# Disclosures based on the TCFD framework

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

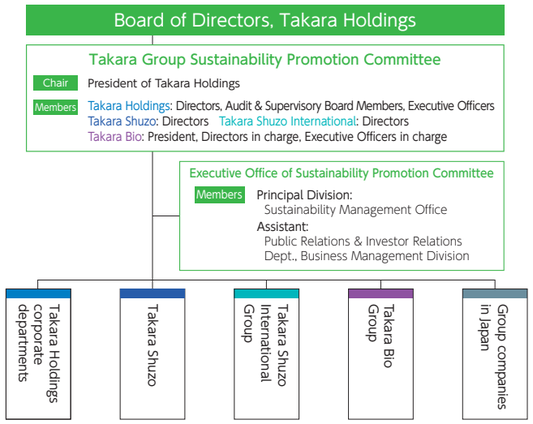
The Takara Group positions the harmonization of its business activities with global environmental preservation as one of its key challenges, and is actively implementing these initiatives. Recognizing that climate change is an important issue that has an impact on the sustainability of business, the Group supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and continues to assess and respond to risks and opportunities related to climate change in accordance with the TCFD framework, disclose relevant information, and engage in dialogue with stakeholders. The Group has also joined the TCFD Consortium, where companies and financial institutions which support the TCFD recommendations work together to move ahead with initiatives, and discuss effective information disclosure of companies and initiatives to lead to right investment decisions by financial institutions, etc.

## Governance

The Takara Group has established the Takara Group Sustainability Promotion Committee chaired by the Representative Director and President of Takara Holdings, under the supervision of the Board of Directors. The committee assesses the risks and opportunities that climate change poses to business, formulates strategies, and discusses targets, etc. In addition, as a subordinate organization of the Takara Group Sustainability Promotion Committee, the Executive Office of Sustainability Promotion Committee has been established to deal with climate change issues. The Executive Office of Sustainability Promotion Committee sets out and implements specific activities for each Group company based on decisions made by the Takara Group Sustainability Promotion Committee.

These sustainability initiatives, including climate change issues, are reported to the Board of Directors by the Takara Group Sustainability Promotion Committee.

Governance Structure




## Risk Management

The Takara Group identified risks and opportunities for Takara Shuzo Co., Ltd. and Takara Shuzo International Co., Ltd. (Overseas Alcoholic Beverages Business, Japanese Food Wholesale Business in overseas markets). As a process to identify them, we extracted potential risks and opportunities for transition risks and physical risks by referring to experts' opinions and published reports, and selected risks and opportunities that are expected to have a significant impact over the short-, medium-, and long-term period, taking into account the likelihood and magnitude of impact. The Takara Group Sustainability Promotion Committee reports to the Board of Directors on the details of identified risks and opportunities and the countermeasures.

## Strategy and Scenario Analysis

In addition to Takara Shuzo Co., Ltd. in fiscal year 2021 and the Overseas Alcoholic Beverages Business of Takara Shuzo International Co., Ltd. in fiscal year 2022, the Takara Group expanded its scope to include Japanese Food Wholesale Business in overseas market of Takara Shuzo International Co., Ltd. in fiscal year 2023, and conducted a scenario analysis to understand the impact of climate change risks and opportunities on the business and consider countermeasures to be taken.

In this analysis, we referred to RCP 2.6 (below 2°C scenario) and RCP 8.5 (4°C scenario) based on AR5 of IPCC (Intergovernmental Panel on Climate Change) for physical risks, and APS scenario (below 2°C scenario), SDS scenario (below 2°C scenario), and NZE2050 scenario (1.5°C scenario) based on WEO of IEA (International Energy Agency) for transition risks to analyze and examine the impact of climate change.

**Transition risk** — As the temperature rise is limited to less than 2°C and strict environmental regulations are introduced to achieve carbon neutrality, the adoption of carbon tax will force up production costs, operating costs, storage costs, and the prices of containers and packaging materials, causing an impact on our business.

**Physical risk** — As the temperature rise will be about 4°C, damage due to storm surges and floods caused by sea level rise will have a significant impact on our operations. In addition, it has been found that the amount of yield of crops, which are raw materials, is greatly affected by rising temperatures.

**Opportunities** — We think that the reduction of operating costs through promotion of energy conservation efforts such as the introduction of energy-saving equipment as well as increased demand for ethical consumption and eco-friendly products will become business opportunities for us.

Going forward, we will continue to review risks and opportunities and give shape to measures to be taken, and reflect them in our medium- to long-term management strategies, thereby striving to improve the resilience of our strategies.

Target companies: Takara Shuzo Co., Ltd.
Takara Shuzo International Co., Ltd.
Overseas Alcoholic Beverages Business (Takara Sake USA Inc., Takara Shuzo Foods Co., Ltd., and The Tomatin Distillery Co. Ltd)
Japanese Food Wholesale Business in overseas markets (Mutual Trading Co., Inc., Tazaki Foods Limited, FOODEX S.A.S., Cominport Distribución S.L., and Nippon Food Supplies Company Pty Ltd)

* For disclosures based on the TCFD framework of Takara Bio Inc., please visit Takara Bio's website.

## Business Risks and Opportunities due to Climate Change in Domestic Business and Overseas Alcoholic Beverages Business

| Risk | Content | Period*1 | Impact*2 (1.5°C Scenario) | Impact*2 (2.0°C Scenario) | Measures |
|---|---|---|---|---|---|
| Transition risk | Increase in production costs due to implementation of carbon tax | Medium-term | Medium | Medium | • Promoting initiatives to reduce $CO_2$ emissions and increasing the ratio of renewable energy<br>• Promoting modal shifts (in Japan)<br>• Promoting the use of renewable energy (installation of solar panels, etc.)<br>• Converting company vehicles to EVs |
| Transition risk | Increase in costs of containers and packaging materials | Medium-term | Medium | Medium | • Switching to recycled containers and low-carbon alternative containers<br>• Obtaining certification for paper and cardboards (e.g. FSC, PEFC)<br>• Use of biomass materials for soft packaging materials and printing<br>• Reducing weight of packaging materials (making bottles and cans lighter and abolishing labels and stickers) |
| Physical risk | River flooding (flood damage) | Long-term | 4.0°C Scenario: Large | | • Decentralization of production sites in Japan<br>• Survey and examination of countermeasures for sites where large-scale flooding is expected<br>• Consideration and formulation of BCP |
| Physical risk | Coastal flooding (flood damage) | Long-term | | | |
| Physical risk | Impact on crop yields (see below for details) | | | | (See below for details) |

*1 Medium-term until around 2030 Long-term until around 2050 *2 Impact on financial indicators Large 5% or more Medium 1–5% Small Less than 1%
Transition risk is the impact on consolidated operating income, and physical risk is the impact on consolidated net sales, consolidated property, plant and equipment, and consolidated inventories.

| Opportunities | Content | Measures |
|---|---|---|
| Opportunities | Impact on cost of switching to energy-saving equipment | • Installing low-carbon equipment (converting the heavy oil boiler to a natural gas boiler)<br>• Using a biomass boiler at Tomatin |
| Opportunities | Impact of energy conservation promotion on cost reduction | • Installing energy-saving equipment that reduces operating costs<br>• Considering the promotion of the reuse of waste heat (use of heat pumps, etc.) |
| Opportunities | Increase in demand for eco-products (demand for ethical consumption) | • Product development consistent with ethical consumption (*Takara CRAFT*, *Sho Chiku Bai Nend*, etc.)<br>• Initiatives for environmentally friendly products and certified products |

### Impact on crop yields

In addition to Takara Shuzo Co., Ltd., we have expanded our scope to include the Overseas Alcoholic Beverages Business of Takara Shuzo International Co., Ltd., and analyzed the impact of temperature rise on yields for four items that account for a large proportion of raw material use.

Global average temperature rise (°C) and changes in impact since pre-industrial times

| Item | Major country of origin | 2.0°C | 4.0°C | Measures |
|---|---|---|---|---|
| Sugarcane (yield) | Brazil | ︿ | ︿︿ | • Continue stable procurement through cooperation with producers<br>• Surveying and diversifying suppliers to reduce procurement risk<br>• Survey and examination of raw materials compatible with climate change |
| Corn (yield) | United States | ﹀﹀ | ﹀﹀ | |
| Paddy rice (yield) | Japan | — | ﹀﹀ | |
| Paddy rice (yield) | China | ︿ | ︿ | |
| Paddy rice (yield) | United States | ︿ | ︿ | |
| Barley (yield) | UK | ︿︿ | — | |

[Change in impact]–/+
30% or above ﹀﹀﹀ / ︿︿︿
15% to less than 30% ﹀﹀ / ︿︿
Less than 15% ﹀ / ︿
No change —
No data —

## Business Risks and Opportunities due to Climate Change in Japanese Food Wholesale Business in overseas markets

| Risk | Content | Period*1 | Impact*2 1.5°C Scenario | Impact*2 2.0°C Scenario | Measures |
|---|---|---|---|---|---|
| Transition risk | Increase in product procurement costs due to implementation of carbon tax | Medium-term | Small | Small | • Understanding carbon tax and carbon pricing trends<br>• Studying and switching to products using sustainable containers and packaging materials |
| Transition risk | Increase in distribution and storage costs due to implementation of carbon tax | Medium-term | Small | Small | • Introducing EVs and electric trucks<br>• Understanding renewable electricity trends in various countries<br>• Promoting the use of renewable energy (installation of solar panels, etc.)<br>• Considering and promoting energy conservation measures (Converting lighting to LEDs and those with automatic sensors, utilizing heat pumps for air conditioning, etc.) |
| Transition risk | Increase in storage costs due to rising electricity prices | Medium-term | — | Small | |
| Transition risk | Rise in procurement prices due to decline in raw material yield | Medium-term | Medium (Qualitative evaluation) | | • Considering and selecting alternative suppliers<br>• Studying and procuring alternative products |
| Physical risk | River flooding (flood damage) | Long-term | 4.0°C Scenario Small | | • Consideration and formulation of BCP (Countermeasures involving site facilities, inventory, distribution routes, delivery volume to customers, drills, etc.)<br>• Consideration of site location and securing floor height of facilities, taking into account flood damage risk |
| Physical risk | Coastal flooding (flood damage) | Long-term | | | |

*1 Medium-term until around 2030 Long-term until around 2050 *2 Impact on financial metrics Large 5% or more Medium Medium 1–5% Small Less than 1%
Transition risk is the impact on consolidated operating income, and physical risk is the impact on consolidated net sales, consolidated property, plant and equipment, and consolidated inventories. – Scenario data unavailable

| Opportunities | Content | Measures |
|---|---|---|
| Opportunities | Increase in business due to switch to environmentally-friendly products and packages | • Selecting environmentally-friendly products and packages, and expanding their lineup<br>• Building cooperative relationships with suppliers for procurement |
| Opportunities | Increase in demand for ethical consumption | • Strengthening lineup of plant-based "vegan products," etc. that serve as substitutes for beef and lead to curbing temperature rise<br>• Providing information to customers regarding product features and certification acquisition |

## Indicators and Targets

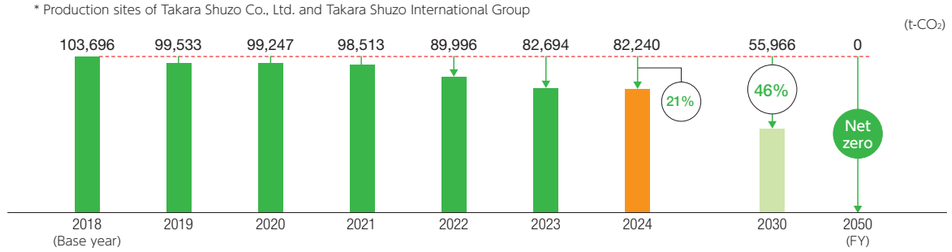
The Takara Group has set $CO_2$ emissions reduction targets in its Takara Group Sustainability Vision. Takara Shuzo Co., Ltd. and the Takara Shuzo International Group have set $CO_2$ emissions targets in Scope 1 and Scope 2 in total for their production sites.

### Targets and Progress for FY2024

| Scope | Indicators and targets | FY2024 results |
|---|---|---|
| Takara Shuzo + Takara Shuzo International Group | [FY2030] Reduce $CO_2$ emissions at production sites by 46% compared with FY2018 | Compared to FY2018: 21% reduction<br>$CO_2$ emissions: 82,240 (t-$CO_2$) |
| Takara Shuzo (Distribution) | [FY2030] Achieve a 10% reduction in $CO_2$ emission intensity in transportation ($CO_2$ emissions per unit of shipment), compared with FY2018 | Compared to FY2018: 16% reduction |
| Takara Bio Group | [FY2025] Achieve a 50% reduction in $CO_2$ emission intensity ($CO_2$ emissions per unit of net sales), compared with FY2018 | Compared to FY2018: 14% reduction |
| Entire Group | [FY2050] Net zero $CO_2$ emissions | — |

### Scope 1 and Scope 2 Total $CO_2$ Emissions of Takara Shuzo Co., Ltd. and Takara Shuzo International Group

* Production sites of Takara Shuzo Co., Ltd. and Takara Shuzo International Group




### GHG Emissions of Takara Holdings Inc., Takara Shuzo Co., Ltd. and the Overseas Alcoholic Beverages Business of Takara Shuzo International Co., Ltd. in FY2024

Takara Holdings Inc., Takara Shuzo Co., Ltd. and the Overseas Alcoholic Beverages Business of Takara Shuzo International Co., Ltd. calculate greenhouse gas (GHG) emissions in Scope 1, Scope 2, and Scope 3. Going forward, we will work to grasp our Group-wide GHG emissions.

Unit: t-$CO_2$e

| | FY2023 | FY2024 |
|---|---|---|
| Scope1+Scope2 market-based | 84,540 | 83,850 |
| Scope1 | 63,932 | 60,336 |
| Scope2 market-based | 20,609 | 23,514 |

| Category | | | FY2023 | FY2024 | Calculation method |
|---|---|---|---|---|---|
| Scope3 | | | 794,129 | 775,070 | |
| Upstream | Category 1 | Purchased goods and services | 587,638 | 572,109 | Calculated for procured raw materials, containers, and packaging materials |
| Upstream | Category 2 | Capital goods | 16,156 | 20,368 | Calculated for purchased facilities and instruments |
| Upstream | Category 3 | Fuel- and energy-related activities not included in Scope 1 and 2 | 18,205 | 17,898 | Calculated based on the amount of fuel and electricity used |
| Upstream | Category 4 | Upstream transportation and distribution | 102,602 | 99,287 | Calculated for the logistics of procured raw materials, containers, and packaging materials |
| Upstream | Category 5 | Waste generated in operations | 3,390 | 3,627 | Calculated for waste weight and disposal cost |
| Upstream | Category 6 | Business travel | 260 | 263 | Calculated for employee business travels |
| Upstream | Category 7 | Employee commuting | 669 | 678 | Calculated for employee commuting |
| Upstream | Category 8 | Upstream leased assets | — | — | Not included in the calculation |
| Downstream | Category 9 | Downstream transportation and distribution | 11,058 | 10,513 | Calculated for shipping logistics |
| Downstream | Category 10 | Processing of sold products | — | — | Not included in the calculation |
| Downstream | Category 11 | Use of sold products | — | — | Not included in the calculation |
| Downstream | Category 12 | End-of-life treatment of sold products | 49,057 | 45,901 | Calculated for waste from products sold |
| Downstream | Category 13 | Downstream leased assets | 5,094 | 4,426 | Calculated for instruments leased to outside parties |
| Downstream | Category 14 | Franchises | — | — | Not included in the calculation |
| Downstream | Category 15 | Investments | — | — | Not included in the calculation |
| Scope1+Scope2+Scope3 | | | 878,669 | 858,920 | |

Scope 1: Direct emissions of greenhouse gases by the business itself (fuel combustion, industrial processes)
Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies
Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions by other companies related to the activities of the business)
*Target companies of the Overseas Alcoholic Beverages Business of Takara Shuzo International Co., Ltd.: Takara Sake USA Inc., Takara Shuzo Foods Co., Ltd., and The Tomatin Distillery Co. Ltd
*GHG emission results are subject to change due to third-party verification, etc.