Disclosure Based on TCFD* Recommendations for FY2022

July 2023

Sumitomo Riko Company Limited

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*TCFD: Task Force on Climate-related Financial Disclosures

1. Governance

The Sumitomo Riko Group positions climate change as one of the most important management issues and promotes activities to "Create Social Value".

Regarding sustainability-related social issues, including climate change, the CSR Sustainability Committee, chaired by the President & CEO, and composed of Executive Officers with positions as committee members, approves activity policies, checks the progress of activities, and conducts follow-up. The CSR Sustainability Committee reports its findings to the Board of Directors at least twice a year and receives instructions from the Board of Directors, thereby ensuring appropriate oversight by the Board of Directors.

In March 2022, we established the Carbon Neutral Promotion Office to accelerate our decarbonization efforts.
We are promoting measures to achieve carbon neutrality under the themes of "Energy management," "New technology development," and "New energy conversion".

■ CSR Sustainability Committee Overview

Committee Members	Chairperson: Representative Director and President & CEO Committee members: Outside Directors, Managing Executive Officers, General Managers of divisions under their jurisdiction, etc.
Secretariat	Corporate Planning Department
Frequency of Meetings	Meetings: 2 times/year Report at board of directors meeting: 2 times/year
Main Agenda	Discussions are held on themes such as setting medium and long-term targets for climate change, monitoring progress, building a carbon neutral promotion system, the environment, health and safety, social contribution, diversity and human rights, and the supply chain, etc.
Promotion Structure	Establishment of the Carbon Neutral Promotion Office directly under the Production Function Headquarters (March 2022)

2. Strategy

a. Scenario Analysis

Our group conducted a scenario analysis to specifically understand the various risks and opportunities that climate change poses to our business.

Scenario analysis was conducted for our main business, the automotive products business (which accounts for about 89% of our sales) and our R&D division with a time axis of 2030, based on two scenarios: one scenario for a "carbon neutral world" in which the impacts become apparent in terms of transition (1.5℃ scenario), and the other scenario for a "Tragic World", in which the impacts become apparent on the physical side (4℃ scenario).

(Reference) Main scenarios referred to

Carbon neutral world (1.5℃ scenario)	IEA WEO 2022 : NZE2050 IEA Global EV Outlook 2022 : NZE2050/APS IPCC AR6 : NZE2050
Tragic world (4℃ scenario)	IPCC AR6 : SSP3-7.0 WRI Aqueduct Water Risk Atlas 3.0 : SSP3-8.5

IEA: International Energy Agency
WEO: World Energy Outlook
NZE2050: Net Zero Emissions by 2050
APS: Announced Pledges Scenario
IPCC: Intergovernmental Panel on Climate Change
AR6: 6th Assessment Report
WRI: World Resources Institute
SSP: Shared Socio-economic Pathways

b. Identification and Analysis of Risks and Opportunities

While describing the perspectives of the TCFD recommendations and the Group's Corporate Action Charter and Materiality (based on "respect for human rights" and "compliance" with "safety," "environment," "quality," and "social contribution" as priority areas), we identified the following risks and opportunities as a result of scenario analysis, analyzed the degree of impact, and have considered countermeasures.

■ Transition Risks and Opportunities

Item		Risk	Opportunity	Impact	Period*	Countermeasures
Policy/ Legal	GHG Tighter regulation Carbon tax	Decline in earnings due to higher response costs	- Customer preference due to regulatory compliance - Decreased costs due to improved production processes	Medium	Medium term	- Consideration and promotion of introduction of renewable energies such as solar power generation - Promotion of energy saving in production activities
Market	Supply Chain	- Declining supply of natural rubber and price hikes - Increased concern about dependence on natural resources	Customer preference for sustainable procurement of natural rubber and resource substitution	Large	Short to long term	- Development of environmentally friendly materials - Design of recyclable products
	Customers	- Decline in sales of existing products due to rapid shift to EVs - Decline in sales due to inability to meet decarbonization needs	- Increase in sales of products that response to EVs and fuel-efficient needs - Increase in sales of products that contribute to decarbonization	Large	Short to long term	- Respond to EVs of existing businesses by evolution of vibration control technology and polymer materials technology - Expand sales by promoting environmentally friendly products
Technology	Next Generation	Decrease in added value of	Increase sales through	Large	Medium to	Promote new product

	Technology Diffusion	existing technology	development /promotion of low carbon, decarbonized products		Long term	development centered on "Autonomous" and "Electric" areas in CASE

■ Physical Risks

Item		Risk	Impact	Period	Countermeasures
Acute	Severity of extreme weather events	- Decrease in sales due to shutdowns caused by disasters - Increased costs due to strengthened business continuity measures, such as capital investment and supply chain reinforcement	Small	Long-term	- Strengthening Resilience through Business Continuity Management
Chronic	Increase in average temperature	Increase in energy costs to maintain labor and material storage environment, etc.	Small	Long-term	Promotion of energy conservation

*Period: Short-term: 3 years or less, Medium-term: 4-6 years, Long-term: 10 years or more

c. Strategy Resilience

In the world in 2030, we believe that the automobile market, our initial main battleground, will grow steadily, and that there will be further movement toward a "carbon neutral world" that would move toward decarbonization with a goal of 1.5℃. We believe that the main risk that could emerge in such a scenario is the transition risk. In addition to the increased cost of complying with stricter regulations and the reduced supply and higher prices of natural rubber, a raw material, there is the possibility that sales of existing products could decline if we are unable to respond to the rapid shift to electric vehicles (EVs) and other factors.

However, we have taken the shift to EVs as an opportunity. In addition to the evolution of "Vibration Control Technology" such as "motor mounts" that are quieter

than ever before, since the cruising range and performance of EVs are greatly affected by how efficiently the heat generated in the vehicle can be utilized, we are developing hose products (cooling system hoses) for EVs by utilizing our "fluid control technology." We are also advancing our core competence "Polymer Materials Technology" such as urethane materials that provide high sound insulation against the unique noise generated by EV drive units, and advancing MIF (Magnetic Induction Forming) technology that combines heat dissipation and sound insulation. As a result, we expect that no matter how much the shift to EVs advances, the demand for anti-vibration rubber, which contributes to power source support and operational stability, will remain unchanged.

In addition, we are accelerating the development of new products from the aspects of safety, comfort, and the environment, with a particular focus on the "Autonomous (automatic driving)" and "Electric (electrification)" domains in "CASE" for next-generation mobility.
In the area of "Autonomous (self-driving) Vehicle", we are working on sensing technologies such as sensors for estimating the driver's condition built into the steering wheel and monitoring systems for estimating the occupant's condition, etc., using the "Smart Rubber (SR) Sensor", a flexible sensor developed by our company in its own right.
With regard to "Electrification", we not only manufacture products for electric vehicles (EVs), but also parts for fuel cell vehicles (FCVs) (hydrogen hoses, gaskets for FC cells, etc.), and will respond to a wide range of business opportunities for the electrification of automobiles.

In the event that we move toward a "Tragic World" (4℃ scenario), mainly physical risks will materialize, and severity of extreme weather events may cause shutdown of our plants or other impacts.
In response, we have established a Risk Management Committee to identify risks throughout the Group, classify risks to be addressed based on analysis and evaluation, select countermeasures, and work to minimize the impact on business operations.

3. Risk Management

As a system to manage risks across the entire group, we have established a Risk Management Committee chaired by the President & CEO, and a Risk Management Office, a dedicated risk management organization that functions as the secretariat of the Committee.

Based on the "Group Crisis Management Guidelines," the Committee conducts annual risk surveys at domestic and overseas Group companies and shares the risks identified and specified as "significant risks" with the Committee, which then works to grasp group-wide risks. And based on the analysis and evaluation, the Committee selects the risks to be addressed, selects the appropriate countermeasures, and works to minimize their impact on business operations.

Climate change-related risks are also managed within the framework of company-wide risk management. We will also work with the CSR Sustainability Committee to formulate response plans and monitor progress.

4. Metrics and Targets

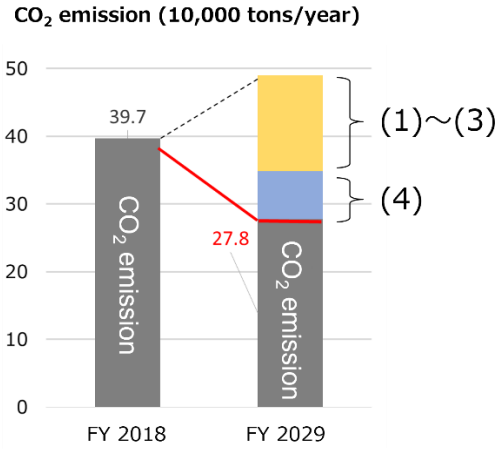
Not only handling the direct CO_2 emissions from our own business activities, such as "Scope 1" from fuel combustion and "Scope 2" indirect emissions from the use of purchased electricity, etc., but we also recognize the importance of grasping "Scope 3", indirect emissions generated throughout the entire supply chain, including emissions from the procurement of raw materials and the use and disposal of products sold, in accordance with the GHG Protocol, and of implementing CO_2 emission reduction activities.

Item	Target year	Details of target	Achievement (FY2021*)
2022 Sumitomo Riko Group Vision	FY 2022	Reduction of CO_2 emissions per intensity (Scope 1+2, compared to FY2017) 8% reduction	8.9% reduction
2025 Sumitomo Riko Group Med-Term Management Plan	FY 2025	Reduction of CO_2 emissions (Scope 1+2, compared to FY2018) 20% reduction	Scope 1+2 12.0% reduction
2029 Sumitomo Riko Group Vision	FY 2029	Reduction of CO_2 emissions (Scope 1+2, compared to FY2018) 30% reduction (Scope 3, compared to FY2018) 15% reduction	Scope 3 8.1% reduction
	FY 2050	Achievement of carbon neutrality	-

*Results for FY2022 will be posted on our website under "Sustainability" and in the Integrated Report 2023

To achieve our FY2029 target of a 30% reduction in total CO_2 emissions compared to FY2018, we will promote our activities focusing on the four pillars of (1) energy-saving & reduction activities and productivity improvement, (2) new technology development (innovative manufacturing methods and new products), (3) business structure reform, and (4) utilization of renewable and newly created

energy, as well as training of human resources to promote CO_2 emission reduction.



We will continue to promote energy conservation activities, production process improvements, etc. And as Scope 3 accounts for 90.3% of our total supply chain CO_2 emissions, we will continue our efforts to reduce emissions through environmentally friendly products, technological advancements, and new product development.