

Endorsement of TCFD



Governance

We regard climate change as a major strategic concern and have established an organizational framework for managing climate-related risks. Under the supervision of the Board of Directors, the Sustainability Committee identifies climate-related risks so that the management can incorporate the information into strategic planning and take the decisions and actions necessary to mitigate the risks. To supervise this process effectively, the Board of Directors hears reports from the committee twice a year and then deliberates on climate-related risks and other sustainability issues. The board also decides on matters of strategic importance.

The Sustainability Committee's membership consists entirely of executives and the committee is chaired by the head of the CSV Division. The committee monitors social and environmental trends to identify strategic concerns related to sustainability. It then formulates actions plans and allocates budgetary resources for addressing these concerns. The Environment Subcommittee (a subcommittee of the Sustainability Committee) collaborates with the executive officers responsible for each business division to identify climate-related risks, incorporate the findings into strategic planning, and spearhead organization-wide efforts to mitigate the risks.

Strategy

We use scenario analysis to identify the climate-related risks and opportunities and their financial implications so that the necessary measures can be taken. Since 2030 is the endpoint for our long-term vision, our scenario analysis projects climate-related shifts in society and among stakeholders between now and that endpoint.

The scenario analysis conducted in FY2021 covered the furniture businesses and the business supply distribution business, which belong to our hybrid workplace segment. We will extend the coverage to our lifestyle tools segment. We will also conduct repeated scenario analysis for the hybrid workplace at regular intervals.

Scenario	Description of scenario	References
Within 1.5 °C	Sustainable Development / Net-zero Scenarios: Committing to a net-zero transition by 2050, the world acts to keep global warming below 1.5 °C relative to pre-industrial times. Government regulation is tougher compared to that in the 2 °C scenario, and people take a greater interest than they do at present in climate change and other environmental issues.	<ul style="list-style-type: none"> • IEO World Energy Outlook 2021; Sustainable Development Scenario; Net Zero Emissions by 2050 Scenario • IPCC SSP1-1.9
2 °C	Announced Pledges Scenario: Governments tighten regulation to keep global warming below 2 °C relative to pre-industrial times. People take a greater interest in climate change and other environmental issues.	<ul style="list-style-type: none"> • IEO World Energy Outlook 2021; Announced pledges Scenario • IPCC SSP1-2.6
4 °C	Stated Policies Scenario: Government regulation is weak compared to the other two scenarios. There are no further measures or further policy intentions beyond what governments have already implemented or stated. GHG emissions may increase for a time, and people's interest in climate change and the environment remain as it is now.	<ul style="list-style-type: none"> • IEO World Energy Outlook 2021; Stated Policies Scenario • IPCC SSP5-8.5

Furniture businesses

With growing pressure around the world for a net-zero transition, our customers, suppliers, and other social stakeholders will take more action to contribute to the net-zero transition and to reduce waste.

The financial/business risks include higher CO₂ emissions costs, the need for more capital spending, higher raw material costs, and a decline in sales revenue following changes in customers' needs. The opportunities include the potential for developing goods and services to cover shifting customer needs and behavior,

and the potential to expand business domains by developing low-emissions businesses.

Accordingly, while working to reduce emissions and minimize costs, we will seize the opportunity to developing new products and services so that we can increase our climate resilience and create value suited to the changes among customers and in society.

Website <https://www.kokuyo.co.jp/sustainability/materiality/climatechange/>

Business supply distribution

With governments around the world strengthening policy commitments for a net-zero transition, customers, distributors, and other social stakeholders take more action to contribute to the net-zero transition and to reduce waste.

The financial/business risks include the costs of carbon taxes, higher transport costs, and a decline in sales revenue following changes in customers' needs. The opportunities include the

potential to increase sales revenue with a lineup suited to the shifting customer needs.

Accordingly, while working to reduce emissions, we will seize the opportunity to developing new products and services so that we can increase our climate resilience and create value suited to the changes among customers and in society.

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Risk Management

Climate-related risks are managed by the Environment Subcommittee (a subcommittee of the Sustainability Committee). Guided by the findings of regular internal and third-party audits, this subcommittee identifies and evaluates the risks with attendance of executive officers responsible for each business division. Once the risks are identified and evaluated, they are communicated to business divisions concerned. The strategic implications of the risks are incorporated into strategic planning by the Environment Subcommittee, while business-specific implications are addressed by the relevant business divisions.

Under the existing system for groupwide risk management, the Risk Management Committee has steered efforts across the corporate group to manage groupwide risks. To integrate climate-related risk management into this existing system for groupwide risk management, the Risk Management Committee will now coordinate with the Sustainability Committee's Environment Subcommittee.

Specifically, the Environment Subcommittee will inform the Risk Management Committee about important matters concerning risk management on an as-and-when basis, and about the state of compliance with environmental regulations on a regular basis.

Metrics and Targets

We will step up efforts to reduce CO₂ emissions and increase carbon absorption to mitigate climate change and contribute to a net-zero transition.

We will reduce CO₂ emissions by saving energy and shifting to renewable energy, and we will help carbon sequestration through forestry initiatives.

The following metrics and targets represent our commitment to reducing CO₂ emissions and increasing carbon absorption by the target year of 2030.

Metric	2030 target	2021 result
Greenhouse emissions	SBTI-based emissions reduction target: Target set and achieved (target to be determined)	23,720 t-CO ₂ emitted 22.7% down from 2013 level
Carbon absorption	Offset CO ₂ emissions: Forests absorbing at least 6,000 tons of CO ₂ a year	88.55 hectares thinned 5,368 t-CO ₂ absorbed