

Response to the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

Disclosure Based on TCFD Recommendations for FY2023



The Sumitomo Riko Group has set forth in its Management Philosophy, "Strive to protect the global environment and to contribute to creating better communities," and has made measures to address climate change one of its most important management issues. From the perspective of promoting communication with our stakeholders, we are conducting our analysis in line with the TCFD recommendations and will continue to promote information disclosure.

We will continue to strive to further enhance our corporate value through specific measures by deepening our analysis based on trends in international sustainability disclosure standards such as the ISSB standards and the Corporate Sustainability Reporting Directive (CSRD).

Governance

Regarding sustainability-related matters, including climate change, the CSR and Sustainability Committee, chaired by the president and composed of executive officers, approves activity policies and checks and follows up on the progress of activities.

We have put in place an appropriate oversight system, such as reporting the matters discussed by the CSR and Sustainability Committee to the Board of Directors at least twice a year and receiving instructions.

Strategy / Scenario Analysis

We have conducted a scenario analysis to gain a concrete understanding of the various risks and opportunities that climate change poses to our business. The scenario analysis was conducted around a time axis of 2030, based on two scenarios: a scenario toward a "carbon neutral world" where the impacts become apparent in terms of transition (1.5°C scenario), and a scenario toward a "tragic world" where the impacts become apparent in terms of physical aspects (4°C scenario).

Scenarios referenced mainly

Scenario toward a "carbon neutral world" where the impacts become apparent in terms of transition (1.5°C scenario)	<ul style="list-style-type: none"> IEA, "World Energy Outlook 2023": Net zero emissions by 2050 Scenario (NZE), Announced Pledges Scenario (APS) Inevitable Policy Response, "Supply Chain Analysis(SCA)" IPCC, "AR6 Synthesis Report": SSP1-1.9/SSP1-2.6
Scenario toward a "tragic world" where the impacts become apparent in terms of physical aspects (4°C scenario)	<ul style="list-style-type: none"> WRI Aqueduct Water Risk Atlas 4.0: SSP5-8.5 IPCC, "AR6 Synthesis Report": SSP3-7.0, SSP5-8.5

Strategy Resilience

We believed that in 2030, the world will be moving further toward a "carbon neutral world" where we aim to achieve a global average temperature increase of 1.5°C or less and transition to decarbonization. We believe that the risks that will materialize in such a shift are mainly transition risks, which may

result in increased costs to comply with stricter GHG regulations, increased procurement costs of raw materials such as natural rubber, and lower sales of products for internal combustion engines due to the shift to EVs. We recognize that the shift to EVs will have a particularly large impact on our group, which is mainly focused on the automotive market.

However, the shift to EVs will enable us to add more value to our mainstay products, such as anti-vibration rubber products with quieter functions than before and urethane products with "sound insulation products."

We believe that we will be able to respond flexibly to the EV shift by developing new products that meet such changing market needs, utilizing our technologies, including "polymer material technology," which creates highly functional products by compounding, synthesizing, and modifying materials, and "comprehensive evaluation technology," which precisely evaluates and verifies the reliability of our products.

In the non-automotive business field, we will continue to develop corresponding products by leveraging our expertise in advanced technologies for automobiles and our proprietary technologies for industrial applications to meet the changing market needs arising from the transition to a decarbonized society, such as insulation measures for a wide range of applications, including construction machinery, rail vehicles, and housing and structures.

We will continue to closely monitor changes in the social and market environment to update our analysis and make the promotion of various response measures more effective in order to further strengthen our resilience to the effects of climate change.

Risk Management

Our Group has established the Risk Management Committee, chaired by the President, and the Risk Management Center, a dedicated risk management organization that serves as the committee's secretariat, as a system to manage risks across the entire Group.

Target and Result

As the mid-term target to achieve carbon neutral in 2050, we have set and implemented the CO₂ Reduction Target Value in Long-term Vision ending in FY2029 (2029 Sumitomo Riko Group Vision) and Mid-term Management Plan ending FY2025 (2025 Sumitomo Riko Group Mid-term Management Plan).

Item	Target Year	CO ₂ Reduction Target Value	Actual Results (FY2023)
2025 Sumitomo Riko Group Mid-term Management Plan (2025P)	FY2025	Scope1+2 20% decrease from FY2018	Scope1+2 -20.5% Scope3 +1.8%
	FY2029	Scope1+2 30% decrease from FY2018 Scope3 15% decrease from FY2018	
2029 Sumitomo Riko Group Vision (2029V)	2050	Achievement of Carbon Neutrality	—



Identification of Risks/Opportunities, Details on Analysis

Transitional Risks and Opportunities

Category	Important Themes	Risk	Time of Occurrence	Impact	Opportunity	Time of Occurrence	Impact	Direction of Response
Regulations	GHG Regulations	Cost increases due to introduction of carbon pricing	Medium-term	Medium	Reduction of manufacturing costs by improving production efficiency	Short to medium term	Large	<ul style="list-style-type: none"> Steady GHG emission reduction based on the Long-Term Environmental Vision Active use of renewable energy sources, such as the introduction of solar power generation Promote energy-saving activities by improving production processes and introducing new equipment Development of low emission manufacturing methods and designs Use of internal carbon pricing to consider capital investment Smart factories utilizing DX Automation and manpower saving of processes such as automated product inspections by AI Reduction of design and development time through digitalization and construction of an energy aggregation system
		Increased labor costs due to stricter emissions reporting requirements	Short-term	Medium				
Market / Technology	Raw Materials	Increased costs due to higher natural rubber prices and concerns about procurement due to declining supply	Short to long term	Large	Strengthen competitiveness preference through active use of low environmental to the change of customer	Short to long term	Medium	<ul style="list-style-type: none"> Reduction of material procurement through effective use of resources Reduction of material loss (waste) by reducing defective products Promotion of resource recycling by recycling waste as raw materials using microorganisms Collaboration with suppliers to expand use of low environmental impact materials Dialogue on the application of bio-derived materials and recycled materials
		Cost increases due to substitution of petroleum-derived raw materials	Medium-term	Medium				
		Increase in procurement costs due to tight metals supply and demand and substitution of low-carbon metals	Medium to long term	Medium				
	EV Shift	Decrease in demand for products for internal combustion engines and decrease in parts usage due to simplification of mechanisms	Short to long term	Large	Increased demand for high-performance products for EVs	Short to long term	Large	<ul style="list-style-type: none"> Build an appropriate product/portfolio in line with customer requirements and market trends Securely capture demand for products for internal combustion engines in the transition period Launch of high-performance products for EVs Establish a system to expand sales to overseas automakers Establish a development and production system tailored to local markets by leveraging our global network. Consideration of new R&D bases for rapid response to market and technology trends
Decrease in sales due to decline in market share of our existing customers, accompanying the rise of new EV makers, etc.		Short to long term	Medium	Expansion of our market share by using our technological capabilities to expand sales to overseas automakers	Short to long term	Medium		
Support for new technologies	Increase in development investment costs to support next-generation technologies		Medium-term	Large	Improve competitiveness by developing new decarbonization-related products utilizing next-generation technologies	Short to long term	Large	<ul style="list-style-type: none"> Establishment of production technology for products using materials with low environmental impact Development of products using plant-derived raw materials (biohydriin rubber) Using biomass materials for cooling hose parts for EVs. Development of high-performance products to meet EV needs Development of anti-vibration products that contribute to suppression of high-frequency vibration and noise generated by motors Development of products that contribute to improved electricity costs through advanced thermal management, weight reduction, etc. Development of products for fuel cell vehicles, such as highly sealed hydrogen hoses Expansion of advanced technologies for automobiles to other applications Development to meet the demand for renewal of infrastructure for clean energy Expand sales of seismic isolation vibration control products for infrastructure repair and large-scale wooden buildings, etc., utilizing anti-vibration technology Expand applications of new products to meet demand for thermal management
					Expansion into markets expected to grow with the transition to a decarbonized society			
Reputation	Stakeholders	Increased cost of responding to requests from investors, employees, and other stakeholders	Short to medium term	Medium	Decrease in financing costs due to recognition of climate change measures	Medium-term	Medium	<ul style="list-style-type: none"> Building trust with stakeholders Steady progress in climate change measures based on dialogue with various stakeholders Utilization of sustainable finance in financing

Physical Risk

Category	Important Themes	Risk	Time of Occurrence	Impact	Direction of Response
Chronic	Rising temperatures	Deterioration of labor environment due to rising temperatures	Medium to long term	Medium	<ul style="list-style-type: none"> Improvement of production facilities and processes Elimination of heavy reinforcement work in hot environments through automation of vulcanization processes that use heat sources, etc.
	Changes in precipitation	Cost increase and procurement concerns due to unstable natural rubber supply caused by changes in precipitation patterns	Medium-term	Large	<ul style="list-style-type: none"> Reduction of material procurement through effective use of resources Reduction of material loss(waste) through reduction of defective products Promote recycling of resources by utilizing microorganisms to recycle waste as raw materials
		Increase in utilization costs due to tight supply and demand of water resources, especially in regions with high water stress	Medium-term	Medium	<ul style="list-style-type: none"> Conservation of water resources Reduce water consumption by improving production processes and recycling wastewater Regular monitoring of water risk by region
Acute	Floods, etc.	Flooding causes shutdowns and increased restoration costs	Medium to long term	Small	<ul style="list-style-type: none"> Enhancement of BCP Establishment of a bridge production system among multiple bases Reinforce BCP measures at overseas bases, focusing on high-risk bases
		Increased transportation risk due to typhoons and other disasters	Long-term	Medium	

* Time of Occurrence Short-term: FY2025 (the final year of the medium-term management plan), Medium-term: FY2029 (final year of 2029V), Long-term: 2050

* Impact Small: Sales 5 billion yen / Expenses less than 500 million yen, Medium: Sales 5 billion yen, to less than 30 billion yen / Expenses 500 million yen to less than 5 billion yen, Large: Sales of 30 billion yen / Expenses of 5 billion yen or more

(Assumptions as of FY2029. Transition risk is based on the 1.5°C scenario and physical risk is based on the 4° C scenario)