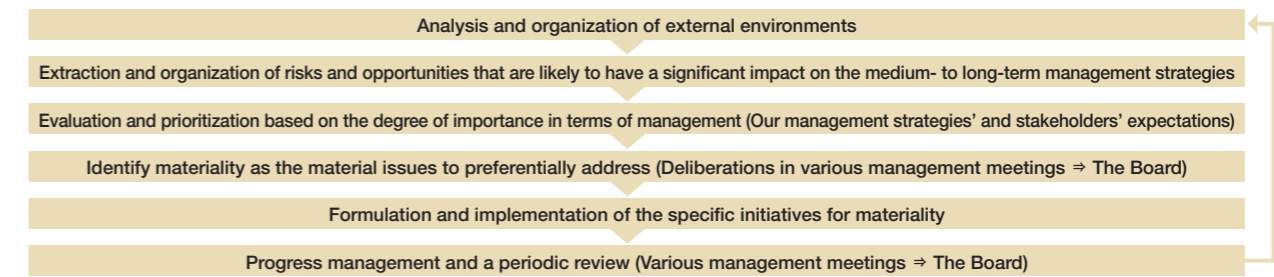


Risks, Opportunities and Materiality

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 materiality as the material issues to preferentially address based on such risks and opportunities as the following. In identifying such themes, we made decisions by the Board's resolutions through deliberations in various management meetings. We also link materiality to preferentially address the policies in the medium-term management plan and the focused measures and proceed with the initiatives after setting the goals.

Processes to Identify the Risks, Opportunities, and Materiality



Social Issues and Needs (External environment and trends)
<p>Climate change and global warming Loss of biodiversity</p> <p>Forest conservation and regulations over illegal logging</p>
<p>Depletion of/scramble for resources</p>
<p>The Japanese government's growth strategy</p> <p>Green Transformation (GX)</p> <p>Construction of a housing circulation system toward a decarbonized society</p> <p>Digital Transformation (DX)</p> <p>National land toughening and improvement of the next-generation infrastructure</p> <p>Realization of a tourism-oriented country</p>
<p>Threat of infectious diseases</p>
<p>Threat of natural disasters</p>
<p>Low birthrate and longevity in Japan</p> <p>A decrease in population and a decrease in the number of households</p> <p>Depopulation</p> <p>A decrease in productive-age population</p> <p>Acceleration of women's participation in society</p>
<p>A worldwide increase in population</p>
<p>Change in the security environment</p>
<p>Request for sustainable management</p>

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
Recovery in 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 high-quality living environment in the overseas growing markets
Surging resource/energy prices
Growing geopolitical risk
Management ability that responds to the risks and opportunities and increases corporate value

Materiality
<p>Building a Resource-Recycling and Recycle-Oriented Society</p>
<p>User Needs in the New Normal Era</p>
<p>Diverse Human Resource Foundation by Improving Comfort in Working and Job Satisfaction</p>

Initiatives for Materiality
<p>Creating Shared Value (CSV) by Daiken Business</p> <p>01 Contribution to carbon neutrality by utilizing wood resources ▶ P.23-24</p> <p>02 Promotion of the use of domestic timber ▶ P.25-26</p> <p>03 Effective utilization of unused resources ▶ P.26</p> <p>04 Creating a safe, secure, healthy, and comfortable space ▶ P.27-28</p> <p>05 Development of labor saving type products and techniques ▶ P.28</p>
<p>Environmental Strategy ▶ P.47-50</p>
<p>Human Resource Strategies ▶ P.51-52</p>

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