Risks, Opportunities, and Material Issues (Materiality)

In addition to the risks and opportunities that are likely to have a significant impact on the Daiken Group's medium- to long-term management strategies, we have identified material issues (materiality) to preferentially address, based on such risks and opportunities, the following. In identifying such themes, we made decisions by reflecting the Board's opinions through deliberations in various management meetings, such as the CSR Committee. We also link the material issues (materiality) to preferentially address the policies in the medium-term management plan and medium-term ESG plan, as well as the focused measures, and proceed with the initiatives after setting the goals.

Social Issues and Needs (External environment and trends) Climate change and global warming Biodiversity Forest conservation and regulations over illegal logging Resource depletion The Japanese government's growth strategy Green growth strategy and carbon neutrality Construction of a housing circulation system toward a decarbonized society Digitization and DX National land toughening and improvement of the nextgeneration infrastructure Realization of a tourism-oriented country Spread of infectious disease Threat of natural disasters Low birthrate and longevity in Japan A decrease in population and a decrease in the number of households Depopulation A decrease in productive-age population Acceleration of women's participation in society A worldwide increase in population Request for sustainable management

Risks and Opportunities Request for decarbonization Difficulty in procuring woody resources Needs for industrial materials using sustainable wood resources Needs for shifting to alternative resources Needs for spaces where the elderly and children can spend time with peace of mind Regional revitalization and compact cities Formation of a good housing stock Resilient urban development and redevelopment projects Inbound demand New normal as a result of the COVID-19 crisis Disruption of business activities and supply chains Lack of human resources Expansion of the opportunities where diverse human resources exercise their abilities Needs for the development of products and techniques to supplement the lack of skilled construction workers A decrease in the number of domestic new housing starts Continuous expansion of demand for the highquality living environment in the overseas growing markets Management ability that responds to the risks and opportunities and increases corporate value

^{*}Details of the risks associated with businesses are described in the securities report.

Process to identify the risks, opportunities, and material issues (materiality)

Analysis and organization of external environments

Extraction and organization of risks and opportunities that are likely to have a significant impact on the medium- to long-term management strategies

Evaluation and prioritization based on the degree of importance in terms of management (Our management strategies' and stakeholders' expectations)

Identify the material issues (materiality) to preferentially address (Deliberations in various management meetings → The Board)

Formulation and implementation of the specific initiatives for the material issues (materiality)

Progress management and a periodic review (Various management meetings → The Board)

Material Issues (Materiality)

Contribution to a **Decarbonized Society**

Pursuit of Sustainable Use of Wood Resources

> Contribution for a recyclingoriented society

Realization of the Affluent **Living Environment**

Productivity Improvement in **Construction Sites**

> Promotion of Risk management

Human Resources

Product Quality and Safety

Review of the Market **Portfolio**

Enhancement of the Governance System

Initiatives for the Material Issues (Materiality)

Greenhouse gas emissions reduction

Promotion of the use of renewable energy

Promotion of the use of domestic timber

Recycling of wood resources

Reduction of CO₂ emissions

Effective utilization of unused resources

Creating a safe, secure, healthy, and comfortable space

Promotion of anti-seismic performance

Development of labor saving type products and techniques

Enhancement of the BCP G

Reinforcing human resources development

Promotion of diversity

Promotion of workstyle reform

Enhancement of the occupational safety and health

Enhancement of the Quality S **Control Structure**

Expansion into priority markets

Global markets Public and commercial buildings Home renovation market

Practice of the vision G of the Group Corporate Philosophy

Practice of ESG Management E: Environment ▶P49-50

Creating shared value (CSV) by Daiken businesses

▶P25-28

Practice of ESG Management G: Risk management ▶P65

Practice of ESG Management S: Human resources

Practice of ESG Management S: Quality ▶P54

▶P51-53

Initiatives for priority markets ▶P36-42

Practice of ESG Management G: Initiatives toward the Penetration of the Group Corporate Philosophy ▶P66