

# Information Disclosure Based on TCFD Recommendations

July 11, 2024

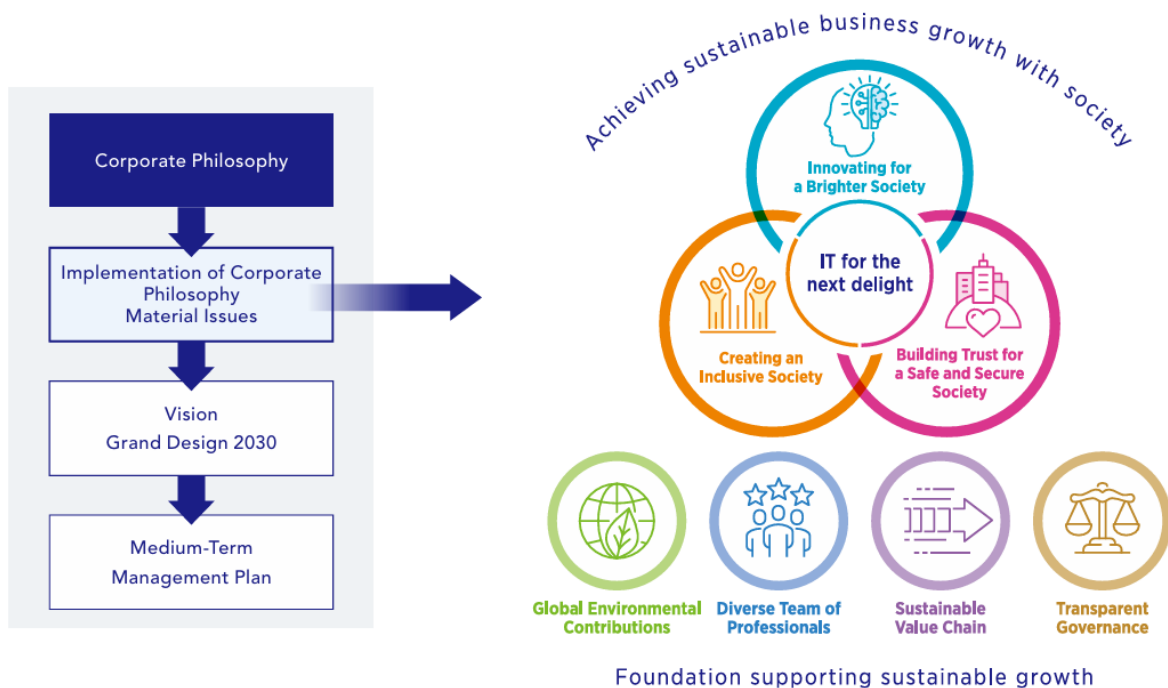
SCSK Corporation

## SCSK Group’s Policy on Climate Change

### SCSK Group’s Sustainability Management

The SCSK Group (below, “the Group”) promotes “sustainability management” as a mid-to- long-term growth strategy. The Group believes that sustainability management contributes to the sustainable development of society through faithful and fair business activities under the Group’s corporate philosophy, “Create Our Future of Dreams.” Seeking to achieve the corporate philosophy, the Group will continuously assess the impact of our business activities on the environment and society and seek to make improvements. In addition, we will consider changes in the business environment toward the realization of a decarbonized and recycling-oriented society as an opportunity and capture new business opportunities that leverage our core competencies. By so doing, we aim to create economic value and social value which are needed by society and to grow sustainably together with society.

Seeking to achieve its corporate philosophy of “Create Our Future of Dreams”, we evaluate a range of issues faced by society from a business perspective, and formulate materiality, which are issues that we regard as particularly important and give priority to in order to grow together with society.



## The Group’s Basic Approach to Climate Change

In the Group, “global environment contribution” is defined as a material issue, and the response to climate change is considered as an important and prioritized management challenge.

The Group has conducted environment-conscious business activities through energy saving in data centers and offices, etc.; in addition, we have created values using digital technologies to contribute to more efficient society and mitigate environmental impacts.

In addition to the previous efforts, the Group set medium-to-long-term greenhouse gas emissions reduction goals in June 2021 and obtained accreditation by SBT Initiative\*<sup>1</sup>.

Along with strongly motivated environment-conscious business activities toward reduction of greenhouse gas emission, we consider transition to decarbonized society as a business opportunity; thus we will contribute, through co-creation with a wide circle of customers and partner companies, to realization of decarbonized society and sustainable society development.



(\*1) SBT (Scientific based Targets) Initiative aims to set scientifically grounded reduction targets for companies so as to limit increase of global average temperature.

## Response to TCFD Recommendations

In April 2021, the Group joined the Task Force on Climate-related Financial Disclosures (TCFD)\*<sup>2</sup> Recommendation.

In accordance with the Group’s policy on climate change, we will aim at enhancing the corporate value through continuous consideration and information disclosure of the four items recommended by TCFD, and constructive dialog with various stakeholders.

| Information Disclosure Recommended by TCFD |  |
|--|--|
| 1. Governance                              | Disclose the organization’s governance around climate-related risks and opportunities.                       |
| 2. Strategy                                | Disclose impacts of climate-related risks and opportunities on businesses, strategy, and financial planning. |
| 3. Risk Management                         | Disclose how climate-related risks are identified, assessed, and managed.                                    |
| 4. Metrics and Targets                     | Disclose the metrics and targets used to assess and manage climate-related risks and opportunities.          |

(\*2) Task Force on Climate-related Financial Disclosures:

TCFD was established by the Financial Stability Board to mitigate the risk of instability in financial markets related to climate change, TCFD presents a climate-related information disclosure framework to be adopted voluntarily by companies.

The Group recognizes that responding to climate change is an important management issue and attaches great importance to strategy and flexibility in dealing with uncertain situation changes. In FY2021, based on these views, we conducted a scenario analysis for the data center business, which accounts for 80% of the Group's greenhouse gas emissions and is considered to have a significant impact on climate change. In FY2023, we broadened the scope of the scenario analysis to include all businesses to determine the impact of climate change on the entire the Group and reviewed the selected scenarios.

### History of conducting scenario analysis

| Version | Fiscal year | Scope (business)      | Selected scenarios | Time horizon | Descriptions  |
|---------|-------------|-----------------------|--------------------|--------------|---|
| 1.0     | 2021        | Data center operation | 1.5 °C, 4 °C       | 2030, 2050   | We conducted a scenario analysis of the data center business, which accounts for 80% of the Group's greenhouse gas emissions. |
| 2.0     | 2023        | All businesses        | 1.5 °C, 4 °C       | 2030, 2050   | We have reviewed the scope /selected scenarios and refined the quantitative analysis.   |

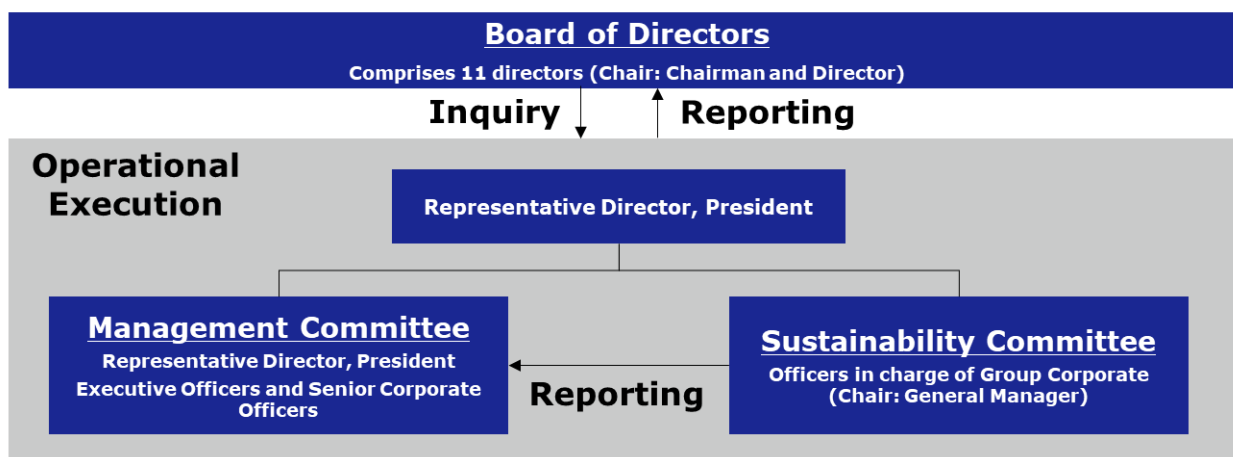
## 1 Governance

### 1.1 Governance Related to Climate Change

As regards the response to climate change, Sustainability Committee, an advisory committee chaired by Representative Director, President, considers and confirms corporation-wide issues and measures.

The content of consideration is passed over from the Sustainability Committee to Management Committee to be further discussed in the context of corporation-wide management; after that, the Sustainability Promotion Committee regularly reports to the Board of Directors for appropriate supervision.

### Governance System Related to Climate Change and Structure of Committees



## 1.2 Functions and Meetings of Bodies Related to Climate Change

| Body                     | Function   | Meetings (FY2023) |
|--------------------------|--|-------------------|
| Board of Directors       | Receives regular reports and supervises important issues related to climate change and other sustainability aspects as well as content of consideration by Management Committee  | 1 time            |
| Management Committee     | Receives regular reports and supervises important issues related to climate change and other sustainability aspects, and discusses policies and measures related to corporation-wide management                          | 7 times           |
| Sustainability Committee | Considers and confirms corporation-wide issues and initiatives related to climate change and other sustainability aspects, and regularly reports results of consideration to Management Committee and Board of Directors | 4 times           |

## 2 Strategy

### 2.1 Worldview, Risks and Opportunities in Each Scenario

Worldviews for a 1.5 °C scenario and a 4 °C scenario were defined based on the external scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We have identified risks and opportunities linked to climate change by referencing various government reports and disclosure standards such as SASB and IFRS S2.

#### <1.5 °C scenario>

We have assumed a society where bold policies and technologies are implemented to limit the temperature rise to 1.5 °C or less above the pre-industrial level at the end of the 21st century, mainly based on the Net Zero Emissions by 2050 Scenario (NZE) and Announced Pledges Scenario (APS) used in the IEA's World Energy Outlook (WEO) 2023.

#### <4 °C scenario>

We have assumed a society where the temperature will rise more than 4 °C above pre-industrial levels by the end of the 21st century due to continuous reliance on fossil fuels and increasing greenhouse gas emissions, mainly based on the RCP8.5 scenario and the SSP5-8.5 scenario in the IPCC's 5th and 6th Assessment Reports.

For more information about specific risks and opportunities, please see “Impact of Risks and Opportunities.”

### Impact of Risks and Opportunities

| Scenario | Type        |                    | Impact Items   |
|----------|-------------|--------------------|--|
| 1.5 °C   | Risk        | Policy and Legal   | Increased operating costs due to the introduction and expansion of carbon pricing  |
|          |             | Market             | Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy                   |
|          | Opportunity | Products/ Services | Increased sales due to expanded sales of products and services that contribute to decarbonization  |
| 4 °C     | Risk        | Acute              | Decreased sales due to damage to facilities/inventories at major domestic business sites and lost profits caused by heavy rains and floods |
|          |             |                    | Decreased sales due to shutdowns caused by the disruption of transportation due to extreme weather events like typhoons                    |
|          |             | Chronic            | Decreased sales due to shutdowns caused by restrictions on the use of cooling water at data centers during droughts                        |
|          | Opportunity | Products/ Services | Increased sales due to an increase in demand for data centers resilient to heavy rains and floods  |

## 2.2 Impact Assessment

<1.5 °C scenario>

We have evaluated the risk of an increase in operating costs due to the introduction and expansion of carbon pricing. The evaluation is based on the assumption that we will implement measures to reduce greenhouse gas emissions to reach the Group’s targets of reducing Scope 1 and Scope 2 emissions (a 47% reduction from FY2019 by FY2030 and a 100% reduction by 2050). As a result, it is also assumed that the negative impact of carbon pricing will be reduced. We have also evaluated the possible increase in power procurement costs attributed to the rising price of electricity primarily driven by the greater utilization of decarbonized energy sources.

We have evaluated opportunities to increase sales by leveraging the increasing demand for carbon-free data centers, which is driven by society’s increasing commitment to the reduction of greenhouse gas emissions, and the rising need for new services aligned with the changes in the social environment.

<4 °C scenario>

We have evaluated the risks of flooding and drought due to climate change at our major domestic offices. We used Aqueduct, a tool provided by the World Resources Institute (WRI), to confirm that there are no flood or drought risks at each office. We have concluded that these risks do not have the potential to financially impact us. Enabling our employees to work remotely, the Group is not at risk of being financially affected by transportation disruptions caused by extreme weather events such as typhoons.

We have evaluated an opportunity to increase sales through data centers that are resilient to natural disasters as extreme weather events are on the rise due to climate change.

## Financial Impact Evaluation Results for Major Impact Items

| Scenario | Major Impact Items   | Category | Financial Impact (Millions of yen) |         |
|----------|--|----------|------------------------------------|---------|
|          |  |          | 2030                               | 2050    |
| 1.5 °C   | Increased operating costs due to the introduction and expansion of carbon pricing <sup>*3</sup>                          | Expenses | ▲500                               | –       |
|          | Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy | Expenses | ▲700                               | ▲10,200 |
|          | Increased sales due to expanded sales of products and services that contribute to decarbonization <sup>*4</sup>          | Sales    | +1,200                             | +9,900  |
| 4 °C     | Increased sales due to an increase in demand for data centers resilient to heavy rains and floods                        | Sales    | +1,100                             | +5,400  |

(\*3) The financial impact evaluation was based on the assumption that greenhouse gas emissions reduction targets will be met.

(\*4) An increase in sales resulting from the optimization of sales prices in response to increased power procurement costs was excluded from the estimates.

## 2.3 Actions Related to Risks and Opportunities of Climate Change

We identified risks and opportunities in each scenario, and considered policy directions as well as perspectives of countermeasures.

In future, we will continue consideration of measures to avoid or mitigate risks and to seize opportunities; we will also aim at enhancing resilience of business activities through implementation of designed measures.

| Scenario | Major Impact Items   | Examples of Countermeasures   |
|----------|--|---|
| 1.5 °C   | Increased operating costs due to the introduction and expansion of carbon pricing  | Optimizing equipment operations to conserve energy and purchasing renewable energy to stabilize power procurement costs (e.g., PPA) |
|          | Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy |   |
|          | Increased sales due to expanded sales of products and services that contribute to decarbonization                        | Investing in the development of new projects that contribute to decarbonization and expanding businesses related to decarbonization |
| 4 °C     | Increased sales due to an increase in demand for data centers resilient to heavy rains and floods                        | Maintaining and enhancing data centers' resilience to natural disasters to develop and expand data center services                  |

In 2030 or 2050, transition to global decarbonized society will be actively promoted for alleviation of climate change risks, and companies may need to respond to social transformation. On the other hand, there are concerns that with continuous prioritization of economic activities, aggravation of natural disasters will have an enormous effect on social and business activities, and more advanced response to physical risks may prove necessary.

As uncertainty is likely to increase significantly due to the rapid change of social environment, the Group will promptly revise the scenario analysis to formulate strategies that can adapt to the changing social environment. By doing so, the Group aims to co-create new services that address changes in the social environment to help customers respond to social transformation and ensure business continuity, thus aiming at sustainable growth together with society.

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## 3 Risk Management

### 3.1 Risk Management System

SCSK has established the Risk Management Regulations and the Risk Management Department as a dedicated department in charge of risk management, so that we can appropriately manage risks that could have a serious adverse effect on the Group's business.

#### ■ Risk Evaluation

Based on these regulations, we take stock of risks for all organizations including the Group companies inside and outside of Japan regularly on an annual basis. In addition, the Divisions responsible for individual risks and the Department supervising risk management jointly gather information on risks both internal and external to identify and evaluate risks facing the Group.

Identified risk items are evaluated comprehensively, in both qualitative and quantitative terms, along the two axes of "degree of influence" and "occurrence probability" from the viewpoint of corporation-wide management.

Risks that may require more focused countermeasures are defined as "important risk management items", and the Department supervising risk management works together with the Divisions responsible for individual risks toward corporation-wide measures.

#### ■ Risk Management System

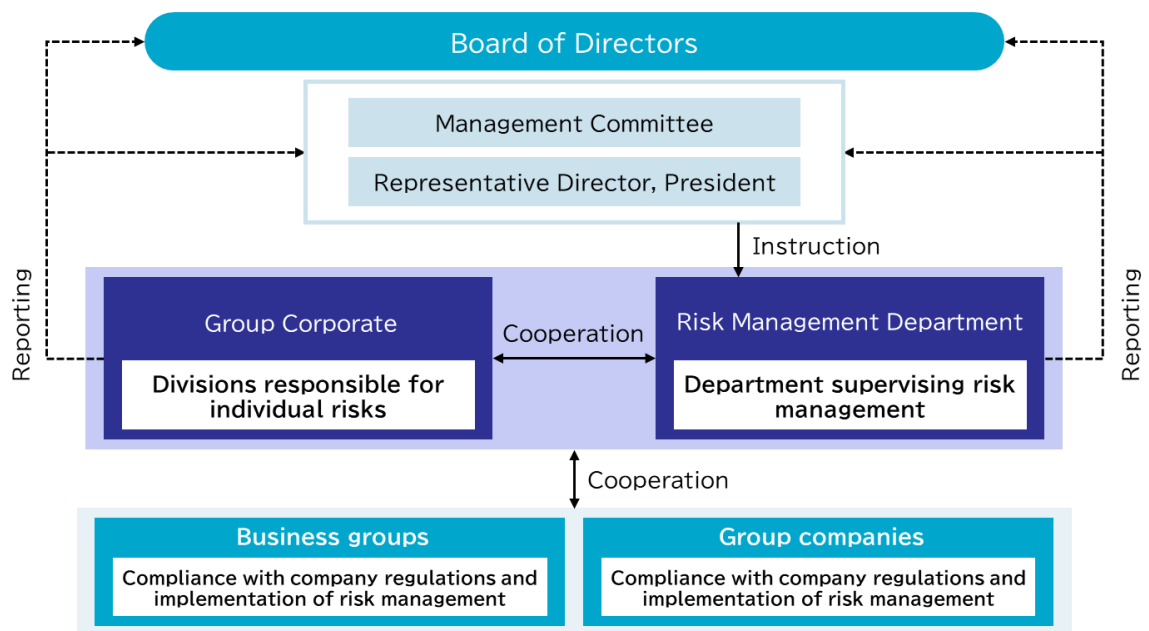
Each division of the Group Corporate is responsible for risks related to their individual operations and duties, and after implementing risk countermeasures based on evaluation, these divisions engage in monitoring of the situation and review of their countermeasures. The heads of all organizations including Business Groups carry out risk management for their own respective organization through risk management processes.

The Department supervising risk management identifies and evaluates the risk management situation for the entire company so that these risk management activities function appropriately. It also makes reports to the Representative Director, President regularly to receive instructions on risk response policy as needed.

The Department supervising risk management also reports on the overall situation of its activities first to the Management Committee and then to the Board of Directors. SCSK is working to enhance risk management through the above risk management activities in order to adapt to the changing business environment.

Please refer to "Risk Management System Diagram" for details of the risk management system.

### Risk Management System Diagram



### 3.2 Climate-Related Risk Management System

The Department supervising risk management collaborates with the Divisions responsible for individual risks to analyze risks based on external reports and advice from outside experts.

The Divisions responsible for individual risks submit reports on the analyzed risks to the Sustainability Committee, which examines and identifies risks. The identified risk items are reported by the Divisions responsible for individual risks to the Department supervising risk management, and are appropriately managed in accordance with the Risk Management Regulations.



## 4 Metrics and Targets

### 4.1 Metrics Used to Manage and Evaluate Risks and Opportunities of Climate Change

The Group set medium-to-long-term greenhouse gas reduction targets in June 2021 and obtained accreditation by SBT Initiative. Along with strongly motivated environment-conscious business activities toward reduction of greenhouse gas emissions, we consider transition to decarbonized society as a business opportunity; thus we will contribute, through co-creation with a wide circle of customers and partner companies, to realization of decarbonized society and sustainable society development.

#### The Group's GHG Reduction Target

|                         |  |
|-------------------------|--|
| Scope 1+2 <sup>*5</sup> | <ul style="list-style-type: none"> <li>● Reduce emissions 47% by FY2030 compared to FY2019 (1.5 °C target)</li> <li>● Reduce emissions 100% by 2050</li> </ul> |
| Scope 3 <sup>*6</sup>   | <ul style="list-style-type: none"> <li>● Reduce emissions 28% by FY2030 compared to FY2019</li> </ul>  |

(\*5) Scope 1: Direct emissions of greenhouse gases from a company's own business activities

Scope 2: Indirect emissions of greenhouse gases associated with the use of electricity, heat and steam, etc., supplied by other companies.

(\*6) Scope 3: Indirect emissions of greenhouse gases not included in Scope 1 and Scope 2 (emissions of other companies related to a company's own business activities).

### 4.2 Efforts toward Reduction of Greenhouse Gas Emission

<Efforts toward Reduction in Scope1+2>

#### ■ Efforts at Data Centers

Data centers accounts for approximately 80% of the Group's greenhouse gas emissions. Here, we are promoting the efficient use of energy with LED lighting and the optimal operation of equipment, and continuously working to minimize power consumption. Through these initiatives, we achieved a reduction of approx. 137t-CO2 annually.

#### ■ Use of renewable energy

The Group promotes the reduction of greenhouse gases by utilizing renewable energy and non-fossil fuel energy certificates. In FY2022, we reduced greenhouse gas emissions by approximately 27,966 t-CO2 in this way. As a result, the ratio of renewable energy was approx. 37.5% for this fiscal year. In FY2023, in a first for Japan, we concluded a Power Purchase Agreement (PPA)<sup>\*7</sup> that includes the issuance of I-RECs<sup>\*8</sup>.

(\*7) PPA (Power Purchase Agreement): a type of agreement for the procurement of electric power between a company and an electric power generation company

(\*8) I-REC (International Renewable Energy Certificate): an international energy attribute certificate. I-RECs are issued in more than 60 countries. The I-RECs issued in 2023 represent 283 terawatt-hours (TWh) of electricity. I-RECs are considered to be reliable certificates by major global reporting initiatives such as GHG Protocol, CDP, SBT and RE100.

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<Efforts toward Reduction in Scope 3>

■ Joint Efforts with Partner Companies

The Group has formulated the SCSK Group Supply Chain Sustainability Promotion Guidelines to contribute to the sustainable development of society through honest and fair business practices. These Guidelines provide a code of conduct for labor, health and safety, environment, ethics, quality and safety, information security, business continuity planning and management system. We have communicated the Guidelines to our partner companies.

In addition, all core partners<sup>\*9</sup> were provided with explanations about efforts of the Group aimed at reduction of greenhouse gas emissions. In order to promote specific measures for further emission reduction, we ask our partners for understanding and cooperation in opinion exchange, providing data on carbon dioxide emissions, etc.

(\*9) Core partners: main partner companies that contribute to higher quality and productivity, and engage in continuous and stable transactions