

Mitigation of Climate Change and Environmental Impact (Information disclosure in line with TCFD recommendations)

Climate change is a serious social issue that results in other problems such as an increase in pests due to rising temperatures, and negative impact on agricultural production in extreme weather conditions. Therefore, to mitigate and adapt to climate change, Kumiai Group has been promoting initiatives such as the continuous reduction of greenhouse gas emissions. In November 2022, we announced to endorse the “TCFD (Task Force on Climate-related Financial Disclosures) recommendations,” and proceed with proactive disclosure in line with TCFD recommendations.

Governance & Risk Management

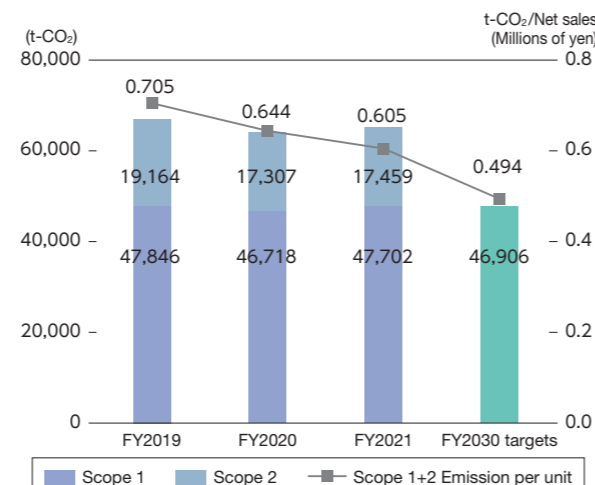
Kumiai Group established the “Basic Policy on Sustainability” based on the “Kumiai Chemical Group Corporate Philosophy” to improve corporate value by promoting sustainability management, and are contributing toward creating a sustainable society by meeting the expectations and needs of stakeholders. To promote sustainability management, a “Sustainability Promotion Committee” that is led by the President was established, and three subcommittees were organized according to the ESG category. At this committee and the three subcommittees, targets and progress related to sustainability are being examined and discussed, and initiatives for “Realization of a sustainable society” are being promoted. We set “Mitigation of climate change and environmental impact” as materiality, and have identified risks and opportunities related to climate change for Kumiai Group. Through scenario analysis, we have set Kumiai Group targets for the “Safe, secure, and affluent society” scenario (called the 1.5°C scenario) and “Unsustainable society” scenario (called the 4°C scenario) where social issues like climate change become worse, and have evaluated the impact based on risks and opportunities in relation to Kumiai Group. Measures for major risks and opportunities that have a large impact are being examined. The contents of these examinations are reported to the Sustainability Promotion Committee, and Management including the President then discuss climate change risks and opportunities.



Indicators and Targets

Kumiai Group set FY2019 as the reference year, and set reducing scope 1 and scope 2 GHG emissions by 30% compared to FY2019 by FY2030 as our target. In addition to Kumiai itself, we have identified seven group companies that are expected to emit large amounts of GHGs (companies with factories and logistics companies) and have set total GHG emissions for these companies as targets for reduction. We will reduce GHG emissions by improving energy efficiency based on capital investment in factories, and by effective use of renewable energy such as solar power.

GHG Emissions and Targets for Reduction



* Target companies for GHG calculation (7 companies): KUMIAI CHEMICAL INDUSTRY, RIKENGREEN, IHARANIKKEI CHEMICAL INDUSTRY, K-I CHEMICAL INDUSTRY, Ihara Construction Industry, ONOMICHI KUMIKA INDUSTRY, and KUMIKA LOGISTICS.

Strategy

We have set Kumiai Group targets for the “Safe, secure, and affluent society” scenario (called the 1.5°C scenario) and “Unsustainable society” scenario (called the 4°C scenario) where social issues like climate change become worse, and have evaluated the impact based on risks and opportunities in relation to Kumiai

Group.

The following shows the major risks and opportunities along with related measures. We are convinced that realizing Kumiai Group’s aim of a “Safe, secure, and affluent society” will result in a positive impact on Kumiai Group.

Scenario	Overview	Reference Scenario
“Safe, secure, and affluent society” scenario (1.5°C scenario)	In this scenario, temperature increase is limited to 1.5°C compared to pre-industrial levels. As society transitions toward decarbonization, environmental protection demands will increase, stricter laws and regulations will be implemented, and there will be large-scale environmental investment.	“Net Zero Emissions by 2050 (NZE2050)” by the International Energy Agency (IEA), etc.
“Unsustainable society” scenario (4°C scenario)	In this scenario, temperature increases by at least 4°C compared to pre-industrial levels. If progress toward a decarbonized society is stifled, greenhouse gas emissions will increase, resulting in increasing extreme weather events such as floods and typhoons.	United Nations Intergovernmental Panel on Climate Change (IPCC) “RCP8.5” etc.

Classification	Major Risks & Opportunities	Impact on business	Response	Impact (2030)	
“Safe, secure, and affluent society” scenario	Risk	Stricter regulations on greenhouse gas emissions	<ul style="list-style-type: none"> Financial burden may increase such as due to implementation of a carbon tax. Compare to other chemical company, the impact will be limited since energy consumption is relatively low. 	<ul style="list-style-type: none"> Setting long-term targets for reducing greenhouse gas emissions Promoting implementation of energy-saving equipment and renewable energy 	Small
		Increased energy costs	<ul style="list-style-type: none"> Energy costs may increase due to changes in energy policies as society moves toward decarbonization. Compare to other chemical company, the impact will be limited since energy consumption is relatively low. 	<ul style="list-style-type: none"> Same as above 	Small
		Decrease in demand for agricultural chemicals due to stricter regulations on agricultural chemicals	<ul style="list-style-type: none"> Sales may decrease if certain products become subject to regulation. 	<ul style="list-style-type: none"> Development of chemical and biological control agents with less risk to humans and the environment 	Medium
	Opportunity	Higher evaluation of ESG investment	<ul style="list-style-type: none"> Evaluation by investors may improve as efforts for sustainability are highly evaluated. 	<ul style="list-style-type: none"> Proactive disclosure of ESG information 	Medium
		Higher evaluation by customers	<ul style="list-style-type: none"> Evaluations from customers and sales partners may improve due to proactive measures against climate change and for open information disclosure. 	<ul style="list-style-type: none"> Same as above 	Small
		Greater demand for environmentally-friendly products	<ul style="list-style-type: none"> Demand for environmentally-friendly products will likely increase as people demand greater consideration for the environment. 	<ul style="list-style-type: none"> Development of environmentally-friendly products 	Medium
“Unsustainable society” scenario	Risk	Higher demand for our products due to stricter regulations on agricultural chemicals	<ul style="list-style-type: none"> Since our products have less risks, their competitiveness may increase. 	<ul style="list-style-type: none"> Development of chemical and biological control agents with less risk to humans and the environment 	Large
		Higher demand for biopesticides and physical pest control	<ul style="list-style-type: none"> Sales may increase for newly developed products such as bio-stimulants, GMO crops, and smart agriculture technologies (such as spreading of MAMETSUBU by drones). 	<ul style="list-style-type: none"> Spread and sales of biological control agents as support for smart agriculture increases 	Small
Common Scenario	Risk	Loss of business due to increased damage from storms and floods	<ul style="list-style-type: none"> Flooding and high tides cause damage to offices and supply chains, which may have a negative impact on business. 	<ul style="list-style-type: none"> Installing rainwater gates and drainage pumps, and formulating BCP 	Medium
		Lower demand due to a decrease in farming areas	<ul style="list-style-type: none"> Land usage for agriculture may decrease along with demand for agricultural chemicals due to factors such as worsening droughts as a result of climate change causing more damage from storms and floods. 	<ul style="list-style-type: none"> Development and distribution of agricultural materials that help improve agricultural productivity 	Large
	Opportunity	Higher demand due to population growth and increased agricultural production	<ul style="list-style-type: none"> Demand and production of agricultural products will increase as the global population grows, which may increase the demand for agricultural chemicals needed to produce higher yields. 	<ul style="list-style-type: none"> Same as above 	Large