



A Roundtable Discussion with Our External Directors

Strengthening growth as an environment-creating company through governance that supports aggressive management

Strengthening governance related to investment to contribute to Daiseki's aggressive management

— What are your thoughts on efforts to strengthen the effectiveness of the Board of Directors?

Sahashi At Daiseki, we have been working to strengthen the management oversight function of external directors. As a result, we feel that the Board of Directors has become more active and its effectiveness has increased. Since the appointment of President Yamamoto, we have been able to better understand the operational status of each works, and as external directors, we aim to conduct audits while gaining an accurate understanding of the actual situation of each works and Group company, and provide appropriate advice to the management team.

Okada I have been participating in the Board of Directors meetings, where lively discussions take place, since last year. Based on my experience in group company management, I believe it would be beneficial to make the criteria and evaluation process for investment projects involving significant amounts of money stricter and have them approved by the Board of Directors. I proposed this, and as a result, the criteria have been revised to bring investment projects above a certain threshold to the Board of Directors for deliberation.



Mitsuru Okada

After working at Furukawa Electric Co., Ltd., he became President and Representative Director of UACJ Corporation in October 2013. Took on his current role at Daiseki in 2024.

Maeda That's quite a quick response. I joined the Company this year and feel that Daiseki has an open atmosphere where people can speak frankly.

Suganuma I also felt the same way. Order and control are necessary, and a Board of Directors that simply approves matters has no meaning. When I joined in May, the President encouraged me to speak candidly at the Board of Directors, and I feel that there is an environment where employees can actively exchange information and express their opinions to their supervisors, just like at meetings of the Board of Directors.

Sahashi As Director Suganuma mentioned, one of our important roles is to ensure good governance by checking the Company, reporting to the Audit and Supervisory Committee, and expressing our opinions as necessary through our attendance at meetings of the Board of Directors.

Okada Because risks have been diversifying recently, I would like to see the Board of Directors address all issues that may affect the Company as a whole. For example, regarding the evaluation of investment projects, I would like to see more projects brought up for deliberation by lowering the threshold further. While increasing the number of agenda items might add to the burden and pressure on the employees explaining them, it will also naturally enhance their sense of responsibility and motivation. I hope the Board of Directors will continue to evolve by functioning as a forum that not only strengthens governance but also contributes to the growth of core employees.

New business development and expansion of existing businesses Accelerating growth from two axes

— What is your evaluation of the measures toward achieving VISION 2030?

Sahashi In order to achieve VISION 2030, we are diversifying into new business development, business expansion, and M&As. However, I feel that we need to sow more seeds to achieve the Group's overall target of



25 billion yen in operating profit. FY2025 will be the halfway point toward VISION 2030. I think one critical point is whether we can prioritize highly profitable businesses in this year.

Okada The goal of 25 billion yen in operating profit is very ambitious. I see this as a strong declaration of Daiseiki's determination. However, time is limited. We also need to focus on expanding existing businesses through business expansion while running new businesses.

Maeda The 3-3 Project targets include developing three business locations, establishing three new core businesses, and achieving a 30% domestic market share in core businesses. I think the Asian market has great potential as we look for breakthroughs beyond that. Industrial waste treatment and recycling with low environmental impact is a need that will surely emerge, and there are many possible methods and forms of advancement. We have already begun investigations and dialogues with authorities in some countries, and advancing such activities actively will significantly contribute to Daiseiki's growth and have great social significance.

Suganuma I have been involved in the formulation of various plans in the prefectural administration, and I believe there is no point in setting goals that can be achieved by the way we have been doing. I believe that a plan becomes meaningful only by setting ambitious goals and incorporating a strong will to achieve them. Director Sahashi said, "We need to sow more seeds," and I think that we need to take steps to not only increase the numbers but also accelerate growth.

Strengthening measures that lead to diversity and maximizing the vitality and capabilities of employees is also essential

— **What do you think about the efforts toward sustainability so far?**

Sahashi Strengthening human capital is an essential priority for future expansion. I feel that Daiseiki is still not well known in terms of securing human resources. What should we do to promote the image of Daiseiki as an environment-creating company? Last December, Daiseiki was featured in a documentary program called "The Unknown Gulliver." Young people who are our recruitment targets may have seen it.

Maeda Job changes and job hunting through social media are becoming more common among the younger generation. The younger generation relies on sources



Norikazu Sahashi

First election in 1987, he served on Nagoya City Council for six consecutive terms. Chairman of the Nagoya City Council from 2005 to 2006. Took on his current role in 2016 after being appointed as a Daiseiki Auditor in 2012.



Katsumi Maeda

After working at Deloitte Touche Tohmatsu LLC Nagoya Office, established Maeda Katsumi Certified Public Accountant & Tax Accountant Office in 2016 and assumed the position of Director (current position). Took on his current role at Daiseki in 2024.

other than traditional mass media, so we should explore approaches accordingly. I have seen various companies during my time as an auditor, and I observed that companies where young people are given authority are working lively and growing at a faster pace.

Okada There is also an urgent need for measures to harness the power of current employees. I advised on the merits of having employees explain investment projects at meetings of the Board of Directors, and I think it is necessary to activate such movements in all departments within the Company and link them to the Company's evaluation.

In addition, at each of our works, the Works Manager operates with significant authority and ambition. This is great, but many of these Works Managers come from sales backgrounds. In order to ensure diversity, I suggested that it would be good to promote* people with technical backgrounds as well. * Works Manager with a technical background took over at the newly established Hiroshima Works in March 2024

Suganuma As they say, "The people are the castles, the stone barriers," and I believe that if we could successfully draw out people's abilities and motivation, they would help us in all kinds of ways. I would like to express my respect for Daiseki's commitment to diversity and inclusion, and for quickly implementing improvement



measures. I believe we can expect even more from them. Having people with diverse experiences and ways of thinking will lead to new perspectives and plans.

Regarding promotion of the active participation of women, we have been focusing on childcare support and the promotion of women to management positions. These measures will create comfortable working environments, including not only female employees but also male.

Okada When I visited the Kansai Works, I was surprised to see a female employee of the Production Engineering Division working on top of a tanker truck with a smile. I heard that it was believed that women could not do dangerous work in the past, but this would have limited the scope of work for female employees. So, during workplace improvement activities, measures were requested to allow women to work safely on vehicles. Following this request, fall prevention measures and steps were installed on the vehicles, creating a safe work environment for everyone, not just women. Flexibly responding to employees' opinions and requests is a strength of Daiseki.

Sahashi I also think that the Company listens sincerely to the voices of its employees. I would like to see Daiseki promote to create comfortable working environment, including the active promotion of women, in order to secure new human resources.

Delegate authority and manage talent selectively to develop the next generation of leaders

— What is necessary for developing Daiseki's future leaders?

Sahashi One of Daiseki's challenges in developing the next generation of leaders is the age distribution of employees, with few mid-career employees. Director Maeda mentioned previously that delegating authority to the younger generation should be a priority.

Okada The Nomination and Compensation Committee

has begun discussions on the definition of requirements for candidates, and the transfer of authority is one of the important milestones in developing the next generation. The most urgent issue is to select board members from among employees in their late 40s to early 50s, and I think it is acceptable to give each of them a mission and promote them based on their achievements.

Sahashi We need to create an environment where human resources are nurtured and evaluated respectfully. The entire Board of Directors will work on this with a sense of urgency.

Fulfilling the mission of a leading company for a resource-oriented society

— What do you think is the ideal future for Daiseki and the role of external directors?

Sahashi One of the key factors that has enabled Daiseki to grow steadily over the years is its strong ties with the local community. Currently, although Daiseki Co., Ltd. has seven works in Japan and plans to increase the number in the future, building good relationships with local businesses, governments, and residents is extremely important and takes time. I hope Daiseki will see community ties as part of its growth strategy, and it will continue to work on this as it has in the past.

Maeda I joined an auditing firm in my previous position in 1997, around the time Daiseki went public in 1995 and was listed on the First Section of the Tokyo Stock Exchange in 2000 when the Company was really beginning to emerge. My supervisor at that time was involved in the development of accounting standards for Daiseki, and because it was the first time a company specializing in industrial waste treatment had gone public, I worked on creating new accounting standards. I remember watching that and feeling inspired, realizing that the work of an accountant is incredibly creative, as if it happened yesterday. Nearly 30 years have passed since then, and I feel that Daiseki's presence and recognition as a leading company in the industry have



increasingly grown. I intend to actively provide advice on financial and accounting matters and contribute to Daiseki's growth.

Suganuma I had the privilege of awarding the prefectural environmental prize to the Daiseki Group when I was serving as the director of the Environment Department of Aichi Prefecture. The award was given in recognition of the Daiseki Group's pioneering role in the recycling field, and the fact that the Group is active throughout Japan not only in normal times but also in times of disasters. I am convinced that Daiseki's efforts toward a circular economy will significantly contribute to building a sustainable society. I hope to leverage my experience in administration related to the environment, education, welfare, and promoting the active participation of women at Daiseki.

Okada Today, we had a candid discussion with everyone, and I believe the primary role of external directors is to fulfill their duty of care toward the company. My goal is to fulfill this role with fairness and objectivity. In addition, the company's growth is largely dependent on the growth of its employees. I will make every effort to create an environment in which all Daiseki employees can perform to the best of their abilities.



Ayako Suganuma

After working for the Aichi Prefectural Government, became the President of the Aichi Prefectural Culture Promotion Foundation in 2018. In 2023, became the President of the Aichi Prefecture Women's Welfare Association. Took on current role at Daiseki in 2024.



Compliance

For the Daiseki Group, which expands businesses with permissions, assuring compliance and meeting social responsibility and public responsibility are the most important issues for corporate management.

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 adopted the company with Audit and Supervisory Committee system, with an Audit and Supervisory Committee comprising three outside directors, further enhancing the supervisory function of directors. One of external directors is a woman, who gives recommendations from a female 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 conducting daily corporate activities is

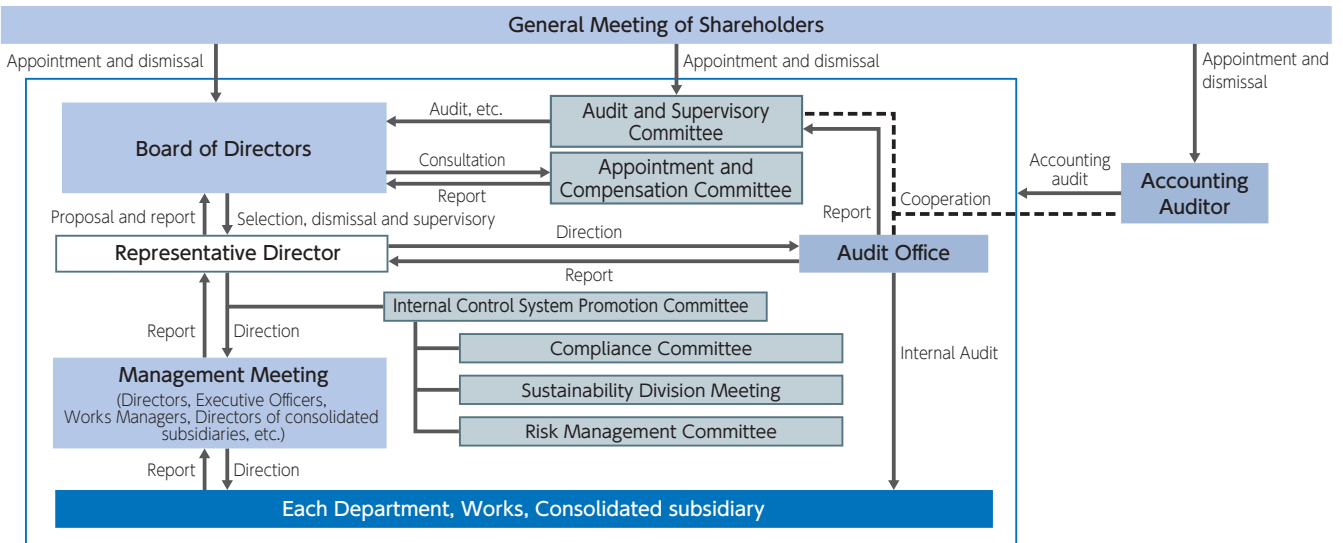
delegated to the Works Managers at each works and the Presidents of each Group company, with the Management Meeting held with the participation of directors, executive officers, Works Managers, directors of consolidated subsidiaries and other staff.

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.

The Corporate Governance Report disclosed by Daiseki in May 2024 can be found here (In Japanese).

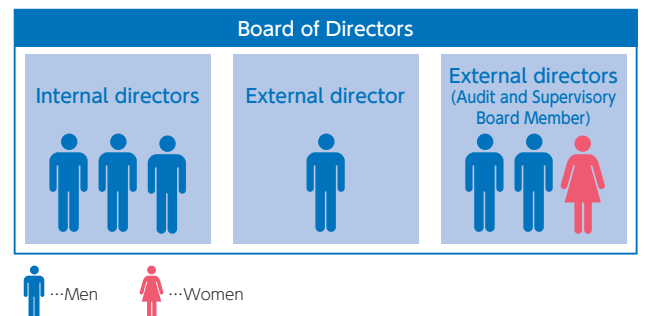
https://www.daiseki.co.jp/image/sustainability/governance/corporate/Corporate_Governance_Report_2405.pdf

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 female 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.



Main accomplishments related to governance of FY2024 (Daiseiki)

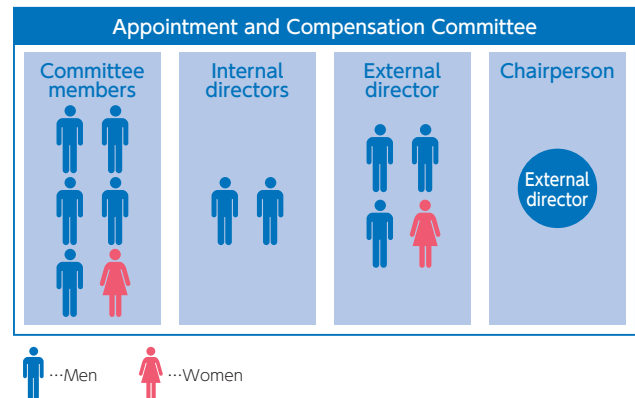


Sustainability governance by the Board of Directors

We hold the Sustainability Headquarters Meeting, composed of the President and executive officers of Daiseiki 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 Meeting, where these plans are deliberated and formulated. The content and progress of these plans are reported to the Board of Directors.

Governance by the 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. The Appointment and Compensation Committee was held five times in FY2024.



Directors skill matrix

The skills matrix of directors ensures an appropriate number of members for accurate and prompt decision-making by the Board of Directors and balances knowledge, experience, and abilities and considers diversity. Individual directors are selected based on their reputation, insight to ensure compliance with laws, regulations, and corporate ethics, as well as excellent judgment, decision-making ability, achievement-oriented ability, and self-control.

Directors skill matrix (as of May 23, 2024)

Name	Title	Age	Gender	Term of office	Committee		C	B	O	G	SA	M	F	S	T	H
					A	Audit, etc.										
Tetsuya Yamamoto	Representative Director	59	Men	29	○		●	●					●	●	●	
Yasuo Ito	Representative Director	51	Men	14	○		●		●	●	●					
Koji Amano	Directors	63	Men	21				●			●					●
Mitsuru Okada	Independent External Directors	67	Men	1	○		●		●	●						
Norikazu Sahashi	Independent External Directors	65	Men	8	○	○		●				●		●		
Katsumi Maeda	Independent External Directors	49	Men	—	○	○			●	●		●	●			
Ayako Suganuma	Independent External Directors	66	Women	—	○	○			●			●				●

Note: A: Appointment and Compensation Committee, C: Corporate management, B: Business knowledge, O: Operation strategy, G: Global, SA: Sales marketing, M: Management risk, F: Financial accounting, S: Sustainability, T: Technology innovation, H: Human resource, education, diversity

Governance of Group companies

The Daiseki Group is engaged in various efforts to strengthen the governance of Group companies as follows.

1 Management Meeting

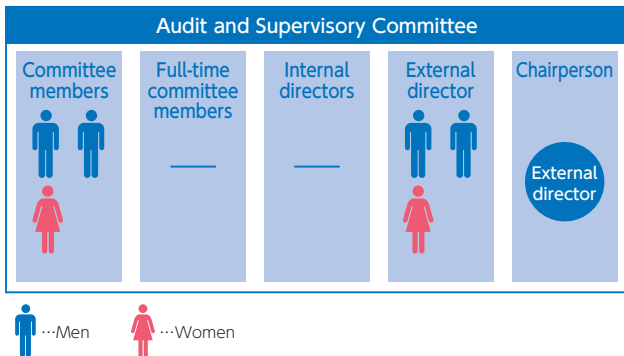
A Management Meeting is held every month, attended by Daiseki directors, executive officers, and Works Managers of each works as well as directors of Group companies. Important matters are directed, communicated, and opinions and information are exchanged at the Management Meeting.

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 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. In March 2024, the Audit and Supervisory Committees of Daiseki and Daiseki Eco. Solution shared awareness of business differences and the role of members of the Audit and Supervisory Committee, discussed collaborative efforts, and discussed risk management with the aim of strengthening Group governance.



4 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.

Basic Approach to Internal Controls

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, Daiseki established the following system for ensuring the appropriateness of operations (hereinafter, the “internal control system.”)

- 1 Within the Daiseki Ethics Charter, Daiseki established three guidelines for corporate behavior that convey its stance on growing and developing alongside society: Social roles and responsibilities, compliance with laws and regulations, respect for human rights and the fostering of a free and open corporate culture. To achieve perpetual development as an industry leader, Daiseki has developed an internal control system and strives to embody its Ethics Charter.
- 2 The Board of Directors formulates basic policies for internal control, provides instructions and supervision on the implementation status of internal controls, confirms maintenance and operational status and reviews basic policies and countermeasures when necessary.
- 3 Daiseki established the Internal Control System Promotion Committee chaired by the President Executive officer to ensure reliable financial reporting through the establishment and maintenance of internal control system programs.

Risk Management

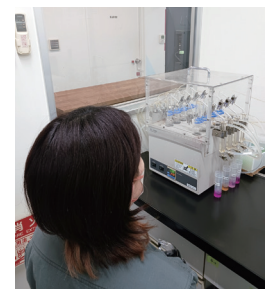
Daiseki established Risk Management Regulations in 2006 to address various risks including earthquakes and other natural disasters, occupational accidents and information leaks. Additionally, we created a risk map and established a response system defining responsible departments for each risk classification.

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 Meeting 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.

Quality control system

Daiseki confirms that recycled products, secondary waste from landfill and incineration, cement raw materials, and other materials comply with internal standards that are stricter than laws and regulations when they are shipped.

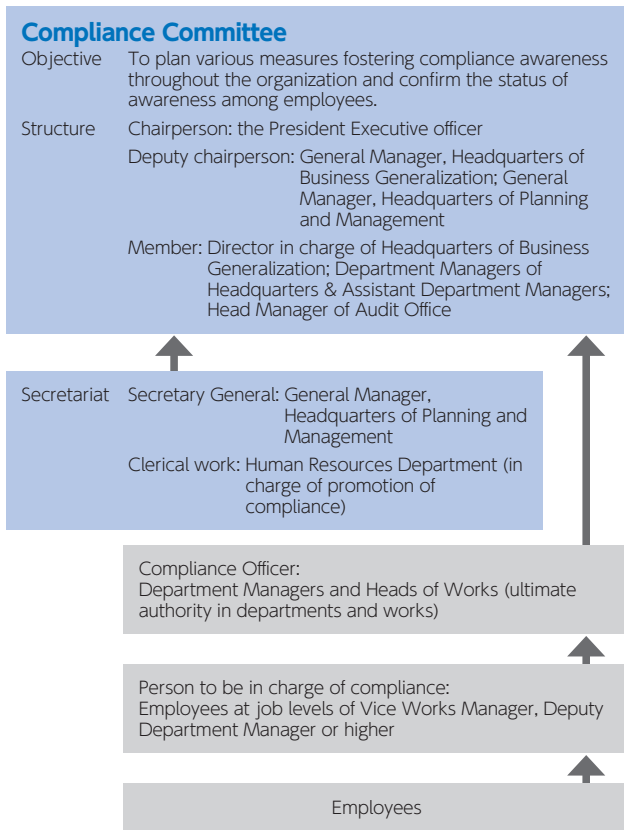


Quality control analysis in progress

Compliance System

Daiseki established a Compliance Committee in May 2002 and formulated an Ethics Charter announced within and outside the company. Compliance Committee chaired by the President Executive officer works on grasping the status of company-wide compliance systems established and its problems, analyzing compliance risks at each department and embodying countermeasures. For the cases where the Daiseiki Group management or compliance officers at each department find problems related to compliance, we have established a system to report to Compliance Committee immediately and thoroughly operate that system.

Compliance System



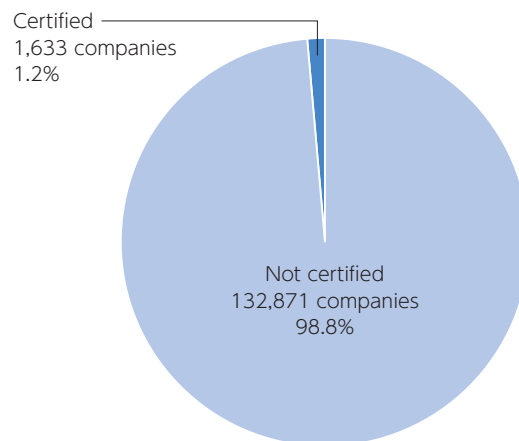
Compliance consultation desk and protection of whistleblowers

The Daiseiki Group established a compliance consultation counter where employees can directly consult with Daiseiki Human Resources Department or corporate lawyers that is easy for employees to use, and thoroughly operate it informing the importance of it. When employees consult, the consultation counter will investigate the matter, determine the countermeasure to prevent it from happening again with the related departments and implement it thoroughly, company-wide. The whistleblowing system stipulates the protection of whistleblowers so that employees who make report suffer no adversity. All information from whistleblowers are handled in the strictest confidence only by those who respond in the whistleblower system so no information is leaked to the outside.

Excellent Industrial Waste Disposal Company Certification System

The purpose of this system is to create an environment in which generators of industrial waste can easily outsource treatment to excellent certified businesses and to promote the proper treatment of industrial waste. The criteria for certification as an excellent certified business include assurance of legal compliance, disclosure of business information, implementation of environmentally friendly measures, and financial soundness. Once certified, the business is entitled to benefits such as an extension of the validity period of its industrial waste treatment license and an advantage in contracts for the treatment of industrial waste by local governments based on the related law (the Act on Promotion of Contracts of the State and Other Entities, Which Show Consideration for Reduction of Emissions of Greenhouse Gases, etc.). Daiseiki was the first operator to be certified under this system by the city of Nagoya in 2011, and as of the end of February 2024 (February 29, 2024), we were certified as Excellent by a total of 49 local governments (45 prefectures and four cities), excluding Hokkaido and Okinawa Prefecture. As of FY2024, there were 134,504 industrial waste disposers (disposal companies and collectors/transporters) in Japan, of which 1,633 companies, or about 1.2%, have been certified as excellent industrial waste disposers.

Percentage of companies certified as excellent industrial waste disposers



Status of compliance

The Daiseiki Group has complied with various laws and regulations, including environmental laws and regulations, in FY2024, and has not received any adverse dispositions (orders for improvement, orders for action, or business suspension orders).

Human Rights Protection Policy

Daiseki has established its policy and norms regarding the protection of human rights in its Ethics Charter and Code of Conduct, and disseminates them to all Daiseki Group employees.

Ethics Charter (Respect for Human Rights and Promotion of an Open-Minded Corporate Culture)

We respect human rights and strive to promote a rewarding and open-minded corporate culture.

Code of Conduct (respect for fundamental human rights)

It is important for employees with different values and perspectives to respect each other's differences in order to cooperate and work together. Mutual understanding, progress, and development are born by acknowledging differences. The Daiseki Group always respects basic human rights, which is the premise of mutual understanding.

- 1 We respect the basic human rights of employees and do not discriminate based on race, creed, gender, or physical disabilities under any circumstances.
- 2 We protect personal privacy.
- 3 We don't engage in sexual harassment or other acts that violate human rights.
- 4 We create a corporate culture in which employees have mutual respect for one another.

State of human rights protection

Harassment workshops for all managers are conducted regularly by an outside lecturer at the Daiseki Group. Additionally, we are conducting training aimed at preventing sexual harassment and abuse of authority for newly appointed managers. Further, the Human Resources Department regularly interviews employees to monitor for human rights violations.

The Daiseki Group does not engage in discrimination, forced labor, child labor, human trafficking, or any other acts that are detrimental to human rights.

Preventing corruption

The Daiseki Group has established and abides by the following items in its Code of Conduct to prevent corruption.

1 Appropriate approach to entertainment, gifts, and similar practices

1. We don't entertain or give gifts to business partners and other stakeholders beyond the scope of social conventions and common courtesies.
2. We don't entertain or give gifts to current or former civil servant employees, except when permitted by laws and regulations.
3. We don't provide our shareholders with entertainment or gifts that exceed the scope of social conventions and common courtesies.
4. We don't give any favors to antisocial forces (extortionists).

2 Transactions with public institutions, handling of political contributions and donations

1. We act with thorough consideration for sociality, commonality, necessity, etc.
2. We do not make illegal political contributions.

3 Compliance with the antimonopoly act

1. We do not discuss or enter into agreements that mutually restrict free corporate activities.
2. We do not use one's position to influence business transactions.
3. We do not make inappropriate displays or provide excessive gifts or prizes.

4 Handling of inside information

Employees must under no circumstances use insider information, which is strictly confidential information obtained in the course of their work, for personal financial gain. It is illegal and will hinder sound trading of stocks and other securities on securities markets.

1. Information must not be provided to third parties.
2. Information must not be used for personal gain through private use.

Status of corruption incidents

In FY2024, there were no cases of employees being dismissed or disciplined due to corruption in the Daiseki Group.

There were also no cases of contracts with business partners being terminated or renewal refused due to corruption-related contract violations. In addition, no lawsuits related to corruption were filed against the Daiseki Group or its employees.

Securing and utilizing intellectual property rights

We formulated employee invention regulations to address inventions and other intellectual property created by employees while on the job. By clarifying the attribution of rights to employee inventions and guaranteeing inventor rights, we are working to increase motivation for research and development.

Number of intellectual property rights (FY2024 end) (cases)

	Patents holding	Patent pending
Number of intellectual property rights	4	4

Ensuring information security and utilization of ICT

In 2005, we formulated Personal Information Protection Rules to ensure all officers and employees maintain a thorough understanding of appropriate personal information protections in an effort to strengthen management.

Based on the Information Security Basic Policy, we strictly manage and control the creation, use, removal and storage of information. In FY2024, there were no incidents involving the leak of personal information.

We conduct information security education and targeted e-mail training, etc., to improve IT literacy as part of our information security measures. We also provide education on this topic including training for new employees and newly appointed managers.

We cover cyber risk insurance as a precautionary measure against cyber risks, such as cyber-attacks and information leaks. This mitigates financial losses in the event of an incident and supports prompt recovery activities.

In addition, after formulating VISION 2030 in FY2019, Daiseki has introduced business systems such as an attendance management system, a vehicle dispatch request web service, a vehicle dispatch management system using tablets, and an industrial waste contract application system, and is improving operational efficiency through ICT.

Effectiveness evaluation of Board of Directors

Effectiveness evaluation of Board of Directors held in FY2024 was conducted, and its results were reported and discussed at Board of Directors. The evaluation results are as follows.

1 Task implemented

- **Evaluation subject**Board of Directors held in September 2022 through September 2023
- **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

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

- Three items pointed out as improvement was required were as follow.
- Consideration of increasing the amount of time for discussion on succession planning to ensure greater diversity and sustainability of the management team and functions of the Board of Directors.
- Consideration of training candidates for female directors from the company, as the Basic Policy on Gender Equality and Empowerment of Women includes the goal of increasing the percentage of female directors at Prime-listed companies to at least 30% by 2030.
- Consideration of establishing a forum to discuss medium-to long-term management issues and sustainability initiatives with the presidents of Group companies.

Daiseki's supply chain management

Daiseki contracts the collection, transportation, and final disposal of industrial waste to suppliers. To ensure that these suppliers comply with the Waste Management and Public Cleansing Act and other laws and regulations, Daiseki systematically visits suppliers every year to check their compliance with related laws and regulations.



Visits to suppliers' sites