

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 impacts on agricultural production due to extreme weather conditions.

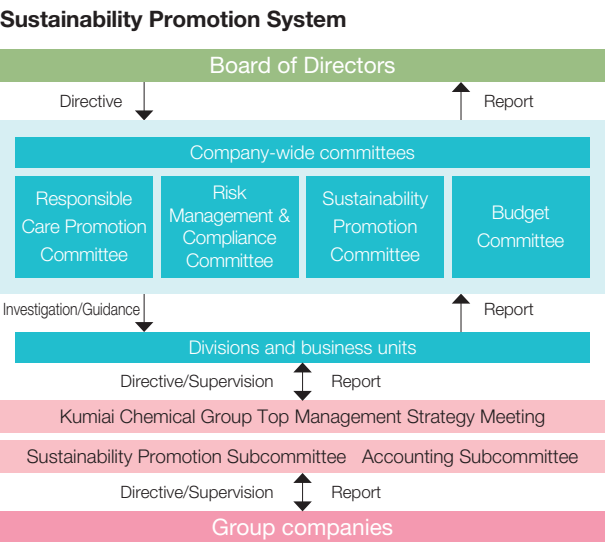
Our group has positioned mitigation of climate change and environmental impact as one of its materialities, and in November 2022, expressed its endorsement of the Task Force on Climate-related Financial Disclosure (TCFD) recommendations for climate change mitigation and adaptation. We are promoting information disclosure based on TCFD recommendations and climate change initiatives such as greenhouse gas (GHG) emissions reduction.



Governance

The Sustainability Promotion Committee chaired by the Representative Director, President, formulates strategies on sustainability issues, such as “mitigation of climate change and environmental impact” and “human capital development / human capital strategy based on the idea of human capital,” manages the progress of the action plan for each issue, and also formulates information disclosure strategies. The Responsible Care Promotion Committee also makes decisions on policies related to industrial health and safety and chemical substance management, and discusses measures to address these issues. Important matters discussed by the Sustainability Promotion Committee and other bodies are reported to the Board of Directors for decision-making and oversight. The Nomination and Remuneration Committee reviews our efforts in reducing GHG emissions and their results, as well as our initiatives and achievements in the areas of anti-corruption, human rights, and decent work, and incorporates these factors into the determination of remuneration for Directors.

The Kumiai Chemical Group Top Management Strategy Meeting has been established to achieve sustainable growth and enhance corporate value over the medium- to long-term



by ensuring stable business operations, promoting sustainability management, and achieving effective corporate governance. In line with the Kumiai Chemical Group Basic Policy on Sustainability, the Meeting is working to share and implement measures to help realize a sustainable society that meets the expectations and needs of our stakeholders. Under the Kumiai Chemical Group Top Management Strategy Meeting, the Sustainability Promotion Subcommittee is responsible for effectively implementing measures to promote sustainability management.

Strategy

Our group has identified “mitigation of climate change and environmental impact” as one of its material issues and has assessed its climate-related risks and opportunities. We have conducted scenario analysis by setting the “safe, secure, and prosperous society” scenario (called the 1.5°C scenario) that we aim to achieve and the “unsustainable society” scenario (called the 4°C scenario) where social issues such as climate change worsen, and have evaluated the impacts of risks and opportunities on our 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 Representative Director, President, then discuss climate change risks and opportunities.

Risk Management

For risk management, we identify risks and opportunities recognized by our divisions, and also identify issues by referring to the recommendations of external organizations such as TCFD, as well as climate-related risks and opportunities recognized by other companies in the same industry. The degree of importance of each issue identified is determined by conducting impact assessments, taking into account the financial impact. Risk issues identified are discussed once a year by the Risk Management & Compliance Committee, a company-wide committee, and measures to address the issues are determined.

Our analysis of climate change risks and opportunities and our GHG emissions data are disclosed on the Company’s official website.

Major risks, opportunities and responses are described on the next page. We reaffirmed that the realization of the safe, secure, and prosperous society we aim to achieve will benefit our group.

<https://www.kumiai-chem.co.jp/english/sustainability/management/tcfd/>

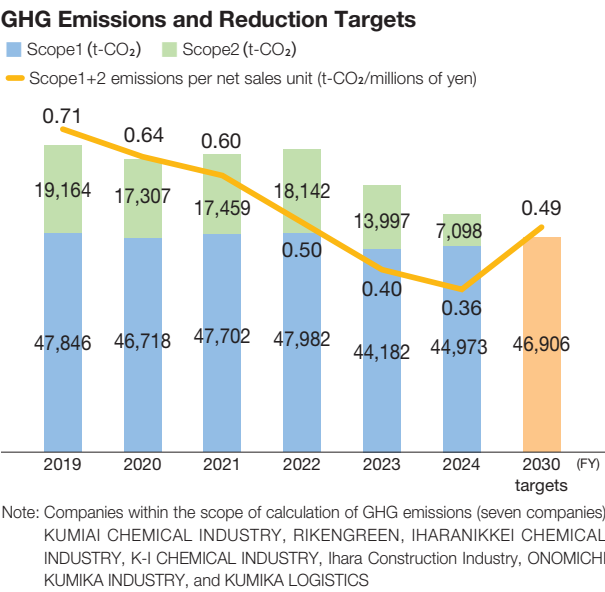


Indicators and Targets

Our group set FY2019 as the reference year, and set reducing Scope 1 and 2 GHG emissions of our seven key group companies by 30% compared to FY2019 by FY2030 as our target. Specifically, we introduced CO₂-free electricity generated from renewable energy sources at our main factories and institutes, including the Shizuoka Factory. We also promoted fuel conversion from heavy oil to fuels with lower GHG emissions, thereby continuing to reduce GHG emissions from

our business activities and working to achieve our targets. By FY2048, when we celebrates its 100th anniversary, we aim to achieve carbon neutrality by reducing the Scope 1 and 2 GHG emissions of our seven key group companies to virtually zero. In the future, we will also consider the use of low-carbon fuels (such as hydrogen and ammonia), innovative carbon-negative technologies, and carbon credits, as our carbon neutrality goals are difficult to achieve with existing technologies alone.

Regarding the progress to date toward achieving the reduction targets, we believe that our group is making good progress in reducing GHG emissions, because net sales for FY2024 increased by approximately 56% compared to FY2019, but our GHG emissions decreased by approximately 22% compared to FY2019. Through continuous efforts to reduce environmental impacts, we will strive to achieve the targets and disclose related information.



Scenario	Overview	Reference scenario
“Safe, secure, and prosperous 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.	“RCP8.5” by the United Nations Intergovernmental Panel on Climate Change (IPCC), etc.

Classification		Major risks & opportunities	Impact on business	Response	Impact* (2030)
“Safe, secure, and prosperous 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.Compared to other chemical companies, the impact will be limited since greenhouse gas emissions are relatively low.	<ul style="list-style-type: none">Setting long-term targets for reducing greenhouse gas emissionsPromoting 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.Compared to other chemical companies, 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 pesticides 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
		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 pesticides with less risk to humans and the environment	Large
		Higher demand for biological pesticide and physical pest control	<ul style="list-style-type: none">Sales may increase for newly developed products such as biostimulants, GMO crops, and smart agriculture technologies (such as application of MAMETSUBU® by drones).	<ul style="list-style-type: none">Spread and sales of biological pesticide for smart agriculture increases	Small
“Unsustainable society” 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
Common scenario	Risk	Lower demand due to a decrease in cropland	<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 inputs 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

*The “impact” is the financial impact on profit and expenses of an eventuality, and is evaluated based on the following criteria: “Large”: more than three billion yen, “Medium”: one to three billion yen, and “Small”: less than one billion yen.