

Disclosure Based on TCFD Recommendations

Endorsement of TCFD Recommendations

Nihon Kohden defined sustainability key issues (material issues) to be addressed through business and corporate activities. The Company also incorporated these non-financial targets into the previous Three-year Business Plan, BEACON 2030 Phase I, in order to contribute to addressing global social issues and the SDGs. As addressing climate change is one of the most critical social issues facing global society and one of the most significant management issues for us, Nihon Kohden expressed its support for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022 and disclosed related information in July 2022. Going forward, we will continue to promote climate change measures aimed at achieving the material issues for sustainability outlined in the new Three-year Business Plan, BEACON 2030 Phase II, including “Realize carbon neutrality” and “Promote circular economy.” Additionally, we will work on expanding information disclosure in line with the TCFD recommendations.

For the full text of the Nihon Kohden Group's disclosure in line with the TCFD recommendations, please refer to our website.

<https://www.nihonkohden.com/sustainability/environment/tcfd.html>



Notice regarding disclosure of information in line with TCFD recommendations (press release)

<https://www.nihonkohden.com/news/22071202.html>



Governance

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee and Sustainability Promotion Meeting. In July 2021, Nihon Kohden also established the Advisory Board consisting of external experts to incorporate outside perspectives on sustainability activities including measures to address climate change. The Sustainability Promotion Committee holds a meeting twice a year and formulates the policies and directions including measures on climate change. The president, who is the chairman of the Sustainability Promotion Committee, has the authority to evaluate and manage measures to mitigate climate change, and regularly reports to the Board of Directors about the progress and evaluation of the annual plan. The Board of Directors supervises the Company's measures on climate

change. The Sustainability Promotion Meeting is held four times a year to establish and promote annual plans based on the policies and directions formulated by the Sustainability Promotion Committee and reports on the progress of those plans to the Sustainability Promotion Committee.

Based on its Three-year Business Plan, Nihon Kohden's management has set material issues and KPIs related to sustainability and assigned departments for each materiality. Members of the Sustainability Promotion Meeting, who represent the departments in charge of each material issues, report on the progress of material issues and KPIs activities and exchange opinions with other members at regular meetings.

The Advisory Board Meeting is held twice a year to discuss and advise on overall sustainability promotion, including actions on climate change.

Strategy

To understand the impact of climate change on business activities in Japan and internationally, Nihon Kohden has analyzed risks and opportunities mainly by management and members of the Sustainability Promotion Committee and Sustainability Promotion Meeting. Based on analysis of a 1.5°C and 2°C scenario as well as a 4°C scenario, we have identified transitional and physical risks and opportunities over the short-term to FY2023, medium-term to FY2026, and long-term to FY2029.* We have also examined the business impact and possible countermeasures.

* 2°C scenario is to limit the global average temperature increase to 2°C above pre-industrial levels.

1.5°C scenario is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

4°C scenario estimates the global average temperature increase to be 4°C above pre-industrial levels.

For further details of 1.5°C to 2°C scenario and 4°C scenario, please refer to our website.

https://www.nihonkohden.com/sustainability/environment/tcfd.html#tcfd_strategy



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Risk Management

For details on the overall risk management of the Nihon Kohden Group's operations, please refer to **Developing a Company-wide Risk Management Framework page**.

A cross-organizational TCFD response project was initiated and has been operated since October 2021 to identify and assess climate change risks affecting the Nihon Kohden Group. Climate change risks and response measures identified in the TCFD response project have been discussed and approved by the Sustainability Promotion Committee and its progress has been managed and reported to the Board of Directors.

Nihon Kohden considers the risk of losses due to interruption of operations caused by disasters or accidents and the risk of losses due to occurrence of environmental pollution, etc., caused by insufficiency in reduction of environmental impact or prevention of environmental pollution to be its business risks. In the event of natural disasters and shortages of water or other resources associated with climate change, terrorism, war, or the spread of infectious diseases in each region, the procurement of parts, the supply of products, and sales and service activities may be disrupted, which could have an impact on the operating results and financial condition of the Nihon Kohden Group. We procure raw materials and parts used for our products not only in Japan but also around the world. In the event of a supply issue at a supplier, we take measures, including the consideration of alternative parts, to ensure that the production of our products is not affected. In addition, we have formulated a Business Continuity Plan (BCP) and conduct periodic company-wide education and training to ensure the continued supply of products and services in the event of a large-scale earthquake.

Financial Impact Assessment

Metrics and Targets

In the previous Three-year Business Plan, BEACON 2030 Phase I, to realize a carbon-free society, which is one of material issues in the environment for sustainability, we set KPIs for CO₂ emissions, the number of models and sales ratio of environment-friendly products, and the amount of waste from disposal of products and parts.

To reduce CO₂ emissions, We aimed to achieve a 15.2% reduction compared to FY2020 per unit of sales (Scope 1, 2 within ISO 14001 certified sites) in FY2023. We successfully reduced CO₂ emissions per unit of sales by 45.8% and total emission by 39.8% compared to FY2020, achieving our target. We are committed to efficient energy use at each business site by switching to energy-saving equipment, changing the operation of production equipment, and raising awareness among employees. Additionally, we have been gradually switching to renewable energy sources since FY2017, at those of our major offices with high-voltage power contracts. In FY2023, approximately 46% of domestic operations used renewable energy. We aim to switch to 100% renewable energy sources at all of our domestic offices by 2030.

To address flood risk at our offices and improve energy efficiency, we relocated five domestic offices in FY2023. We will also set the targets and promote strengthening measures to improve water use efficiency at our production sites.

As part of our social contribution through business activities, we are engaged in developing energy-saving, compact, and lightweight products that are environmentally friendly, aiming for a cumulative sales ratio of over 20% for environmentally friendly products over three years. In FY2023, we achieved a sales ratio of 20.1% for environmentally friendly products. Regarding the amount of waste from disposal of products and parts, we aimed to reduce the product and parts retirement by 8% compared to FY2020 in FY2023. However, in response to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, we have increased inventories of finished goods and parts, resulting in a 10% increase compared to FY2020.

We will continue to provide environmentally friendly products, collaborate with our supply chain, and set SBT (Science-Based Targets) to identify and address our environmental issues.

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		FY2021	FY2022	FY2023
Global Warming Prevention	Scope 1 (t-CO ₂)	4,817	4,539	4,250
	Scope 2 (t-CO ₂)	5,354	4,828	3,644
	Greenhouse gas emissions (t-CO ₂)	10,171	9,367	7,894
Energy Saving	Total input energies (GJ)	250,596	240,393	214,220
Waste Reduction	Total waste emissions (t)	759.4	732.5	824.2
	In-house recycling rate (%)	97.3	97.4	95.5
Environmentally Friendly Products	New registration of environmentally friendly products (registrations)	4	4	1

The figures for Global Warming Prevention and Energy Saving are the combined totals for the Scope of ISO14001 certification, including the parent company, and domestic sales branches.

Scope 1 and Scope 2 for FY2021 have received third-party verification. In conjunction with the verification, we have revised the figures for Scope 1 and 2 and the total energy input in FY2021.

The figures for Waste Reductions are for the scope of ISO 14001 certification, including the parent company.

The figures for Environmentally Friendly Products are the number of product series launched in that fiscal year.

* Scope of ISO 14001 certification: Ochiai and Tokorozawa site, Tomioka site, Tsurugashima site, Kawamoto site.

Water Intake (m ³)	FY2021	FY2022	FY2023
Water supply	60,858	62,657	62,545
Surface water of rivers and lakes	0	0	0
Other (such as rainwater, seawater, well water, spring water)	0	0	0
Total amount	60,858	62,657	62,545
Water Discharge (m ³)	FY2021	FY2022	FY2023
Sewerage	37,265	39,738	44,433
Rivers	9,007	8,186	8,085
Other (such as watering the ground surface)	0	0	0
Total amount	46,272	47,923	52,518

The figures for Water Intake and Water Discharge are the combined total for the scope of ISO 14001 certification, including the parent company, and the domestic sales branches.