware

Carbon neutrality and a circular economy are now among the most crucial issues facing society as a whole. Particularly noteworthy, in the industrial sector there is a rising need to fundamentally rethink the traditional business model of mass

production, mass consumption, and mass waste. Daiseki regards this rising environmental awareness as a social demand and has also positioned this as an opportunity for its own growth.

Among greenhouse gas (GHG) emissions, the issue of how to reduce Scope 3, which is GHG emissions from supply chain operators other than the company itself and product users, is becoming an urgent issue that companies must address. Under these circumstances, an increasing number of companies are considering reviews of their disposal methods, especially in response to Category 5 (emissions from waste generated through business operations). This movement is especially conspicuous among global companies as well as companies that earn high scores in the evaluations of the Carbon Disclosure Project (CDP), an international environmental rating organization. To share a common perspective with environmentally conscious companies, we must possess powers of persuasion backed by a solid track record. With this in mind, we have focused on disclosing information through CDP and have received CDP’s A score for two consecutive years. Daiseki is making approaches mainly to these companies with high environmental awareness and is proposing recycling methods that result in less CO₂ emissions.

At the same time, Daiseki sees the transition to a circular economy as an opportunity and is working to build a new business model. The circular business model that Daiseki aims for is a system that creates and shares new value with clients by circulating waste materials as resources rather than simply discarding these materials.

For example, in addition to recycling that Daiseki has traditionally undertaken, there are numerous other possibilities

for circular economy businesses that include reuse and sharing as well as deploying products as services. To the present, Daiseki’s main clients have been in the manufacturing and construction industries. To attract general users outside of these industries, such as local governments, as new clients, we will anticipate and identify essential issues and needs that clients do not easily become aware of and propose solutions that are unique to Daiseki.

Daiseki has been handling waste for many years and has built a solid track record of creating value by changing its perspective on materials that at first glance appear to be useless. Utilizing this strength, under the Long-Term Business Plan VISION 2030 we aim to establish a circular economy business model. To do so, we will first form alliances with external partners that share our philosophy and build a value chain that is indispensable for realizing a circular economy business throughout “One Daiseki.” Daiseki will work in tandem with its clients to both reduce environmental impacts and improve earnings power while generating positive value by creating new resources using waste, which is a negative value. This new business model will support Daiseki’s sustainable growth as well as the circular economy aimed for by Daiseki.

› P.15 Innovating a New Business Model

Positive results and our determination toward attaining the Long-Term Business Plan VISION 2030 Strengthening “One Daiseki” through aggressive investments, including M&A

In the fiscal year ended February 2025, the Daiseki Group as a whole posted decreases in both revenue and profits. Nevertheless, Daiseki achieved record highs for both sales and operating profit by focusing on increasing market share by acquiring new plant transactions, primarily from environmentally conscious companies, as well as by increasing sales of recycled fuels.

Daiseki Eco. Solution recorded a decline in both sales and profits due to a reactionary decrease after securing large projects in the previous fiscal year. Nonetheless, the company attained its targets for both sales and operating profit by increasing the ratio of consulting-related sales through collaboration with Daiseki. Meanwhile, it strengthened its financial base by reducing business volatility and the cost of shareholders’ capital. These measures helped lay the groundwork for growth in realizing the long-term business plan VISION 2030.

Under VISION 2030, which was formulated in FY2019, Daiseki set the target of recording 25 billion yen in operating profit for FY2031. Of this amount, we aim to generate 20 billion yen from existing businesses and the remaining 5 billion yen from new businesses. In working toward these targets, we will place top priority on growth investments and will promote active investments, including undertaking M&A when needed. We will also further raise the capabilities of “One Daiseki” through collaboration with and acquisition of companies with waste

recycling and advanced recycling technologies. In December 2024, Daiseki announced a tender offer for OSAKA YUKA INDUSTRY LTD. The company possesses distillation technologies for chemical materials, and these technologies are currently not available at Daiseki. Although this tender offer was ultimately unsuccessful, Daiseki will continue searching for essential collaboration partners and M&A partners to realize a circular economy. In this way, we will expand our existing businesses and cultivate new businesses and increase net income to improve ROE as we strive to maximize shareholder value.

In promoting growth strategies, we have been holding thorough discussions at the Board of Directors, which consists of four outside directors and three internal directors. As Chairperson of the Board, I will coordinate the Board of Directors and work to strengthen “proactive governance” that will enable us to take risks for growth rather than merely hedging risks.

› P.31 Long-Term Business Plan VISION2030

› P.33 CFO Message

› P.43 Roundtable Discussion with External Directors

CEO Message

First, “health,” second, “safety,” and third, “compliance”
Establishing Daiseki’s own sustainability

My personal theory is that we ourselves must be sustainable to contribute to the sustainability of society. Since assuming the presidency, the most important things to me have been, firstly, employee health; secondly, employee safety; and thirdly, compliance. Specifically, we will build an environment where “healthy” employees “safely” undertake their work without accidents and maintain strong “compliance” to retain the trust of our clients. First, we aim to solidify our foundation and make Daiseki “a company that our employees can be proud of for their families.” For this reason, Daiseki is building safety management systems at all business sites, thoroughly complying with laws and regulations, carrying out regular internal audits, and permeating compliance awareness among all employees. As part of these efforts, in May 2025 the Daiseki Group formulated its Environmental Policy, Health and Safety Policy, Human Rights Policy, and Corruption Prevention Policy.

Furthermore, Daiseki will provide value not only within the Company itself but also to clients and society as a whole. This will allow Daiseki to create a “virtuous cycle of sustainable growth” that strengthens its position. Daiseki’s “ideal state” is to remain an indispensable presence in society as a core company in venous industries that support manufacturing and other industries.

In our business operations, each business site takes responsibility and undertakes autonomous management through an independently-funded business structure. The aim is to strengthen the proposal capabilities of each business site and to enable each employee to achieve growth with a management-oriented mindset. I consider the Works Managers of our seven Works nationwide to be “masters of their own domains.” I also anticipate that the Works Managers of our business sites nationwide will accumulate management experience, thereby allowing them to grow into core human capital who will lead the next generation for Daiseki.

With regard to human capital, I believe it is important to balance the mobility and expertise of our employees. Well-known companies such as the world’s cutting-edge

semiconductor manufacturers and IT companies are seeking to reduce environmental impacts throughout their entire supply chains. Daiseki strives to proactively identify such environmental issues faced by these clients. We develop and propose innovative solutions and then advance and deploy these technologies into various services to further expand our client base.

Daiseki maintains contact points with cutting-edge clients based on its expertise that includes technological capabilities that cannot be imitated by competitors. Daiseki possesses extensive experience making proposals and developing technologies to address clear-cut issues. Along with its human capital who can maintain and advance our strengths cultivated to the present, to transition to a new business model we will require employees with market-in mindsets who can anticipate client issues and propose solutions that clients are not yet aware. Furthermore, Daiseki will likely need human capital to handle DX (digital transformation) and marketing in the future. We will clearly define the type of human capital needed for meeting the new challenge of realizing a circular economy while enhancing its human capital, including through M&A, to establish its ideal human capital portfolio*. I believe that creating an environment where we can continue to take on challenges will serve as the foundation of our succession plan (successor development plan) that is currently being discussed by the Appointment and Compensation Committee. I am confident that these measures will help us develop the human capital who can lead Daiseki in the future.

› P.37 Human Capital

› P.53 Compliance

Without today’s challenges, no hope for future growth
Increasing earnings power and building the foundation for a company
that will prosper for 100 years

Since its founding, Daiseki has always taken on the challenge of responding to a changing society through its “wisdom, ingenuity, and action” and has created both social and economic value by undertaking its environmental and recycling businesses.

Daiseki would not exist today without its history of meeting challenges and experiencing failures. Our current high growth is the fruit of the business model pioneered by our predecessors 20 to 30 years ago using their “wisdom, ingenuity, and action.” We have an obligation to establish a new business model aimed at realizing the circular economy that we are striving for and to position this model as our revenue base for the next generation.

My aspiration is to make Daiseki a company that will prosper for 100 years. To ensure that Daiseki continues to shine in the future, we must continue to be a presence needed by society. I will pass on the Daiseki’s Management Principles of “Ideas, Plans, Structures, and Actions” and its DNA of “wisdom, ingenuity, and action” to future generations and establish a new business model as the foundation for a company that prospers for 100 years without relying solely on the tailwinds of carbon neutrality and the circular economy.

This challenge cannot be met without the full strength of each and every employee. We will create a value chain through alliances not only within the Group but also with stakeholders such as clients and business partners in manufacturing industries and with local communities. This will allow us to create and operate a structure for a circular economy that also supports manufacturing industries. We will aggregate the powers of “One Daiseki” to take a step toward the future and embrace changes in society. Furthermore, we will evolve Daiseki into a company that creates change on its own. This is my mission as president.

I ask our shareholders, investors, business partners, and stakeholders in the local community to continue to closely watch the Daiseki Group as it takes on new challenges and to cheer us on with encouragement. Taking to heart our purpose of being an “an environmental value-creation company contributing to



society through the environment by making the best use of limited resources,” we will steadily implement strategies to achieve VISION 2030 and make all-out efforts to ensure that Daiseki is a company continuously needed by society. I look forward to working with our stakeholders to make Daiseki a company that will prosper for 100 years. We sincerely invite you to look forward to the continued challenge of Daiseki.



* Human capital portfolio: A diagram or plan that designed how many and what type of employees will be deployed to which areas in order to realize future business strategies.