

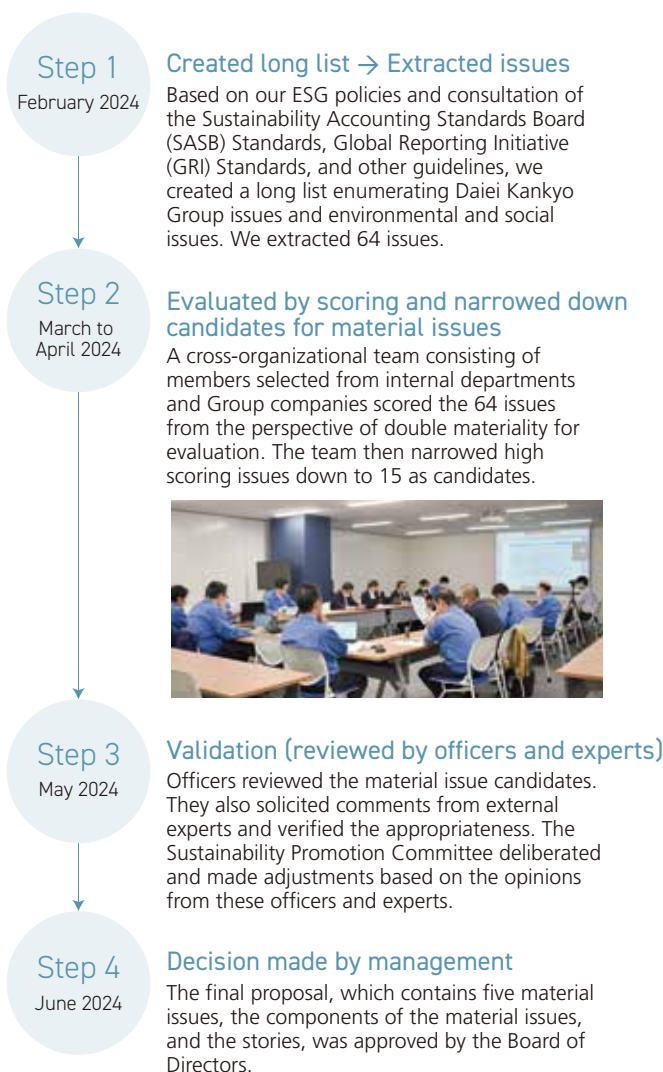
Background on identification of material issues (Materiality)

The Daiei Kankyo Group has formulated its own ESG policies to realize sustainability management since before its shares were listed on the stock exchange. When the Company was listed on the Tokyo Stock Exchange Prime Market, we decided to capitalize on that opportunity and identify material issues to ensure sustained growth while further contributing to the resolution of social issues. We have identified five material issues and have sketched out the stories on enhancing corporate value to express why we selected each of these issues.

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

Process for identifying material issues (materiality)



Opinions on identification of material issues (representative examples)

From Expert A

The compatibility of the material issues with the corporate vision on becoming a company with the power to create better environments should be carefully considered. I also think that material issues relating to the environment are particularly essential among issues regarding sustainability, so too much emphasis is not placed on business areas.

From Expert B

In the case of the double materiality approach, it is not always necessary to score high both on financial impact on the Company and social and environmental impact. Occupational safety and health should be essential, given the specific characteristics of the business. While it is necessary to reflect the opinions of stakeholders to the extent possible, a point of caution is that an average score is not always appropriate due to the diversity of the business. It is also good to have wording emblematic of Daiei Kankyo.

From an Executive Officer

When I looked at the wording of “ensuring proper waste disposal,” used for one of the material issue candidates in Step 2, I thought that it could certainly cause the misunderstanding that there is some improper disposal within the Group. I felt the revision to “strengthening the capacity of treatment facilities and expanding the waste management network” in the final proposal in Step 4 made it easier to understand our intent.

Material Issues	Components	Stories
1 Building the foundation for Local Circular Ecological Spheres	<p>Living in harmony with local residents and contributing to local communities</p> <p>Expanding our system of cooperation with municipalities</p>	<p>Waste management and recycling, the core business of the Daiei Kankyo Group, is a business that cannot succeed without understanding from local communities. We have always operated businesses rooted in local communities. It is undoubtedly important to become more rooted in the local areas where we currently have business locations. As we expand our business area in the future, it is also extremely important to develop strong trust with local communities in new areas, just as we have in our existing locations. We will continue to build the base for creating Local Circular Ecological Spheres aimed at generating multifaceted value through various means of communication with local communities.</p>
2 Strengthening the business foundation to become a company with the power to create better environments	<p>Promoting integrated treatment of general waste and industrial waste</p> <p>Strengthening the capacity of treatment facilities and expanding the waste management network</p>	<p>While it is necessary to centralize management facilities in the waste management and recycling area to achieve carbon neutrality by 2050, we think depopulation and financial issues will make it hard for municipalities to upgrade waste management facilities on their own. The Daiei Kankyo Group will work to centralize management facilities and contribute to the simultaneous achievement of carbon neutrality and relief of cost burden on waste generators in this area by integrated treatment of general waste and industrial waste at all our locations, as well as working on the expansion of general waste management at existing locations and the creation of new business locations, mainly through public-private partnerships.</p>
3 Contributing to a decarbonized society and reducing our impact on the environment	<p>Advancing resource recycling systems</p> <p>Promoting electricity generation and energy conservation</p> <p>Tackling environmental protection</p>	<p>To achieve carbon neutrality for Japan by 2050, it is extremely important for each industry to recycle and use untapped resources that have been disposed of as waste up to the present. We will advance resource recycling systems to maximize recycling use while also generating resources and energy from waste to the greatest extent possible and achieving energy savings in facilities. In addition, we will endeavor to reduce the impact of waste processing on the surrounding environment as much as possible, and disclose the status of its maintenance and management in easily understandable terms, so the public appreciates the fact that we are operating facilities in a safe and secure manner.</p>
4 Promoting human capital management	<p>Developing the next generation of leaders</p> <p>Recruiting, finding, and developing human resources</p> <p>Establishing the foundation for a comfortable work environment and diversity</p>	<p>Whether the Daiei Kankyo Group can meet the expectations from communities, customers, and shareholders and earn their trust depends entirely on our people. We will develop human resources who can keep up with the rapid growth and changes in society, put the commitment to our management philosophy—creation, innovation, and meeting challenges—into practice, and will boldly take on challenges even seemed impossible. We will also continue to improve engagement to enable all employees to demonstrate their individuality and capabilities and work energetically with high motivation. Furthermore, we will establish an environment that will make it possible to continue to recruit, find, and develop outstanding human resources in the Daiei Kankyo Group's business areas where industry restructuring is likely to take place in the future.</p>
5 Improving management transparency and Group capabilities	<p>Strengthening Group governance</p> <p>Ensuring thorough corporate ethics and compliance</p> <p>Strengthening information security</p> <p>Ensuring occupational safety and health</p>	<p>From the perspective of the Daiei Kankyo Group, the greatest reason for listing was to strengthen governance. That is because the establishment of a Group governance system was necessary, given the expansion in the number of subsidiaries and employees. As we take the lead on pursuing industry consolidation, we will improve management transparency and the collective strengths of the Group by transitioning to a company with an audit and supervisory committee and reinforcing information security, occupational safety and health, and other management systems to further enhance governance.</p>

Future process

July 2024 onward: Instill awareness of material issues

Endeavor to instill awareness and deepen the understanding of the identified material issues (materiality) within the Group while also soliciting opinions on each issue through dialogue with investors and other external stakeholders.

FY2025/3: Formulate action plan and KPIs

Formulate an action plan and KPIs for the five material issues, based on the results from the identification of material issues. Link these to the new Medium-Term Management Plan, which will begin in April 2025.

April 2025 onward: Implement

Review the material issues from time to time, as necessary, ascertaining changes in the business environment.