Climate Change

(As of June 26, 2025)

Basic Approach and Policies ↓
Disclosure based on Recommendations of the TCFD (Executive Summary) ↓
Disclosure based on Recommendations of the TCFD (Details) ↓

Basic Approach and Policies

When our founder Fusajiro Kanematsu established the Company in 1889, he personally laid down the following corporate principle: "Let us sow and nurture the seeds of global prosperity." These words represent Fusajiro's intention to sow the seeds (i.e., create businesses) to achieve prosperity of Japan and happiness through economic development. In a modern context, this corporate philosophy expresses our commitment to help achieve prosperity and happiness for people not only in Japan but all over of the world, which is similar to the ideas underlying the Sustainable Development Goals (SDGs).

In relation to SDG 13, Climate Action, we have selected and focused on particular businesses and promoted initiatives since our inception to create a business portfolio that does not include thermal power generation, coal, and other carbon-intensive businesses. In addition, all projects--investments, important contracts, significant asset purchases--are implemented in line with the Group's sustainability policy and key issues (materiality). We have thus developed a governance system for management and monitoring to ensure that our Group does not engage in carbon-intensive businesses.

Thanks to these extensive efforts to control our environmental impact, CO_2 emissions (Scope 1, 2) from Group operations are extremely small relative to our size. We will maintain the current governance system to ensure that our emissions do no increase going forward. Furthermore, our Group has actively engaged in a forest conservation project and Joint Crediting Mechanism (JCM) project in recent years. Through these projects, we plan to offset all our CO_2 emissions with credits generated by our Group or avoided emissions to be converted into credits (become carbon neutral*1) as soon as possible and eventually aim to become carbon negative*2 so that we can keep on contributing to Japan and the international community.

※[1] Carbon neutral is a state where the CO_2 emissions (Scope 1, 2) of our Company and Group are balanced with the credits generated by our Group through the forest conservation project and JCM project or avoided emissions.

※[2] Carbon negative is a state where the credits generated by our Company and Group through the forest conservation project and JCM project or avoided emissions exceed(s) the CO_2 emissions (Scope 1, 2) of our Group.

Disclosure based on Recommendations of the TCFD (Executive Summary)

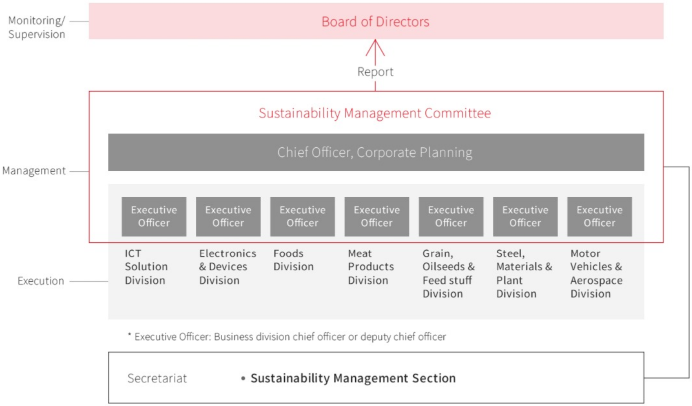
In June 2021, our Company pledged its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We will strive to disclose information regarding climate change-related business risks and opportunities in accordance with the TCFD's framework and in a more accessible manner.

Items	TCFD recommended disclosure items (11 items)	Our initiatives (summary)
Governance	a)Describe the board's oversight of climate-related risks and opportunities	**Monitoring organization** Board of Directors
	b)Describe management's role in assessing and managing climate-related risks and opportunities	**Role of management** Discussion and reporting in the Sustainability Management Committee meeting attended by the Chief Officer of Corporate Planning and mainly chief officers from business divisions (executive officers)
Strategy	a)Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	**Risks and opportunities** Conducted scenario analyses on four businesses: North American beef business, steel tubing business, corn business, kerosene business, coffee business and motor vehicles & parts business, on the basis of climate-related impacts (qualitative aspects) and sales/profit (quantitative aspects) The top priority areas in each of the businesses are as follows **North American beef business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)** Risk : Rise in feed and pasture prices due to higher average temperature (physical risk) Opportunity : New opportunities associated with the development/adoption of new technologies (plant-based meat) **Steel tubing business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)** Risk : Decline in fossil fuel demand (transition risk) Opportunity : New opportunities associated with the development/adoption of new technologies (CCUS, EOR) **Corn business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)** Risk : ·Decline in sales due to a fall in meat demand, and an increase in procurement costs resulting from an increase in demand for non-feed uses(transition risk) ·Increase in procurement costs due to higher average temperatures and drought(physical risk) Opportunity : New opportunities associated with the development/adoption of new technologies (bioplastics) **Kerosene business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)** Risk : Decrease in demand due to tightened regulations(transition risk) Supply chain disruption due to rising sea levels (Physical risks) Opportunity : Expansion of renewable energy business and selling of low-GHG emission products **Coffee business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)** Risk : Increased procurement costs due to tighter legistration (transition risk) Decrease in sales due to supply chain disruption caused by extreme weather events (physical risk) Opportunity : Expantion of sustainable coffee sales **Motor Vehicles & Parts business (short-, medium-, and long-term, 4°C scenario and below 2°C scenario)**

		Risk : Increased procurement costs due to higher prices of materials (transition risk) Decrease in sales of small engine vehicles parts due to tighter legislation (physical risk) Opportunity : increased sales of small ZEV components chaning from consumer preferencees and attitudes
	b)Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	**Impacts** Categorize into Large/Medium/Small
	c)Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	**Analysis results** • Potential risks and opportunities exist for the North American beef business, steel tubing business, corn business, kerosene business, coffee business and motor vehicles & parts business • On the basis of the analysis, we should formulate a business strategy that focuses on climate change-related opportunities • Promote investment in environment-related business areas as a priority measure under our medium-term vision, *future135*
Risk management	a)Describe the organization's processes for identifying and assessing climate-related risks	**Identification and evaluation** Each business division
	b)Describe the organization's processes for managing climate-related risks	**Management** Sustainability Management Committee
	c)Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	**Integration (reporting, monitoring and supervision)** Each business division → Sustainability Management Committee → Board of Directors
Metrics and Targets	a)Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	**Indicator** CO_2 emissions
	b)Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	**GHG emissions** FY2024 26,569t-CO_2 (100 companies from Kanematsu Group) (Assured: Scope 1: 8,781t-CO_2 / Scope 2: 17,788t-CO_2) FY2023 28,321t-CO_2 (97 companies from Kanematsu Group) (Assured: Scope 1: 9,507t-CO_2 / Scope 2: 18,814t-CO_2) FY2022 29,497t-CO_2 (95 companies from Kanematsu Group) (Assured: Scope 1: 9,772t-CO_2 / Scope 2: 19,725t-CO_2) FY2021 27,800t-CO_2 (94 companies from Kanematsu Group) (Estimates: Scope 1: 9,200t-CO_2 / Scope 2: 18,600t-CO_2)
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	**Goals and results** 2025 Carbon neutral 2030 Carbon negative (minus) 150,000t-CO_2 2050 Carbon negative (minus) 1,000,000t-CO_2

Disclosure based on Recommendations of the TCFD (Details)

Governance/Risk management


Monitoring/ Supervision
Board of Directors
Report
Sustainability Management Committee
Chief Officer, Corporate Planning
Management
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Execution
ICT Solution Division
Electronics & Devices Division
Foods Division
Meat Products Division
Grain, Oilseeds & Feed stuff Division
Steel, Materials & Plant Division
Motor Vehicles & Aerospace Division
* Executive Officer: Business division chief officer or deputy chief officer
Secretariat
• Sustainability Management Section

Execution

Our Group's business operations are promoted and executed by seven business divisions, which are also responsible for identifying and evaluating climate-related risks in their respective business areas.

Management

Our Company's Sustainability Management Committee is made up of mainly chief officers (executive officers) of our business divisions, which are executive organizations, who are well versed in their respective businesses, and the Chief Officer of Corporate Planning (executive officer) who oversees our Group's basic management policy and strategy and the distribution of management resources and who also serves as the committee chair. The Sustainability Management Committee discusses the climate-related risks that are identified and evaluated by the sales divisions. It is also responsible for calculating our Group's CO_2 emissions on a regular basis, as well as discussing the factors contributing to increase or decrease of emissions and measures for improvement to ensure comprehensive risk management.

Monitoring and supervision

The Board of Directors receives regular reports from the Sustainability Management Committee and monitors and supervises the comprehensive management of climate-related risks in our Group.

Sustainability Management Committee agendas for FY2024 (climate change-related)

- Disclosure of information based on TCFD recommendations
- FY2023 GHG emissions report and increase/decrease analysis
- Selection of businesses for TCFD scenario analysis

- Initiatives to reduce GHG emissions and progress checks
- Monitoring progress of GX projects
- New subsidy scheme for the introduction of electricity derived from renewable energy source
- Review and analysis of CDP climate change 2023 report

Sustainability Management Committee agendas for FY2023 (climate change-related)

- Goal setting for reduced CO_2 emissions and information disclosure in accordance with TCFD recommendations
- FY2022 GHG emissions report and increase/decrease analysis
- Selection of businesses for TCFD scenario analysis
- Initiatives to reduce GHG emissions and progress checks
- Summary of executed investments from a sustainability perspective
- Review and analysis of CDP climate change 2022 report

Sustainability Management Committee agendas for FY2022

- Revision and identification of new materiality (key issues)
- Support for the TCFD
- Selection of businesses for TCFD scenario analysis
- Calculation of CO_2 emissions
- Report on TCFD scenario analysis progress

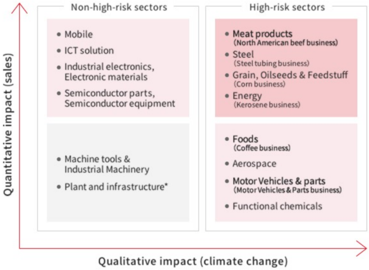
Strategy

Basic Concept

We have conducted a scenario analysis on the businesses in our Group that are considered to be significantly impacted by climate change. As a result of the analysis, we believe that even though both risks and opportunities exist in all the scenarios, the impact from opportunities surpasses that from risks. Since the promotion of investment in environment-related business areas is one of the priorities under our medium-term vision, *future135*,we consider addressing climate change to be a business opportunity.

Selection of businesses for scenario analysis

Area	High-risk sectors as per the TCFD recommendation
Energy	Oil and gas, coal, electric utilities
Transport	Air freight, passenger transportation, marine transport, rail transport, truck services
Materials and buildings	Metal and mining, chemicals, Construction materials
Agriculture and food	Beverages, agriculture, meat


Non-high-risk sectors
High-risk sectors
Quantitative impact (sales)
• Mobile
• ICT solution
• Industrial electronics, Electronic materials
• Semiconductor parts, Semiconductor equipment
• Machine tools & Industrial Machinery
• Plant and infrastructure*
• Meat products (North American beef business)
• Steel (Steel tubing business)
• Grain, Oilseeds & Feedstuff (Corn business)
• Energy (Kerosene business)
• Foods (Coffee business)
• Aerospace
• Motor Vehicles & parts (Motor Vehicles & Parts business)
• Functional chemicals
Qualitative impact (climate change)

* Our Group's plant and infrastructure business mainly involves ODA projects and JCM projects.

To evaluate the qualitative impact of climate change on our Group's businesses, we first classified them into high-risk sectors and non-high-risk sectors as per the TCFD recommendations.

Next, we categorized the impact on our Group from the perspective of sales (quantitative aspect). Of the four businesses that showed large qualitative and quantitative impact, we selected businesses that accounted for a relatively large portion of our sales on a consolidated basis (IFRS earnings) for the scenario analysis as shown below.

Continuing from FY2022	：North American beef business, Steel tubing business
For FY2023	：Corn business, Kerosene business
For FY2024	：Coffee business, Motor Vehicles & Parts business

Selection of climate scenarios

In order to objectively determine the new risks and opportunities brought about by climate change and the resilience of the businesses under review, we used reports by the International Energy Agency (World Energy Outlook 2023, Net Zero by 2050 Roadmap for the Global Energy Sector), the IPCC Sixth Assessment Report, and other reference documents to conduct the analysis for 2030 and 2050 assuming the following scenarios:

1. 4°C scenarios (current scenarios)
   - Stated Policies Scenario (STEPS)
     Scenario in which policies that have already been introduced or announced are implemented
   - - Announced Pledges Scenario (APS)
     Scenario in which the pledges announced by the world's governments are completely achieved as scheduled
   - Business-as-usual (BAU)
     Scenario in which fossil fuels continue to be the main source of energy, and greenhouse gas emissions keep increasing
2. Below 2°C scenarios (transition scenarios)
   - Sustainable Development Scenario (SDS)
     Scenario in which all net-zero pledges are completely achieved, and broad efforts are made for the short-term reduction of emissions (i.e., scenario that matches the Paris Agreement's goal to limit global warming to well below 2°C)
   - Net Zero Emissions (NZE) by 2050 Scenario Scenario in which the global energy sector achieves CO_2net zero by 2050
   - Toward Sustainability Scenario (TSS)
     Scenario in which progress is made toward achieving the SDGs on a global scale, and the world's energy demand is satisfied by renewable resources

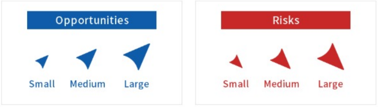
Impacts of climate-related risks and opportunities

The (financial) impacts of climate-related risks and opportunities do not apply to the whole Company but are impacts on the profits or expenses of the businesses selected for the scenario analysis. The impacts are classified into three categories (Large, Medium, Small) on the basis of the following quantitative criteria:

(Quantitative criteria)

Large: 1 billion yen or more
Medium: 500 million yen or more to less than 1 billion yen
Small: less than 500 million yen
—: Qualitative evaluation only

Financial impact



Scenario analysis and strategy resilience

(1) North American beef business

North American beef business		Climate change drivers	Risk (×) Opportunity (○)	Financial impact	4°C scenarios		Below 2°C scenarios		Measures
					2030	2050	2030	2050	
Transition risks and opportunities	Policy and law	Increased adoption of carbon pricing	×	Increased carbon pricing burden on processing facilities	↖	↖	↖	↖	Revision of sales price
			×	Increase in border carbon tax					
		Tightening of methane emission regulations	×	Increase in costs for controlling GHG (methane) generated from livestock	—	—	—	—	Use of burp collection devices
			×	Increased demand for feed effective for methane control					Development of burp-prevention feed
	Technology	Adoption of plant-based meat alternatives	× ○	Increased demand for meat alternatives	↗	—	↗	—	Promote sales of DAIZ's Miracle Meat (plant-based meat)
	Market	Changes in consumer awareness and preferences	× ○	Decline in beef demand in high-income countries	↗	↗	⬉	⬉	
		Population growth, increase of income in low- to middle -income countries	○	Population growth, increase in beef demand in low -to middle-income countries					Expansion of sales in the Asian market(China, Indonesia) where we can expect income growth among the younger population and an increase in wealthy people
	Reputation	Reputation among customers, consumers, and investors	×	Changes in reputation among customers, consumers, and investors based on progress of climate change- related measures	—	—	—	—	Promote sales of DAIZ's Miracle Meat (plant-based meat)
Physical risks	Physical (acute)	Intensification of abnormal weather (e.g.,cyclones,floods)	×	Damage to feed facilities and processing/storage facilities, loss of sales opportunities	↖	↖	↖	↖	Change of storage/processing location Development of alternative production centers in North America Sales of plant-based meat and other livestock types (pork, chicken)
			×	Loss of sales opportunities due to supply chain disruption	—	—	—	—	
			×	Increase in disaster mitigation-related capital investment	—	—	—	—	
	Physical (chronic)	Rise in average temperature	×	Rise in feed and pasture prices	—	⬉	—	⬉	Revision of sales price
			×	Deterioration of cattle growth	—	—	—	—	Development of production centers Sales of plant-based meat and other livestock types (pork, chicken)
			× ○	Spread of animal diseases	—	—	—	—	
		Changes in rainfall patterns and weather patterns	×	Increased risk of drought in relation to cattle raising/processing	—	—	—	—	Plant relocation

For financial impact, revisions were made based on the latest scenarios in the World Energy Outlook 2023 and the IPCC Sixth Assessment Report.

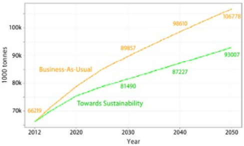
↖ Risks

The average temperature during the summer season is expected to rise in North American corn production regions.

↗ Opportunities

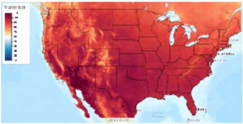
There are no direct climate change-related impacts. However, demand for beef is expected to grow due to population increase in all scenarios.

Global beef market forecast (by scenario)



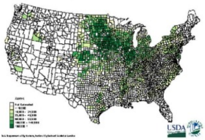
Source：Food and Agriculture Organization of the United Nations

Maximum average temperature (Fahrenheit) in 2050



Source： U.S. Federal Government, 2021: U.S. Climate Resilience Toolkit Climate Explorer

Corn production area in 2019



Source：U.S. Department of Agriculture

(2) Steel tubing business

Steel tubing business		Climate change drivers	Risk (×) Opportunity (○)	Financial impact	4°C scenarios		Below 2°C scenarios		Measures
					2030	2050	2030	2050	
Transition risks	Policy and law	Increased adoption of carbon pricing	×	Increased CP burden on processing facilities	↘	↘	↘	↘	Sales of zero-carbon steel tubing Utilization of renewable energy in plants, transition to environmentally friendly fuels
			×	Increase in border carbon tax					
	Technology	Development and adoption of low-carbon technologies	○	Increased demand for CCUS-, EOR-related steel tubing	—	—	↗↗↗	↗↗↗	Development and sales of products featuring advanced technologies Development for new purposes and demand, such as CCUS and geothermal energy
	Market	Decline in fossil fuel demand	×	Drop in steel tubing sales due to decline in fossil fuel demand	—	—	—	—	
			×	Drop in sales due to decline in oil field development	↘↘	↘↘↘	↘↘↘	↘↘↘	
		Increase in natural gas demand	×	Increase in natural gas drilling-related steel tubing	↘	↘↘↘	↘↘	↘↘↘	
	Reputation	Reputation among customers, consumers, and investors	× ○	Changes in reputation among customers, consumers, and investors based on progress of climate change- related measures	—	—	—	—	
Physical risks	Physical (acute)	Intensification of abnormal weather (e.g., cyclones, floods)	×	Loss of sales opportunities due to damage to the Group's plants	(Reference) (i) Equivalent to Hurricane Ida: ↘ (ii) Equivalent to Hurricane Catrina: ↘				Construction of new plants in areas relatively resilient to flooding Risk diversification by procuring steel tubing from multiple suppliers Development of a disaster mutual aid arrangement with competitors
			×	Loss of sales opportunities due to supply chain disruption					
	Physical (chronic)	Rise in sea level	×	Processing site relocation costs	—	↘	—	—	Downsizing or function relocation of major plants

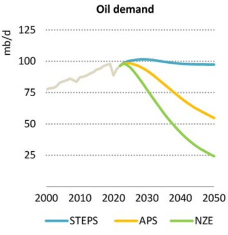
For financial impact, revisions were made based on the latest scnerios in the World Energy Outlook 2023 and the IPCC Sixth Assessment Report.

↘ Risks

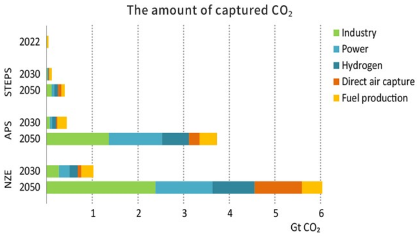
Fossil fuel demand is expected to decline significantly in the below 2°C scenarios.

↗ Opportunities

The amount of captured CO_2 is expected to increase due to CCUS.



Source：IEA, World Energy Outlook 2023



Source：IEA, World Energy Outlook 2023

(3) Corn business

Corn business		Climate change drivers	Risk (×) Opportunity (○)	Financial impact	4°C scenarios		Below 2°C scenarios		Measures
					2030	2050	2030	2050	
	Policy and law	Increased adoption of carbon pricing	×	Increased CP burden on processing facilities	↘	↘	↘	↘	Reivision of sales price
		Tightening CO_2 emission regulations	×	Increase in procurement costs as a result of higher local operational costs caused by rising fuel prices	↘	↘↘	—	—	
			× ○	Increase/decrease in transportation costs resulting from rising fuel prices	↘	↘	↗	↗	Selection and development of production areas in neighboring countries with shorter transport distances
	Technology	Adoption of plant-based meat alternatives	× ○	Decline in demand for feed as a result of decreased demand for beef and other meats caused by the adoption of plant-based meat alternatives	—	—	↘↘↘	↘↘↘	Sell raw materials for DAIZ Inc.' s Miracle Meat (plant-based meat) Begin supply of grain materials for plant-based meat alternatives

Transition risks	Market	• Changes in consumer awareness and preferences	× ○	• Decline in demand for feed as a result of decreased demand for beef and other meats	▲	▲	▲	▲	• Establish feed mills for chickens and pigs, which have had relatively small declines in demand
		• Technology development and market expansion for renewable energy fuels	×	• Increase in procurement costs as a result of rising costs of raw materials such as ethanol caused by increased demand for non-feed uses	—	—	▲	▲	• Reivision of sales price
			○	• Growth in demand for raw materials for low-GHG emission products	—	—	◆	◆	• Develop demand for bioplastics
		• Fluctuations in electricity costs	×	• Increase in electricity costs at processing and storage sites	—	—	—	▴	• Reivision of sales price
	Reputation	• Reputation among customers, consumers, and investors	×	• Changes in reputation among customers, consumers, and investors based on progress of climate change- related measures	—	—	—	—	• Begin supply of grain materials for plant-based meat alternatives • Sell raw materials for DAIZ Inc.' s Miracle Meat (plant-based meat)
Physical risks	Physical (acute)	• Intensification of abnormal weather (e.g., cyclones, floods)	×	• Loss of sales opportunities due to supply chain disruption	▴	▴	▴	▴	• Initiatives to Strengthen Supply Chain Resilience • Diversification of suppliers and domestic storage locations
	Physical (chronic)	• Rise in average temperture • Changes in rainfall patterns and weather patterns	× × ○	• Increase in procurement costs resulting from rising corn prices • Decline in corn harvest due to worsening droughts		(2060-2099) ▲		(2060-2099) ▲	• Reivision of sales price • Develop new production areas

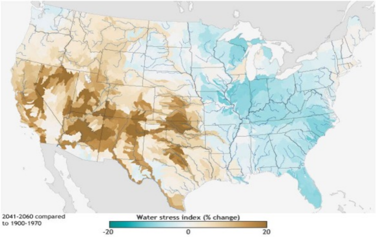
For financial impact, revisions were made based on the latest scnerios in the World Energy Outlook 2023 and the IPCC Sixth Assessment Report.

▲ Risks

A significant decline in demand for corn feed is expected as a result of slowing demand for beef and other meats in the below 2°C scenario.

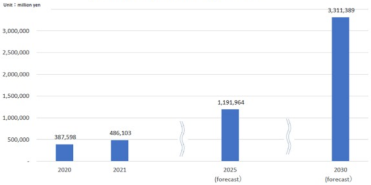
◆ Opportunities

Demand is expected for low-GHG emission products such as bioplastics.


2041-2060 compared to 1900-1970
Water stress index (% change)
-20
0
20

The US Water Stress Index from 2041 to 2060 compared to 1900-1970.
*Darker brown means worse water stress area.

Source：NOAA Climate.gov



Market for alternative proteins (plant-based meat, plant-based seafood, cultured meat, cultured seafood, insect protein) is expected at a global scale

Source: "Global Alternative Proteins Market: Key Research Findings 2022 (Plant-based Meat, Plant-based Seafood, Cultured Meat, Cultured Seafood, and Insect Protein)", Yano Research Institute Ltd. (released on Feb 28, 2022)

Note 1. Figures based on manufacturer shipment value

Note 2. Total size of alternative proteins market（plant-based meat, plant-based seafood, cultured meat, cultured seafood, insect protein)

Note 3. Values for FY2025 and FY2030 are forecasts.

(4) Kerosene business

Kerosene business		Climate change drivers	Risk (×) Opportunity (○)	Financial impact	4°C scenarios		Below 2°C scenarios		Measures
					2030	2050	2030	2050	
Transition risks	Policy and law	• Increased adoption of carbon pricing	×	• Higher operational costs (use of energy, use of fuel for Group' s vessels and cars, etc.) due to increases in carbon taxes	▴	▴	▴	▴	• Revision of sales price • Sell low-carbon products
		• Tightening CO_2 emission regulations	× × ○	• Stricter regulations on energy-saving standards • Sales decline resulting from reduced demand for kerosene caused by a shift towards low-carbon energy • Increased demand for renewable energyon energy	◆	◆	▲	▲	• Expand renewable energy businesses such as the biomass fuel business
	Technology	• Development and adoption of low-carbon technoligies	× ○	• Increased investment in the development of new technologies such as EOR and CCS	—	—	—	—	• Develop and sell products related to EOR and CCS in the steel tubing business
	Market	• Replacement with low-GHG emission products:	× ○	• Decrease in sales due to the adoption of electrical power	—	—	—	—	• Expand renewable energy business
		• Fall in raw material costs	○	• Decrease in kerosene procurement costs due to Fall in crude oil prices	◆	◆	—	—	• Compatibility with renewable energy
	Reputation	• Reputation among customers, consumers, and investors	×	• Changes in reputation among customers, consumers, and investors based on progress of climate change- related measures	—	—	—	—	• Conduct proactive stakeholder engagement • Continue to implement transparent information disclosure

Physical risks	Physical (acute)	• Intensification of abnormal weather (e.g.,cyclones,floods)	×	• Loss of sales opportunities due to supply chain disruption	▴	▲	▴	▲	• Ensure BCP measures in the supply chain • Risk diversification by procuring kerosene from multiple suppliers
	Physical (chronic)	• Rise in sea level	×	• Processing site relocation costs	—	▴	—	▴	• Relocation of distribution centers • Revision of sales price
			×	• Increase in capital expenditure to take measures against rising sea levels (relocation of facilities, etc.)	—	▲	—	▲	

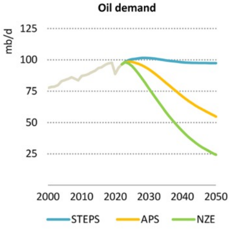
※ (*)Based on the WEO-2023, the 4°C scenario assumes an increase in crude oil prices as a result of increased demand, and the below 2°C scenario assumes a decline in crude oil prices due to decreased demand.

▲ Risks

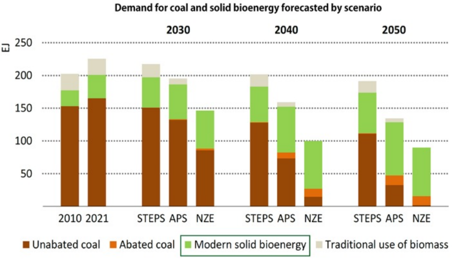
Fossil fuel demand is expected to decline significantly in the below 2°C scenarios.

◂ Opportunities

Expansion of the renewable energy business and sales of low-GHG emission products



Source：IEA, World Energy Outlook 2023



Source：IEA, World Energy Outlook 2023

(5) Coffee Business

Coffee Business		Climate Change Drivers	Risk (×) Opportunity (〇)	Financial Impact	4℃ Scnerios		Below 2℃ Scnerios		Measures
					2030	2050	2030	2050	
Transition risks	Policy and law	• Adoption of carbon pricing	×	• Increase in operating costs due to introduction of carbon taxes, etc.	▴	▴	▴	▲	• Revision of sales price • Diversification of production areas
		• Tighetening of regulation	×	• Increased costs due to stricter laws and regulations on raw materials used	—	—	▲	▲	
	Technology	• Development of new low-carbon production technologies.	〇	• Gaining competitive advantage and increasing revenues through climate action	—	—	—	—	• Expansion of sustainable coffee sales (Rainforest Alliance certified: e.g. from Brazil/ Datera Estate). • Revision of sales price • Diversification of production areas
	Market	• Rising or falling fossil fuel prices	×〇	• Increased or decreased fuel costs	◂	◂	◂	◂	
		• Changes in consumer awareness and preferences	×〇	• Decrease/increase in sales due to changes in consumer attitudes and preferences (e.g. preference for certified products)	—	—	—	—	
	Reputation	• Changes in stakeholder demands	×〇	• Decline in corporate image and revenues from consumers over climate change response/Increased corporate image, increased revenues	—	—	—	—	
			×	• Decline in corporate reputation among investors and share price due to poor sustainability reporting	—	—	—	—	
Physical risks	Physical (acute)	• Intensification of abnormal weather (e.g.,cyclones,floods)	×	• Loss of sales opportunities and reduced revenues due to supply chain fragmentation	—	▴	—	—	• Building BCP measures in the supply chain • Diverficication of production areas
	Physical (chronic)	• Changes in long term weather patterns	×	• Increased procurement costs due to lower yields caused by rising temperatures and depleted water resources (Arabica 2050 problem)	—	—	—	—	• Expansion of sustainable coffee sales (Rainforest Alliance certified: e.g. from Brazil/ Datera Estate). • Diversification of production areas

In the green coffee bean business, many items were left for qualitative evaluation due to a lack of objective statistical data from public institutions.

↖ Risks

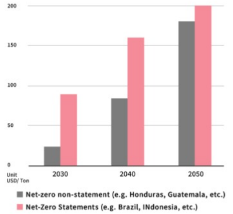
In the below 2°C scenario, coffee procurement costs are expected to increase due to stricter environmental protection regulations.

↗ Opportunities

In the below 2°C scenario, environmental awareness among consumers and business partners will increase globally, and demand for sustainable coffee, such as from Datera Estate (※1), is expected to increase.

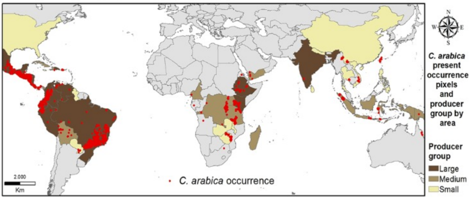
(※1) The first Brazilian company to obtain Rainforest Alliance certification, which aims to protect tropical rainforests and improve the working environment, and a pioneer in sustainable coffee with a focus on both quality and the environment.

Diffrences in carbox tax transition by country of supplier location



Source: prepared by the Company based on IEA, World Energy Outlook 2023 (p. 297).

Arabica 2050 issue (※2) and distribution of production areas (red: main production areas)


N
W
E
S
C. arabica present occurrence pixels and producer group by area
Producer group
Large
Medium
Small
2.000
Km
C. arabica occurrence

(※2) Rising temperatures associated with climate change are expected to reduce the area where Arabica can be grown by 50% by 2050.

Source : Multiclass Classfication of Agro-Ecological Zones for Arabica Coffee

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(6) Motor Vehicles & Parts business

Motor Vehicles & Parts business		Climate Change Drivers	Risk (×) Opportunity (○)	Financial Impact	4°C Scnerios		Below 2°C Scnerios		Measures
					2030	2050	2030	2050	
Transition risks	**Policy and law**	• Adoption of carbon pricing.	×	• Increase in operating costs due to introduction of carbon taxes, etc.	↖	↖	↖	↖	• Revision of sales price
			○	• Decrease in energy costs through thorough energy conservation initiatives	—	—	—	—	• Promote sales of parts for motorcycles due to the expansion of the market for motorcycles • Strengthening sales of small ZEV parts
		• Tightening of fuel and ZEV regulations.	×○	• Decline in sales of small engine vehicle parts/ increase in sales of small ZEV parts due to stricter fuel efficiency regulations and ZEV (electric two-wheeled vehicles and fuel cell two-wheeled vehicles) regulations	—	—	↖	↗ (※)	
	Technology	• Capital investment in low carbon technologies	○	• Increase in sales of low carbon components and small ZEV components due to increased demand for low carbon technologies and products	—	—	—	—	
			×	• Increase in capital investment costs due to switch to renewable energy and introduction of energy-saving technologies	—	—	↖	↖	• Revision of sales price
	Market	• Changes in consumer awareness and preferences	×○	• Decrease in sales of small engine vehicle parts/increase in sales of small ZEV parts due to changes in consumer attitudes and preferences.	—	—	↖	↗ (※)	• Promote sales of parts for motorcycles due to the expansion of the market for motorcycles • Strengthening sales of small ZEV parts
		• Rising raw material costs	×	• Increase in procurement costs due to rising demand for low-carbon raw materials (e.g. steel) and rising prices of required raw materials.	—	—	↖	↖	• Revision of sales price
		• Participation in new markets	○	• Creating opportunities by accessing new markets in the environmental sector	—	—	—	—	• Strengthening sales of DataTech's digital tachographs. • Enhance sales of Carbonfly's carbon nanotube products.
	Reputation	• Strengthening the demand for climate change action	×○	• Decline in sales of small engine vehicles due to deteriorating corporate image with consumers over climate change compliance.	—	—	—	—	• Strengthening sales of small ZEV parts • Enhance sales of Carbonfly's carbon nanotube products.

Physical risks	**Physical (acute)**	• Intensification of abnormal weather (e.g. cyclones and floods).	×	• Loss of sales opportunities due to supply chain disruption	—	▲	—	—	• Building BCP measures in the supply chain.
			○	• Increase in demand and sales of small electric two-wheelers due to the use of electric vehicles as emergency power sources in the event of a disaster.	—	—	—	—	• Strengthening sales of small ZEV parts
	Physical (chronic)	• Changes in long-term weather patterns.	×	• Increase in energy costs due to a rising average temperature	—	—	—	—	• Revision of sales price

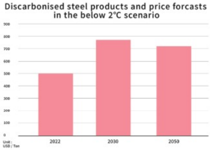
(※)By 2050, the increase in sales of small ZEV components will outweigh the decline in sales of small engine vehicle components due to the shift to small EV vehicles as a result of stricter environmental regulations.

Risks

Increase in procurement costs due to higher steel product prices could be a major burden

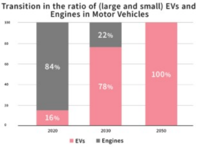
Opportunities

In a motorcycle market that is expected to expand, in addition to parts sales for large vehicles, demand is expected to increase for new technology products (e.g. Carbonfly's carbon nanotubes, ZEV parts,etc.) and environmentally-friendly products (e.g. Datatec's digital tachographs) needed for small EVs to replace small engine vehicles. Sources.



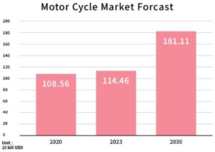
Discarbonised steel products and price forcasts in the below 2°C scenario

Source : Prepared by the company , IEA, World Energy Outlook 2023



Transition in the ratio of (large and small) EVs and Engines in Motor Vehicles

Source : Prepared by the company , IEA , Net Zero by 2050 (P,138)



Motor Cycle Market Forcast

Source : Prepared by the company , Fortune Business Insights

Metrics and Targets

Indicator (CO_2 emissions)

As our Group does not own many plants and generates little greenhouse gas emissions other than CO_2, we used CO_2 emissions as the indicator for evaluating the climate-related risks and opportunities.

Results

(FY2024) 26,569t-CO_2
(Assured Scope1:8,781t-CO_2 Scope2 : 17,788t-CO_2 100 companies reviewed)
(FY2023) 28,321t-CO_2
(Assured Scope1:9,507t-CO_2 Scope2 : 18,814t-CO_2 97 companies reviewed)
(FY2022) 29,497t-CO_2
(Assured Scope1:9,772t-CO_2 Scope2 : 19,725t-CO_2 95 companies reviewed)
(FY2021) 27,800t-CO_2
(Estimates、 Scope1:9,200t-CO_2 Scope2 : 18,600t-CO_2 94 companies reviewed)

Targets

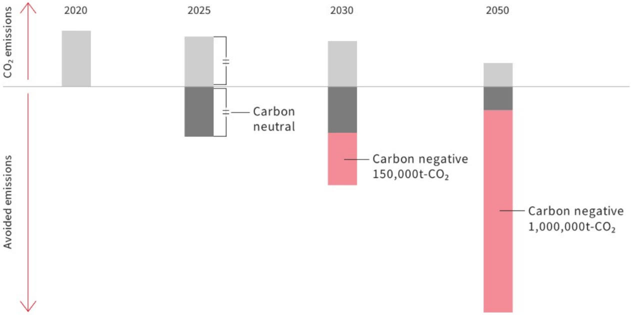
(Targets for Scope 1, 2)

2025 Achieve carbon neutrality
2030 Carbon negative (minus) 150,000 t-CO_2 (△) 150,000 t-CO_2

2050	Carbon negative	(minus) 1,000,000 t-CO_2	(△) 1,000,000 t-CO_2

(Targets for Scope 1, 2 and Scope 3)

They will be set separately.



First, we will aim to achieve carbon neutrality as soon as possible, by 2025. We will reduce CO_2 emissions by shifting to renewables; for any remaining emissions that cannot be reduced, we will offset them with the credits generated from our business--converting our contribution to GHG emissions reduction in the REDD+ project, etc. into credits--to achieve carbon neutrality.

We will keep expanding our clean fuel and renewable energy business, REDD+ project, and JCM project to increase avoided emissions, aiming to become carbon negative at −150,000 t-CO_2 and −1,000,000 t-CO_2 by 2030 and 2050, respectively, thereby contributing to GHG emissions reduction on a global scale.

Collaboration with external parties

Industry association: Japan Foreign Trade Council, Inc.

We are promoting initiatives to build a low-carbon and recycling-oriented society as a member of the Global Environment Committee of the Japan Foreign Trade Council,Inc (JFTC), an industry association for trading companies.

We will also continue to support the JFTC's "Long-term Vision for Climate Change Countermeasures", which aligns with our policies and goals.

Positions Regarding Climate Change Laws and Regulations

Our group supports laws and regulations regarding climate change such as the Act on the Rationalization etc. of Energy Use and the Act on Promotion of Global Warming Countermeasures. We annually submit reports of our energy use, progress against the targets of energy conservation, and emissions of greenhouse gas.

Links

- Disclosure based on Recommendations of the TCFD (2023)
- Disclosure based on Recommendations of the TCFD (2022)