



March 31, 2023

To All Concerned Parties

Company: Daiseki Eco. Solution Co., Ltd.
Representative: Hiroya Yamamoto, President and
Representative Director
(Securities code: 1712, Prime Market of the Tokyo Stock
Exchange and Premier Market of the Nagoya Stock Exchange)
Contact: Naoto Chindo, Executive Officer and
General Manager of Headquarters of
Planning and Management
(Tel: +81-52-819-5310)

Notice on Strategic Capital and Business Alliance with Sugimoto Trading Company Co., Ltd. and Making Sugimoto Trading Company Co., Ltd. a Consolidated Subsidiary

At the Board of Directors meeting on March 31, 2023, a resolution was passed that Daiseki Eco. Solution Co., Ltd. (“the Company”) would enter into a strategic capital and business alliance with Sugimoto Trading Company Co., Ltd. (headquarters: Minamikawase-cho, Hikone City, Shiga Prefecture, President and Representative Director: Tomoyuki Sugimoto, hereinafter referred to as “Sugimoto Trading Company”), and make Sugimoto Trading Company a consolidated subsidiary through the acquisition of its shares (hereinafter referred to as “this Capital and Business Alliance”). The details of this resolution are provided below.

1. Reason for Share Acquisition

Daiseki Group’s primary business is soil contamination remediation, and our strength lies in our system of one-stop solutions from start to finish, including consultation, investigation, analysis, construction, and treatment. In addition, we are actively engaged in new environmental businesses such as waste gypsum board recycling, PCB, and BDF.

Sugimoto Trading Company engages in the transportation and treatment of general and industrial waste, including waste plastic recycling, mainly in northern Shiga Prefecture, while Sugimoto Trading Company’s subsidiary, Sugimoto Paper Industry Co., Ltd., (hereinafter referred to as “Sugimoto Paper Industry”) is engaged in the collection and recycling of cardboard, newspapers, magazines, paper tubes, shredded paper waste, etc.

The acquisition of all outstanding shares of Sugimoto Trading Company and the integration of Sugimoto Trading Company and Sugimoto Paper Industry by the Daiseki Group will enable us to expand the range of solutions we offer customers by adding new solutions in the areas of transportation and treatment of general and industrial waste and collection and recycling of wastepaper, which were previously unavailable to our Group. In addition, although Daiseki Group and the Sugimoto Group both engage in waste treatment and recycling, our areas of expertise differ, and we believe that combining our respective know-how will enable us to launch new businesses such as renewable energy.

By implementing the above measures and generating synergies, we believe that Daiseki Group can achieve sustainable growth over the medium to long term and further enhance corporate value, and thus we made the decision to conclude this share transfer agreement.

2. Overview of the Subsidiary for Transfer

(1)	Company name	Sugimoto Trading Company Co., Ltd.
-----	--------------	------------------------------------

(2)	Location of the Headquarters	771 Minamikawase-cho, Hikone City, Shiga Prefecture		
(3)	Representative title & name	President and Representative Director Tomoyuki Sugimoto		
(4)	Business	General waste transportation and treatment, industrial waste collection, transportation and intermediate treatment, etc.		
(5)	Capital stock	10,000 thousand yen		
(6)	Date of establishment	March 1985		
(7)	Major shareholders and shareholding ratio	Tomoyuki Sugimoto 100%		
(8)	Relationship between the listed company and the company concerned	Capital relationship	Not applicable	
		Personal relationship	Not applicable	
		Trade relationship	Not applicable	
		Status as a related party	Not applicable	
(9)	Operating results and financial condition of the company for the past three years			
	Accounting period	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
	Net assets	872,469 thousand yen	957,445 thousand yen	1,075,441 thousand yen
	Total assets	1,282,047 thousand yen	1,444,586 thousand yen	1,626,497 thousand yen
	Net assets per share	4,362,348.68 yen	4,787,226.25 yen	5,377,208.29 yen
	Net sales	1,260,138 thousand yen	1,342,388 thousand yen	1,438,492 thousand yen
	Operating profit	61,236 thousand yen	143,862 thousand yen	198,677 thousand yen
	Ordinary profit	89,140 thousand yen	170,659 thousand yen	224,998 thousand yen
	Profit	38,168 thousand yen	84,975 thousand yen	117,996 thousand yen
	Basic earnings per share	190,844.37 yen	424,877.56 yen	589,982.04 yen

3. Overview of the Subsidiary for Sugimoto Trading Company

(1)	Company name	Sugimoto Paper Industry Co., Ltd.		
(2)	Location of the Headquarters	103 Aza Hakoda, Niisaka-cho, Nagahama City, Shiga Prefecture		
(3)	Representative title & name	President and Representative Director Tomoyuki Sugimoto		
(4)	Business	Wastepaper collection		
(5)	Capital stock	10,000 thousand yen		
(6)	Date of establishment	May 1989		
(7)	Major shareholders and shareholding ratio	Sugimoto Trading Company Co., Ltd. 100%		
(8)	Relationship between the listed company and the company concerned	Capital relationship	Not applicable	
		Personal relationship	Not applicable	
		Trade relationship	Not applicable	
		Status as a related party	Not applicable	
(9)	Operating results and financial condition of the company for the past three years			
	Accounting period	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
	Net assets	743,893 thousand yen	760,946 thousand yen	796,500 thousand yen
	Total assets	959,466 thousand yen	968,695 thousand yen	995,168 thousand yen

Net assets per share	743,893.73 yen	760,946.10 yen	796,500.10 yen
Net sales	642,431 thousand yen	570,202 thousand yen	600,044 thousand yen
Operating profit	14,941 thousand yen	29,103 thousand yen	51,091 thousand yen
Ordinary profit	15,100 thousand yen	30,537 thousand yen	60,150 thousand yen
Profit	(563 thousand yen)	17,052 thousand yen	35,554 thousand yen
Basic earnings per share	(563.22 yen)	17,052.36 yen	35,554.00 yen

4. Overview of Counterparty of Share Acquisition

(1) Name	Tomoyuki Sugimoto
(2) Address	Hikone City, Shiga Prefecture
(3) Relationship between the listed company and the person concerned	Not applicable

5. Number of Shares Acquired, Acquisition Price and Status of Shares Held Before/After Acquisition

(1) Number of shares held before transfer	0 shares (Number of voting rights: 0) (Percentage of voting rights held: 0%)
(2) Number of shares acquired	200 shares (Number of voting rights: 200)
(3) Acquisition price	The acquisition price cannot be disclosed due to a confidentiality agreement with the counterparty, but in order to ensure fairness and appropriateness, various due diligence and share value calculations were commissioned to a third-party institution, and the results were used as a reference to determine the price upon consultation between the two parties. The Company has submitted an extraordinary report in accordance with Article 19-8-2 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.
(4) Number of shares held after transfer	200 shares (Number of voting rights: 200) (Percentage of voting rights held: 100%)

6. Schedule

(1) Date of Board of Directors' resolution	March 31, 2023
(2) Date of conclusion of contract	March 31, 2023
(3) Date of execution of stock transfer	April 5, 2023 (scheduled)

7. Future Outlook

In accordance with this Capital and Business Alliance, the Company will only consolidate the balance sheet in the first quarter of the fiscal year ending February 29, 2024, with the deemed acquisition date of the shares being May 31, 2023, the end of the quarter during which the share transfer is executed.

The Company plans to consolidate the statements of income from the second quarter of the fiscal year ending February 29, 2024, and is currently examining the impact of this matter on its business results for the fiscal year ending February 29, 2024, and beyond. If any matters arise that should be announced in the future, we will disclose them promptly.