

## 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 outside directors, further enhancing the supervisory function of the Board of Directors. One of the external directors is a woman, who gives recommendations from a woman's perspective.

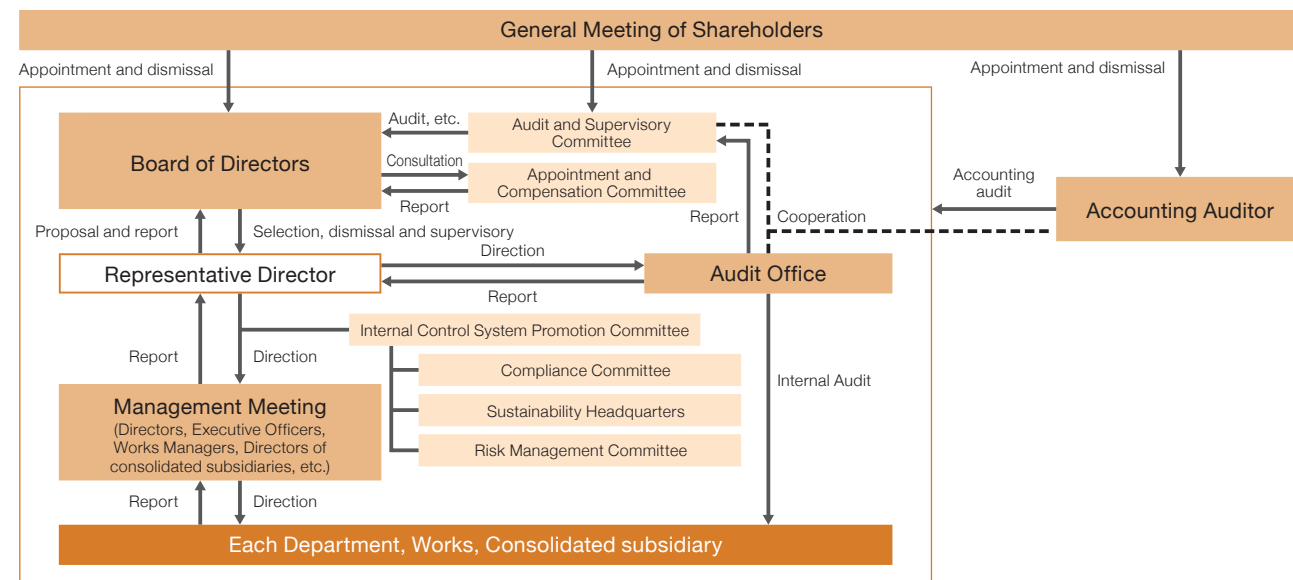
In May 2020, Daiseki introduced an executive officer system with the aim of clarifying business execution responsibilities, streamlining management and accelerating decision-making. Further, the authority necessary for conduct-

ing 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

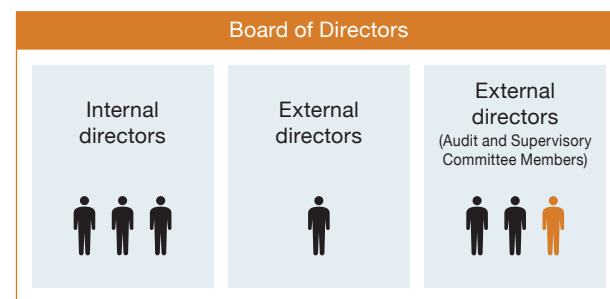


#### Board of Directors

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. Of these members, one is a woman 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.

#### Priority themes for FY2025

- Purchase of treasury shares
- Land acquisition for business expansion
- Explanations of credit decisions related to Group companies' major projects
- Thorough implementation of safety measures
- Tender offer for OSAKA YUKA INDUSTRY LTD.



#### Frequency of meetings and the number of meetings held

- Held once a month, in principle (with extraordinary meetings held as necessary)
- Held 24 times in FY2025

 ... Men  
 ... Women

#### 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.

#### 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 FY2025

- The Audit and Supervisory Committee of Daiseki and that of Daiseki Eco. Solution exchanged opinions for strengthening the Group's governance (March 2024).
- Presidents of Group companies explained the outline of their business (November 2024: Daiseki-MCR, December 2024: System Kikou).
- Plant tours at the Kyushu Works of Daiseki (December 2024)

#### Audit and Supervisory Committee

External director



#### 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 FY2025

 ... Men  
 ... Women

#### 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

#### Appointment and Compensation Committee

Internal directors



External director



\*Chairperson: External director

#### Frequency of meetings and the number of meetings held

- Held at least once a year (with extraordinary meetings held as necessary)
- Held twice in FY2025

 ... Men  
 ... Women

### Compensation for executives

Basic compensation, as 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)	
	FY2024	FY2025	FY2024	FY2025
Directors (Excluding Audit and Supervisory Committee Members and external directors)	3	3	129	146
External Directors (Excluding Audit and Supervisory Committee Members)	1	1	1	2
External Directors (Audit and Supervisory Committee Members)	3	5	7	7

### Succession plan

The most recent initiative is a study session on a succession plan, which was held on February 7, 2024 and featured an outside speaker. We will continue to hold this study session. In addition, Daiseki has begun to revise its personnel system, evaluation methods, training programs, and other materials so as to develop next-generation business leaders.

## 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, 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 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.

### Effectiveness evaluation of Board of Directors

An effectiveness evaluation of the Board of Directors held in FY2025 was conducted, and its results were reported and discussed at the Board of Directors. The evaluation results are as follows.

#### 1 Task implemented

- Evaluation subject.....Board of Directors held from September 2023 to August 2024
- 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
- (7) Other topics for discussion by 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

- Four items pointed out as requiring improvement were as follows.
- (1) Consider establishing standards for important subjects such as medium- to long-term plans and financial strategy, and creating opportunities for full discussions at important meetings, including those of the Board of Directors.
  - (2) Based on the results of discussions at Board of Directors meetings, consider strengthening the governance of the Group as a whole through prompt information sharing and full reporting of results Group-wide.
  - (3) Consider increasing the diversity of the Board of Directors through in-house training of woman director candidates, as one of the goals included in the Priority Policy for Women's Activities and Gender Equality is to raise the ratio of woman directors in prime companies to at least 30% by 2030.
  - (4) Consider creating opportunities for inspections of Group companies and discussions with Group company presidents and others regarding their medium- to long-term management issues and sustainability efforts.

## Risk Management

### Basic approach to risk management

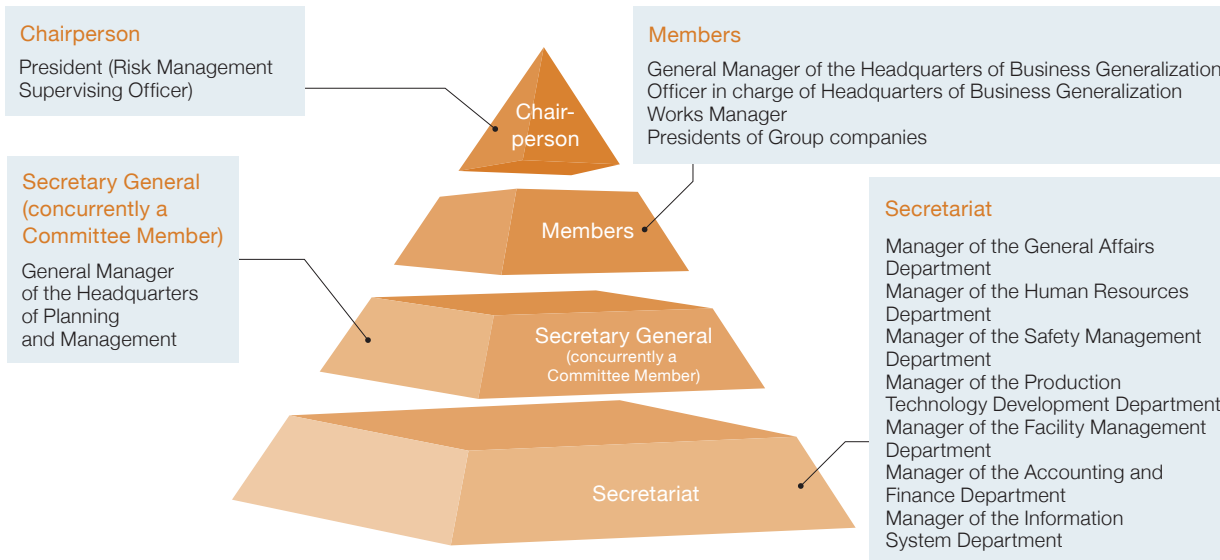
Daiseki established Risk Management Regulations in 2006 to address various risks including earthquakes and other natural disasters, occupational accidents and information leaks. Additionally, we created a risk map and established a response system defining responsible departments for each risk classification.

The Risk Management Committee, which plays a central role in risk management, is chaired by the President 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 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 measure to address risks \*Risks with a high level of impact only

Impact	Frequency		
	Low	Medium	High
High	<ul style="list-style-type: none"> <li>- Executive's infringement of disqualification provisions of the Waste Management and Public Cleansing Act</li> <li>- Violation of accounting-related rules</li> <li>- Deterioration in financial situation</li> <li>- Major typhoons/massive earthquakes</li> <li>- Abnormal fluctuations of management results/cash flows</li> <li>- Explosion/fire accidents (including damage from such accidents)</li> <li>- Transactions with a company with a problem</li> <li>- Response to anti-social forces</li> <li>- Leakage of business decision information</li> <li>- Occurrence of a significant legal case</li> <li>- Prolonged power outage/industrial water supply disruption</li> <li>- Server going down</li> </ul>	<ul style="list-style-type: none"> <li>- Insider trading</li> <li>- Major scandal caused by an employee</li> <li>- Information system breakdown caused by a cyberattack</li> <li>- Cessation of acceptance by a final disposal site</li> <li>- Violation of the Antimonopoly Act resulting from a measure on competition</li> <li>- Action that is inappropriate in light of the Subcontract Act</li> <li>- Incomplete response to a legal revision</li> <li>- Violation of the Labor Standards Act and the Industrial Safety and Health Act or occupational accident, which may result from long working hours</li> <li>- Inaccurate financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>- Violation of the Waste Management and Public Cleansing Act</li> <li>- Violation in terms of permission content (item, capacity, etc.)</li> <li>- Absence, falsification, or loss of contract</li> <li>- Absence or falsification of manifest</li> <li>- Violation of other laws and regulations specified by the Waste Management and Public Cleansing Act</li> <li>- Occupational accident, leakage, and other accidents</li> <li>- Progress in material recycling</li> </ul>

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.

☑ Safety

☑ Compliance