

# Changes observed within the Company and key insights from the Board's perspective

## Enhancing corporate value: Expectations and challenges



**Tomoko Murakami**  
Outside Director

**Kazumasa Murai**  
Outside Director  
(Audit & Supervisory  
Committee Member)

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Outside Director  
(Audit & Supervisory  
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**Akira Minemori**  
Director  
(Full-time Audit & Supervisory  
Committee Member)

One Full-time Audit & Supervisory Committee Member and three Outside Directors engaged in an in-depth discussion on governance evaluation and challenges, the growth strategy outlined in the new Medium-Term Management Plan, and future initiatives and prospects for enhancing corporate value.

**Looking back on the year since transitioning to a company with an audit and supervisory committee**

**Minemori** The Company transitioned from having an audit and supervisory board to adopting an audit and supervisory committee structure in June 2024. As the previous structure functioned effectively, I didn't feel a dramatic shift in governance. Since 2020, I have attended various internal meetings as a Full-time Audit & Supervisory Board Member, addressed concerns with relevant departments, and ensured the necessary information was shared with Outside Directors. With Mr. Murai joining the committee and Ms. Murakami observing, information sharing has improved further.

**Murai** Previously, I observed the Audit & Supervisory Board as an Outside Director. Now, as a Committee Member, I have deeper insight into internal operations. Mr. Minemori has extensive management experience and offers insights from a managerial perspective, analyzing personnel dynamics and identifying issues. Rather than merely pointing out what isn't being done, he conveys why it's not



### Akira Minemori

Director (Full-time Audit & Supervisory Committee Member)

Appointed Advisor to the General Affairs Department, Business Administration Division of the company, in June 2019, he became an Audit & Supervisory Board Member of the Company as well as of Mie Chuo Kaihatsu Co., Ltd., a Group company, in February 2020. He has served in his current position since June 2024. Mr. Minemori has many years of experience working in financial institutions, covering a wide range of operations. He also has a proven track record as a Director of both listed companies and our Group companies, possessing advanced knowledge and expertise in overall management.

being done and what challenges are being faced, effectively communicating the voices from the front lines. This has deepened the quality of our discussions.

**Murakami** As an observer in the Audit & Supervisory Committee, I ensure information gaps among Outside Directors are avoided. Attending meetings helps me understand audit activities and status in practice, which is

beneficial. With Mr. Minemori as a key figure, gathering information with a supportive attitude and smoothly relaying it to management, I feel this contributes to creating a healthy corporate culture.

**Kitajima** Our audit practices were rigorous even before the structural transition. The head of the Audit Office attended Audit & Supervisory Board meetings and gave monthly progress reports, and the Internal Control Committee members provided quarterly updates to this Board. Mr. Minemori visited business sites, compiling insightful reports that vividly conveyed the challenges and positive aspects observed on the ground. The audit practices from the Audit & Supervisory Board have been maintained since the transition, and with all Outside Directors now aligned on key issues and actively contributing to discussions, the Audit & Supervisory Committee is functioning well. As a Director with voting rights at the Board of Directors, I personally feel a greater sense of responsibility. I intend to continue fulfilling my duties with a strong sense of responsibility to further enhance the supervisory function over the Board of Directors.

**Minemori** A key governance challenge is strengthening governance across the Group. To date, headquarters has maintained control over personnel, assets, and finances for companies acquired through M&A, and it is crucial to continue this approach. Our compliance standards have always been strong, and the Company's listing has further elevated them. This progress is a direct result of the growth and development of each employee. However, to convey our fundamental stance on compliance, we have traditionally sent responsible personnel from headquarters to each acquired company. Given the limited availability of human resources, we believe it is necessary to explore mechanisms similar to remote management going forward.

For many years, the Group's President and executives have visited each business location and affiliated company every Tuesday to hold a review meeting. Due to the large

number of business locations, each site is visited only two to three times a year despite the weekly schedule. Nevertheless, these visits provide valuable opportunities to directly assess on-site conditions and share challenges. Going forward, we plan to increase opportunities for Group companies acquired through M&A to visit headquarters for the purpose of information exchange.

**Murai** In preparing for listing, the Company implemented various rules and systems. I was particularly impressed by the commitment of employees in accounting, general affairs, and investor relations, demonstrating a strong willingness to take on new challenges. If those who were raised with the motto "The Future Comes from Trust." can pass on that corporate culture to mid-career hires and employees from acquired companies, it could serve as a strong engine for future growth.

**Kitajima** The Company provides many opportunities for Outside Directors to visit business sites, and what leaves a strong impression during these visits is how engaged and confident the site leaders are. They speak clearly about the role of their site and their own responsibilities. This is a direct outcome of the previously mentioned review meetings. I believe that the management team's direct engagement with frontline operations and sincere dialogue with on-site leaders helps instill a strong sense of compliance and a spirit of challenge across workplaces and Group companies.

As both the Company's performance and organization continue to grow steadily, securing and effectively placing talented personnel remains a medium- to long-term challenge. Daiei Kankyo is now a leading company in the industry, entrusted with the vital mission of addressing Japan's waste management issues. I believe it is important to promote this role more actively through the media and other channels to enhance visibility and attract top talent.

**Murakami** At the same time, I see the development of next-generation leaders as a key challenge. Today's leaders

belong to a generation that worked side by side with current executives in the field, gaining firsthand experience. In contrast, younger employees have had fewer opportunities to engage in that way. As a result, they may have limited exposure to the core elements of the Company's culture, such as where to focus their attention, what must never be compromised, and what mindset to bring to their work. Now is a crucial time to invest in the next generation, and I believe it is essential to articulate the values and insights that have been cultivated over time so that younger employees can internalize and carry them forward.

### Evaluation and expectations for the new Medium-Term Management Plan, D-Plan 2028

**Minemori** How do you assess the new Medium-Term Management Plan, D-Plan 2028, launched in the fiscal year ending March 31, 2026? In my view, it outlines consistent growth over the next three years, as it did in the past three years, with a very clear management direction and defined priorities.

However, it is rare for everything to proceed exactly as planned. Many investors are not satisfied even if targets are missed for just one quarter, let alone a full fiscal year. From my perspective, though, a management approach that focuses solely on numbers risks undermining what makes the Company unique. Rather than getting caught up in short-term results, I hope the Group steadily advances strategies that leverage its strengths and achieve its goals for the fiscal year ending March 31, 2031.

**Murakami** I believe the focus of D-Plan 2028 is very sound. Since the "vein" industry constitutes a vital part of social infrastructure, the core strategy of driving growth through close collaboration with local residents and municipalities holds substantial future potential. Increasing the operating rate of

incinerators capable of handling both general waste and industrial waste will undoubtedly benefit municipal finances.

**Kitajima** As noted in the Board of Directors' discussions, the growth measures in Management Policy 1 are well developed and highly commendable. However, compared to that, under Management Policy 2, measures for strengthening the management foundation are somewhat lacking in specificity. Clarifying this area will be an important challenge going forward.

**Murai** I believe the numerical targets set in the plan are sufficiently achievable. While the profit margin target is slightly reduced from current levels due to increased depreciation as recently invested facilities begin full operation, steady growth is expected when measured by EBITDA. Some M&A targets may have lower profit margins than the Company, but the strategy includes insourcing operations previously outsourced, which should lead to cost reductions as sales increase. In this light, the next three years can be seen as a "seeding period" for expanding market share in the waste management industry.

**Minemori** Precisely. If the new Medium-Term Management Plan is successfully achieved, the Group will secure a leading position in the domestic market. One of the Company's strengths lies in its ability to conduct "rescue" M&A—taking on companies others cannot save and revitalizing them into profitable businesses. Moving forward, as an Audit & Supervisory Committee Member, I am committed to supporting the Group's activities that contribute not only to the industry but to society as a whole.



**Tomoko Murakami**

**Outside Director**

Appointed as an Outside Director in June 2021, she serves as a member of the Nomination & Compensation Advisory Committee. As a lawyer, she possesses advanced legal expertise and has accumulated extensive professional knowledge through many years of experience in corporate legal affairs.

## Key points for investors

**Murakami** The waste management business involves careful planning and strict regulatory compliance, with project timelines often stretching over many years—sometimes 10 or 20 years for major initiatives. While this long-term horizon may not satisfy investors focused on short-term gains, the business undeniably creates significant social value. By faithfully executing its growth strategies, the

Company can anticipate substantial returns down the line. I ask investors to adopt a patient, long-term view, recognizing that the profits we see today are the fruits of plans made and steadily pursued over decades.

**Kitajima** I believe the Group's growth is encapsulated in its Basic Policy for Sustainability, "The Future Comes from Trust." In this industry, social credibility is critically important. Any violation of the rules, however minor, can lead to intense scrutiny and serious consequences. That's why it's essential to continuously identify specific risks at high-pressure worksites and rigorously enforce compliance.

I also believe that, as Outside Directors, we must consider how to build systems and frameworks that continue to function effectively even as the organization expands and personnel changes. One possible approach to securing top talent is to enhance employee development by increasing external training opportunities. The Technical Department has already seconded staff to the Ministry of the Environment, but I would like to see other departments also create more opportunities to engage with top-level expertise and networks in the specialized fields of recycling and waste management. By establishing mechanisms to feed those insights back into the Company, we can help drive sustainable, long-term growth.

**Murai** What I would like shareholders and investors to understand is the deep relationship of trust the Group has built with local communities. At long-standing sites such as the Miki Recycle Center in Miki City, Hyogo Prefecture, and the Mie Recycle Center in Iga City, Mie Prefecture, many employees are local residents, and a good number have received long-service awards. The strong turnout of community members and their families at site events reflects their high level of trust and satisfaction with the Company. To be honest, when we acquired INAC Football Club Co., Ltd., which operates INAC KOBE LEONESSA, in March 2024, I had some reservations, particularly given the

cost involved. However, the positive response from our employees when the news appeared in the newspapers seemed even stronger than when we went public. I believe it was the joy of being able to proudly tell their families that they work for a company with a well-known social presence.

**Minemori** Gaining investors' understanding begins with each of us reaffirming the Group's true strengths and competitive advantages. These strengths are not superficial factors, such as simply owning more impressive facilities than other companies. Rather, it is crucial to deeply consider what we fundamentally excel at compared to others in the industry. When all employees share a commitment to continuous improvement, that mindset naturally translates into our performance.

An operating profit margin of 25% is exceptionally high—rare among listed companies—and simply maintaining this level is a significant achievement. If every employee deepens their understanding of why this is possible, it will undoubtedly contribute to human resources development. Everyone understands their own worksite well. They know which areas have a competitive edge and which fall behind. However, strengths and weaknesses vary across sites. By learning from other sites, adopting best practices, and addressing weaknesses, the Company as a whole can grow even stronger. To facilitate this, promoting both external and internal communication and interaction among locations is essential. Requests for internal exchange programs to nurture young talent have come from multiple sites. Drawing on my experience managing companies of various sizes, I believe the Group's greatest strength lies in its culture of mutual understanding among employees. This culture is exceptional and offers a substantial competitive advantage. It would be a great loss if those working here do not fully appreciate this value.



**Kazumasa Murai**

Outside Director (Audit & Supervisory Committee Member)

Appointed as an Outside Director in June 2021, he has concurrently served as an Audit & Supervisory Committee Member since June 2024. He is also chair of the Nomination & Compensation Advisory Committee. As a certified public accountant and tax accountant, he possesses extensive expertise in finance, accounting, and taxation.

## How we contribute to enhancing corporate value

**Murai** One topic that has recently been a frequent subject of discussion among us Outside Directors is how to evaluate M&A targets. In the past, many of the Company's acquisitions involved turning around companies facing serious management issues or even the risk of bankruptcy. However, going forward, we expect to see more acquisitions of companies with clear growth potential. That said, these kinds of M&A deals can sometimes become short-sighted. It is important to thoroughly assess not only the medium- to long-term synergies, but also past issues or incidents, labor management practices, and the state of compliance. We must carefully consider whether the company can grow its revenue from a similar perspective as ours, and whether there are any risks that could damage our credibility. These are the kinds of checks we intend to keep firmly in mind.

**Kitajima** I have been with the Company for five years now. Since this is a specialized industry, it took some time, but I have gradually deepened my understanding of the business. As many have pointed out, I also believe that the lifeline of the Group is the trust earned from society. If that trust is compromised, operations would be disrupted, and corporate value would decline significantly. The foundation of that trust lies in compliance and adherence to standards, and as an Outside Director with a legal background, I want to contribute primarily to this area. So far, the Company's M&A activities have been free of significant failures. However, as the business expands rapidly and the number of M&A opportunities increases, there is a risk of acquiring companies that carry latent risks. Therefore, I intend to rigorously review the due diligence process from an expert standpoint. In addition, I will continue to pursue self-improvement to develop a multifaceted perspective, enabling me to contribute to management beyond just legal matters.

**Murakami** As a lawyer, I understand that my primary role is to contribute on legal matters, so I pay particular attention to detecting and preventing compliance risks. I have had a long association with the Company and have accumulated a certain level of industry knowledge. Going forward, I intend to support the Company while maintaining a sense of vigilance as an external observer, incorporating insights from the Audit & Supervisory Committee. I will offer suggestions to improve practices and highlight areas that may need closer attention.

**Minemori** As an auditor separate from the executive team, I believe the most important focus is the actual worksite. The Audit & Supervisory Committee's role is to objectively assess how the Company is doing, including at headquarters, and ensure that an accurate picture is conveyed to the Board and top management. If the Company's compliance system improves as a result, then I will have fulfilled my mission. Audit & Supervisory Committee Members cannot directly contribute to business performance, but thorough audits can help prevent losses in advance. From that perspective, I want to continue contributing to the growth of the Group going forward.



### Noriko Kitajima

Outside Director (Audit & Supervisory Committee Member)

Appointed as an Outside Audit & Supervisory Board Member in June 2021, she assumed her current role as Outside Director (Audit & Supervisory Committee Member) in June 2024. She is a lawyer with specialized expertise in corporate legal affairs and has served as an Outside Audit & Supervisory Board member and Outside Director (Audit & Supervisory Committee Member) at multiple listed companies.