

The Future Comes from Trust. We Will Strengthen This Belief to Accelerate Our Growth.

Achieving record earnings for two consecutive years, meeting all performance targets

Reflecting on the fiscal year ended March 31, 2024, our waste management and recycling business saw significant growth. This was driven by securing waste management demand from infrastructure development projects in the Kansai and Chubu areas, and the full-scale operation of the Miki Biomass Factory, an incineration and other heat treatment facility, which began in October 2023. Due to these, the volume of waste received increased to 2,207 thousand tons (up 16.6% year on year), boosting our earnings. The Miki Biomass Factory's operation allowed us to switch from final (landfill) disposal of organic waste such as non-recyclable used plastics to incineration, increasing the volume of waste received while preserving capacity at final disposal sites. However, for our soil remediation business, the volume of contaminated soil received dropped to 406 thousand tons (down 39.1% year on year). This was due to the increase in the volume of higher-value waste

A portrait of Fumio Kaneko, an older man with glasses, wearing a dark blue suit and a light blue patterned tie. He is standing in front of a green wall with white vertical lines, with his hands clasped in front of him.

Fumio Kaneko

President and Representative Director
Daiei Kankyo Co., Ltd.

received, thereby reducing the volume of contaminated soil at final disposal sites. In the electricity generation business, the increased power generation from the Miki Biomass Factory led to almost a doubling of net sales compared to the previous fiscal year.

As a result, the Group's consolidated net sales for the fiscal year under review reached ¥73.0 billion (up 7.9% year on year), setting a new record for the second consecutive year. On the profit side, despite increased depreciation, labor cost and the cost of energy, parts and materials associated with growth investments, our continuous insourcing efforts helped control overall Group costs. Consequently, consolidated operating profit rose to ¥19.7 billion (up 18.6% year on year) and profit attributable to owners of parent increased to ¥13.5 billion (up 29.5% year on year), both setting new records for the second consecutive year. EBITDA, one of our key performance indicators (KPIs), reached ¥26.2 billion (up 18.0% year on year), while the EBITDA margin improved to 36.0% (from 32.9% in the previous fiscal year) and the operating profit margin rose to 27.0% (from 24.6% in the previous fiscal year).

The fiscal year ending March 31, 2025 is the final year of our current Medium-Term Management Plan, and we expect to achieve all the financial targets set out in this plan. Of particular note are the EBITDA and operating profit margins which have consistently exceeded our targets over the past two fiscal years. Based on our progress leading up to March 2025, we plan to set new goals for our next Medium-Term Management Plan, starting from the fiscal year ending March 31, 2026. Trends toward a circular economy and a decarbonized society are gaining speed at an ever faster pace, and the awareness of society and corporations on waste is also undoubtedly shifting. We therefore expect that growth opportunities for the Group, which aims to be a company with the power to create better environments, will be greater than ever.

Consolidated performance in the Medium-Term Management Plan

Indicator	FY2022/3 (actual)	FY2023/3 (actual)	FY2024/3 (actual)	FY2025/3 (plan)
Net sales	¥ 64.9 bn.	¥ 67.6 bn.	¥ 73.0 bn.	¥ 78.5 bn.
EBITDA* ¹ margin* ²	30.5 % (EBITDA ¥19.8 bn.)	32.9 % (EBITDA ¥22.2 bn.)	36.0 % (EBITDA ¥26.2 bn.)	34.6 % (EBITDA ¥27.1 bn.)
Operating profit margin	19.8 % (Operating profit ¥12.8 bn.)	24.6 % (Operating profit ¥16.6 bn.)	27.0 % (Operating profit ¥19.7 bn.)	26.2 % (Operating profit ¥20.5 bn.)

*¹ EBITDA: Operating profit + Depreciation (excluding non-operating expenses) + Amortization of goodwill

*² EBITDA margin: EBITDA / Net sales

Capital efficiency and leverage indicators

Indicator	FY2022/3 (actual)	FY2023/3 (actual)	FY2024/3 (actual)
ROE* ³	15.7 %	15.2 %	16.4 %
ROIC* ⁴	11.5 %	13.1 %	14.0 %
Net D/E ratio* ⁵	0.4 ×	0.1 ×	0.1 ×

*³ Return on equity (ROE): Profit attributable to owners of parent / Equity (average at the beginning and end of the period)

*⁴ Return on invested capital (ROIC): Net operating profit after tax (NOPAT) / Invested capital at the beginning of the period; Invested capital: Non-current assets + Current assets (excluding cash and deposits) - Current liabilities (excluding interest-bearing debt); Interest-bearing debt: Bonds + Borrowings + Lease obligations, etc.

*⁵ Net debt-to-equity (D/E) ratio: (Interest-bearing debt - Cash and cash equivalents) / Equity

Responding to the Plastic Resource Circulation Act in collaboration with municipalities and manufacturers

The Act on Promotion of Resource Circulation for Plastics (Plastic Resource Circulation Act), which came into force in April 2022, represents a new growth opportunity for us. This Act aims to encourage various business operators and municipalities to work together to create a system for the recycling of plastics. The Daiei Kankyo Group is therefore proactively working to develop a recycling scheme that optimally combines material, chemical, and thermal recycling based on the type of plastic material, in collaboration with various business partners.

Since the enactment of the Plastic Resource Circulation Act, we have seen a rapid increase in requests from partner companies aiming to develop material recycling. Collaborating with over 40 companies, we are handling industrial plastic waste. For general plastic waste, we are working with four municipalities: Sakai City in Osaka Prefecture, Kyoto City in Kyoto Prefecture, and Komono Town and Tsu City in Mie Prefecture. We expect this trend to spread across the country, and consequently we look forward to an increase in the number of partner companies and municipalities.

Currently, pellets produced through material recycling are sold externally and used as raw materials for manufacturing recycled plastic pallets by our consolidated subsidiary, Plafactory Co., Ltd. In February 2024, to further develop demand, we started offering the iCEP PLASTICS coordination service. This service provides one-stop support for the collection, recycled resin production, molding, and commercialization of waste plastics through so-called “artery-vein” (or manufacturing-waste management) collaboration.

Growth strategies and goals for value creation

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ESG initiatives relating to growth strategies		ESG initiatives relating to the enhancement of management base	
Environment	Recycling business Handle organic waste, food waste, plastics, gypsum board, metal resources, mixed waste, sludge, etc.	Incineration and other heat treatment facilities High-efficiency heat recovery Increase processing capacity to 4,000 tons/day by FY2030/3	Final disposal sites Secure remaining portion of required capacity* by 100th anniversary of our founding (FY2080/3)
	Collaboration with local partner companies Expand business areas throughout Japan		
Society	Carbon neutrality		Forest management and biodiversity
			Environmental protection
	Local Circular Ecological Sphere Execute PPP agreements with 12 municipalities by FY2030/3	General and disaster waste disposal plan Formulate plans for 33 municipalities (cumulative) by FY2025/3	Disaster agreement Execute agreements with 195 municipalities (cumulative) by FY2025/3
	DX promotion	Creation of brand value	Diversity promotion
Governance	Human resources development	Respect for human rights	Occupational safety and health
	Enhancement of corporate governance initiatives		Disclosure of financial and non-financial information

* The remaining portion of required capacity for final disposal sites is based on the estimated landfill space required through the fiscal year ending March 31, 2080, assuming that the development of the resource recycling system progresses as expected.

To achieve zero landfill of organic waste by 2030, a key milestone for the circular economy, items that cannot be recycled through material or chemical recycling will be thermally recycled at incineration and other heat treatment facilities such as the Miki Biomass Factory. However, to achieve the Japanese government’s goal of carbon neutrality by 2050, we must advance material and chemical recycling more than ever

before, rather than treating waste plastics at incineration and other heat treatment facilities, which have high emission factors.

For this reason, we are moving ahead on the introduction of chemical recycling. We will continue to explore the commercialization of technologies for which we have completed demonstration projects with partner companies, while also considering a wide range of other potential technologies.

Collaborating with local communities to tackle social issues and aiming to build Local Circular Ecological Spheres

The Daiei Kankyo Group possesses highly profitable large-scale incineration and other heat treatment facilities as well as final disposal sites, and we are also licensed to handle general waste at many facilities in addition to industrial waste. The permits for general waste handling are a result of years of communication with local communities and municipalities, which have recognized us as a “community-based company.” This trust with local communities, which cannot be achieved solely through large-scale business operations or financial

power, is our greatest strength and a key differentiator from other companies.

Moving forward, we plan to expand our collaboration with local communities under the concept of Local Circular Ecological Spheres. Japan’s Waste Management and Public Cleansing Act stipulates that municipalities are responsible for the disposal of general waste, but over 50 years since its enactment, many local governments are facing population decline and lack of funds for upgrading their facilities. Therefore, we have been advocating for a system whereby the private sector invests in facility construction to jointly process general and industrial waste for the community. We propose using our own funds to build facilities in line with the upgrade time frames of municipal facilities, enabling the integrated treatment of general waste and industrial waste. This

approach seeks to centralize facilities, efficiently generate resources and energy for the entire region, and contribute to the realization of a circular, decarbonized economy.

We have already signed public-private partnership (PPP) agreements for the development of regional energy centers with three locations: five towns in Kamimashiki District in Kumamoto, Aioi City in Hyogo, and Tadaoka Town in Senboku District, Osaka, where a relay facility started operations in April 2024. In March 2024, we signed an agreement with Hashima City in Gifu to collaborate on surveys, research, and planning for waste reduction, recycling, and other waste management strategies. Our aim is to sign PPP agreements in 12 regions across Japan and to start operating facilities such as a local energy center in four of them by 2030.

Results of growth strategies for value creation (ESG measures) in FY2024/3

Environment	Promote recycling businesses	<ul style="list-style-type: none">Increased number of business partners for methane fermentation facilities, composting facilities, and plastic resource recycling at the Iga Recycle Center, resulting in progress of individual recycling businessesObtained certification for the Food Recycling Loop with Co-op Kobe	Society	Build Local Circular Ecological Spheres	<ul style="list-style-type: none">Relay facility started operation in April 2024 in Tadaoka Town, Senboku District, Osaka
	Double the processing capacity of heat treatment facilities and examine the feasibility of introducing CCUS	<ul style="list-style-type: none">Miki Biomass Factory started operation in May 2023 (Full-scale operation started in October 2023)Nishinomiya Recycle Center obtained permission to install incineration and other heat treatment facilities, making steady progress toward processing capacity of 4,000 tons/day		Enhance disaster preparedness	<ul style="list-style-type: none">Steady increase in the number of disaster cooperation agreements signed
	Secure the remaining portion of the required capacity of final disposal sites with the aim of reducing landfill volume over the long term	<ul style="list-style-type: none">Construction to expand final disposal sites at Mie Recycle Center and Gobo Recycle Center is progressing		Expand human resources development	<ul style="list-style-type: none">Implemented various training programs and personnel rotations to develop people who can put the management philosophy of creation, innovation, and meeting challenges into practiceImplemented measures to increase the ratio of women in management positions as well as create opportunities where everyone can play an active roleBegan further improvements to workplace environment based on results of engagement surveys
	Collaboration with local partner companies	<ul style="list-style-type: none">D-design Co., Ltd. became a consolidated subsidiary in January 2024Kitaguchi Corporation became an equity-method affiliate in January 2024INAC Football Club Co., Ltd. became a consolidated subsidiary in March 2024	Governance	Strengthen disclosure of financial and non-financial information	<ul style="list-style-type: none">Disclosed greenhouse gas emissions including Scope 3 for the entire Group (Plan to disclose responses to the CDP for first time in September 2024)
				Strengthen efforts in corporate governance	<ul style="list-style-type: none">Introduced restricted share-based remuneration system for employee stock ownership

The Ministry of the Environment's medium- to long-term policy regarding widening waste management areas and consolidating facilities, issued in March 2024, identifies consolidation through private facility contracts as one strategy to sustain general waste treatment amid population decline. We expect this policy to lead to an increase in municipalities opting for private contracts, and so we intend to seize this expanding opportunity.

Strengthening human resources development through a decade-long selective training program to improve engagement

Alongside our growth strategies, the Daiei Kankyo Group is steadily advancing with its non-financial initiatives. In June 2024, we identified material issues in our operations (see "Materiality" on pages 28–30). Of these, we are placing particular emphasis on our human resources, or human capital. The very basis of our goal to become a "100-year company" is formed when we can meet the expectations and earn the trust of the community, our customers, and shareholders. Whether we can achieve this depends entirely on our people.

To cultivate such talent, capable of keeping pace with rapid growth and embodying our management philosophy of creation, innovation, and meeting challenges, we have been conducting selective training at various levels for the past decade. We have also been strengthening our internal training programs, including our Next-Generation Business Leader Training, and focusing on job rotations.

Enhancing employee engagement is also crucial for attracting the very best talent. Based on the results of our

engagement surveys, we are working to improve the workplace environment and enhance employee benefits so that all Group employees can demonstrate their individuality and abilities, and play an active role. From the perspective of diversity, we are also redoubling efforts to promote the active participation of women. In September 2023, as part of our measures to improve engagement, we introduced a restricted share-based remuneration system through the employee stock ownership plan. We hope that this plan will not only help employees build their assets but also foster a sense of individual participation in management.

The Daiei Kankyo Group's material issues (Materiality)

- Materiality 1 **Building the foundation for Local Circular Ecological Spheres**
- Materiality 2 **Strengthening the business foundation to become a company with the power to create better environments**
- Materiality 3 **Contributing to a decarbonized society and reducing our impact on the environment**
- Materiality 4 **Promoting human capital management**
- Materiality 5 **Improving management transparency and Group capabilities**

Transitioning to a company with an audit and supervisory committee from the fiscal year ending March 31, 2025 to further strengthen governance

Building a robust governance structure is essential for a company's sustainable growth and corporate value enhancement over the medium to long term. The primary reason for our listing on the Tokyo Stock Exchange Prime Market was to strengthen governance. In preparation for the listing, we established the Audit & Supervisory Board in June 2021, striving to build an effective governance system while providing thorough governance training to all employees and clarifying the workflow of each department. In December 2022, we became the first vein-type company (those in the waste management industry) to be directly listed on the Prime Market, but we do not consider this to be the end goal. To further strengthen governance, we transitioned to a company with an audit and supervisory committee as of June 2024. Under this new system, Audit & Supervisory Committee Members have voting rights on the Board of Directors, and the committee, the majority of which consists of Outside Directors, performs not only legality audits but also validity audits, thereby enhancing the supervisory function of the Board of Directors. In addition, by delegating decision-making authority for business execution from the Board of Directors to Directors and executives, we aim to speed up the decision-making process and further enhance corporate value.

We are also focusing on strengthening governance within the Group. More than half of our Group companies joined us through M&A. Many of these were small and medium-sized enterprises facing challenges, including a lack of business successors or poor performance, but the majority have turned profitable after their merger into the Group thanks to synergy

effects. Moving forward, we will aim to foster a greater sense of unity within the Group in the pursuit of growth.

Expanding through M&A and creating synergies to enhance social value of the “vein” industry

We will continue to focus on our M&A strategy. In the short term, we are particularly looking forward to seeing synergies from Eiwa Recycle Co., Ltd. and Urayasu Seiun, Inc., acquired in April 2024 and July 2024, respectively. We also hope to create synergies with Kyodoh Doboku Co., Ltd., a consolidated subsidiary that has intermediate treatment facilities in the Tokyo metropolitan area, and thus expand our business in the Kanto area.

I firmly believe that expanding the scale of our Company through consolidation by M&A not only contributes to our own sustainable growth but also improves the social standing of “vein” companies. Japan’s so-called “vein” industry, which handles waste management and recycling, has a market size of approximately ¥7.2 trillion, but with 120,000 operators nationwide, it is a highly fragmented industry. As a result, even the largest company holds only about 1% market share, which does not give them a great deal of social influence, compared to “artery” companies (such as those in the manufacturing industry). By increasing our market share and expanding our corporate scale, we can make recommendations and sway government and municipal environmental policies, building partnerships on a level footing with “artery” companies.

As demands for advanced and transparent resource recycling have grown, industry consolidation is gaining momentum, and the number of M&A opportunities has

been remarkably high. We intend to continuously take the lead in pursuing M&A, further fostering the trend toward industry-wide consolidation.

Contributing to regional economic development to enhance our brand value

A year and a half ago, our listing on the Tokyo Stock Exchange Prime Market aimed not only to strengthen governance but also to improve the level of recognition and trust we have in society. Indeed, compared to before the listing, our recognition among potential clients has increased, and we have found it easier to gain approval from municipalities. By deepening and evolving our business, my hope is that we can improve the value of our brand, and as a consequence, attract and develop the very best talent.

Our acquisition of INAC Football Club Co., Ltd. as a consolidated subsidiary in March 2024 has also helped to boost exposure for the Daiei Kankyo Group. This company runs one of the top teams in the Japan Women’s Empowerment Professional Football League, INAC KOBE LEONESSA. As the owner, we will further strengthen our relationships with fans and local communities, contributing to the promotion of sports culture and regional economic development. We also hope to develop initiatives that address the challenges faced by women in professional sports, for example, providing career support after retirement and promoting a society where women can fulfill their potential. Moreover, ROKKO i PARK, a shopping center on Kobe Rokko Island where our Group headquarters is located, was reopened at the same time. No doubt both initiatives will help to revitalize the local economy and enhance the Group’s brand value.

The Daiei Kankyo Group has always moved forward with the strong belief that “The Future Comes from Trust.” We will continue to build trust as a company with the power to create better environments coexisting with people’s lives, industry, and nature. In so doing, we will help create a sustainable world and deliver new value to society, thereby aiming for further growth.

Fumio Kaneko

President and Representative Director
Daiei Kankyo Co., Ltd.

