

Climate Change Initiatives — Response to the Task Force on Climate-related Financial Disclosures (TCFD) (→P76) —

Basic Policy on Climate Change

As the LOGISTEED Group's corporate philosophy is "to deliver high-quality services that will help make the world a better place for people and nature for generations to come," we position climate change response as one of our highest priority management themes and identifies "Contribute to decarbonized society" as one of the material issues. We also defined "Contribute to decarbonized/recycling-oriented society" as one of the business objectives to promote initiatives to address climate-related risks and opportunities and reduce CO₂ emissions. In addition, we announced our endorsement of the TCFD recommendations in September 2021 and partially reviewed our risks, opportunities, and financial impact assessments in FY2022.

Governance

The Board of Directors provides guidance and supervises climate change initiatives included in the highest priority items of the Group's management such as management strategies and business plans (e.g. target setting and determination of specific climate change responses such as energy-saving investments and budget allocation for greenhouse gas (CO₂) emission reduction) through Chairman and CEO who is responsible for climate change initiatives. The executive officer in charge reports to the Board of Directors the progress of the climate change initiatives annually or as needed.

Sustainability Promotion Department, Corporate Strategy Office in the head office oversees overall environmental management work under the supervision of Executive Vice President and Executive Officer, who is responsible for sustainability strategy. The Environmental Promotion Conference comprised of the Group's environment officers including Chief Sustainability Officer is held semiannually to confirm the achievement level of climate change responses including reduction of energy consumption and CO₂ emissions, as well as determine necessary corrective measures and discuss measures to be taken in the future. Based on the decisions at the Environmental Promotion Conference with the Chief Sustainability Officer's approval, the progress of climate change initiatives and the proposed strategy in the future are reported to the Executive Committee semiannually or as needed.

Meeting bodies/ Departments	Roles
Board of Directors	<ul style="list-style-type: none"> Provides guidance and supervises initiatives to address management issues related to climate change Approves reduction targets/ measures/budgets
Executive Officer	<ul style="list-style-type: none"> Understands the progress of initiatives to address management issues related to climate change, and reports to the Board of Directors
Sustainability Promotion Department	<ul style="list-style-type: none"> Oversees overall environmental management work, holds Environmental Promotion Conference, and reports/proposes to the Executive Committee based on decisions at the Committee
Environmental Promotion Conference	<ul style="list-style-type: none"> Confirms the achievement level of measures related to climate change, determines corrective measures, and discusses proposed measures

Governance system → P65 (environmental management structure)

Risk management

In consideration of all management risks identified, Sustainability Promotion Department, Corporate Strategy Office in the head office has selected risks and opportunities related to "Contribute to decarbonized society," one of the material issues, and has identified items having large financial impacts as material risks and opportunities. Sustainability Promotion Department is responsible for developing and executing plans to address them with approval of the Executive Committee and supervision by the Board of Directors.

Metrics and targets

● Medium-to-long-term environmental targets 2030/2050

For the purpose of addressing climate change risks and opportunities, the Group has set the medium-to-long-term targets for reduction of greenhouse gas (CO₂) emissions and is actively promoting initiatives in the decarbonization projects in five areas (energy saving, electrification, procurement of renewable energy, energy creation, and emissions trading).

● Greenhouse gas (CO₂) emissions

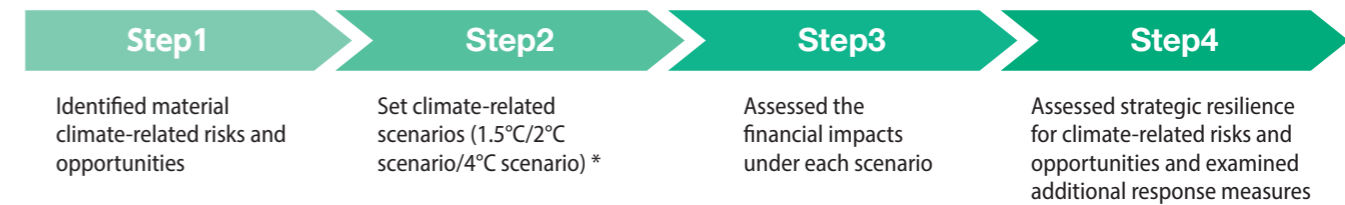
→ P66 Trend of LOGISTEED Group CO₂ emissions

Strategy

The Group uses a scenario analysis to identify and assess climate-related risks and opportunities that are expected to affect our medium-to-long-term business activities and also assess resilience and examine response measures.

(1) Scenario analysis process

The Group has performed scenario analyses according to the following procedures (→ P68 upper). Under the scenario that assumes the goal of the Paris Agreement is achieved (1.5°C/2°C scenario) and the one that assumes that no new policies are implemented but each country's announced policies are achieved (4°C scenario), we have assessed financial impacts of identified climate-related risks and opportunities based on the information such as the trend of key parameters.



(2) Assessment of climate-related risks and opportunities and financial impacts

In FY2022, we reviewed our material climate-related risks and opportunities and assessed potential quantitative/qualitative financial impacts for 10 items identified using scenario analysis. We also examined resilience of our current response measures and future measures. As the Group is examining and implementing response measures to reduce risks and seize opportunities that may have significant financial impacts, we have confirmed that they are sufficiently resilient at present.

1 Transition risks (1.5°C scenario/2°C scenario)

Types	Period	Risks and Opportunities	Impact	Measures
Policy and legal	Long-term	Increase in GHG prices (carbon tax) due to climate change regulations	Medium	Develop and implement systematic environment strategies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles (e.g. EV/FCV), and 3. Procure green power, and 4. Introduce internal carbon pricing (ICP))
Technology	Mid-term	Increase in cost of introducing eco-friendly vehicles and state-of-the-art equipment	Large	Promote green investment through the introduction of internal carbon pricing (ICP) and the introduction of new technologies
Market	Mid-term	Risk of losing customers due to inadequate response to customers who emphasize low-carbon or carbon-neutral logistics	Large	Promote decarbonization measures in logistics services and enhance information disclosure to stakeholders
Reputation	Mid-term	Risk of losing corporate reputation due to insufficient climate change initiatives and information disclosure	Large	

2 Physical risks (4°C scenario)

Types	Period	Risks and Opportunities	Impact	Measures
Physical - Acute	Short-term	Suspension of logistics operation due to intensifying wind and flood damage caused by extreme weather	Large	Strengthen BCP measures against hazard risks including wind and flood damage (1. Decentralize business sites, 2. Install solar power generation system/storage batteries, and 3. Relocate sites to low-risk regions, and other measures)
Physical - Chronic	Mid-term	Increase in cost of work environment measures due to rising average temperatures	Medium	Promote worker-friendly logistics operation (1. Provide a pleasant working environment and 2. Promote automated/labor-saving/unmanned operations)

3 Opportunities

Types	Period	Risks and Opportunities	Impact	Measures
Resource efficiency	Mid-term	Opportunity to reduce energy consumption by vehicles and GHG emissions with advanced environmental technology	Medium	Reduce energy cost by promoting decarbonization measures (1. Promote energy-saving measures, 2. Introduce renewable energy, 3. Introduce non-fossil fuel vehicles, and 4. Promote modal shift and collaborative logistics)
		Cost reduction by introducing efficient logistics operations such as Smart Logistics and collaborative logistics services	Large	
Energy	Mid-term	Mitigation of procurement risk through the use of renewable/low-carbon energy	Medium	Reduce energy procurement cost by promoting the introduction of renewable/low-carbon energy
Products and services	Long-term	Increase in demand due to climate change response/low-carbon services (opportunities associated with diversification of business activities)	Large	Provide logistics services using the Company's unique Smart Logistics (1. Smart Warehouse, 2. SCDOS, and 3. SSCV)
Resilience	Long-term	Securing of customer trust by promoting BCP	Large	Provide logistics operations "that never stop"

Note: Definition of impacts

Large: It has a significant business and financial impact Medium: It has some business and financial impact Small: It has a small business and financial impact

* Reference scenario:

1.5°C scenario: IEA Net Zero Emissions by 2050 Scenario

2°C scenario: IEA Sustainable Development Scenario/IPCC RCP2.6

4°C scenario: IEA Stated Policies Scenario/IPCC RCP8.5

(3) Transition plan to achieve 1.5°C target

The Group has incorporated the five initiatives toward the realization of the medium-to-long-term environmental targets (energy saving, electrification, procurement of renewable energy, energy creation, and emissions trading) in the Mid-term Management Plan "LOGISTEED2024" and will promote CO₂ emission reduction measures to limit the temperature increase to 1.5°C above pre-industrial levels.

→ P66 ■ Examples of CO₂ emission reduction initiatives