


Third-Party Assurance



24 June 2024
Opinion No : SGS24/050

Mr. Tetsuya Yamamoto
President and Representative Director
Daiseki Co., Ltd.
1-86 Funami-cho Minato-ku, Nagoya, Aichi, Japan

Objective
SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by Daiseki Co., Ltd. (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO14064-3: 2019 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the Statement"). The objective of this verification is to confirm that the Statement in the Organization's applicable scope has been correctly calculated and reported in the Statement in conformance with the criteria, and to express our views as a third party. The Organization is responsible for the preparation and fair presentation of the Statement.

Scope
The scope of verification is Scope 1 and 2 emissions, and Scope 3 emissions.
The period subject to report is from 1 March 2023 to 29 February 2024.
Refer to the attached sheet for the detailed scope of verification.

Procedure of Verification
The Statement was verified in accordance with Criteria of Verification, and the following processes were implemented at a limited level of assurance:

- Verification of the calculation system: Interviews on the measurement, tabulation, calculation, and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the Statement: On-site verification and voucher review conducted at the Daiseki Co., Ltd. Kyusyu Works and Green Arrows Kyushu Co., Ltd., and analytical procedures and interviews for the other sites in the scope of verification carried out at the head office

The criteria for this review are based on the GHG Emissions Calculation and Reporting Manual Ver. 5.0, Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.6, Emission Factor Database on the same Accounting Ver. 3.4, IDEV Ver.2.3 and the protocol specified by the Organization.


Conclusion
Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the Organization's Statement was not calculated and reported in conformance with the criteria.
SGS Japan Inc. affirms our independence from the Organization, being free from bias and conflicts of interest with the Organization.

For and on behalf of SGS Japan Inc.
Yokohama business Park North Square 1
134, Godo-cho, Hodogaya-ku, Yokohama
Business Assurance
Head of Certifications/Accreditation

Yuji Takeuchi

1 / 2

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Attached file
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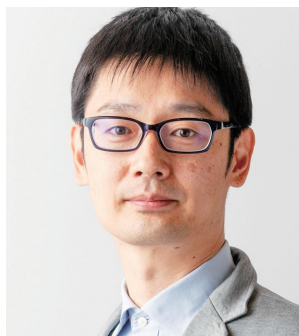
The details of the scope of verification

The Scope	The Boundary	The Statement
1 The performance data Scope 1 and 2 from energy related carbon dioxide emissions	The Organization and the consolidated companies	Scope 1 : 29,366 t-CO ₂ Scope 2 : 11,322 t-CO ₂
2 Scope 3 (category 1)	The Organization and the consolidated companies	82,082 t-CO ₂

2 / 2

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Third-Party Opinion



Professor Hidemichi Fujii

Graduate School of Economics, Kyushu University

Specializes in Japanese economics and environmental economics. He conducts research on institutional design for a sustainable society. In 2021, he received the Young Scientists' Award by the Minister of Education, Culture, Sports, Science and Technology for his "research on innovation for a sustainable society." In 2021, he wrote a series on corporate environmental management for "the Easy Economics" section of the Nihon Keizai Shimbun, and in 2022, for "the Scholars' Perspectives on Issues" section of the Weekly Economist. He co-authored "Measuring Happiness: Understanding Well-being" (Chuokeizai-Sha, 2021).

I believe that the industrial waste treatment and recycling industry is a business that contributes greatly to balancing environmental protection and economic development, which is important in considering a sustainable society. In particular, in Japan, where resource reserves are scarce, the recycling of resources from industrial waste is important from the perspective of resource and energy security. In March 2024, the Japanese Cabinet approved the Law Concerning Advancement of Recycling Businesses to Promote Resource Recycling, which aims to promote efforts to solve various social issues such as carbon neutrality, economic security, and regional development.

Against this backdrop, Daiseki Co., Ltd. has formulated its long-term business plan VISION 2030 as a milestone for realizing a company that prospers for 100 years, setting the company's purpose of "an environment-creating company contributing to society through the environment by making the best use of limited resources." In addition to the expansion of existing businesses, the plan is highly commendable in its willingness to take on the challenge of new business models, including collaboration with local governments and venture companies, as well as entering new markets through M&As, with the aim of establishing three new core businesses.

In addition, "the Story of Value Creation at Daiseiki" explained in the report enables the reader to understand from a variety of perspectives how Daiseiki is pursuing its management strategy to enhance corporate value. In addition, the Dialogue with the Top Management of Daiseiki Group's Sales Divisions shows how the Daiseiki Group's purpose has firmly penetrated into each Group company, and how it is boldly taking on challenges by leveraging its unique strengths. In particular, the efforts to utilize carbon credits and the shift in business model from processing orders to developing consulting projects are based on future market trends, and demonstrate the Daiseiki Group's willingness to take on challenges without fear of change. In addition, by sharing the know-how gained from these initiatives among the Group companies, we can expect to achieve significant synergies, which we believe will greatly contribute to improving the value of the Group as a whole.

Daiseiki Co., Ltd.'s active approach to environmental issues as an environment-creating company can be seen from third-party evaluations. In particular, it is highly commendable that Daiseiki Co., Ltd. received an A rating in

the CDP climate change report published by CDP, a non-profit organization that evaluates the environmental initiatives and information disclosure of companies. In the 2023 edition, out of about 2,000 Japanese companies evaluated, only 109, or approximately 5%, received the highest A rating. Moreover, Daiseiki Co., Ltd. is the only company in Japan involved in waste disposal and recycling to receive an A rating, which is an outstanding achievement.

Although Daiseiki Co., Ltd. has made excellent efforts and information disclosure, I would like to discuss some points that I would like to see in the disclosure of information in future integrated reports. First, I would like to see the establishment of quantitative key performance indicators (KPIs) for the materiality issues. It is important to evaluate the contents of the materiality issues by using the PDCA cycle to see if the initiatives are resulting in improvements or not. Of course, although there are items that are difficult or unsuitable for quantitative evaluation, we think it is important to first set quantitative indicators to the extent possible. By setting target values for key evaluation indicators, we can expect to deepen employees' awareness and understanding of key items and facilitate the sharing of targets to be achieved.

The second point is about the SWOT analysis of each business, which was newly added the current fiscal year. Regarding each business, basic strategies and market environment have been considered to introduce strengths, weaknesses, opportunities, and threats, and there are some businesses where noticeable blanks are evident. Furthermore, the relationship between the content of the SWOT analysis and the content of the Story of Value Creation is unclear. In this regard, I felt that there is a gap between what you want to convey to the reader and what is described. Instead of using a SWOT analysis in this section, explaining the challenges and initiatives of each business in relation to the key materiality issues set by Daiseiki Co., Ltd. would convey how the Group's overall management strategy is integrated into each business.

These are my third-party opinion. The business activities of Daiseiki's Co., Ltd. are essential to promoting "achieving a balance between the environment and the economy." I look forward to Daiseiki's accelerated efforts as an environment-creating company, and I hope it will become a world-leading recycling company.

Non-Financial Information and Company Information

Main Sustainability Reporting

Environment (Daiseki Group)

Scope 1 Emission Breakdown (FY2024) (tons of CO₂)

	Scope 1 Emission
Diesel fuel	15,971
City gas	5,304
Heavy oil B (recycled heavy oil)	4,351
Others	3,740

Scope 3 Emission Breakdown (FY2024) (tons of CO₂)

	Scope 3 Emission
1. Purchased products and services	82,082
2. Capital goods	20,959
3. Activities related to fuel and energy not included in Scope 1 and 2	6,599
4. Transportation and distribution (upstream)	12,444
5. Wastes generated by businesses	42,188
6. Business trip	990
7. Employees' commute	2,379
8. Lease assets (upstream)	0
9. Transportation and distribution (downstream)	397
10. Conversion of sold products	502
11. Use of sold products	7,555
12. Disposal of sold products	74
13. Lease assets (downstream)	0
14. Franchise	0
15. Investments	0

Total CO₂ emissions (tons of CO₂)

	FY2022	FY2023	FY2024
Scope 1	27,738	27,951	29,366
Scope 2	14,153	9,990	11,322
Scope 3	152,931	156,809	176,169
Total	194,822	194,750	216,857

Scope 1 and 2 emissions intensity (tons of CO₂/tons)

	FY2022	FY2023	FY2024
Scope 1 and 2 emissions intensity	0.021	0.019	0.020
Amount of materials received for recycling (tons)	2,072,229	2,061,092	2,102,036

Note: Calculated with amount of materials received for recycling at the Daiseki Group as the denominator and the emission for Scope 1 and 2 as the molecule

Energy consumption (MWh)

	FY2022	FY2023	FY2024
Electricity (power by non-recycled energy)	34,353	25,996	25,990
Electricity (power by recycled energy)	330	8,849	10,270
Diesel fuel	51,294	55,716	64,358
City gas	27,115	29,167	32,342
Heavy oil B (recycled heavy oil)	14,895	15,231	16,316
Others	26,852	21,288	15,703

Energy intensity (MWh/tons)

	FY2022	FY2023	FY2024
Energy intensity	0.08	0.08	0.08

Note: Calculated with amount of materials received for recycling at the Daiseki Group as the denominator and energy consumption as the molecule

Water consumption (10,000 tons)

	FY2022	FY2023	FY2024
Water consumption	96.9	93.3	92.1

Governance (Daiseki or the Daiseki Group)

Number of directors (people)

	As of May 25, 2023	As of May 23, 2024
Internal directors	3	3
External directors	4(1)	4(1)

() shows female

Number of Board of Directors held and attendance rate

	FY2023	FY2024
Number of Board of Directors (times)	21	20
Attendance rate (%)	95.5	99.2

Number of committees held (times)

	FY2023	FY2024
Appointment and Compensation Committee	1	5
Audit and Supervisory Committee	14	14

Compensation for executives

	FY2023			FY2024		
	Directors (Excluding Audit & Supervisory Board Members)	External Directors (Excluding Audit & Supervisory Board Members)	External Directors (Audit & Supervisory Board Members)	Directors (Excluding Audit & Supervisory Board Members)	External Directors (Excluding Audit & Supervisory Board Members)	External Directors (Audit & Supervisory Board Members)
Number of executive (people)	5	0	3	3	1	3
Compensation amount (Millions of yen)	147	0	6	129	1	7

Society (Daiseki Group)

Breakdown of regular positions and general positions (full-time employees only) (people)

Category	FY2023 end	FY2024 end
Regular positions	794	826
General positions	93	102
Not categorized	141	210

Mid-career hire rate (%)

Category	FY2023	FY2024
Mid-career hire rate*	1.0	3.9

*Percentage of manager and higher position employees within new hires

Number of foreigner employees (people)

	FY2022 end	FY2023 end	FY2024 end
Number of foreigner employees	0	0	0

Employment of persons with disabilities and re-employment

	FY2022	FY2023	FY2024
Number of persons with disabilities employed (people)	15	20	20
Re-employment rate of retirees (%)	100	98	100
Rehired Employees (%)	100	100	100

Average monthly overtime hours (hours)

	FY2022	FY2023	FY2024
Average monthly overtime hours	39	39	37

Number of flexible work arrangements utilization (people)

Category	FY2023	FY2024
Number of flexible work arrangements utilization	141	188

Number of short work hours utilization (people)

Category	FY2023	FY2024
Number of short work hours utilization	6	10

Number of nursing leave utilization (people)

Category	FY2023	FY2024
Number of nursing leave utilization	0	1

Specific health guidance rate (%)

Category	FY2023	FY2024
Employees who needed specific health guidance rate*	26	27

* Percentage of employees who needed specific health guidance within those who took comprehensive health examinations

Smoking rate (%)

Category	FY2023	FY2024
Smoking rate*	36	36

* Percentage of employees who responded that they smoke among those who took comprehensive health examinations

Number of shareholding association members (people)

	FY2022 end	FY2023 end	FY2024 end
Number of shareholding association members*	694	729	709

* Number of shareholding association members within the Daiseki Group

R&D cost (Daiseki Group) (Millions of yen)

	FY2023	FY2024
R&D cost	179	260

Daiseki Group Overview

Corporate Overview

Company name	Daiseki Co., Ltd.
President and Representative Director	Tetsuya Yamamoto
Founded	November 1, 1945
Established	October 1, 1958
Head office	1-86, Funami-cho, Minato-ku, Nagoya-shi, 455-8505 Tel: +81-52-611-6321 (Representative) FAX: +81-52-611-0160 (Representative) TEL: +81-52-611-6322 (Head office) FAX: +81-52-612-4382 (Head office) <small>* The contact information for the head office during the expansion and renovation of the head office building from June 2024 is as follows. Address: Nagoya Fushimi Eye Mark Building 8F, 1-23-10 Sakae, Naka-ku, Nagoya-shi, 460-0008, Japan TEL: +81-52-728-1155 FAX: No change</small>
Capital	6.382 billion yen (as of February 29, 2024)
Net Sales	(consolidated) 69.216 billion yen (non-consolidated) 37.155 billion yen (year ended February 29, 2024)
Number of employees	(consolidated) 1,215 (non-consolidated) 769 (as of February 29, 2024)

Stock information

as of February 29, 2024

Securities code	9793
Listed stock exchange	Tokyo Stock Exchange Prime Section Nagoya Stock Exchange Premier Section
Round lot	100 stocks
Total number of authorized shares	79,200,000 stocks
Total number of stocks issued	51,000,000 stocks
Number of stock holders	5,474
Fiscal year	From March 1 through end of February of the following year
Annual General Meeting of Shareholders	May of each year
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Audit company	KPMG AZSA LLC.

Daiseki Group Overview

Daiseki Co., Ltd. [Nagoya]

Waste collection, Intermediate treatment and recycling
Manufacturing and sales of petroleum products



Daiseki Eco. Solution Co., Ltd. [Nagoya]

Soil pollution survey, purification process, etc.



Hokuriku Daiseki Co., Ltd. [Kanazawa, Ishikawa]

Manufacturing of lubricant and sales of petroleum products



Daiseki MCR Co., Ltd. [Utsunomiya, Tochigi]

Lead refining, recycling of used batteries



System Kikou Co., Ltd. [Minato-ku, Tokyo]

Cleaning work and related work for tank storage equipment



Green Arrows Central Co., Ltd. [Tokai, Aichi]

Waste Plasterboard recycling



Green Arrows Kyushu Co., Ltd. [Kasuya-Gun, Fukuoka]

Waste Plasterboard recycling



Sugimoto Trading Company Co., Ltd. [Hikone, Shiga]

General waste disposal, waste plastic recycling



Sugimoto Paper Industry Co., Ltd. [Nagahama, Shiga]

Collection and recycling of used paper



Rating information

Rating and Investment Information, Inc. (R&I)

- Rating **A-**
- Announced on **November 27, 2023**

Assessment by a third party

CDP **A**

CDP—Climate Change 2023

MSCI **BBB**

March 2024

S&P **Score 40**

December 2023

FTSE ESG Rating **3.6**

June 2024

Nikkei SDGs **★★★**

November 2023

Toyo Keizai SDGs

Utilization of human resources **AA**, Environment **AA**,

Corporate governance **AA**, Sociality **A**, Basic **AA**,

Growth potential **A**, Profitability, **AAA**, Safety **AA**,

Size **AA**

December 2023

SOMPO Sustainability Index **A**

February 2024