

External Environment Surrounding Daiseki

Since our founding, we have consistently developed our business by anticipating current and future needs. Even in today's world characterized by volatility, uncertainty, complexity, and ambiguity (VUCA), this commitment remains unwavering. As environmental issues increasingly emerge as critical challenges in the business landscape, Daiseki, as an environmental value-creation company, will continue to identify both risks and opportunities in pursuit of a sustainable society.

01 Key External Environmental Factors

Politics

- Strengthening of carbon neutrality regulations in Japan, such as the introduction of the GX-ETS system
- Rising expectations for the circular economy, highlighted by the announcement of the “Policy Package for Accelerating the Transition to a Circular Economy”
- Increased risks to economic security due to growing geopolitical instability

Economy

- Stagnation and hollowing-out of domestic manufacturing
- Increasing demand for carbon neutrality and environmental impact reduction driven by growing sustainability awareness
- Ongoing depreciation of the yen against the U.S. dollar, leading to higher demand for low-cost resources
- Transition toward a circular economy

Society

- Growing interest in environmental and social issues driven by the widespread adoption of the SDGs
- Increasing need for human capital development in response to demographic a declining birthrate and aging population, as well as changing values
- Diversification of values, including the emergence of anti-ESG sentiments

Technology

- Rising expectations for innovation through cross-sector and interdisciplinary collaboration
- Growing demand for sustainability-related technologies, along with increasing complexity and technical difficulty

Key External Environment Keywords

- ◎ Human, intellectual, and social capital
- ◎ Carbon neutrality
- ◎ Circular economy

02 Anticipated Risks

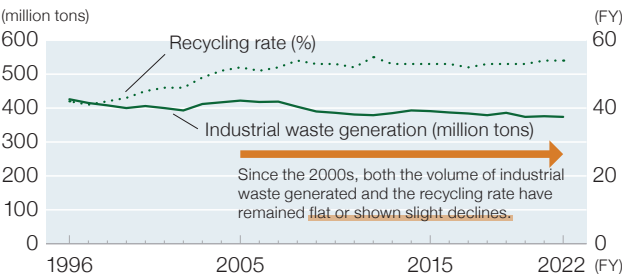
Contraction of the industrial waste treatment market due to the decline of domestic manufacturing

Decreasing demand for cascade recycling\* among leading-edge companies

Growing trend of in-house waste treatment by industrial waste generators

Trends in Industrial Waste Generation and Recycling Rates

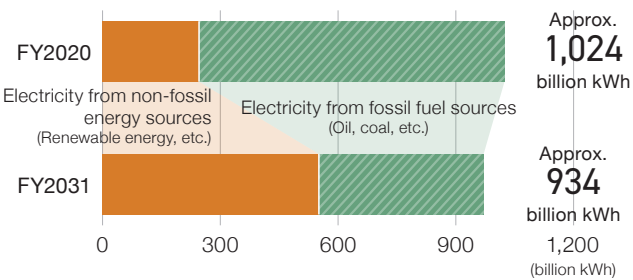
Due to the contraction of the manufacturing sector and rising environmental awareness, the volume of industrial waste is expected to remain flat or decline slightly. Meanwhile, the recycling rate of industrial waste has plateaued in recent years, while the complexity of waste treatment continues to increase.



Source: Ministry of the Environment, Status of Industrial Waste Generation and Treatment (FY2023 Results)

Power Generation Mix: Results and Targets

With the Cabinet's approval of the Basic Policy for the Realization of GX and other policies, the transition to non-fossil energy sources in Japan is expected to accelerate.



Prepared by the Company based on the Agency for Natural Resources and Energy's Outlook for Energy Supply and Demand in FY2031 (Related Materials)

03 Opportunities and Response Measures

Growing number of companies recognizing challenges in achieving carbon neutrality

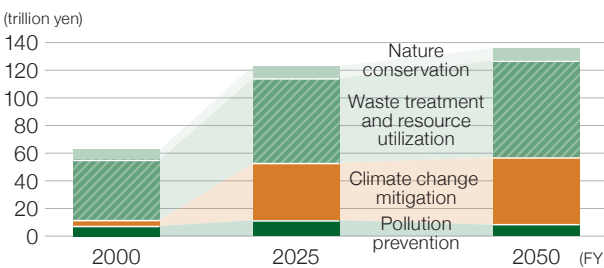
Responding to demand for services that reduce greenhouse gas emissions associated with industrial waste treatment

Increasing awareness of circular economy practices among leading-edge companies

Addressing the rising demand for circular economy solutions

Market Size

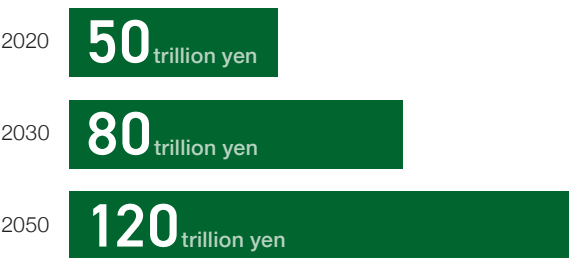
The climate change mitigation sector, including efforts toward carbon neutrality, is projected to remain one of the largest segments within the environmental business industry. Alongside waste management and resource efficiency, it is expected to see continued growth in both scale and importance.



Prepared by the Company based on the Ministry of the Environment's FY2023 Report on the Market Size and Employment of the Environmental Industry.

Market Size of the Circular Economy (Japanese Government Estimate)

The circular economy market is expected to continue expanding and emerge as a major industry in the coming years.



Source: Ministry of Economy, Trade and Industry (METI), Industrial Science and Technology Policy and Environment Bureau, Establishment of a Growth-Oriented, Resource-Autonomous Circular Economy

04 Key Initiatives

Responding to the carbon neutrality and circular economy needs of leading-edge companies

Revisiting our management strategy with a focus on environmental conservation and environmental value creation

Riding the growing momentum toward carbon neutrality, we will expand our industrial waste treatment services that contribute to the reduction of greenhouse gas emissions. To meet the circular economy demands of leading-edge companies, we will strengthen collaboration within the Group and forge strategic alliances with external partners to build a robust value chain. In anticipation of these changes in the external environment, we will continue to revise our management strategy and formulate aligned business and human capital strategies.

\* Cascade recycling: A method of recycling materials, which deteriorate in quality due to recycling, into different products in stages.