

## **Disclosure of Information Based on the TCFD Recommendations**

### **Climate Change-Related Disclosure (Disclosure under the TCFD recommendations)**

Our Group formulated its Medium- and Long-Term Management Strategy in March 2021. This strategy outlines our vision and growth plan for realizing our aspiration for 2030: "Pioneering the future." Based on this strategy, we have established a basic sustainability policy, set materiality as our challenge, and are working to achieve various KPIs to realize a sustainable society and enhance our corporate value over the medium to long term.

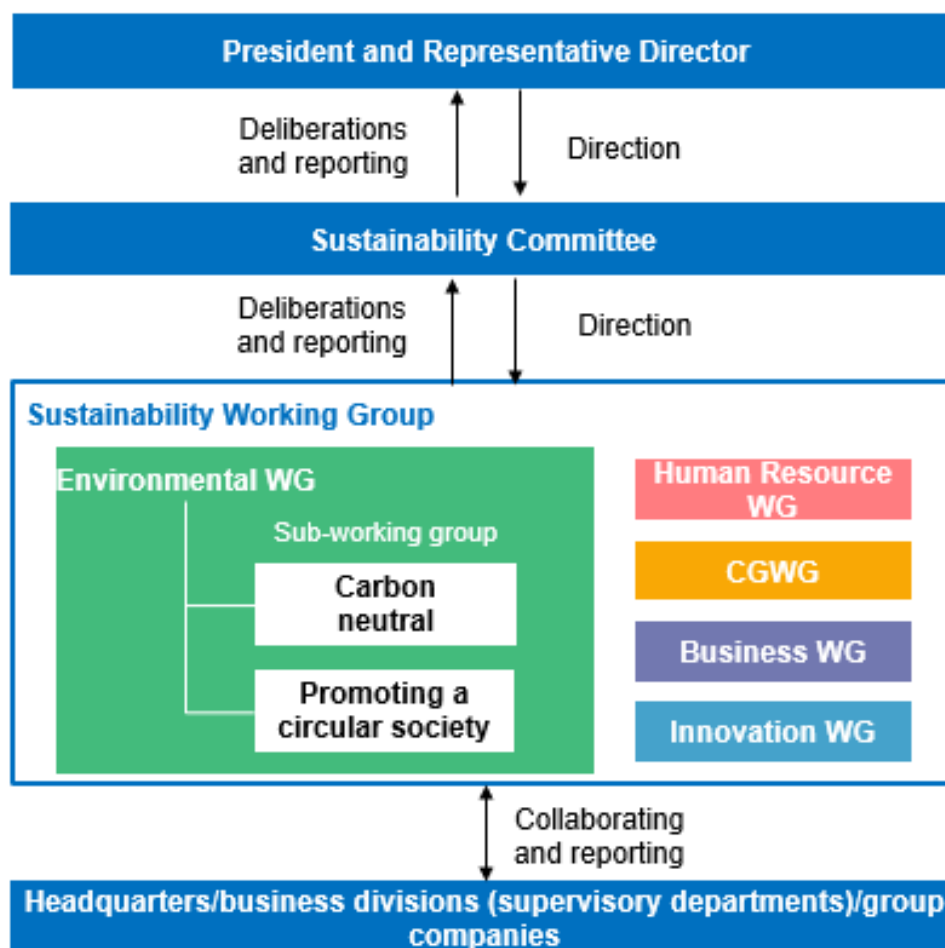
We have expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to strengthen our efforts to address the challenges of climate change. This document also discloses the "Governance," "Strategy," "Risk Management," and "Metrics and Targets" in line with the TCFD recommendations, as well as the emissions for Scope 1, 2, and 3. We will proceed by incorporating climate change-related risks and opportunities into the specific measures of our medium-term business plan onward. We will work together as a group to realize a sustainable society, including achieving carbon neutrality.

### **Governance**

The Group has identified five materialities in its medium-term business plan, "DKK-Plan2028," and is promoting initiatives in these areas. One of these is the "promotion of environmental management," and through our business, we are working to help mitigate climate change and contribute to a low-carbon society.

To promote environmental management and to analyze and manage risks and opportunities related to climate change, we established the Sustainability Committee and the Environmental Working Group in 2021, chaired by the President and Representative Director, to drive initiatives based on the Basic Sustainability Policy. The Environmental Working Group collaborates with the Group's business divisions, head office organizations, and Group companies, and has established two sub-working groups: (1) Promotion of Carbon Neutrality (calculation of Scope 1, 2, and 3 emissions, introduction of renewable energy, acquisition of SBT certification, and promotion of Scope 1, 2, and 3 emission reductions in line with SBT requirements, etc.) (2) Promotion of a recycling-oriented society (establishment of a green procurement system, thorough recycling through waste separation, reduction of disposable packaging and packaging materials, promotion of the 3Rs, etc.). It incorporates climate change risks and opportunities into business strategies, examines countermeasures for climate change-related issues, management indicators, and targets, and regularly shares this information with the management committee, which

includes all directors and executive officers, and reports to the directors through the responsible officer.



### [Climate-related risks and opportunities]

We conducted a scenario analysis of the impact of climate change on our business and financial performance. Based on the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), we conducted analyses under 2°C and 4°C scenarios and assessed the impact on our business\* as high, medium, or low. These analyses cover the entire Denki Kogyo Group, including Denki Kogyo and its domestic and overseas group companies. The time horizon for the analysis is 2030 for transition risks and 2050 for physical risks. (This is because physical risks are expected to occur even under the 2°C scenario, but the risk is projected to be higher under the 4°C scenario)

Upon obtaining SBT certification in FY2025, we have updated our analysis target from the 2°C scenario to the

1.5°C scenario in response to international demands. For risks quantified in terms of financial impact and other factors in the analysis at 1.5°C, we will add them to the end of the table.

\*We assess the impact level by comprehensively considering the probability of occurrence and the magnitude of the impact on business activities, making a qualitative judgment

Large: Medium or higher probability of occurrence, with a potential to significantly impact business operations and necessitate changes to business plans and organizational structure

Medium: Medium probability of occurrence, with a potential to impact business operations and possibly may necessitate changes to business plans and organizational structure

Small: Low probability of occurrence, limited impact on business, and unlikely to require any changes to business plans and organizational structure

### Climate-related risks

| Risks | Category                 | Perspective                                                            | Scenario | Segment                                                         | Items                                                                                                                                                                     | Magnitude of impact |
|-------|--------------------------|------------------------------------------------------------------------|----------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
|       | Policy and Regulation    | Carbon taxes introduced in many countries                              | 1.5°C    | All businesses                                                  | • Increased tax costs due to tighter regulation of greenhouse gas (GHG) emissions <span>1</span>                                                                          | Medium              |
|       |                          | Strengthening of requests and regulations toward decarbonization       | 1.5°C    | All businesses                                                  | • Increased costs associated with the transition to renewable energy <span>2</span>                                                                                       | Medium              |
|       | Technology               | Widespread use of next-generation high-speed communications            | 1.5°C    | Mobile communications                                           | • New technologies such as 6G will reduce demand for existing businesses                                                                                                  | Large               |
|       |                          | Widespread use of next-generation vehicles                             | 1.5°C    | Induction heating equipment/ heat treatment contract processing | • Existing demand for high-frequency hardening decreases due to the spread of EVs                                                                                         | Large               |
|       | Market trend             | Soaring prices of crude oil and raw materials                          | 1.5°C    | All businesses                                                  | • Raw material costs increase due to soaring crude oil and raw material prices caused by CO <sub>2</sub> emission regulations                                             | Large               |
|       |                          | Grid parity not reached                                                | 1.5°C    | All businesses                                                  | • Increased electricity costs due to the introduction of renewable energy sources such as solar power                                                                     | Large               |
|       | Reputation               | Increasing demands from business partners for decarbonization measures | 1.5°C    | All businesses                                                  | • Decreased business opportunities due to delayed environmental compliance required by business partners and supplier preferences                                         | Large               |
|       | Physical risks (Acute)   | Increased occurrence of extreme weather events                         | 4°C      | All businesses                                                  | • Increased cumulative risk of sales loss due to flood damage to facilities and equipment, and shutdown of operations due to the intensification of floods <span>3</span> | Medium              |
|       | Physical risks (Chronic) | Rising temperatures increases energy use                               | 4°C      | All businesses                                                  | • Increased electricity costs for air conditioning, etc. due to rising temperatures                                                                                       | Medium              |

## Climate-related opportunities

|               | Category            | Perspective                                                                   | Scenario | Segment                                                            | Items                                                                                                                                                                                                                                                                                                               | Magnitude of impact |
|---------------|---------------------|-------------------------------------------------------------------------------|----------|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Opportunities | Energy-Source       | Spread of renewable energy technologies                                       | 1.5°C    | Others (Tele-communications)                                       | <ul style="list-style-type: none"> <li>Increased demand for solar power installation, maintenance work, and mounting structure sales</li> <li>Increased demand for LED aviation obstruction lighting, navigation signs, and maintenance/monitoring systems related to wind power generation</li> </ul>              | Small               |
|               | Market              | Smart city development<br>Spread of next-generation high-speed communications | 1.5°C    | Mobile communications                                              | <ul style="list-style-type: none"> <li>Expanding demand for 5G, Local 5G, and 6G-related businesses</li> </ul>                                                                                                                                                                                                      | Large               |
|               |                     | Spread of next-generation vehicles                                            | 1.5°C    | Induction heating equipment/<br>heat treatment contract processing | <ul style="list-style-type: none"> <li>Capture business opportunities in high-frequency induction heating for EVs, such as motor shafts</li> <li>Increased demand related to EV charging stations</li> </ul>                                                                                                        | Medium              |
|               | Resource efficiency | Increased demand for decarbonization of value chain                           | 1.5°C    | High frequency New territory                                       | <ul style="list-style-type: none"> <li>Capture various high-frequency induction heating business opportunities such as waste and food-related industries</li> </ul>                                                                                                                                                 | Large               |
|               | Products/services   | Intensification of extreme weather                                            | 4°C      | Others (Tele-communications)<br>Solution<br>Landline radio         | <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 commercial products such as disaster prevention radios, high-altitude surveillance cameras, and disaster prevention information networks</li> </ul> | Medium              |
|               | Resilience          | Extreme weather and increased risk of infectious diseases                     | 4°C      | All businesses                                                     | <ul style="list-style-type: none"> <li>Establishing a stable supply chain, including consideration of BCP measures with suppliers</li> </ul>                                                                                                                                                                        | Small               |

### [Major financial impacts of climate change-related risks]

The major financial impacts of the Group's climate change-related risks listed in the preceding table are as follows:

|   |                                                                                                                                                      |                              |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 1 | Increased tax costs due to tighter regulations of greenhouse gas (GHG) emissions                                                                     | Approx. 100 million yen/year |
| 2 | Increased costs associated with the transition to renewable energy                                                                                   | Approx. 10 million yen/year  |
| 3 | Increased cumulative risk of sales loss due to inundation damage to facilities and equipment, and shutdown of operations due to intensified flooding | Approx. 760 million yen      |

- \* The impact of renewable energy conversion costs is the amount if All Non-Fossil Certificates are obtained.
- \* Carbon tax: Based on the IEA World Energy Outlook, the carbon tax in 2050 is taken into account.
- \* Introduction of renewable energy: Cost based on electricity consumption in 2023, assuming 100% renewable energy by Non-Fossil Certificates.
- \* Acute physical risks: Increased frequency of flooding due to global warming is considered to increase the risk up to 2050.

## **[Risk Management]**

Our group identified climate change risks led by the Environmental Working Group. This process considered both external factors—such as trends in government and international organizations, customer behavior, industry structure changes, and physical climate change, and internal factors—including feedback from each site and business division, the location of factories and facilities, capital investment plans, and the age composition of our workforce.

Identified risks are classified into short-term (FY2030) and long-term (FY2050) periods, and in accordance with the company-wide risk management process, risks with high impact on the business are reported to the Sustainability Committee and then to the Executive Committee and the Board of Directors.

We will also integrate short-term visible risks with corporate risk management within the Risk Management Committee, strengthen information gathering and management across the Group, and work to reduce the frequency and impact of risk occurrences.

We will continue to monitor climate-related risks regularly through our Sustainability Committee and review our business strategy as appropriate, addressing them from a long-term perspective.

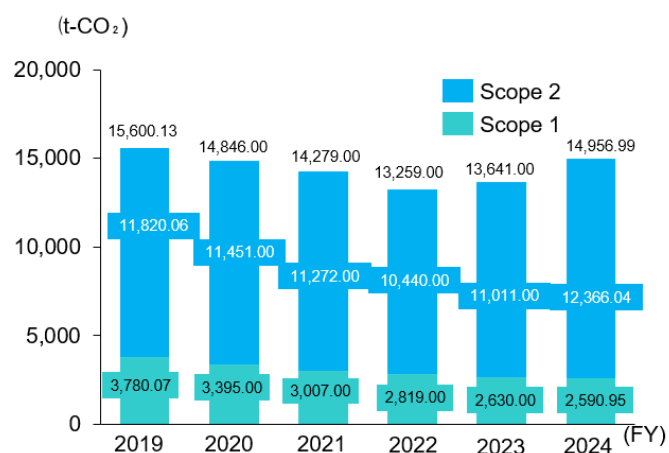


### [Metrics and Targets]

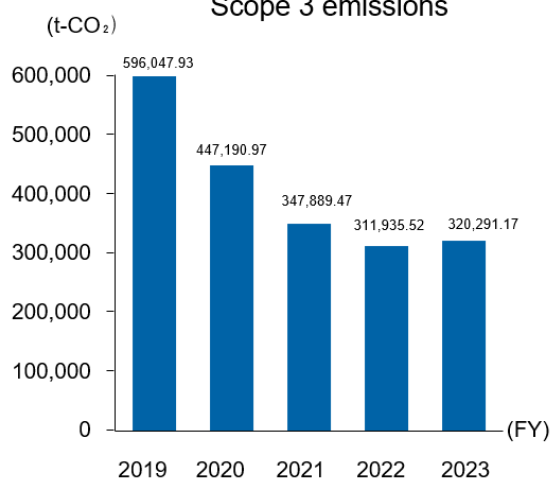
In promoting carbon neutrality, the Group is committed to calculating greenhouse gas (GHG) emissions, and GHG emissions for Scope 1, 2, and 3 are calculated in accordance with the GHG Protocol, a greenhouse gas calculation standard. Regarding the calculation results, GHG emissions decreased from FY2020 to FY2022 due to the impact of reduced activity during the COVID-19 pandemic.

Regarding GHG emission reduction targets, having obtained SBT certification in fiscal year 2025, we have revised our targets to be more stringent and aligned with the Paris Agreement. Our Group will work together to achieve reductions of at least 42.4% for Scope 1 and 2 emissions and at least 45% for Scope 3 emissions by fiscal year 2029, compared to fiscal year 2019 levels.

Scope 1 and 2 emissions



Scope 3 emissions



GHG emissions list (including group companies in Japan and abroad)

|         |                                                                     | FY2019     | FY2020     | FY2021     | FY2022     | FY2023     | FY2024            |
|---------|---------------------------------------------------------------------|------------|------------|------------|------------|------------|-------------------|
| Scope 1 |                                                                     | 3,780.07   | 3,395.00   | 3,007.00   | 2,819.00   | 2,630.00   | 2,590.95          |
| Scope 2 |                                                                     | 11,820.06  | 11,451.00  | 11,272.00  | 10,440.00  | 11,011.00  | 12,366.04         |
| Scope 3 | Total                                                               | 596,047.93 | 447,190.97 | 347,889.47 | 311,935.52 | 320,291.17 | Under calculation |
|         | 1. Products and services purchased                                  | 147,254.00 | 130,337.00 | 110,259.00 | 117,366.65 | 107,419.95 |                   |
|         | 2. Capital goods                                                    | 3,942.00   | 4,051.00   | 2,621.00   | 3,599.70   | 3,308.60   |                   |
|         | 3. Fuel not included in SCOPE 1 and 2 and energy-related activities | 2,956.37   | 2,645.16   | 2,560.46   | 2,430.48   | 2,407.35   |                   |
|         | 4. Transport, delivery (upstream)                                   | 39,818.31  | 36,601.95  | 25,927.04  | 4,446.11   | 2,563.11   |                   |
|         | 5. Waste from business                                              | 846.01     | 597.10     | 563.68     | 87.17      | 125.22     |                   |
|         | 6. Business trip                                                    | 760.47     | 613.59     | 607.60     | 538.26     | 856.39     |                   |
|         | 7. Employee commuting                                               | 847.75     | 877.72     | 826.25     | 874.93     | 1,548.31   |                   |
|         | 8. Lease assets (upstream)                                          | 0          | 0          | 0          | 0          | 0          |                   |

|  |                                     |            |            |            |            |            |                   |
|--|-------------------------------------|------------|------------|------------|------------|------------|-------------------|
|  | 9. Transport, delivery (downstream) | 345.00     | 413.17     | 684.67     | 1,127.66   | 7.97       | Under calculation |
|  | 10. Processing of products sold     | 158.00     | 126.00     | 127.00     | 136.98     | 136.98     |                   |
|  | 11. Use of products sold            | 399,116.63 | 270,923.45 | 203,707.00 | 181,323.42 | 201,912.67 |                   |
|  | 12. Disposal of products sold       | 2.39       | 3.83       | 4.77       | 3.20       | 3.66       |                   |
|  | 13. Lease assets (downstream)       | 1.00       | 1.00       | 1.00       | 0.96       | 0.96       |                   |
|  | 14. Franchises                      | 0          | 0          | 0          | 0          | 0          |                   |
|  | 15. Investment                      | 0          | 0          | 0          | 0          | 0          |                   |

\*Scope 3 calculations are based on the Ministry of the Environment's "Basic Guidelines for Calculating Greenhouse Gas Emissions through Supply Chains." For some major business partners, we use company-specific emission intensities based on publicly available information and individual questionnaires.

\*Category 1: For on-site construction work, projects exceeding 100 million yen in contract value under the management of the Construction Management Division Headquarters are calculated individually per site, while other projects are calculated based on emission intensities.

\*Category 4: Calculated using the fuel method and ton-kilometer method for major suppliers, and using emissions intensity for other suppliers, based on individual questionnaires.

\*Category 11: Create energy use scenarios by product and calculate using emissions intensity.

\*Category 12: Create product-specific disposal scenarios and calculate using emissions intensity.