

# Protecting the global environment Responding to climate change (disclosure based on TCFD recommendations)

## 1 Governance

In response to environmental changes that can pose risks to our corporate management, including climate change, we assess the levels of risks and opportunities, discuss appropriate countermeasures, and decide to implement such countermeasures under the oversight of the Board of Directors.

The Company seeks to mitigate our impact on climate change and other environmental issues, and contribute to solutions to social issues. To achieve these goals, our Sustainability Committee (chaired by the President) meets at least twice a year to deliberate on targets and strategies related to climate change while taking into consideration our business, thereby managing the progress of our climate-related initiatives.

## 2 Strategy **(Short term: shorter than one year; medium term: one to five years; long term: five to 30 years)**

(1) 2°C scenario: Decarbonization and carbon-recycling technologies will spread widely, and demand for sustainable products will grow.

Type	Environmental Changes	Expected Situations	Term Length	Major Countermeasures
Transition Risks	CO <sub>2</sub> emission regulations	Growing need for fuel decarbonization Cost increase due to a switch to low-carbon emissions materials and processes	Medium term	<ul style="list-style-type: none"> <li>Using LNG combined with carbon credits</li> <li>Further enhancing the efficiency of energy use</li> <li>Introducing renewable energy more widely</li> </ul>
	Switch to low-carbon emissions products	Decline in demand for fossil fuel and petrochemical products (such as plastic products)	Short term	<ul style="list-style-type: none"> <li>Introducing carbon-recycling technology more widely</li> <li>Reconsidering the business portfolio and manufacturing processes with a view to reducing environmentally harmful emissions from the manufacturing processes</li> </ul>
	Changes in customer behavior	Increased demand for low-carbon emissions products within the supply chain	Long term	
Business Opportunities	Increased demand for products that help mitigate climate change	Growing demand for carbon recycling, carbon-free fuel, carbon-absorbent products, and products related to power generation and storage	Long term	<ul style="list-style-type: none"> <li>Developing decarbonization products (secondary battery materials, materials for water electrolyzers, carbon-absorbent materials, carbon recycling catalysts, and synthetic ammonia catalysts)</li> <li>Enhancing the functions of electronic and energy materials (small-size, minute-particles [for higher durability] materials with uniform granularity distribution)</li> </ul>
	Development of next-generation technologies	Electrification of mobility Use of hydrogen and ammonia as energy sources	Medium term	

(2) 4°C scenario: Low-carbon, decarbonization, and carbon-recycling technologies will not spread. This will heighten the physical risks associated with greater severity of extreme weather events and a rise in average temperatures.

Type	Environmental Changes	Expected Situations	Term Length	Major Countermeasures
Physical Risks	Greater severity of extreme weather events	Heavier wind and flood damage to our production bases Droughts and health damage in the summer, which can lead to suspension of production activities, delayed or disrupted logistics, and consequently massive damage to corporate activities in general	Short term	<ul style="list-style-type: none"> <li>Formulating a business continuity plan (BCP) for each production base in line with the scenario</li> <li>Considering optimal locations for production and diversifying raw material suppliers</li> <li>Enhancing measures to reduce health damage (such as heatstroke)</li> <li>Introducing unmanned operations by accelerating robotization and automation</li> </ul>
	Rise in average temperatures	Increase in the cost of countermeasures against heatstroke and air-conditioning Decline in labor productivity in the event of a lack of appropriate countermeasures	Long term	
Business Opportunities	Growing demand for products that help adapt to climate change	Increased demand for healthcare products Increased demand for heat-insulating and heat-barrier products Wider spread of remote work Increased demand for antibacterial and antiviral materials	Short term	<ul style="list-style-type: none"> <li>Boosting sales of skincare products, including sunscreen</li> <li>Developing heat-insulating and heat-barrier materials</li> <li>Boosting sales of antibacterial and antiviral materials</li> <li>Boosting sales of 5G- and 6G-compatible products</li> <li>Developing materials related to wastewater and water purification</li> </ul>
	Diversification of raw material suppliers	Greater opportunity of replacement demand due to BCP measures	Long term	

## 3 Risk Management

The Sakai Chemical Group identifies materialities related to the environment, society, and governance, and implements risk management through company-wide management of materialities. The Sustainability Committee discusses response to climate change as a topic of extremely high importance to both our stakeholders and the Company. We are taking initiative to act because we recognize response to climate change as an essential requirement for the survival and operation of the Company.

## 4 Metrics and Targets

To achieve targets, we use the CO<sub>2</sub> emissions reduction rate as a KPI and implement reduction measures for the short, medium, and long term. These measures include promoting energy-saving activities and introducing renewable energy sources. Sakai Chemical Group has set a long-term CO<sub>2</sub> emissions reduction target with a view to achieving carbon neutrality by 2050.