Disclosure Based on TCFD Recommendations

Endorsement of TCFD Recommendations

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 2022 and disclosed related information in line with the TCFD recommendations. Going forward, we will continue to promote climate change measures aimed at achieving the material issues for sustainability outlined in the 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.

Governance

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee and Sustainability Promotion Meeting. In addition, Nihon Kohden has 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 (held twice a year) formulates the policies and directions including measures on climate change. The Sustainability Promotion Meeting (held four times a year) establishes and promotes 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. The Advisory Board Meeting (held twice a year) discusses and advises on overall sustainability promotion, including actions on climate change.

Strategy

In October 2024, Nihon Kohden re-evaluated risks and opportunities related to climate change, mainly by management and members of the Sustainability Promotion Committee and Sustainability Promotion Meeting. The short-term (to FY2023), medium-term (to FY2026), and long-term (to FY2029) timeframes were revised to short-term (to FY2027), medium-term (to FY2030), and long-term (to FY2050), and we have calculated the business impact of risks and opportunities under the 1.5°C/2°C scenario* and the 4°C scenario*.

* 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.
2°C scenario is to limit the global average temperature increase to 2°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, please refer to our website.

Disclosure based on TCFD Recommendations

Notice regarding disclosure of information in line with TCFD recommendations

1.5℃ to 2℃ scenario and 4℃ scenario

Disclosure based on TCFD Recommendations

1.5°C to 2°C Scenario

Major Risks and Opportunities	Business Impact	Time Horizon	Proposed Countermeasures
Introduction of carbon tax and emissions trading ● Risk: Loss of sales opportunities in environmentally developed markets ● Risk: Deterioration in earnings due to higher carbon prices ● Risk: Legislation for use of renewable energy and reduction of electricity use	Small	Medium- to long-term	● Use of renewable energy to reduce CO_2 emissions ● Adoption of energy-efficient production facilities ● Promotion of environmentally friendly products with high CO_2 reduction effects
Increase in demand for environmentally friendly products ● Risk: Loss of sales opportunities due to not meeting customer requirements ● Opportunity: Sales opportunities due to increased demand for relevant products	Risk: Small Opportunity: Small	Short-term	● Strengthening the development of environmentally friendly products ● Selection of low environmental impact parts and delivery methods
Increase in demand for digital health solutions with low environmental impact ● Risk: Increase in investment costs for R&D and capital equipment ● Risk: Decrease in competitiveness when companies with superior climate change solutions enter the market ● Opportunity: Business opportunities through integration and analysis of vital sign data and clinical support applications	Risk: Small Opportunity: Small	Short- to Medium-term	● Reduction of CO_2 emissions through promotion of telemedicine and tele-ICU ● Creation of business opportunities through new initiatives such as automatic control of medical equipment
Higher prices for raw materials such as resin used in product housings ● Risk: Higher production costs	Small	Short- to Long-term	● Adoption of common platforms in product development and production processes ● Cost reduction by reducing part counts and optimizing components ● Optimization of sales prices
Stakeholder assessment ● Risk: Deterioration of procurement costs (Deterioration of financing conditions and divestment by financial institutions and investors)	Small	Medium- to Long-term	● Establishment of environmental target such as CO_2 emissions reduction ● Improvement of evaluation by external organizations through enhanced information disclosure

4°C Scenario

Major Risks and Opportunities	Business Impact	Time Horizon	Proposed Countermeasures
Extreme natural disasters such as torrential rains and floods ● Risk: Significant disruption to product supply, sales and service activities ● Risk: Disruption to health and safety of employees and their families ● Opportunity: Expansion of disaster medical needs	Risk: Small Opportunity: Small	Short- to Long-term	● Business Continuity Plan (BCP) for the entire supply chain ● Reducing risks by securing raw material suppliers, supply systems, and transportation routes; providing support to suppliers; and purchasing from multiple suppliers ● Relocation of offices with high flood risk
Insufficient supply of water and other resources ● Risk: Stagnation in production of products and consumables that use water and other resources ● Opportunity: Expansion of sales opportunities for products with low water usage	Risk: Small Opportunity: Small	Short- to Long-term	● Reuse of water resources discharged in the production of hematology reagents ● Development and provision of products that use less water resources
Increase in infectious diseases ● Risk: Suspension of production, delays in supply chain, disruption of healthcare systems ● Opportunity: Enhancement of healthcare systems for disasters and emergencies	Risk: Medium Opportunity: Medium	Short- to Long-term	● Expansion of product supply, sales and service structures ● Focus on medical devices and DX in medical fields ● Promotion multi-plant operation

* Business Impact: Impact on operating profit: Large: Over 3 billion yen, Medium: Over 500 million yen, Small: Less than 500 million yen.

Disclosure based on TCFD Recommendations

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 operated since October 2021 to identify and assess climate change risks affecting the Nihon Kohden Group. The TCFD response project has periodically reviewed climate change risks and response measures, and the identified risks and response measures have been discussed, approved, and monitored for progress by the Sustainability Promotion Committee, with reports made to the Board of Directors.

For further details, please refer to our website.

Disclosure based on TCFD Recommendations: Risk Management

Financial Impact Assessment

Metrics and Targets

In the Three-year Business Plan, BEACON 2030 Phase II, to realize carbon neutrality, which is one of the material environmental issues for sustainability, we have set KPIs for "Group-wide CO_2 emissions," "Number of models and sales ratio of environmentally friendly products," and "Reduce CO_2 emissions in corporate activities," and are promoting initiatives accordingly.

To reduce CO_2 emissions, we have set targets of a 44% reduction in CO_2 emissions in FY2026 compared to FY2020, and a 56% reduction in CO_2 emissions per unit of sales (Scope 1 and 2 within ISO 14001 certified sites). In FY2024, we achieved a 45.6% reduction in CO_2 emissions and a 51.8% reduction in CO_2 emissions per unit of sales compared to FY2020, achieving our targets.

As part of our efforts to reduce energy consumption and CO_2 emissions, we have been gradually switching to renewable energy at our offices in Japan since FY2017. In FY2024, approx. 47% of our offices in Japan introduced renewable energy. We aim to switch to 100% renewable energy at all of our offices in Japan by 2030.

At the Advanced Technology Center, we introduced an energy management system (EMS) to optimize energy use. In particular, electricity consumption decreased even during summer and winter peak periods. On an annual basis, we achieved an approx. 2% reduction compared to the previous fiscal year, and we were able to confirm the effectiveness of our energy-saving measures.

Furthermore, we are continuing to update facilities with consideration for energy-saving, such as switching to LED lighting and high-efficiency air conditioning systems, and introducing hybrid company vehicles. In addition to reviewing the operation of production facilities, we are also focusing on promoting energy-saving measures at each office and on awareness-raising activities for employees.

Moreover, to reduce flood risk at our offices and improve energy efficiency, we relocated three offices in Japan in FY2024. At production sites, we are promoting water use efficiency by reducing toilet water flow and other measures. At the new plant in Tsurugashima, scheduled to start operations in FY2026, we are preparing to introduce solar panels and utilize rainwater.

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 22.5% for environmentally friendly products over three years. In FY2024, we achieved a sales ratio of 20.8% for environmentally friendly products. Regarding the amount of waste from disposal of products and parts, we aim to maintain the amount of the products and parts retirement in FY2026 at or below the same level as the FY2023 results. In FY2024, we achieved a 17.3% reduction compared to FY2023.

We will continue to provide environmentally friendly products and collaborate with our supply chain. We will aim to identify our environmental issues and promote measures to obtain SBT certification.

Disclosure based on TCFD Recommendations

		FY2022	FY2023	FY2024
Global Warming Prevention	Scope 1 (t-CO_2)	4,539	4,250	4,155
	Scope 2 (t-CO_2)	4,828	3,644	4,097
	Greenhouse gas emissions (t-CO_2)	9,367	7,894	8,252
Energy Saving	Total input energies (GJ)	240,393	214,220	216,874
Waste Reduction	Total waste emissions (t)	732.5	824.2	808.4
	In-house recycling rate (%)	97.4	95.5	95.6
Environmentally Friendly Products	New registration of environmentally friendly products (registrations)	4	1	4

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.
The figures for Waste Reduction 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)	FY2022	FY2023	FY2024
Water supply	62,657	62,545	58,360
Surface water of rivers and lakes	0	0	0
Other (such as rainwater, seawater, well water, spring water)	0	0	0
Total amount	62,657	62,545	58,360

Water Intake (m^3)	FY2022	FY2023	FY2024
Sewerage	39,738	44,433	41,763
Rivers	8,186	8,085	8,047
Other (such as watering the ground surface)	0	0	0
Total amount	47,923	52,518	49,810

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.