Connecting material issues (materiality) to capital reinforcement

In June 2024, the Daiei Kankyo Group identified five material issues (materiality) essential for sustained growth while further contributing to resolving social challenges. These critical management priorities must be addressed over the medium to long term, taking into account the evolving business environment.

To respond to these challenges effectively, we are strengthening our capital base by promoting growth investments not only in financial capital but also in non-financial capital—including social, manufactured, natural, intellectual, and human capital.

The table below illustrates the relationship between each material issue and the six types of capital. Material issues and capital types do not correspond on a strict one-to-one basis. For example, facility development involves both building trust with the local community (social capital) and expanding the facilities themselves (manufactured capital). We believe that these interactions among multiple types of capital generate non-financial value, creating a virtuous cycle that supports sustainable business growth. We consider Materiality number 5, "Improving management transparency and Group capabilities," to be a core issue that underpins our sustainable growth. It is positioned as a material issue that relates to all six types of non-financial capital.

	6 types of capital					
	Financial capital	Social capital	Manufactured capital	Natural capital	Intellectual capital	Human capital
Material issues (Materiality)	Focus 1 → pp. 23–24	Focus 2 → pp. 25–28	Focus 3 → pp. 29–30	Focus 4 → pp. 31–33	Focus 5 → pp. 34–36	Focus 6 → pp. 37–41
1 Building the foundation for Local Circular Ecological Spheres	●	●	●	●		
2 Strengthening the business foundation to become a company with the power to create better environments	●	●	●	●	●	
3 Contributing to a decarbonized society and reducing our impact on the environment	●	●	●	●	●	●
4 Promoting human capital management	●	●				●
5 Improving management transparency and Group capabilities	● Focus 1–6 (related to all types of capital)					

Boxed areas indicate particularly high-priority capital domains that require strengthening alongside human capital.
The six types of capital are introduced individually in six subsequent sections, titled "Focus 1" through "Focus 6."
For details on specific investments in each type of capital, please see "Cash Allocation" on p. 24.

Materiality affecting non-financial capital

Each material issue is closely connected to multiple types of non-financial capital. Among these, we have prioritized three material issues that directly support the growth of the Group's business: 1) building the foundation for Local Circular Ecological Spheres; 2) strengthening the business foundation to become a company with the power to create better environments; and 3) contributing to a decarbonized society and reducing environmental impact. Given the nature of our business, these issues are primarily linked to social capital, manufactured capital, and natural capital.

Material issues (Materiality)	Social capital × Manufactured capital × Natural capital Focus 2 Focus 3 Focus 4
1 Building the foundation for Local Circular Ecological Spheres	The Daiei Kankyo Group is working to build trust-based relationships with local residents and municipalities, establishing the foundation of its social capital through ongoing, community-rooted business activities at each location. Strengthening these relationships with local communities has enabled the smooth development, enhancement, and renewal of waste treatment facilities, which constitute our manufactured capital. As a member of the community, the Group ensures proper waste management, contributing to the conservation of the local environment and risk reduction, thereby preventing the loss of natural capital.
2 Strengthening the business foundation to become a company with the power to create better environments	By building trust-based relationships with municipalities, which also contribute to building our social capital, the Group is expanding the volume of general waste handled at existing facilities. Integrated treatment of industrial waste and general waste at processing facilities, regarded as manufactured capital, enables us to contribute to resolving region-specific waste management challenges. By developing new energy centers through PPPs and integrating operations with companies acquired through M&A, we are expanding our service areas and contributing to the prevention of natural capital loss across a wider region.
3 Contributing to a decarbonized society and reducing our impact on the environment	To develop new waste management methods and business schemes, we are strengthening collaboration with various stakeholders and research frameworks, including "artery" companies and external research institutions, as part of our social capital, thereby advancing resource recycling systems. As part of strengthening our manufactured capital, we are promoting the development of regional energy centers that utilize waste-to-energy power generation, aiming to produce and make effective use of renewable and non-fossil energy. These initiatives advance the realization of a circular economy alongside carbon neutrality in the waste management and recycling sectors. They contribute to reducing environmental impact and preserving natural capital, while broadening the reach of these positive effects.