

TCFD Report



DAIICHI JITSUGYO CO., LTD.

Contents

Disclosure Based on TCFD Recommendations	2
Fundamental Approach to Climate Change	2
TCFD Recommended Disclosure Elements	2
1. Governance	2
2. Strategy	3
3. Risk Management	6
4. Metrics & Targets	6

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【Forward-Looking Statement Disclaimer】

Statements made in this report with respect to Daiichi Jitsugyo Co., Ltd. data, strategy, and future forecasts are based on information available as of the date of publication. Readers should note that, for a variety of reasons, actual results may differ significantly from statements presented in this report and that these are not a guarantee of future performance nor achievement of these targets or forecasts.

Disclosure Based on TCFD Recommendations

In 2022, Daiichi Jitsugyo Co., Ltd. (DJK) declared our support for the final report (TCFD Recommendations) of the Task Force on Climate-related Financial Disclosures. Here, in line with the approach specified in the TCFD Recommendations, we disclose the risks and opportunities which we have identified where climate change may affect our business activities as well as the scenarios analysis.



Fundamental Approach to Climate Change

Recent years have seen disasters and other events caused by abnormal weather around the world, heightening the sense of impending crisis over climate change. At the same time, the global trend towards decarbonization is accelerating, and the Japanese government has also declared its aim to achieve carbon neutrality by the year 2050.

Under such circumstances, to better embody our corporate philosophy of “Connecting People, Connecting Technology and Enriching the World,” the DJK Group aims to resolve customers’ environmental issues through business activities leveraging our unique engineering functions as well as aspire to always be a valued partner for our stakeholders. We will endeavor to mitigate and adapt to climate change through our business activities by providing products and services that help protect and improve the global environment.

TCFD Recommended Disclosure Elements

TCFD Recommendations prescribe the disclosure in line with the four elements of governance, strategy, risk management, and metrics & targets in order to better understand how risks and opportunities accompanying climate change will affect company management as well as financial affairs.

DJK strives to enhance the disclosure in accordance with these elements, and firmly recognizes that addressing climate change contributes to the sustainable development of society and the medium to long-term improvement of our corporate value. Hence, we will continue to further promote initiatives in sustainability.

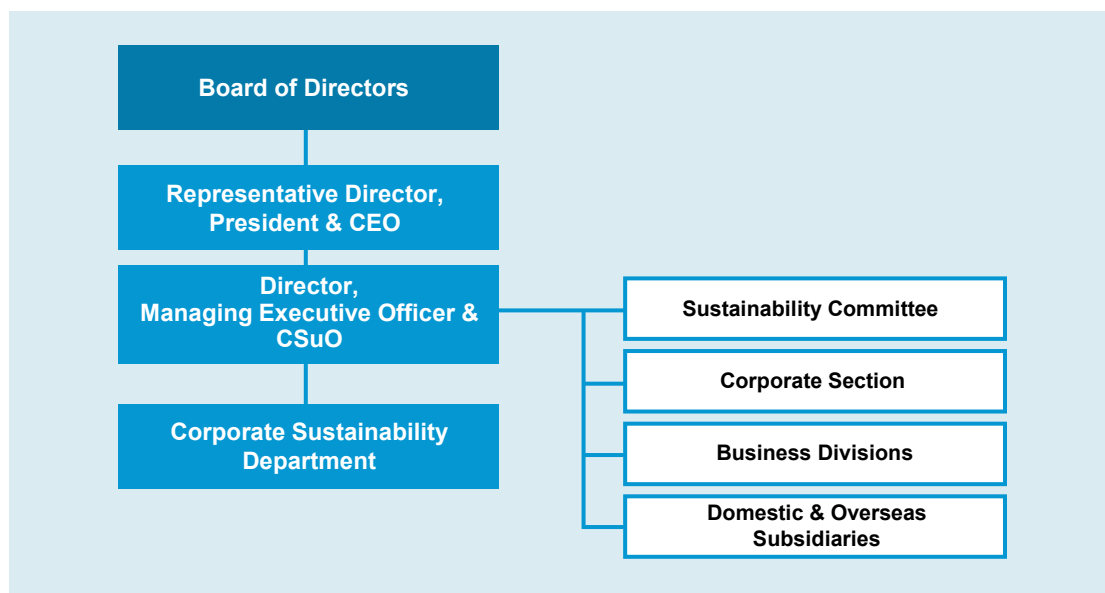
1. Governance

Since January 2004, we have operated an [environmental management system \(EMS\)](#) based on ISO 14001 that systematically promotes reductions in our impact on the environment, including climate change. We have designated our Representative Director, President & CEO as the top management official and the General Manager of the Administration Division as the person in charge of environmental management. Based on our [environmental policy](#), the EMS Promotion Committee plays a central role in implementing the PDCA cycle and making continuous improvements.

The Sustainability Promotion Committee (currently, the Sustainability Committee) was established in April 2022 for the purpose of ensuring DJK’s sustainable growth. The committee deliberates sustainability-related matters, including climate change. It is chaired by the Representative Director, President & CEO, and the Director, Managing Executive Officer, and Chief Sustainability Officer (CSuO) serves as the officer in charge. The committee regularly monitors in-house initiatives and engages in the deliberation and consideration of future initiatives. The contents of its deliberations are reported to the Board of Directors, whose evaluation of sustainability initiatives also incorporates the perspectives of independent outside directors.

In April 2023, the Corporate Sustainability Department was established. This has further reinforced EMS operation and accelerated sustainability initiatives across the entire DJK Group, under the leadership of the CSuO with the Corporate Sustainability Department serving as the secretariat for the Sustainability Committee.

■ Sustainability Promotion System



2. Strategy

The DJK Group has identified the contribution to a sustainable global environment as one of our materialities, established a basic philosophy on sustainability as well as an [environmental policy](#), and set the realization of a decarbonized society as our target.

In addition to designating greenhouse gas (GHG) reduction rate targets for Scope 1 and 2 emissions, we have launched initiatives through our businesses, such as engaging in decarbonization as part of our investment strategies under the [“V2030” growth strategy](#).

■ Basic Philosophy on Sustainability

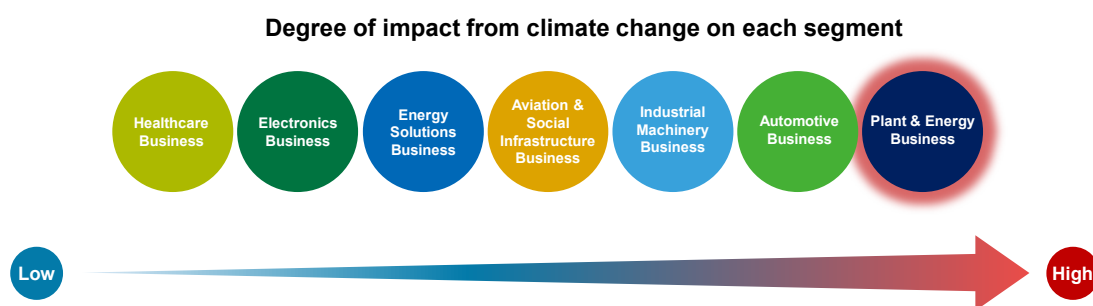
The DJK Group has declared as part of its philosophy “Connecting People, Connecting Technology and Enriching the World,” and as a trading firm that will lead the new era, is pursuing businesses that are responsive to various sites around the world. We will enhance corporate value by strengthening our management base and actively addressing key issues in the environment, society, and governance through our business activities. The DJK Group will pursue sustained and profitable growth while fulfilling its corporate social responsibilities and aim for advancement alongside our stakeholders.

■ Climate-Related Risks and Opportunities

DJK has conducted a review of items affecting our business based upon the climate-related risks and opportunities presented in the TCFD Recommendations. In conducting our review, we launched the TCFD Analysis Working Group, which is comprised of the relevant business divisions, administrative units, and other departments and spearheaded by the Corporate Sustainability Department. The Working Group has engaged in discussions and reviews, which have then been approved by the Sustainability Committee chaired by the Representative Director, President & CEO. The major climate-related risks and opportunities that we anticipate as well as the impact estimated on our businesses are as follows.

■ Business Selection for Scenario Analysis

Of the seven segments in our business portfolio, we conducted scenario analyses focusing on our Plant & Energy Business (segment), which engages in considerable business in the areas of resources, petroleum refining, and chemicals, and consequently is relatively more susceptible financially to climate change. We are reviewing an expansion of the businesses covered in our focus as we continue our analyses.



■ Scenario Definitions

To estimate the impact on our businesses based on a future in FY2050 as envisioned in FY2023, we selected the 1.5° C and 4° C scenarios, using for each the World Energy Outlook (WEO) 2022 issued by the International Energy Agency (IEA) as well as the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

■ Reference Scenarios

The following are the scenarios referenced in our scenario analyses.

Scenario	1.5°C Scenario	4 °C Scenario
Envisioned Future Society	Decarbonization efforts reduce fossil fuel-related business and demand increases for products utilizing new materials, technologies, and other innovations	Movement toward decarbonization and low-carbon partially halts and climate change-driven natural disasters increase in frequency and intensity
Transition Risk Scenarios	「Net Zero Emissions by 2050 Scenario」 (IEA WEO2022)	「Stated Policies Scenario」 (IEA WEO2022)
Physical Risk Scenarios	RCP2.6 (IPCC AR5) SSP1-1.9/SSP1-2.6 (IPCC AR6)	RCP8.5 (IPCC AR5) SSP5-8.5 (IPCC AR6)

■ Scenario Analysis Results

Below are the results for the scenario analyses of our Plant & Energy Business.

Type of Risk / Opportunity			Trigger	Impact on DJK	Time Line *1	Financial impact	
						1.5°C	4°C
Risk	Transition Risks	Policy and Legal	Introduction of carbon pricing	Increase in cost of doing business	Medium-term	Low	Low
			Tightening of countries' carbon regulations and GHG emission reporting obligations	Increase in costs involved in transaction procedures, monitoring, etc.	Short-term	Low	Low
		Market	Surge in raw material prices	Decrease in profit margin due to surge in prices for purchasing products dealt in	Medium-term	Low	Low
			Decline in fossil fuel business	Decrease in demand for conventional equipment due to shrinking market size and related industries	Medium-term	Moderate	Low
			Failure of new projects	Decrease in revenue due to failure to invest in products leveraging new decarbonization technologies	Medium-term	Low	Low
		Reputation	Loss of reputation in the eyes of stakeholders due to delay in addressing the environment	Insufficient personnel and decline in labor productivity	Medium-term	Low	Low
	Physical Risks	Acute	Intensification of abnormal weather	Loss of sales opportunities due to supply chain disruption caused by flooding	Long-term	Low	Low
		Chronic	Rise in temperature	Difficulty in procuring biomass and other raw materials	Long-term	Low	Low
	Opportunity	Resource Efficiency	Carbon neutral policies	Increase in business opportunities with subsidies	Medium-term	Low	Low
			New energy sources	Increase in business opportunities in new markets	Medium-term	Low	Low
Market		CCS and other new opportunities	Increase in business opportunities created by lateral deployment of drilling business	Long-term	Moderate	Low	
Resilience		External assessments of climate change initiatives	Level of earnestness in implementing decarbonization initiatives enhances corporate value, raises outside assessments, and improves employee engagement	Medium-term	Low	Low	

*1 Short-term: up to 3 years; medium-term: 4 to 9 years; and long-term: 10 or more years

■ Measures

The impact of climate change on our businesses in terms of both risks and opportunities is not inconsequential, so we recognize this to be one of the key issues management faces in achieving growth over the medium- and long-term. Based on our analyses of multiple scenarios, we have adopted measures to reduce climate change-related risks and secure corresponding opportunities. More specifically, we are incorporating climate-related risks and opportunities into consideration of business investments and advancing initiatives such as biomass power generation and ammonia manufacturing technologies.

As we move forward, we will continue to gradually expand the businesses which we analyze as well as regularly and continually monitor these analysis results. In addition, along supply chains where the DJK Group is positioned, we will not only offer environmentally-friendly products and services to our manufacturing customers, but also enter new growth markets and engage in a range of activities aimed at achieving carbon neutrality. These efforts will enable us to optimize our business portfolio and enhance the resilience of our business strategy.

3. Risk Management

The Risk Management Committee performs a central role in DJK's risk management, and also considers sustainability-related risks among its agenda items. However, climate change risk and other important risks that should be addressed as a priority are monitored by the Sustainability Committee.

To implement effective and efficient risk management, the Risk Management Committee manages climate change risk, together with other risks, in line with DJK's strategies, based on the Risk Management Regulations.

4. Metrics & Targets

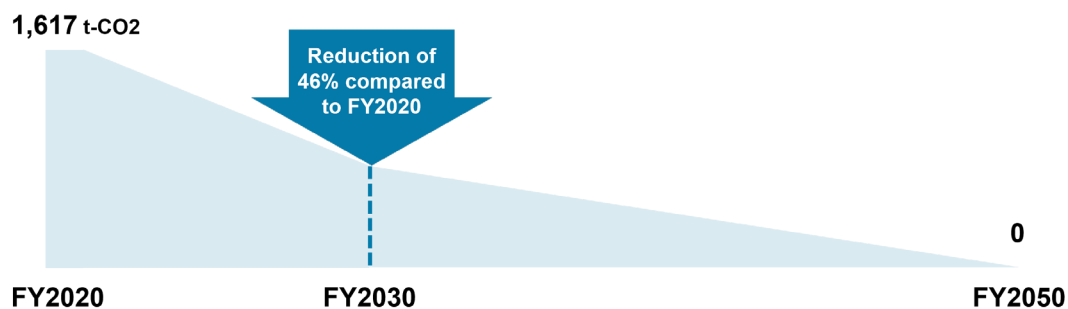
The DJK Group has set climate change-related metrics and targets. We target carbon neutrality seeking to achieve net zero GHG emissions by FY2050, using FY2020 as our base year. By FY2030, we aim to reduce GHG emissions by 46% compared to FY2020. We will make every effort to reach these targets, reducing Scope 1 emissions by replacing our gasoline-fueled company vehicles with hybrid vehicles, as well as considering the introduction of EVs, and reducing Scope 2 emissions through initiatives such as switching to electric power derived from renewable energy and introducing energy-saving equipment.

Metrics	Result (t-CO ₂)	
	FY2020	FY2021
GHG emissions *2 (Scope 1 & 2)	1,617.37	1,617.09

*2 Scope 1: Direct GHG emissions from the business itself (combustion of fuel, industrial processes)

Scope 2: Indirect GHG emissions associated with the use of electricity, heat, or steam provided by other companies
DJK and its consolidated subsidiaries in Japan and overseas have been included in the calculation of emissions, but small bases with a limited effect on overall emissions have been excluded. The estimated emissions from the personal use of vehicles by local staff at overseas subsidiaries have been excluded from the calculation of Scope 1 and Scope 2 emissions.

■ GHG Emissions Reduction Target



The DJK Group will maintain our efforts to enhance disclosure of climate change-related information, and strive to contribute to realizing a sustainable society as we continue to engage in ever-increasing eco-friendly business activities.

