

December 11, 2024

News Release

KAGA ELECTRONICS CO., LTD.

Update on Information Disclosure Based on TCFD Recommendations

KAGA ELECTRONICS CO., LTD. (Head Office: Chiyoda-ku, Tokyo; Representative Director, President & COO: Ryoichi Kado; hereinafter "the Company") has updated the information on its website regarding the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations. The updates cover four key areas: "Governance," "Strategy," "Risk Management," and "Metrics and Targets."

The main points are as follows:

- Governance : We have clarified the roles of each subcommittee within our climate change governance structure.
- Strategy : We conducted an analysis using 1.5°C and 4°C scenarios to reassess our risks and opportunities, and evaluated them in terms of time horizons (short, medium, and long term) and financial impact (large, medium, and small).
- Risk management : We examined the process for classifying, evaluating, and managing climate-related risks and the integration process into Group-wide risk management, and incorporated the results of this examination into our risk management practices.
- Metrics and targets : we have set a reduction target of 42% for Scopes 1 and 2 and 25% for Scope 3 by 2030, based on the fiscal year ended March 31, 2024.
※Although the Company has historically calculated greenhouse gas emissions only for specific sites, from the perspective of continuous emissions management and transparent information disclosure, we have calculated Scope 1, 2, and 3 emissions for the fiscal year ended March 31, 2024.

- For more details, please refer to the "Disclosure based on TCFD or equivalent framework" section on the sustainability page of our company website.

URL : <https://www.taxan.co.jp/en/csr/conservation/index.html>

The Group is committed to understanding the current situation and working toward achieving its goals.

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Disclosure based on TCFD or equivalent framework

The Kaga Electronics Group considers the promotion of CSR and sustainability as its key management issues and has formulated a Medium- to Long-Term Sustainability Management Plan in 2021. In particular, we are currently advancing our contribution to the global environment by reducing CO2 emissions and promoting waste reduction and reuse through our business activities, and offering environmentally friendly products and services. Furthermore, we have set “creating a clean global environment” as one of our material issues and are working to address climate change, and we recognize significant transition risks, physical risks, and opportunities in accordance with the TCFD recommendations framework. Our implementation policies are as follows.

Status of Implementation of TCFD Recommendations

■ Governance

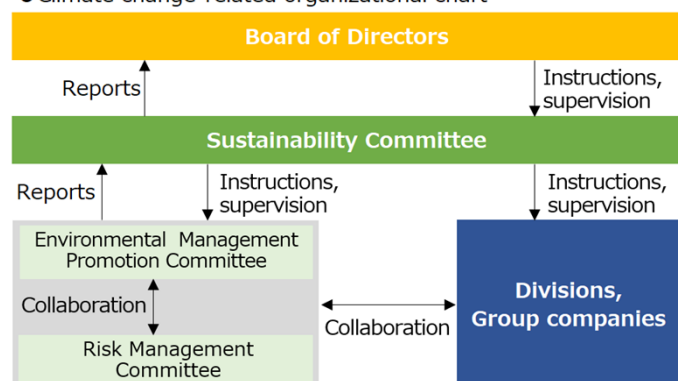
The Group established the Sustainability Committee by integrating and consolidating the former CSR Committee and SDGs Committee in April 2024 to enhance the Group’s overall corporate value through the implementation of cross-group initiatives that address medium- to long-term management issues related to the environment, society, governance, and other areas. Under this committee, we have established six specialized subcommittees, including the Environmental Management Promotion Committee and the Risk Management Committee.

The committee meetings are held once every six months, in principle, and the committee is composed of the President and COO as the Chairperson, executive officers overseeing each division as committee members, and the Sustainability Promotion Department serving as the secretariat. The secretariat is responsible for the collection, disclosure, and reporting of information related to the Group’s sustainability promotion activities, as well as other activities that support the operation of the committee for facilitating the holding of committee meetings in collaboration with each specialized subcommittee.

The roles of the committee include the deliberation of sustainability-related issues identified by specialized subcommittees such as the Environmental Management Promotion Committee, the formulation of strategies and targets and the implementation of measures for the Group's ESG issues, including those related to climate change, and the monitoring of their progress.

The matters considered and resolved by the Sustainability Committee are reported to the Board of Directors each time. The Board of Directors then consults with the committee on the matters reported and provides instruction and oversight on the initiatives implemented by the committee.

● Climate change-related organizational chart



■ Strategy

Analysis process

We examined the risks and opportunities posed by climate change regarding the Group's business operations in the following steps, with reference to the items of risks and opportunities presented in the TCFD recommendations.

Moreover, we conducted an analysis of the transition of policies and market trends (transition risks and opportunities) and an analysis of physical changes due to disasters and other factors (physical risks and opportunities), using two scenarios, a 1.5°C scenario and a 4°C scenario.



Climate change scenarios

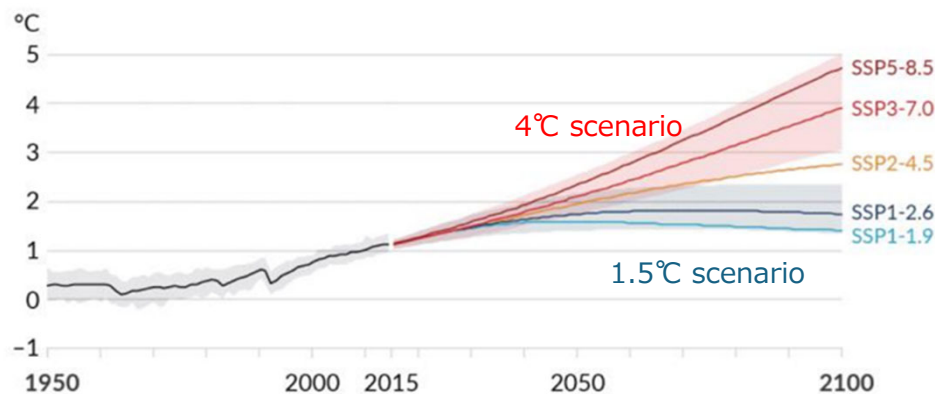
● 1.5°C scenario (decarbonization scenario)

A scenario that aims to limit the increase in global surface temperature to less than 1.5°C compared to pre-industrial levels, by accelerating initiatives aimed at achieving carbon neutrality to mitigate the impacts of climate change. In the 1.5°C scenario, it is assumed that the impact of policy and legal risks among transition risks will be greater, compared to the assumptions regarding those risks in the 2°C scenario.

● 4°C scenario (high emissions scenario)

A scenario in which measures against climate change do not progress from the current state, resulting in a global surface temperature rise of approximately 4°C by the end of this century compared to pre-industrial levels. It is assumed that the impacts of intensifying extreme weather events and sea level rise on physical risks will increase.

● Global surface temperature change relative to 1850–1900



Source: This figure is a reproduction of Figure SPM.8 from the Summary for Policymakers of the Working Group I (WGI) contribution to the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (Ministry of Education, Culture, Sports, Science and Technology and Japan Meteorological Agency)

Impact assessment of risks and opportunities and selection of countermeasures

In the 1.5°C scenario, it is expected that the decarbonization of fuels and raw materials will advance due to intensifying external pressures for decarbonization, leading to a rise in procurement costs and costs associated with compliance with emissions regulations. On the other hand, customers will increasingly demand energy-saving and low-carbon products, so we expect to see growing demand for existing businesses, such as the reuse and recycling of power semiconductors and information devices that contribute to energy efficiency, as well as the acquisition of new business opportunities through the implementation of emission reduction measures.

In the 4°C scenario, low-carbonization and decarbonization initiatives are expected to be promoted; however, their effects will be limited, leading to rising trends in CO₂ emissions. This situation is likely to result in an increase in extreme weather events and disaster risks. Consequently, incidents such as damage to manufacturing sites and disruptions in the supply chain are anticipated, making it necessary to strengthen Business Continuity Planning (BCP) measures, including those involving external partners.

We are aware of the major transition risks and physical risks and earnings opportunities relating to climate change as follows.

Types of risks and earnings opportunities			Time horizon	Degree of impact	Response policies
Transition risks (Most anticipated to materialize in a 1.5–2°C scenario)	Legal and policy risks	Increase in costs due to taxation on CO ₂ emissions from business activities if a carbon tax is introduced in the future	Medium-term ~ Long-term	Large	<ul style="list-style-type: none"> • Electrify the company fleet and increase the use of renewable energy (These are being addressed as part of our Medium- to Long-Term Sustainability Management Plan.)
		Concerns over potential increase in procurement costs due to the introduction of a carbon tax on suppliers in the future	Medium-term ~ Long-term	Large	<ul style="list-style-type: none"> • Review packaging and transportation methods through engagement with suppliers • Pass on costs to sales prices to the extent possible
		Increase in credit prices due to rising demand for carbon offsets aimed at achieving emission reduction targets	Medium-term ~ Long-term	Small	<ul style="list-style-type: none"> • Currently installing solar panels at our facilities (already installed at our Aomori (Towada), Fukushima, Vietnam, Mexico, Hubei China, and Malaysia factories) Also considering the introduction of off-site Power Purchase Agreements (PPAs) • Already purchased non-fossil certificates (Plans to promote the purchase have been formulated within the Medium- to Long-Term Sustainability Management Plan.)

- Time horizon : Short-term: up to 3 years, Medium-term: 3 to 6 years (2030), Long-term: 6 to 26 years (2050)
- Degree of impact : Large: 10% or more of operating income, Medium: 3% to 10% of operating income, Small: Less than 3% of operating income

Impact assessment of risks and opportunities and selection of countermeasures

Types of risks and earnings opportunities			Time horizon	Degree of impact	Response policies
Transition risks(Most anticipated to materialize in a 1.5-2°C scenario)	Technical risks	Surge in power generation costs due to the increase in the share of renewable energy	Medium-term	Small	<ul style="list-style-type: none"> •Enhance the capacity of our self-generation facilities, such as solar panels (currently installing self-generation facilities at the Aomori(Towada) and Fukushima factories) •Consider the introduction of battery storage systems •Commence purchasing electricity through electricity auctions
	Market risks	Decline in sales due to the inability to meet customer needs for energy-saving and low-carbon products and components in the trading and EMS businesses	Medium-term ~ Long-term	Small	<ul style="list-style-type: none"> •Enhance the lineup and offerings of environmentally superior products and components that meet customer demands
		Rise in procurement costs driven by the tightening demand for mineral resources (such as rare metals) resulting from the expansion of the renewable energy and electric vehicle markets	Medium-term ~ Long-term	Small	<ul style="list-style-type: none"> •Consider the diversification of the supply chain •Develop alternative products •Pass on costs to sales prices
	Reputation risks	Decline in evaluations from customers who prioritize ESG, due to delays in greenhouse gas (GHG) reduction initiatives and insufficient information disclosure	Short-term ~ Long-term	Medium	<ul style="list-style-type: none"> •Thoroughly disclose climate-related information, and actively work to improve external evaluations

- Time horizon : Short-term: up to 3 years, Medium-term: 3 to 6 years (2030), Long-term: 6 to 26 years (2050)
- Degree of impact : Large: 10% or more of operating income, Medium: 3% to 10% of operating income, Small: Less than 3% of operating income

Impact assessment of risks and opportunities and selection of countermeasures

Types of risks and earnings opportunities			Time horizon	Degree of impact	Response policies
Physical risks (Most anticipated to materialize in a 4°C scenario, etc.)	Acute risks	Decline in sales during the recovery period due to the cessation of business activities by customers and suppliers, as well as disruptions in the supply chain	Short-term ~ Medium-term	Small	<ul style="list-style-type: none"> • Diversify the supply chain • Develop a Business Continuity Plan (BCP) Manual
		Potential recovery costs incurred due to damage at our company bases	Short-term ~ Long-term	Small	<ul style="list-style-type: none"> • Install new disaster prevention equipment and strengthen disaster preparedness measures for existing equipment • Develop a Business Continuity Plan (BCP) Manual • Ensure that all of our domestic factories are equipped with hazard maps
	Chronic risks	Increase in costs associated with addressing heat-related illnesses, such as heat stroke, due to deteriorating labor conditions at our factories	Medium-term ~ Long-term	Small	<ul style="list-style-type: none"> • Review the workplace environment, including the air-conditioning systems in our factories (Currently replacing the air-conditioning equipment with high-efficiency models every year)
Earnings opportunities	Resource efficiency	Reduction in operational costs through the implementation of energy-saving equipment at worksites	Short-term ~ Medium-term	Small	<ul style="list-style-type: none"> • Implement energy efficiency monitoring and continuous improvement • Use AI-powered energy consumption management products
	Products and services	Increase in sales due to the growing demand for energy-saving and low-carbon products	Medium-term ~ Long-term	Large	<ul style="list-style-type: none"> • Focus on semiconductors and electronic components for electric vehicles • Expand the sales of electric buses
		Enhancement of subsidies for energy-saving and low-carbon products	Short-term ~ Medium-term	Medium	<ul style="list-style-type: none"> • Implement measures to drive the expansion of the PC peripheral recycling business

- Time horizon : Short-term: up to 3 years, Medium-term: 3 to 6 years (2030), Long-term: 6 to 26 years (2050)
- Degree of impact : Large: 10% or more of operating income, Medium: 3% to 10% of operating income, Small: Less than 3% of operating income

Impact assessment of risks and opportunities and selection of countermeasures

Types of risks and earnings opportunities			Time horizon	Degree of impact	Response policies
Earnings opportunities	Market	Increase in demand for EMS processing due to the expansion of the market for air-conditioning equipment associated with the rise in average temperatures	Medium-term ~ Long-term	Medium	<ul style="list-style-type: none"> • Establish strategic partnerships with customers and service providers in the air-conditioning industry • Broaden the range of products offered • Promote stable supply in the supply chain
		Improvement in stakeholder evaluations if initiatives to reduce GHG emissions are progressed	Short-term ~ Medium-term	Small	<ul style="list-style-type: none"> • Improve the Carbon Disclosure Project (CDP) score and obtain Science Based Targets (SBT) certification

- Time horizon : Short-term: up to 3 years, Medium-term: 3 to 6 years (2030), Long-term: 6 to 26 years (2050)
- Degree of impact : Large: 10% or more of operating income, Medium: 3% to 10% of operating income, Small: Less than 3% of operating income

■ Risk management

Process for classifying, evaluating, and managing climate-related risks

We have established the Environmental Management Promotion Committee as a specialized subcommittee directly under the Sustainability Committee. Each department and group company identifies short-term and medium- to long-term risks associated with climate change. The Environmental Management Promotion Committee then classifies and evaluates these risks, and reports the particularly significant ones to the Board of Directors through the Sustainability Committee every six months.

With regard to the classified and evaluated climate change-related risks, the Environmental Management Promotion Committee considers preventive measures and response policies. After deliberation and decision by the Sustainability Committee, these measures and policies are implemented by each department and group company. Furthermore, we comprehensively evaluate the importance and prioritization of risks from the perspectives of impact and urgency. The Sustainability Committee also reports on these matters to the Board of Directors in a timely and appropriate manner.

Integration process into Group-wide risk management

The Risk Management Committee overseeing Group-wide risks has been established as a specialized subcommittee directly under the Sustainability Committee. It designates a department to address each specific risk, and under the direction of the department's risk control officers and managers, a necessary and appropriate risk management framework is established. With regard to climate change-related risks, the Environmental Management Promotion Committee and the Risk Management Committee are working in collaboration to establish an integrated Group-wide risk management system.

■ Metrics and targets

The Group has calculated Scope 1, 2, and 3 emissions for the fiscal year ended March 31, 2024. As a result, we have set a reduction target of 42% for Scopes 1 and 2 and 25% for Scope 3 by 2030, based on the fiscal year ended March 31, 2024.

The Group is committed to understanding the current situation and working toward achieving its goals.

	Base-year emissions (FY 2023)	Reduction targets (By FY 2030)
Scope1	1,215 tCO ₂ e	42% reduction
Scope2	28,470 tCO ₂ e	
Scope3	1,742,660 tCO ₂ e	25% reduction

The Group has established the Medium- to Long-Term Sustainability Management Plan (announced on November 25, 2021) and is targeting the “achievement to shift to 100% renewable energy” and “shift to electricity for company-owned vehicles” to address environmental issues relating to the reduction of GHG emissions. The medium- and long-term targets for the main KPIs and progress in FY2023 are shown below

Key themes	Issues to address and issues to examine	Medium-term targets	Long-term targets	Progress in FY2023
Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> Adoption of renewable energy at domestic sales offices 	2024: 40%	2030: 100%	(1) Introduced 5.1% of total electricity from renewable sources (2) Decided to purchase non-fossil certificates to achieve target of ‘40% renewable energy in 2024’
	<ul style="list-style-type: none"> Adoption of renewable energy at domestic manufacturing sites 	By 2024: Information gathering/analysis and determination of policy	2030: 50% 2050: 100%	Installed solar power generation system in Towada factory and Fukushima factory
	<ul style="list-style-type: none"> Adoption of renewable energy at overseas manufacturing sites 	<ul style="list-style-type: none"> In-house power generation/external procurement Solar panel/biomass power generation/renewable energy businesses 	2030: 30% 2050: 100%	Installed solar panels in Mexico new factory
Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV) 	2024: 85%	2030: 100%	The ratio of electric vehicles increased by 3.0pt year on year to 85.0%