

Information Disclosure Based on TCFD Recommendations

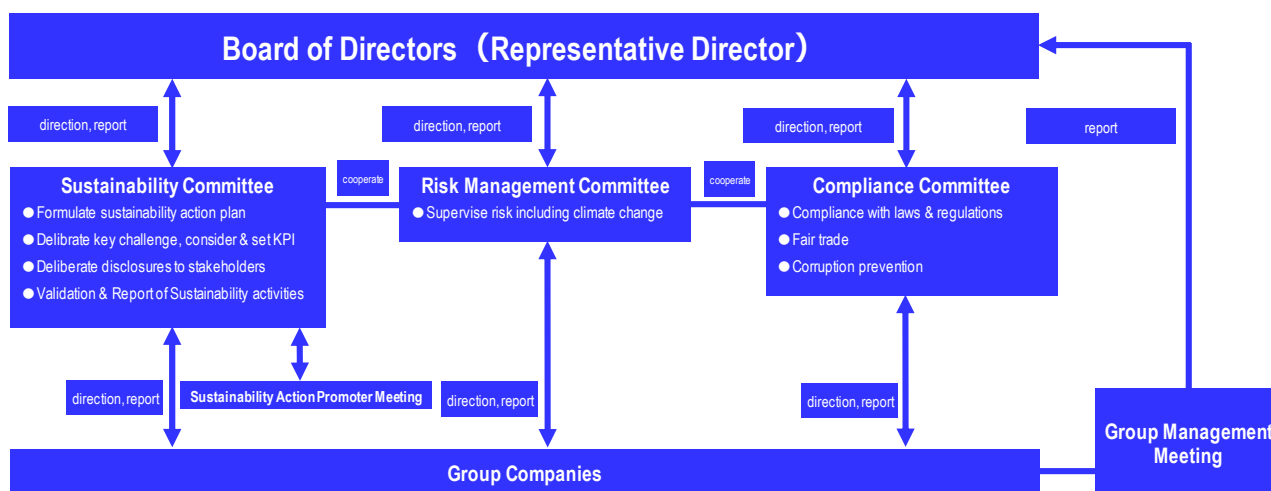
Hokkan Holdings Group recognizes climate change measures as the challenge of business management and acknowledges risks and opportunities related to climate change may significantly influence the business strategy. In 2021, the Group has newly established the “Basic Environmental Policy” upholding “to take climate change measures” as 1st step and set a new target as “to become carbon neutral by 2050.” On February 2022, in order to pursue the measures proactively, the Group endorsed the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Based on the framework of the Recommendations, we will analyze and take countermeasures against the risk and opportunity that climate change may trigger and disclose related information.

I. Governance

(1) Establishment of Governance

In order to pursue climate change measures as one of the key challenges of Group’s business management, the Group has established the Sustainability Committee chaired by the Representative and President Director. In the Risk Management Committee & Sustainability Committee (held twice a year), the Group deliberates risks and opportunities related to climate change. As well, policies are formulated, and action enhancement are discussed when necessary. With the sustainability action plan and shared goals, managing the progress of the action plan, and by recommending and reporting to the Board of Directors such results, the Group has established a structure that can be appropriately overseen.

(2) Governance System



(3) Meetings & Roles in Governance System

Meetings	Role	Frequency
Board of Directors Meeting	Chaired by the Representative Director monthly. Oversees management of group companies for sustainable growth and to increase the corporate value in a mid-long term.	Monthly
Sustainability Committee	Held twice a year generally. The social task of the whole group is determined. The KPI & target are reviewed based on our Mission and Basic Sustainability Policy. In the Sustainability Action Promoter Meeting, the risk and opportunity related to climate change discussions for developing policies and enhancing actions will be deliberated. The deliberation will be report to the Sustainability Committee and deliberated.	Twice a year
Risk Management Committee	To be held twice a year generally, to supervise the risk management of the whole group, identifying the risk periodically in order to mitigate the risk.	Twice a year

Compliance Committee	To be held quarterly generally. Establish rules & guidelines and conduct education & training to ensure appropriate operation by gathering information of laws, regulations, and government instructions following the reports of compliance activities of our Group.	Quarterly
Group Management Meeting	To be held monthly generally. To deliberate important management challenges of the whole group, business unit, and each company.	Monthly

II. Strategy

(1) Identification of Risk and Opportunity / Resilience

In order to evaluate the influence of risk and opportunity related to climate change against Group's business, strategy and financial plan, the Group conducts scenario analyses referring to the climate related scenarios of IPCC (Intergovernmental Panel on Climate Change) & IEA (International Energy Agency). Based on these scenarios, we simulated the world with 1.5°C and 4.0°C temperature increase and set the important risk and opportunity as below.

Scenario Analysis

Type of Risk		Impact to business, content	Timeframe	Impact to business/finance		Our actions, plans
				1.5°C	4°C	
Transition Risk	Government Policies & Regulations	Increase burden for carbon tax depending on the amount of CO2 emissions, purchase of emission credits	Medium-term	Major	Minor	Monitor government policies & regulations Promote renewable energy
		Regulations against materials which emit larger GHG	Long-term	Medium	Minor	Monitor climate regulation trends
	Technology	Increase of cost due to installation of environment-conscious product, sales decrease due to delay of installation	Short to Medium term	Medium	Minor	Purchasing strategy for stable procurement
	Market	Sales decrease due to consumer consciousness alteration	Medium-term	Medium	Minor	Monitor market trends
		Increase of cost for raw material procurement	Short-term	Medium	Minor	Adjustment of fair price with suppliers
Reputation	Boycott by stakeholders due to delay in shifting to environment-conscious product	Long-term	Medium	Minor	Timely disclosure of business strategy	
Physical Risk	Acute Physical Risk	Shutdown of factories located near by rivers due to flood Disruption of supply chain due to wind and flood damage	Long-term	Medium	Major	Design & enhance BCP
	Chronic Physical Risk	Water usage restriction due to shortage of rain. Production quantity & sales amount decrease.	Short-term	Minor	Medium	Preventive measure to maintain operation
		Climate change causing food & beverage raw material cost to increase	Long-term	Minor	Medium	Brand owner support
		Increase cost for prevention measure of employee heatstroke, equipment heat resistance, and pest control.	Long-term	Minor	Medium	Working environment improvement

Type of opportunity		Impact to business, content	Timeframe	Impact to business/finance		Our actions, plans
				1.5°C	4°C	
Promote resource efficiency		Introduce high efficiency equipment, plan efficient logistics	Medium-term	Medium	Minor	Equipment renewal plans for higher efficiency, build warehouse near factories
Energy Source	Utilize in-house generated power, shift to renewable energy		Medium-term	Medium	Medium	Realize clean production
	Equipment renewals with political incentives		Long-term	Medium	Medium	Equipment cost reduction with subsidy
Product & Service	Demand increase for beverage and bug spray due to rising temperature		Long-term	Minor	Major	Sales expansion with service proposal
	Expansion of environment-conscious product		Medium-term	Major	Medium	Expansion of horizontal recycled products
Market	Enter new business with recycled material and/or energy saving products which meet social needs		Short, Medium, and Long term	Major	Major	Prepare new business plan

* Time frame: Short-term : within 3 years, medium-term: within 3 to 10 years, long-term: within 10 to 30 years

* Scope: Group-wide both domestic and abroad (including supply chain)

(2) Future Efforts

From our scenario analysis, we recognize the physical risk of natural disasters outbreak and the transition risk of carbon pricing introduction as our urgent task. Against these serious risks, we will prepare and enhance our business continuity plan (BCP), monitor government policies and regulations, and promote utilization of renewable energy. On the other hand, there may be opportunities from rising temperature such as meeting demands of environment conscious products and increased demand of bug-proof aerosol sprays demand. We recognize mitigations and accommodations to climate change have large possibilities for creating future possibilities.

In order to continue supply products needed by our customer and society, we will continue to evaluate and manage climate change related risks and opportunities, perform detail analysis, and plan our Group strategy for our sustainable growth and development.

III. Risk Management

(1) Risk Management System

The Group-wide risk is mainly managed and controlled by the Risk Management Committee. The Committee meeting is held twice a year chaired by our President & Representative Director. Risks, including climate change matters, are identified periodically, and minimized by continuing to tackle each identified risk. As well, since our group have numerous business operations, directors and executive officers of each group companies takes the lead to manage such risks.

In unexpected circumstances, the Crisis Management Task Force lead by the Representative and President Director shall be set up rapidly responding to prevent additional damage and to mitigate the influence.

Transition and physical risks related to climate change are identified and evaluated by each group company. Such risks are treated as risks which may have financial effect and deliberated in the “Risk Management Committee” to enhance efforts. The result of the deliberation is recommended and reported to the board of directors for appropriate supervising system.

IV. Metrics and Targets

(1) Greenhouse Gas Emissions Reduction Targets

Regarding the climate change issue, the Group established the long-term target of aiming for “carbon neutral” by fiscal year 2050 for Scope 1 and 2 greenhouse gas emission. For the medium-term target, we aim to reduce 30% of Scope 1 & 2 and 20% of Scope 3 by fiscal year 2030 each compared to fiscal year 2019.

	FY 2019 Result	FY2030	FY2050
Scope1,2	210 (Kt-CO2e)	147 (Kt-CO2e)	Net zero emissions
Scope3	460 (Kt-CO2e)	368 (Kt-CO2e)	

