

Overview of the Daiseki Group's Performance

Dialogue with the Top Management of the Daiseki Group's Sales Divisions

As an environment-creating company, the Daiseki Group will work together to contribute to both environmental protection and manufacturing

Participants in the dialogue

- Koji Amano** Director & Senior Managing Executive Officer, Deputy General Manager of Headquarters of Business Generalization, Daiseki Co., Ltd.
- Yasumasa Matsuoka** Senior Managing Executive Officer and General Manager of Headquarters of Environmental Business in charge of the Eastern Japan area, Daiseki Eco. Solution Co., Ltd.
- Hirohide Omori** Deputy General Manager of Sales Division and Director of Tokyo Sales Office, Daiseki MCR Co., Ltd.
- Masashi Nakayama** Executive Vice President of System Kikou Co., Ltd.
- Yusuke Kitagawa** Deputy General Manager of Sales Division of Hokuriku Daiseki Co., Ltd.

We will strengthen our aggressive business approach in response to the tailwind of environmental needs

— Could you share your insights on the business environment surrounding the Daiseki Group and the measures to be implemented?

Amano The business environment surrounding the entire Daiseki Group is experiencing a time of transformation due to trends in manufacturing in Japan and growing environmental needs. While production volume in the manufacturing industry in Japan has been stagnant overall, Daiseki has strengthened sales activities targeted at large-scale factories, which has made it

possible to increase its market share in FY2024.

Matsuoka The trend toward carbon neutrality and the adoption of EVs, coupled with the depreciation of the yen, is causing an increasing number of companies to establish and expand their manufacturing bases. Furthermore, the field of Daiseki Eco. Solution, which provides one-stop services ranging from consulting to surveys and countermeasures, is expanding due to stricter soil-related laws and regulations. Moreover, the environment is becoming an increasingly important factor in the decision-making process of customers. Recently, we have been receiving an increasing number of inquiries about our material recycling of plasterboard and waste plastic, and the production of biodiesel fuel from waste oil.



Back row, from left: Omori, Kitagawa Front row, from left: Matsuoka, Amano, Nakayama



Omori Environmental initiatives are starting in every industry. Daiseki MCR's main business is the recycling of lead-acid batteries used in vehicles. Although the demand for lead-acid batteries is gradually decreasing with the advancement of EVs, there is an increasing demand for stationary lead-acid batteries in the field of renewable energy.

Nakayama The key is to swiftly adapt to changes in the business environment. Although System Kikou primarily focuses on the maintenance and cleaning of large tanks at refineries and crude oil storage bases, in anticipation of shrinking demand for fossil fuels, it is in the process of embarking on expanding our scope of work in response to changes, such as maintaining existing maintenance cleaning projects while acquiring new projects for demolition and change of use.

Kitagawa Hokuriku Daiseki's customers are mainly construction machinery and machine tool manufacturers, which are local industries, and although the company has performed well in recent years, the Noto Peninsula Earthquake in January 2024 damaged the manufacturing industry and the business environment has changed dramatically. The Company will continue sales activities to help the recovery of local industries, although the local economy is still facing difficulties.

We will fulfill our mission as an environment-creating company that achieves a balance between manufacturing and environmental protection

— What kind of business activities do you think the Daiseki Group should conduct from the viewpoint of sustainability?

Amano When I hear about the activities of each company, I realize that we are a rare corporate group that can simultaneously fulfill our two missions of

supporting Japanese manufacturing and environmental protection. The more the Daiseki Group grows, the more it will help preserve the global environment and create a virtuous cycle that circulates resources in resource-poor Japan. I am now more convinced that our core business is to realize sustainability.

Omori Daiseki MCR also inherits Daiseki's DNA of constantly pursuing better ways to reduce environmental impact. Lead, which we handle, is known as a recycling champion due to its safe and efficient recycling methods. As environmental protection through lead utilization is one of our Management Principles, we have introduced plants that achieve reductions in SOx, NOx, and CO₂.

Nakayama System Kikou is the only Group company without its own plant, so we invest intensively in people and equipment. Specifically, we are introducing low-fuel consumption models of generators and compressors, hybridizing construction vehicles, and adopting uniforms made from recycled materials.

Matsuoka For Daiseki Eco. Solution, soil contamination countermeasures pose significant cost factors for client companies and can be a bottleneck in the liquidation of real estate and the effective utilization of plant sites. By bringing the entire process ranging from surveys to countermeasures in-house, and increasing the number of proposal patterns to meet customer needs, we are balancing the company's goal of land use and reduction of environmental impact.

Kitagawa I am once again aware of our role as the Daiseki Group, a leader in sustainability in Japan, after hearing about the efforts of each company. I would like to make it the mission of Hokuriku Daiseki to reach out to local manufacturers in Hokuriku and provide backup for resource recycling and environmental protection efforts at SMEs.



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Responding to the trust of our customers by placing the highest priority on compliance

— Please tell us about your customers' view of the Daiseki Group and how you provide the value they seek.

Amano The reason Daiseki has continuously been chosen by major manufacturing customers is largely due to its thorough compliance. Under the Waste Management and Public Cleansing Act, improper handling by an industrial waste disposal company can result in severe penalties for the contracting waste generators. Daiseki has a long track record of legal compliance, and it is the first dedicated waste disposal company listed on both the Tokyo and Nagoya Stock Exchanges. Furthermore, Daiseki's recycling process with low greenhouse gas emissions and recycled fuels have been highly regarded by customers and are in ever-increasing demand. In addition to our commitment to compliance, we think that we are gaining strong trust as a company that contributes to the creation of a sustainable society.

Kitagawa Hokuriku Daiseki strictly adheres to laws and provides one-stop services for the production, sale, recycling, and recovery of lubricants and petroleum products, as well as the recycling and recovery of waste oils (including engine oils), enhancing both benefits and environmental protection.

Nakayama At System Kikou, we focus on properly assigning qualified personnel and conducting in-house training to safely and adequately complete hazardous tank and piping cleaning tasks. Furthermore, we are enhancing equipment investment to mechanize dangerous tasks, improving safety and efficiency, which is well regarded by our customers.

Matsuoka Compliance is a common strength across the Daiseki Group. The Soil Contamination Countermeasures Act, which Daiseki Eco. Solution is involved in, is a specialized and complex law. Taking

advantage of our knowledge of the regulations and applications, we propose soil remediation measures that meet the needs of our clients, which leads to improved customer satisfaction. In addition, we are receiving an increasing number of requests for surveys and removal of buried materials containing PCBs (polychlorinated biphenyl waste) in anticipation of the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, which will expire in March 2027. We have established a PCB Section in the Resource Recycling Division to promote compliance with the highest priority in processing and reducing environmental impact.

Omori We are entering an era in which the companies that are the first to successfully respond to environmental issues in compliance with the law will survive. Daiseki MCR has taken the lead over its competitors by introducing environmental impact reduction measures and CO₂ reduction strategies. From the current fiscal year, we will offset all CO₂ emissions from our own collection trucks through the J-Credit system's forest-derived credits, which will accelerate CO₂ reduction.

We promote one-stop sales activities by combining the strengths of each company

— Could you provide specific examples of synergies within the Daiseki Group companies?

Amano Daiseki obtained the first industrial waste treatment license from Nagoya City in 1972, and has been processing waste oil and sludge using proprietary technologies to convert them into raw materials for cement and recycled fuel. Waste is raw material for Daiseki. By pursuing this idea, we have been able to have both customers who are industrial waste generators and customers who demand raw materials. Going forward, we would like to start creating group synergies in addition to developing new businesses.

Matsuoka Daiseki Eco. Solution has been highly



regarded by customers for its transparency of treatment details through thorough certificates and ledger management showing proper treatment of soil contamination countermeasures. Furthermore, our commitment to recycling plasterboards, waste plastics, and biodiesel fuel sets us apart from other companies. Our strength lies in our ability to think flexibly and act on how to reduce environmental impact and respond to new environmental issues.

Amano Daiseki and Daiseki Eco. Solution have many customers in the manufacturing industry. We identify potential Daiseki Eco. Solution customers from approximately 5,900 plants that deal with Daiseki and conduct joint sales visits. As a result, this led to an increase in sales of approximately 900 million yen last fiscal year.

Omori At Daiseki MCR, we have strengthened our transactions with car dealers and auto parts retailers, and established a one-stop system where we collect batteries and Daiseki collects waste oil. Among many competitors specializing in either collection or refining, our strength lies in our ability to do both, which makes us a preferred choice for customers.

Nakayama The advantages of one-stop services are significant for customers. At System Kikou, we receive tank cleaning projects from Daiseki's customer plants and request Daiseki to handle the waste generated from our work. This establishes mutual collaboration, which amounted to 20 projects last fiscal year. While other companies in the same industry can only handle a few large tank cleaning projects simultaneously, we have established a system that makes it possible to handle more than 14 projects at a time. One of our strengths is our ability to easily secure orders from large customers.

Kitagawa At Hokuriku Daiseki, we request waste oil and wastewater processing from Daiseki Hokuriku Works and collect waste cooking oil recycled by Daiseki Eco. Solution. We regularly ship batteries collected by our Company to Daiseki MCR. Going forward, we plan to strengthen sales activities that create synergies by introducing contamination soil and PCB projects to Daiseki Eco. Solution and tank cleaning projects to System Kikou.

Growth strategy to be realized by the Daiseki Group toward the achievement of VISION 2030

— Please tell us about the status of initiatives toward achieving VISION 2030 and the strategies and measures to continue growth and development in the future.

Amano Daiseki is simultaneously deepening relationships with existing customers in the industrial waste recycling business and developing new businesses



in order to achieve VISION 2030. We intend to contribute to the realization of the circular economy by proposing raw material selection and processes at the manufacturing stage to our customers in the manufacturing industry.

Matsuoka Daiseki Eco. Solution will shift its focus from processing orders to developing consulting projects for upstream customers by expanding its sales and research structure in metropolitan areas and investing in human capital. We hope to become a company that is relied upon by our customers, especially those in the manufacturing industry, by strengthening our ability to propose environmental measures.

Omori In order to fulfill the Daiseki Group's purpose, Daiseki MCR will continue to invest in equipment that will lead to decarbonization measures and reduction of environmental impact. At the Hiraide Plant, we are planning to try to install a solar power generation and storage system with lead-acid batteries. We would like to link lead recycling to the trend of decarbonization in the world.

Nakayama In System Kikou, we will strive to level out the volatility of net sales by expanding the types of work we do in the chemical and water treatment industries and by increasing mobility through the introduction of new construction vehicles to capture a wide range of projects, ranging from small-scale construction to high-margin projects.

Kitagawa Hokuriku Daiseki intends to strengthen its strategy to grow together with the local economy by utilizing its foothold rooted in local companies to absorb the needs of SMEs and feed them back to the Group.

Amano I have been able to see an overview of the growth strategy from the efforts of each company to directly link their business to the creation of a sustainable society. Let's continue to share information and technologies within the Group, maximize synergies, and continue to grow as an environment-creating company.