Reference Casebook of Good Practices on the Disclosure of Narrative Information: 2021 Edition

Financial Services Agency January 31, 2023

Disclosure practices concerning the sustainability information in annual securities reports

1. Practices of disclosures of information on “Environment (related to climate change, etc.)”

(Sections to be used as a reference for new items to be described pursuant to the amendments to the Cabinet Office Order)

: Concepts and measures concerning sustainability (General (related to climate change, etc.))

: Points highlighted as good practices other than those described above (practices related to the amendments to the Cabinet Office Order)

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Tentative translation by OECC commissioned under MOEJ without review by FSA or referenced companies

OECC: Overseas Environmental Cooperation Centre
MOEJ: Ministry of the Environment, Japan
FSA: Financial Services Agency, Japan

Main points of disclosures expected by investors and analysts: Related to climate change, etc.

- **Disclosures according to the four core areas (Governance, Strategy, Risk management, Metrics and Targets) of the TCFD Recommendations*** remain useful.

- Upon making disclosures in line with the TCFD Recommendations, **disclosures including financial elements with consideration to the connectivity with financial information** are useful.

- Concerning disclosures of risks and opportunities, **disclosures including quantitative information by using a list** are useful.

- **Disclosures according to a timeline** by using a transition or road map are useful as they are also considered as important in overseas disclosures related to climate change.

- **Regarding the quantitative information** about sustainability, **disclosures including premises and assumptions** are useful.

- **Disclosures of numerical results** remain useful.

* See the next page for the contents of TCFD Recommendations.

● Ricoh Company, Ltd. (1/2) Annual Securities Report (FY ended March 31, 2022) pp. 26-28, p.32

[Management policies, management environments and issues to be addressed] * Excerpt

Climate change risk recognition and countermeasures

<Implementation and results of scenario analysis>

The financial impact and urgency of individual risks were reevaluated this fiscal year by performing a scenario analysis. With regard to "carbon taxes and emissions trading systems applied to suppliers", we have changed our evaluation of the urgency of this risk based on the global systematization of emissions trading systems and Japan's moves to introduce carbon pricing. Regarding the rising number of natural disasters, we have reevaluated the risks to our supply chain, including our sites. We have decided to invest in concrete measures to address, in particular, flooding risks in Japan, prioritizing major manufacturing sites with high levels of flooding risk.

Natural disaster risks are highly urgent risks which, if countermeasures are deferred until later, could have a major business impact. Although the urgency for the risks of infectious diseases caused by climate change is low, if these risks manifest themselves, they could have a major financial impact. We will therefore strive to continuously enhance our BCP to manage them. We have reconfirmed that actively working to mitigate and adapt to climate change has tremendous potential to produce future financial benefits.

Climate change risks and Ricoh's countermeasures

Transition risks: Analyzed based on 2°C/1.5°C scenario*1

Physical risks: Analyzed based on 4°C scenario*2

		Impact on the Ricoh Group	Impact*3	Urgency *3	Our action
Transition risks	**Carbon taxes and emissions trading systems applied to suppliers**	- Carbon pricing (carbon tax/emissions trading) will be applied mainly to material suppliers with high GHG emissions, and the price will be passed on to raw materials, resulting in higher procurement costs.	2	3	- Reducing new resource inputs by selling refurbished devices and using recycled materials - Actively supporting suppliers' decarbonization activities and addressing the risk of rising procurement costs
	Accelerated transition to decarbonized society	- Due to demand for achieving ahead of schedule the target of 1.5°C and achieving RE100, additional costs for implementing measures such as energy saving/renewable energy facility investment and switching to renewable energy are incurred.	1	3	- Actively promoting energy-savings and renewable energy initiatives that contribute to SBT 1.5°C targets (strategic use of renewable energy certifications, deployment of PPA model, etc.) - Financing using sustainability-linked loans
Physical risks	**Rapid increase of natural disasters**	- Due to climate change, extreme weather has become more severe, causing production stops - Sales opportunity losses due to disruption of the supply chain, etc.	3	5	- Addressing supply chain risks - Enhancing risk countermeasures for domestic sites
	Regional epidemics of infectious diseases	- Impact on production plans due to parts supply disruption - Insufficient inventory due to lower operating rates at production sites - Decrease in sales opportunities due to difficulty of face-to-face business	2	2	- Reinforcing infectious disease BCP Digitization of operation and negotiation - Decentralization of production bases/automation of processes, additional stocking of parts and products
	Declining forest resources	- Forest damage such as forest fires and increase of pests due to global warming results in deterioration of stable supply of paper raw materials and leads to a rise in paper procurement costs.	1	2	- Reducing base paper usage by using environmentally-friendly liner-less labels - Promoting forest conservation activities

*1 2°C /1.5°C scenario: a scenario where the global average temperature increase is below 2°C by 2100

*2 4°C scenario: a scenario where the global average temperature increase is 4°C by 2100

*3 For impact and urgency, please refer to "risk levels" on page 32.

(Reference)

[Business-related risks] *Excerpt.

Risk levels

	Degree of impact*1		Level of urgency Degree of severity, greater than 50% probability of occurrence
1	Impact on profit: ¥1.0 billion or less	×	1 Within 30 years
2	Impact on profit: Up to ¥20.0 billion		2 Within 10 years
3	Impact on profit: Up to ¥50.0 billion		3 Within 5 years
4	Impact on profit: Up to ¥100.0 billion		4 Within 3 years
5	Impact on profit: Over ¥100.0 billion		5 Within 1 year

*1 Considering reputational damage and impact on business transactions

- Breaking down the impact and urgency of each risk item to 5 levels and describing them along with the respective assessment criteria

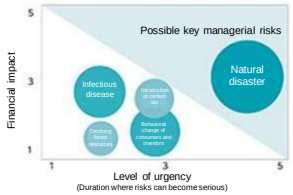
Ricoh Company, Ltd. (2/2) Annual Securities Report (FY ended March 31, 2022) pp. 26-28, p.32

[Management policies, management environments and issues to be addressed] * Excerpt

Climate change risk monitoring

Every year, the ESG Committee evaluates climate change risks at the management level and decides on investments in monitoring and necessary countermeasures.

The risk evaluation prioritizes investment in countermeasures along the twin axes of financial impact and urgency. "Natural disaster risks" have a high level of urgency and medium financial impact, and therefore they are managed as company-wide key managerial risks. This fiscal year, we invested in flood countermeasures for key domestic production and development sites.



(Omitted)

(1)

Financial opportunities presented by climate change

The Ricoh Group recognizes that climate change leads not only to business risks, but also to opportunities to increase corporate value as well as the product and service values we provide. Addressing climate change brings opportunities to provide products and solutions that support the decarbonization efforts of customers by leveraging our energy-saving technologies and services, expand sales of solutions that are linked to infectious disease countermeasures, expand our business in the environmental and energy fields, and create new businesses. Our environmental-friendly office equipment, infectious disease countermeasure solutions, and environmental energy business currently contribute to sales worth ¥1 trillion.

Opportunities associated with climate change

Areas of contribution	Overview of FY 2021 results		
"Contribution to mitigation" of climate change	Approx. ¥1,000 billion	- Sales of products that contribute to decarbonization (environmental label certification)	Approx. ¥930 billion
		- Sales from negotiations involving ESG response	Approx. ¥20 billion
		- Sales in products and parts reuse and recycling businesses	Approx. ¥30 billion
		- Sales in energy saving and energy creation businesses	Approx. ¥20 billion
		- Contributions of new businesses (sales of environmentally-friendly liner-less labels, sales of PLAiR)	-
"Contribution to adaptation" to climate change	Approx. ¥ 90 billion	- Sales of solutions that support new workstyles (Scrum package solutions and Scrum assets*1/WTA*2)	Approx. ¥90 billion
		- Contributions of new businesses (sales of energy harvesting*3 products, etc.)	-

*1 Scrum assets: An issue adaptation-type solution model for SMEs sold in Japan

*2 WTA (Work Together, Anywhere): A packaged solution sold in Europe

*3 Energy harvesting: Environmental power generation that generates electricity from light, heat, and vibration present in the surrounding environment

(Note) For the latest details on opportunities for climate change, please refer to the TCFD Report 2022 to be disclosed at a later date.
https://jp.ricoh.com/environment/management/tcfd

(2)

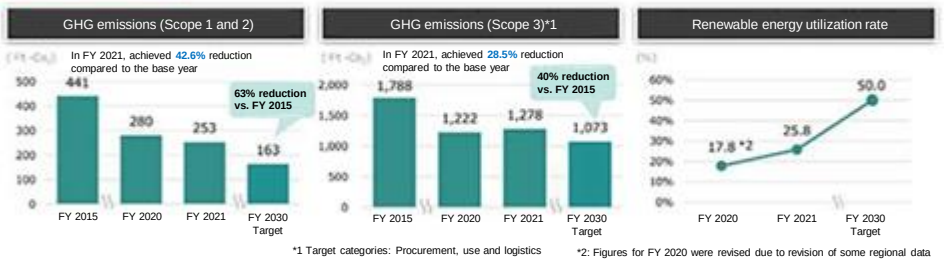
The Ricoh Group's environmental goals (decarbonization)

2030 goals
- GHG scope 1 and 2* : **63% reduction** vs FY 2015
- GHG scope 3* : **40% reduction** vs FY 2015 (procurement, usage and logistics category)
- Switch 50% of electricity used in business operations to renewable energy

2050 goals
- Achieve zero GHG emissions across the entire value chain
- Switch 100% of electricity used in business operations to renewable energy

- GHG scope 1: GHG directly emitted by Ricoh Group factories, offices, vehicles, etc.
- GHG scope 2: GHG produced by heat/power purchased by the Ricoh Group
- GHG scope 3: Supply chain emissions from corporate activities (excluding GHG scope 1 and 2)

FY 2021 results



*1 Target categories: Procurement, use and logistics

*2: Figures for FY 2020 were revised due to revision of some regional data

(1) Describing the results of the amount of sales affected by opportunities associated with climate change

(2) Describing quantitatively the results and targets of GHG emissions (Scope 1 - 3)

●● Kagome CO., Ltd. (1/2) Annual Securities Report (FY ended December 31, 2021) pp. 34 - 36

[Management policies, management environments and issues to be addressed] * Excerpt

(iii) Response to Task Force on Climate-Related Financial Disclosures (TCFD)

(1)

Governance

The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Abnormal weather patterns due to global warming drastically affect the growing regions of raw ingredients. To avoid this risk, we made a revision to our medium to long-term CO2 reduction targets in 2021, which were approved by the Board of Directors in 2018, in order to reduce greenhouse gas emissions and accelerate initiatives that prevent global warming.

Kagome's President & Representative Director is responsible for all of the company's environmental activities, including climate change response, under Kagome's ISO 14001 environmental management system. The President evaluates the effectiveness of the environmental management system through biannual management reviews, following the company's environmental policy, and maintains responsibility and authority to order improvements.

Strategy

The emergence of climate change represents a major risk for Kagome as a company that utilizes agricultural produce as raw ingredients. At the same time, however, it can also be an opportunity for harnessing our long-standing technologies. The table below shows examples of Kagome Group's risks, countermeasures and opportunities.

<Examples of Kagome Group's risk countermeasures and opportunities>

	Risk items	Countermeasures and opportunities
Short-term and medium-term	- Extreme weather and changing weather patterns - Declining production yield caused by water stress	- Acquisition and sales of vegetable varieties that can withstand climate change - Development and usage of tomato cultivation system that can produce tomatoes with the fewest amount of water
Long-term	- Rising carbon prices - Changing consumer behaviors - Loss of biodiversity	- Increased CO2 reduction targets and initiatives to achieve them - Active development of environmentally-friendly products and certified products - Proposals and promotion of agriculture in symbiosis with living organisms

* For details, please see our website. https://www.kagome.co.jp/company/csr/environment/activity/globalwarming/

The risks and opportunities of climate change represent the risks and opportunities of Kagome's business operations. As such, they have been included in our business plan together with other risks.

(2)

Risk management

Kagome has established the "Enterprise Risk Management Committee", chaired by the President & Representative Director, as a body for supervising the company's risk management activities. The body helps to speed up the decision making process in terms of our risk response policy and issues based on priority selection and evaluation. Identified risks and opportunities concerning climate change are incorporated into the Environmental Management Plan* as issues to be addressed by the entire company.

*Please see our website for issues and KPI in the Kagome Environmental Management Plan.
https://www.kagome.co.jp/company/csr/environment/plan/

Indicators and targets

With the aim of achieving net zero emissions of greenhouse gases by 2050, the Kagome Group has established an emissions reduction target for 2030, which received certification from the Science Based Targets (SBT) Initiative*. The Group has reviewed its greenhouse gas emissions reduction targets in response to 1.5ºC scenario for Scope 1 and Scope 2.

* An international initiative that certifies the greenhouse gas emissions reduction targets of a business are consistent with the level set in the Paris Agreement

Item	Targets (compared to 2020)	FY 2020 results (t)
Scope 1 and Scope 2	Reduce greenhouse gas emissions by 42% by FY 2030 (1.5ºC scenario)	143,524
Scope 3	Reduce greenhouse gas emissions by 13% by FY 2030	1,315,239

(FY 2021 results will be announced on our CSR website following third-party verification.)
Scope 1: Direct emissions of greenhouse gases from businesses (burning of fuels, industrial processes)
Scope 2: Indirect emissions from the use of electricity, heat, steam supplied by another company
Scope 3: Indirect emissions outside of Scope 1 and Scope 2 (emissions of other companies related to the business' activities)

(3)

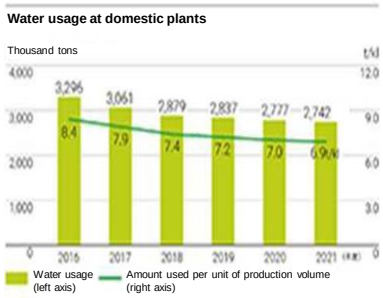
(iv) Water conservation

Kagome uses water in the cultivation of crops that serve as the raw ingredients of its products, as well as use large volumes of water in processing. Kagome has established the "Kagome Group Water Policy" and is implementing measures tailored to each region where it operates to mitigate water-related risks. In a survey conducted to assess water-related risks, we found risks of draught in the United States, and risks of heavy rain and draught in Australia. We are taking measures to avoid these risks such as cultivating tomatoes outside of the period of heavy rain in Australia. As a measure against drought in Australia, the water used at our plants in the winter is placed into a dammed reservoir and then supplied to nearby farmers the spring. This forms part of our efforts for water recycling. Moreover, we have set a target of reducing water intake per production volume by 1% compared to the previous fiscal year. In FY 2021, water intake per production volume was reduced by 1% from the previous fiscal year at domestic plants. Our efforts were recognized by CDP, a non-profit environmental organization with international influence, in FY 2021. Kagome was chosen as the highest ranking A List company for the first time in "CDP Water Security 2021", a business survey on water resources management.

CDP A LIST 2021 WATER

Kagome Group Water Policy

1. The Kagome Group and its major suppliers understand water-related risks.
2. The Kagome Group and its major suppliers strive to reduce water intake and use water efficiently to protect local water resources.
3. The Kagome Group and its major suppliers clean water after use then return it to the local communities.
4. Factories in areas where water-related risks are high take measures for water that are appropriate for the local areas.



(1) Describing the overview of strategy and risk management and also describing the reference website links for each detailed information

(2) Describing qualitatively the targets and results of GHG emissions (Scope 1 - 3)

(3) Setting "Water conservation" as a materiality issue and describing the measures along with the qualitative information

THE SHIGA BANK, LTD. (1/2) Annual Securities Report (FY ended March 31, 2022) pp.12-14

[Management policies, management environments and issues to be addressed] * Excerpt

(3) Measures for climate change

Climate change and other global environmental changes, such as the increasing damage caused by abnormal weather, are having a major impact on economic activities and our daily lives. These changes have already become a significant risk to all humanity. Under these circumstances, governments and companies worldwide are accelerating their efforts to shift to a decarbonized society by reviewing their social and economic structures, which are dependent on fossil fuels.

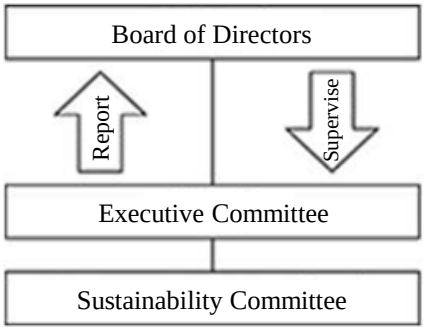
The Bank has regarded responding to global warming, a factor of climate change, as one of the important management issues. We have begun setting targets for greenhouse gas emissions reduction in our Medium-Term Business Plan in April 2004 and established the CSR Charter (Management Principles) featuring "harmonious coexistence with the environment" and recognized our response to global warming as a key management issue in April 2007. In October 2020, revised our Environmental Policy, renewing our recognition of the importance to "respond to climate risks". Having thus renewed our recognition of the importance to "respond to climate risks", we are working to create a sustainable society by establishing a "virtuous circle propelling the economy and environment forward" by fulfilling our role as a financial institution. We became the first ever regional bank to offer sustainability linked loan products and have been achieving satisfactory results in the field of ESG finance.

Having announced its support of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in July 2018, the Bank has been disclosing information in line with the TCFD Recommendations since fiscal year 2019, with a view to building engagement with shareholders, investors and a wide range of other stakeholders through such disclosure. We will continue working to improve disclosure and lead the decarbonization efforts of regional communities.

(i) Governance (Governance of climate-related risks and opportunities)

As described above, recognizing that climate change and other environmental and social challenges are important matters concerning its management, the Bank discusses these matters at the meetings of the Board of Directors and reflects the outcome in its management strategy and risk management. Specific measures and initiatives are discussed at the Sustainability Committee chaired by the President, the content of which are reported to the Board of Directors at least once a year. The Board of Directors is fully prepared to execute appropriate supervision on matters reported such as the state of greenhouse gas emissions reduction.

The Sustainability Committee meets three times a year with Management Meeting members, General Managers of each department and office, and presidents of associated companies as Committee members. The Committee deliberates on policies and plans for addressing medium- to long-term ESG challenges, including such matters as identifying priority issues (materiality), developing Sustainability Vision, examining measures to be taken by departments based on the Sustainability Policy, setting environmental goals based on ISO 14001, conducting scenario analysis in accordance with TCFD Recommendations. Matters of significance are reported to the Management Meeting (Executive Committee) and the Board of Directors.



(ii) Strategy

To further our response to risks and opportunities, including those of climate change, we have identified three areas for materiality, namely, "establishing the regional economy", "ensuring sustainability of the global environment", and "training a diversified workforce", and developed a "Sustainability Vision (long-term vision)" aimed at achieving sustainable society.

In October 2020, we established a "Sustainability Policy" focusing on sustainability of the regional communities and set up Sustainable Strategy Office in the General Planning Department, and also a team dedicated to ESG finance in the Business Promotion Department in order to be better prepared to boost sustainable financing towards making decarbonized society a reality.

The Bank assesses climate change risks (transition risks and physical risks) for the time frames of short-term (five years), medium-term (10 years), and long-term (30 years) under 1.5°C scenario and 4°C scenario. With regard to the risks and opportunities that have been recognized, we are making efforts related to CO2 emissions reduction and also considering reflecting the findings in our investment and financing strategy.

Type of risk / opportunity		Impact on business	Timing of manifestation
Transition risks	Policy and legal market Technology	Impact on the Bank's credit costs arising from actions that the Bank takes in response to decarbonization policies and regulations in order to achieve the 1.5° C scenario, or from changes in market orientation towards low-carbon via the impact of such changes on the business and performance of investment and financing targets	Medium or long term
	Policies	Establishment of, or amendments to, regulations following the global trend toward increased actions against climate change	Short term
	Reputation	Negative rumors resulting from lack of efforts against climate change or insufficient disclosure of information	Short term
Physical risks	Acute risks	Impacts on the Bank's credit costs arising from the impacts of increased natural disasters such as floods on the business and performance of investment and financing targets	Short, medium, or long term
		Risk of damage to the Bank's assets from natural disasters such as floods	Short, medium, or long term
	Chronic risks	Impacts on the Bank's credit costs arising from the impacts of increased infectious diseases or heatstroke cases on the business and performance of investment and financing targets	Short, medium, or long term
Opportunities	Products / services	Increased capital needs of companies related to the development of low-carbon products and services	Short, medium, or long term
	Resource efficiency / energy source	Reduced costs of companies as a result of efforts for the transition to a decarbonized society; increased capital needs related to such transition	Short, medium, or long term
	Reputation	Increased business opportunities resulting from our higher social reputation as a financial institution that contributes to decarbonization of regional communities	Medium or long term

- Plainly describing the impact on business and timing of manifestation for each risk / opportunity item

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• THE SHIGA BANK, LTD. (2/2) Annual Securities Report (FY ended March 31, 2022) pp. 12-14

(1)

[Management policies, management environments and issues to be addressed] * Excerpt

The proportion of energy and utility (electricity, excluding renewables) sectors, among the carbon-related assets for which disclosure is recommended by TCFD Recommendations, in the Bank's total lending as of March 31, 2022, is approximately 2.36%.

We are considering working to grasp the whole picture including other carbon-related asset.

We conducted two scenario analyses after consulting multiple scenarios published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), among others, and taking into consideration the Paris Agreement, the agreement at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in November 2021, etc. The impact of increase in credit costs is expected to be limited, as cost reduction can be achieved by way of medium- to long-term efforts.

<Process of analysis>

- Analyze risks (transition risks, physical risks) and opportunities for each sector
- Determine subject sectors for scenario analysis
- Choose scenario for transition risks and physical risks depending on the subject of analysis, and analyze the impact on credit costs

<Transition risks>	Details
Scenario	IEA's "Met Zero Emissions Scenario (1.5°C Scenario)"
Subject sector	1) Power utility 2) Oil, coal and gas
Subject period	Up to 2050, with March 31, 2021 as a base
Metrics	Credit-related expenses (credit costs) *Credit costs based on borrower classification
Results of analysis	A total of 5 billion to 10 billion yen increase in credit costs in the period to 2050

<Physical risks>	Details
Scenario	IPCC's "RCP8.5 Scenario" (4 °C Scenario) A "100-year flood occurs" by 2050
Subject sector	1) The whole areas of Shiga Prefecture 2) The whole areas of Kyoto Prefecture
Subject period	Borrowers of business loan (excluding large corporations)
Metrics	Credit-related expenses (credit costs) 1) Downgrading of borrower classification of borrower company in light of decline in sales due to suspension of business 2) Damage to collateral
Results of analysis	Increase of approx. 4 billion yen in credit costs

(iii) Risk management

The Bank recognizes that transition and physical risks stemming from climate change will greatly affect not only the global environment but the regional economy as well as the Bank's operation, strategy and financial planning.

In our risk management, we comprehensively assess credit risk, market risk, liquidity risk, reputational risk and other risks. We will continue conducting scenario analysis on a regular basis, understand and evaluate the impact of climate change on the regional economy under different conditions, and work to build a system to manage these risks within our framework for comprehensive risk management. (The overview of our risk management system is described in 2 "Business-related risks".)

With regard to the risks that have been recognized, we are doing more than just stating the realization of decarbonized society in our Sustainability Policy; we are building closer engagement with stakeholders and supporting the decarbonization efforts of regional communities and our customers.

(2)

(iv) Indicators and targets

The Bank has set the following benchmark challenges aimed at sustainable development of regional communities and customers.

Investment and financing to promote sustainable development	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	700 billion yen	502.8 billion yen
Long-term indicator (by March 31, 2030)	1 trillion yen	

The Bank has set environmental impact reduction goals as follows. (Scope 1 and Scope 2 standards)

Reduction in greenhouse gas emissions (compared to FY 2013)	Benchmark challenges	March 31, 2022
Medium-term indicator (by March 31, 2024)	50% reduction	42.08% reduction
Long-term indicator (by March 31, 2030)	75% reduction	
Benchmark for 2050: achieve the "Shiga CO2 Net Zero*" emissions proposed by Shiga Prefecture		—

* An initiative to reduce CO2 emissions in Shiga Prefecture to virtually zero. Shiga Prefecture plays a central role in promoting this initiative in cooperation with various entities, including prefectural residents and businesses.

The Bank's greenhouse gas emissions in the base year and the fiscal year ended March 31, 2022 are as shown below:

FY 2013 (base year): 9,245t

FY ended March 31, 2022: 5,354t

As for Scope 3, we are examining the measurement method and discussing in preparation for disclosure.

(1) Plainly describing the results of scenario analysis, including the amount affecting the credit costs

(2) Describing results and targets quantitatively, by setting the amount of loans and GHG emissions as indicators

Sangetsu Corporation (1/1) Annual Securities Report (FY ended March 31, 2022) pp. 16-17

(1) **[Management policies, management environments and issues to be addressed]** * Excerpt

4) Metrics and targets

We have been implementing measures under the qualitative targets established to reduce environmental impacts in our business activities (Scope 1 & 2) in the Medium-term Business Plan (2020-2022) [D.C. 2022]. The targets and the progress until FY 2021 (preliminary data) are as follows.

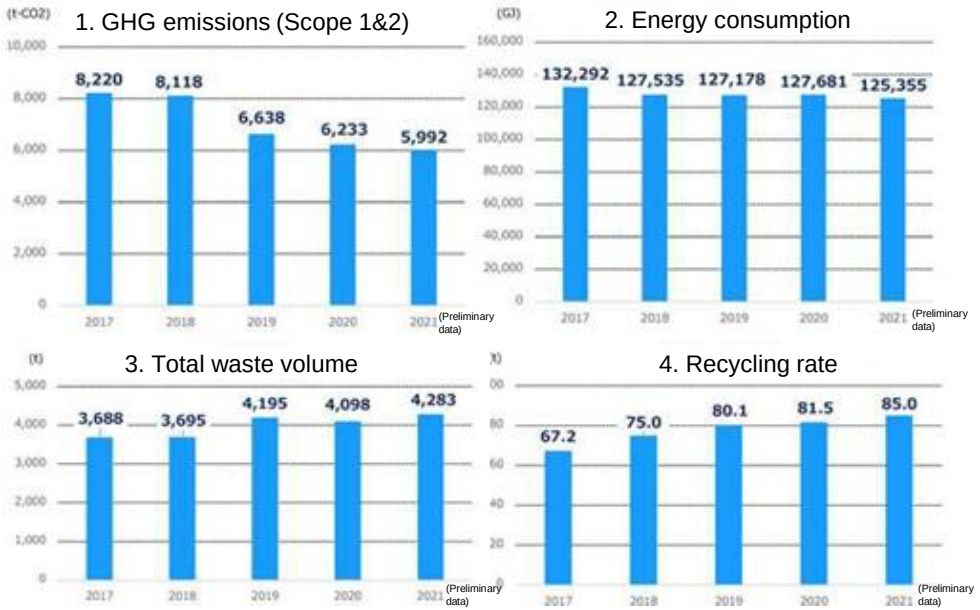
(i) Quantitative target to reduce environmental burden

Targets for FY ending March 31, 2023

- GHG emissions (Scope 1&2): Carbon neutral (targets for FY ending March 31, 2031)
- Energy consumption : 4.0% reduction (compared FY 2018)
- Total waste volume : 4.0% reduction (compared FY 2018)
- Recycling rate : 83.0% or over

(ii) Progress for the above targets (non-consolidated)

	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (preliminary data)
GHG emissions (Scope 1&2)	t-CO2	8,220	8,118	6,638	6,233	5,992
Energy consumption	GJ	132,292	127,535	127,178	127,681	125,355
Total waste volume	t	3,688	3,695	4,195	4,098	4,283
Recycling date	t	67.2	75.0	80.1	81.5	85.0

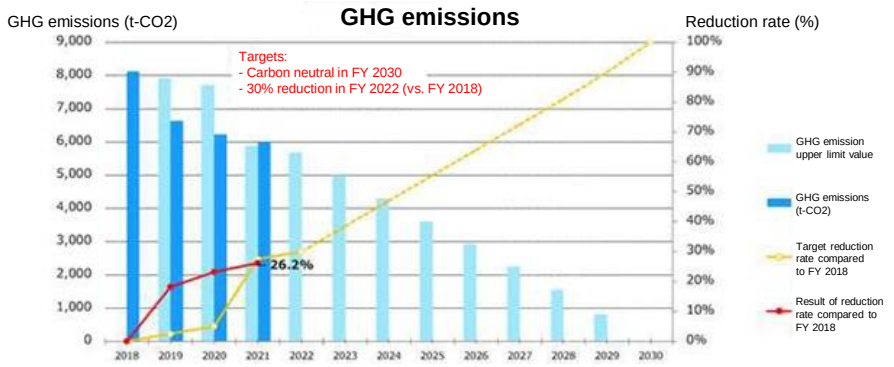


(2)

(iii) Future initiatives

Toward realization of non-consolidated carbon neutrality at Sangetsu Corporation in FY 2030, we will implement planed initiatives, including "energy savings" through renewals of systems, "energy creation" via installation of solar power generation systems, "renewable energy use" through procurement of renewable energy, and "offsetting" by tree planting, green power certificates and emission credit.

Planned values toward GHG emission carbon neutrality



(1) Setting energy consumption, total waste volume and recycling rate as the quantitative targets in addition to GHG emissions, and describing the progress of each item quantitatively

(2) Simply describing the planned values of GHG emissions in each fiscal year toward carbon neutral along with figures and charts

SANKI ENGINEERING CO., LTD. (1/1) Annual Securities Report (FY ended March 31, 2022) pp. 15-16

[Management policies, management environments and issues to be addressed] * Excerpt

(1)

■ Risks and Opportunities

Category		Possible event	Impact		Timeline	Risks and opportunities for the Sanki Engineering Group	Response
Transition risks	Climate-related policies and regulations	- Rise in construction costs due to carbon pricing - Restrictions on business due to CO2 emissions regulation - Heightened demand for disclosure of climate change-related information	Major	Minor	Medium to long term	- Surge in construction costs due to growing demand for suppliers to introduce carbon neutral technologies - Rise in the cost of purchasing environmental value for realizing carbon neutrality, including a shift to green electricity and renewable energy certificates - Decline in corporate reputation and brand due to insufficient information disclosure	- Strengthen procurement capabilities based on electronic procurement systems and centralized purchasing - Extend capital investment for advancing carbon neutrality at Sanki Engineering - Promote activities for reducing emissions across the supply chain - Proactively disclose information
Physical risks	Rise in temperatures and extreme weather events	- Greater impact of rising temperatures on working conditions - Increased severity and frequency of extreme weather events	Minor	Major	Medium to long term	- Increased risk of occupational accidents, such as heat stroke - Risk of suspensions or delays in construction due to extreme weather events - Delays in procurement of materials and equipment	- Enhance technology for preventing occupational accidents and problems during construction - Develop alternative robotic technologies for the construction site to improve the labor environment - Construct and operate BCMS for maintaining effective BCPs - Utilize DX to balance improvements in quality and productivity with reduced work hours - Continuation of "the Smile Project (work style reforms)", led by top management - Promote application of BIM
Opportunities	Markets, products, and services	Rise in demand related to energy-conservation and renewable energy	Major	Medium	Short , medium to long term	- Rise in demand for ZEB projects and energy-saving projects led by growing need for energy conservation - Rise in demand for renewable energy business	- Promote development of new technologies for realizing a decarbonized society - Strengthen "the SANKI YOU Eco Contribution Point" system, which combines reductions in CO2 emissions by customers based on energy-saving proposals with donations to environmental preservation activities - Promote open innovation (collaboration with other business sectors, universities, and venture companies) - Develop energy creation businesses such as renewable power generation - Extend growth investments for the next generation, including decarbonization technologies (energy conservation, energy creation, and others) - Further development of automation and labor-saving markets - Promote application of BIM
	Resilience	Expansion in demand for technologies that strengthen resilience	Major	Major	Medium to long	- Increase in demand for renewal projects - Increase in demand for resilience-related services	- Strengthen the total integration business of building ICT - Promote our LCE Business (stock-based business) - Expand onsite information and communication infrastructure business - Expand consulting service offerings - Strengthen system to quickly respond to energy-saving technology and customer needs

<<Risk management>>

In the Group, The Risk Management Committee, which oversees business-related risks, identifies and categorizes the risks, determines the subcommittees in charge and content of control plans, assesses the risks by quantifying their impact and frequency insofar as possible, formulates and implements priorities and response policies, and conducts periodic reviews.

With regard to climate-related risks, the Climate Change Risk Subcommittee examines the assessments and control plans and reports to the Risk Management Committee. The decided measures are submitted to the Sustainability Committee, Management Meeting, and Board of Directors for deliberation and further decision, depending on the relative importance of the assessed risk, and are then implemented by all the departments of the Group in cooperation with the Sustainability Promotion Council. Measures included in the Medium-Term Management Plan are incorporated into the execution plans of each division to manage their progress.

<<Indicators and targets>>

- SANKI Carbon Neutral Declaration -

The Sanki Engineering Group is making serious efforts to address the climate change crisis facing the world and aims to achieve carbon neutrality for the Group's own GHG emissions (Scope 1 and 2) by 2030 and for GHG emissions including the supply chain (Scope 1, 2, and 3) by 2050.

(2)

- Emissions from the Group's supply chain

Scope / Category		Applicable activities	Emissions (ton-CO2) FY 2020	Emissions (ton-CO2) FY 2021	Increase / decrease ratio (%)
Scope 1	Direct emissions	Direct emissions from businesses owned or controlled by the Company	1,658	1,722	+4%
Scope 2	Indirect emissions stemming from energy use	Indirect emissions caused by use of purchased electricity or heat	6,403	6,127	-4%
		Total of Scope 1 and 2	8,061	7,849	-3%
Scope 3	Other indirect emissions		6,161,990	5,005,392	-19%
Category 1	Purchased products and services	Emissions from the manufacturing of products and services purchased	344,460	345,217	
Category 2	Capital goods	Emissions from the construction, manufacturing, and transportation of capital goods purchased	7,419	5,518	
Category 3	Fuel and energy-related activities not included in Scope 1 and 2	Emissions from the resource extraction, production, and transportation of fuels, electricity, and heat purchased	1,006	1,336	
Category 4	Transportation and distribution (upstream)	Emissions from the logistics of purchased products to the Company and the transportation of products outsourced by the Company as a consignor	819	1,123	
Category 5	Waste generated by business activities	Emissions from the transportation, disposal, and treatment of waste generated by business activities	1,481	1,744	
Category 6	Business trip	Emissions from the transportation of employees for business-related activities	332	401	
Category 7	Employee commuting	Emissions from transportation used for employee commuting	658	965	
Category 11	Use of products sold	Emissions from the use of products sold	5,800,139	4,643,385	
Category 12	Waste disposal of products sold	Emissions from the waste disposal and treatment of products sold	1,483	1,381	
Category 13	Leased assets (downstream)	Emissions from the energy used by leased assets	4,193	4,322	
		Total of Scope 1, 2 and 3	6,170,051	5,013,241	-19%

* Categories 8 - 10 and 14 - 15 are not applicable.

(1) Plainly describing the degree of impact, timeline, impact on business and measures for each item of risks and opportunities

(2) Describing the results of GHG emissions (Scope 1 - 3), along with the breakdown for each category of Scope 3

● YAMADA HOLDINGS CO., LTD. (1/1) Annual Securities Report (FY ended March 31, 2022) pp. 15-16

[Management policies, management environments and issues to be addressed] * Excerpt

[Climate change initiatives and TCFD]

(i) Responses toward climate change

Under the concept of "Total-Living (*Kurashi-Marugoto*)" , YAMADA HOLDINGS Group offers various home electronic appliances, household equipment, and furniture / home interiors that support the foundations of customers' living infrastructure. These products are manufactured and processed not only in Japan but also in many places around the world, using various resources in each region. Accordingly, the Group believes that responses to climate changes and conservation of natural environment are key themes for the Group's sustainable growth.

To disclose information based on the Task Force on Climate-related Financial Disclosures (TCFD), the Group has taken measures to understand the current situation of the Group, build its governance system, engage in risk management, and consider strategies / indicators and targets. Along with properly managing risks following climate changes, the Group will proactively engage in its climate change initiatives by considering various changes toward decarbonization as its business opportunities to grow sustainably.

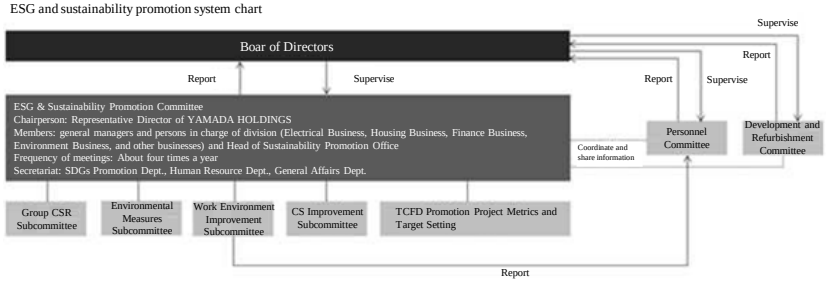
(The Group will disclose the details of climate change-related information and relevant indicators and targets based on TCFD on our website.)

Classification	Major initiatives
Reduction of greenhouse gases within the Group (Scopes 1 and 2)	- Purchase the electricity generated by renewable energies - PPA after selling internal existing solar power output - Internal consumption of the electricity generated by the YAMADA Resource Energy Plant - Introduction of EVs as commercial vehicles, etc.
Reduction of greenhouse gases emitted when customers use products, etc. (Scope 3)	- Promote wider use of energy-saving home electrical appliances - Introduction of ZEH for new custom-built houses - Installation of solar panels for new custom-built houses

(ii) Governance

The YAMADA HOLDINGS Group has established "the ESG & Sustainability Promotion Committee" as an organ to deliberate policies and measures on environmental and social issues, monitor the progress of its targets, report to the Board of Directors, and engage in other activities. Chaired by the Representative Director of the YAMADA HOLDINGS, committee members consist of general managers and persons in charge of each division (Electrical Business, Housing Business, Finance Business, Environment Business, and other businesses) and the Head of Sustainability Promotion Office. These members make decisions on important matters. Four subcommittees are established under the ESG & Sustainability Promotion Committee: "Group CSR Subcommittee", "Work Environment Improvement Subcommittee", "CS Improvement Subcommittee", and "Environmental Measures Subcommittee." These four subcommittees discuss the details of individual activities and monitor their progress and targets. Envisioning more disclosure of climate change-related information, a project team has engaged in analyzing the current situations of CO2 emissions regarding scopes 1, 2, and 3 and managing the progress against the targets.

ESG and sustainability promotion system chart



(iii) Scopes 1, 2, and 3 CO2 emissions (FY 2020)

Scope		Calculation method	Emissions (t-CO2)	Ratio
Scope 1 Direct emissions from combustion of fuels		Multiplying the quantity of fuels used by the emission factors	54,317	0.204%
Scope 2 Indirect emissions from consumption of electricity		Multiplying the quantity of electricity used by the emission factors	257,443	0.965%
Scope 3 Emissions other than those described above		See the following Categories 1 - 15	26,370,549	98.832%
Total of Scopes 1, 2 and 3			26,682,309	100.000%
1	Procurement of raw materials	Multiplying the total amount of procurement by material, by the emission factors	4,910,896	18.405%
2	Increase in capital goods and production facilities	Multiplying the total investment amount for facilities, etc. by the emission factors	20,809	0.078%
3	Fuel- and energy-related activities	Multiplying the consumption of fuels and electricity used that are not included in scopes 1 and 2, by the emission factors	45,561	0.172%
4	Procurement logistics and logistics outsourced by the Company as a consignor	Out of scope in this chart because it takes time to specify the scope of the obligations borne by a specified consignor	Out of scope	
5	Waste generated from operations	Multiplying the quantity of waste generated by the emission factors	206,099	0.722%
6	Business travel of employees	Multiplying the total amount of travel expenses by the emission factors	1,633	0.006%
7	Employee commuting	Multiplying the total amount paid by the emission factors	3,814	0.014%
8	Operations of the assets the Company leased from owners	Out of scope because this category is included in Scopes 1 and 2	Out of scope	
9	Transportation in which the Company ships goods as a consignor	Out of scope in this chart because it takes time to specify the scope of the obligations borne by a specified consignor	Out of scope	
10	Processing of intermediate products	Out of scope because the Company does not sell intermediate products	Out of scope	
11	Use of products by users	Multiplying the annual energy consumption, lifetime, and sales volume of products, by the emission factors	20,906,986	78.355%
12	Disposal of products by users	Multiplying the total weight of products by the emission factors	272,614	1.022%
13	Assets leased to other companies	Out of scope because the Company does not hold leased assets	Out of scope	
14	Emissions that fall under scopes 1 and 2 among franchised stores	Multiplying the total floor space of franchised stores, by the emissions of YAMADA DENKI stores per square meter	2,137	0.0008%
15	Stock and bond investments	Out of scope because the Company does not hold stocks for the investment purpose to the degree that impacts the calculation of emissions	Out of scope	

- Describing the calculation methods and result of CO2 emissions (Scope 1-3), along with the breakdown for each category of Scope 3