

## Information Disclosure in Line with TCFD Recommendations

### **[Information disclosure related to climate change (disclosure based on TCFD recommendations)]**

In March 2021, the DKK Group formulated the Medium- and Long-Term Management Strategy, a vision and growth strategy for achieving its ideal of “Pioneering the Future” for 2030. Based on the strategy the group stipulated the Basic Policy on Sustainability, listed the materiality issues it faces, and has been working on achieving various KPIs in pursuit of the medium- to long-term improvement of corporate value. On May 20, 2022, the group formulated the medium-term business plan, DKK-Plan 2025, to clarify the goals, focal points, and matters to be promoted during the three years starting the fiscal year ended March 2023 to achieve the vision of the Medium- and Long-Term Management Strategy. It set forth the basic policy of “Improving corporate value through the promotion of sustainability management” and aims to realize sustainable growth by solving social issues.

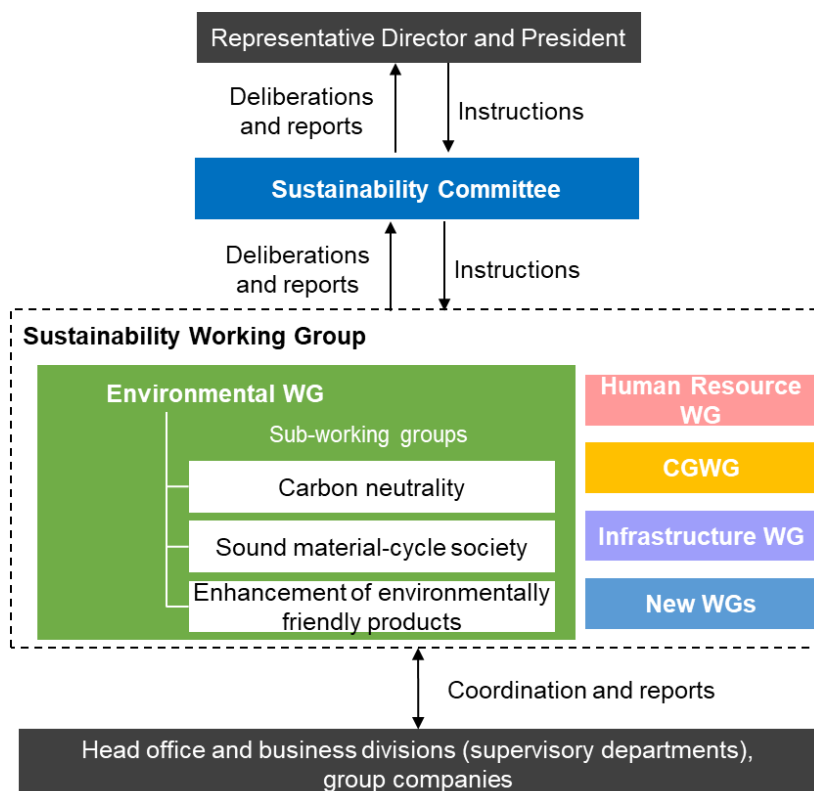
DKK Co., Ltd. expressed its support for recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to strengthen its initiatives related to issues associated with climate change. In this material, DKK will disclose items including governance, strategy, risk management, and metrics and targets recommended by the TCFD recommendations, as well as greenhouse gas (GHG) emissions in Scope 1, 2, and 3. DKK will move forward by incorporating concrete measures regarding climate change-related risks and opportunities in the DKK-Plan 2025. The DKK Group will make concerted efforts for realizing a sustainable society including carbon neutrality.

### **[Governance]**

The DKK Group identified five material issues in the DKK-Plan 2025 and has been driving forward related initiatives. “Promoting environmental management” is one of these issues and the group has been promoting information disclosure in compliance with TCFD recommendations, contribution to environment through its business, and investment that benefits environment.

In 2021, DKK established the Sustainability Committee (led by the president and representative director) and the Environmental Working Group to promote corporate environmental management as well as to analyze and manage climate change-related risks and opportunities, and is promoting initiatives based on the Basic Policy on Sustainability. The Environmental Working Group, in collaboration with the Business Divisions, the headquarters organization, and group companies, incorporates climate change-related risks and opportunities in business strategies and considers measures, management metrics and targets for climate change-related issues through three sub-working groups for: (1) the promotion of carbon neutrality (raising group-wide environmental awareness through environmental education for employees, calculation of GHG emissions in Scope 1, 2, and 3, initiatives for reducing GHG emissions, and enhancement of power-saving features of products, etc.); (2) the promotion of realization of a sound material-cycle society (waste recycling through waste separation [study and implementation of disposal methods for reuse and recycling], reduction of disposable packing and packaging materials, promotion

of three Rs [reduce, reuse, and recycling] and reduction of waste through coordinated efforts in supply chains, etc.); and (3) the enhancement of environmentally friendly products (development of environmentally friendly products and promoting their sales, survey of green procurement requirements by customers, establishment of DKK Group green procurement guidelines, etc.). The working group, through the officers in charge, then shares the details at the Management Conference attended by directors, executive officers, etc. of the company and reports it to the directors on a regular basis.



**[Risks and opportunities from climate change]**

We carried out scenario analysis of the impact of climate change on DKK’s business and performance. We used the 2°C and 4°C scenarios set by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to assess the impact\* on the business on three levels—low, medium and high. The scope of the analysis was the entire DKK Group including DKK and its group companies inside and outside Japan with the timeframe of the analysis as 2030 for transition risks and 2050 for physical risks. (This is because the physical risks are expected to be even higher in the 4°C scenario than the risks in the 2°C scenario.)

DKK will continue to analyze the identified risks and opportunities in the 1.5°C scenario, determine the financial impact of the respective risks and opportunities, and consider countermeasures.

\* We qualitatively judged the impact in accordance with the company-wide risk management process by comprehensively considering the likelihood and the level of impact on our business activities.

High: Probability is more than medium, has a major impact on the business, and may force the company to change its business plans and structures.

Medium: Probability is medium, has an impact on the business, and may require the company to review its business plans or structures.

Low: Probability is low, has a limited impact on the business, and may not require the company to make any changes to its business plans or structures.

### Climate change-related risks

	Category	Global situation	Scenario	Business segment	Item	Impact
Risks	Policies and regulations	Introduction of carbon tax by countries	2°C	All businesses	• Tax burden increases as a result of delays in reduction of GHG emissions as stipulated by government targets.	Medium
	Technology	Spread of next-generation high-speed communication	2°C	Mobile communication	• A decline in demand for the existing business due to new technologies including 6G	High
		Spread of next-generation automobiles	2°C	Induction heating, contract-based processing	• A decline in existing demand for high-frequency hardening due to spread of EVs	High
	Market trend	Surging prices of crude oil and raw materials	2°C	All businesses	• Prices of crude oil and raw materials surge due to restrictions on CO2 emissions and material costs increase	High
		Non-achievement of grid parity	2°C	All businesses	• Electricity costs increase due to introduction of electricity generated using renewable energy such as solar power	High
	Reputation	Increased demands for decarbonization by business partners	2°C	All businesses	• Implementation of environmental measures required by business partners is delayed leading to a decline in our business opportunities due to business partners' supplier preferences	High
	Physical risks (acute)	Increase in occurrences of extreme weather	4°C	All businesses	• Supply chain disruption makes it difficult to obtain key raw materials resulting in production delays and cost increases	Medium
	Physical risks (chronic)	Increase in energy use due to temperature increase	4°C	All businesses	• Cost of electricity used for air conditioning, etc. increases due to temperature increases	Medium

### Climate change-related opportunities

	Category	Global situation	Scenario	Business segment	Item	Impact
Opportunities	Energy sources	Spread of renewable energy-related technologies	2°C	Other (telecommunications)	<ul style="list-style-type: none"> <li>• Increased demand for installation of solar power generation, maintenance work, and base structure sales</li> <li>• Increased demand for LED aviation obstacle lights for wind power generation facilities, navigation aid lights, and maintenance and monitoring systems</li> </ul>	Low
	Market	Spread of smart cities and next-generation high-speed communication	2°C	Mobile communication	• Increased demand for business related to 5G, local 5G, and 6G	High
		Spread of next-generation automobiles	2°C	Induction heating, contract-based processing	<ul style="list-style-type: none"> <li>• Capturing business opportunities for high-frequency induction heating for EVs, such as motor shaft</li> <li>• Increased demand related to EV charging stations</li> </ul>	Medium
	Resource efficiency	Increased demand for decarbonization of value chains	2°C	New fields	• Capturing business opportunities for various high-frequency induction heating related to waste, food, etc.	High
	Goods and services	Intensification of extreme weather	4°C	Other (telecommunications), solutions, fixed wireless communication	<ul style="list-style-type: none"> <li>• Increased demand for methanol fuel cells and diesel fuel cells</li> <li>• Increased demand for disaster prevention-related products such as disaster prevention radio systems, high altitude monitoring cameras, and disaster prevention information network</li> </ul>	Medium
	Resilience	Increases in extreme weather and infectious disease risks	4°C	All businesses	• Building stable supply chains through measures such as discussion of BCP measures with suppliers	Low

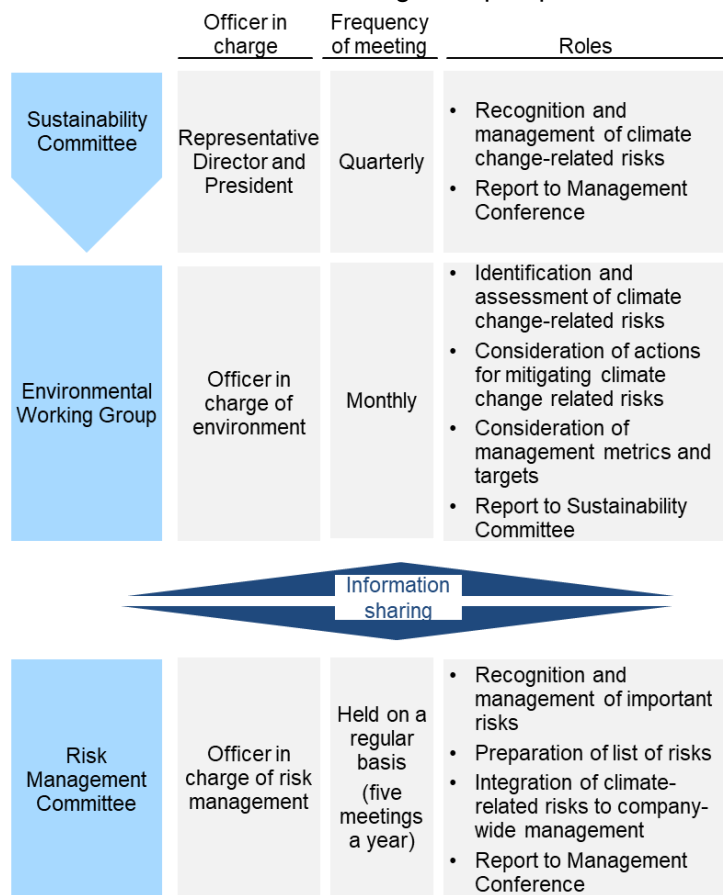
**[Risk management]**

To identify the climate change-related risks, the DKK Group led by the Environmental Working Group took into account external factors such as the trends in government and international organizations, customer trends, changes to industry structure and physical climate changes, as well as internal factors, such as the results of interviews of employees at business bases and business divisions, location of plants and facilities, capital investment plans and age distribution of its employees.

We categorized the timeframe for the identified risks into short term (FY2030) and long term (FY2050). In accordance with the company-wide risk management process, risks with high business impact are reported to the Management Conference and the Board of Directors via the Sustainability Committee.

Risk management for short-term manifested risks will be integrated with corporate risk management of the Risk Management Committee to enforce collection and management of information across the group and mitigate the occurrences and impacts of those risks.

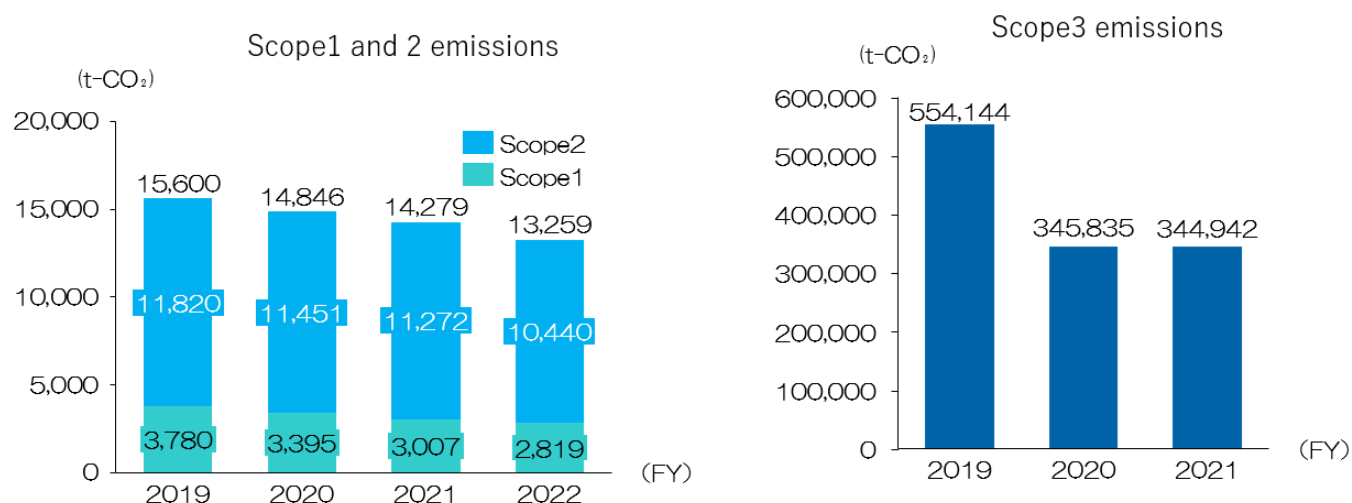
The Sustainability Committee will continue to regularly monitor climate change-related risks and review business strategies as necessary to address such risks from the long-term perspective.



**[Metrics and targets]**

To promote carbon neutrality, the DKK Group is working to calculate GHG emissions. The calculations of GHG emissions of Scope 1 and 2 (group companies in and outside Japan) and Scope 3 (group companies in and outside Japan) comply with GHG Protocol, the GHG calculation standard. In terms of the results of the calculation, GHG emissions declined in FY2020 and FY2021 as activities declined due to the Covid-19 pandemic.

We will continue to strive to grasp the emissions status and improve accuracy, and work as one to achieve the targets of reducing 30% or more of Scope 1 and 2 emissions by 2030 compared with FY2019 levels and 15% or more of Scope 3 emissions.



#### List of GHG emissions

		FY2019	FY2020	FY2021	FY2022	Scope
Scope 1		3,780	3,395	3,007	2,819	DKK Group (including overseas business bases)
Scope 2		11,820	11,451	11,272	10,440	
Scope 3	Total	554,144	345,835	344,942	Being calculated	DKK Group (including overseas business bases)
	1. Purchased goods and services	147,254	130,337	110,259		
	2. Capital goods	3,942	4,051	2,621		
	3. Fuel- and energy-related activities not included in Scope 1 or 2	2,907	2,598	2,518		
	4. Transportation and distribution (upstream)	35,468	32,375	22,967		
	5. Waste generated in operations	860	609	578		
	6. Business travel	799	631	624		
	7. Commuting	840	870	820		
	8. Leased assets (upstream)	0	0	0		
	9. Transportation and distribution (downstream)	345	412	684		
	10. Processing of sold products	158	126	127		
	11. Use of sold products	361,543	173,793	203,707		
12. End-of-life treatment of sold products	28	31	37			

	13. Leased assets (downstream)	1	1	1		
	14. Franchises	0	0	0		
	15. Investments	0	0	0		

\* Scope 3 emissions were calculated based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.4" by the Ministry of the Environment. Emissions of some main business partners are calculated using their respective emission intensity according to publicly available information and individual questionnaires.

\*Category 1: GHG emissions of individual construction sites with contract amounts exceeding 100 million yen supervised by the Construction Supervisory Department Headquarters were calculated, emissions of the remaining construction sites were calculated based on emission intensity.

\*Category 4: We calculated emissions of main business partners using the fuel method and ton-kilometer method based on individual questionnaires and calculated levels of other business partners using emission intensity.

\*Category 11: We prepared energy use scenarios by product and calculated emissions using emission intensity.

\*Category 12: We prepared end-of-life scenarios by product and calculated emissions using emission intensity.