

Commitment to TCFD Recommendations and Disclosures

The Board of Directors of Integrated Design & Engineering Holdings Co., Ltd. (ID&E Holdings) has decided to express support for the Task Force on Climate-related Financial Disclosures (TCFD※) in the following manner.

1. Commitment to TCFD recommendations

ID&E Holdings has been working to solve social problems through its infrastructure development business for many years, and we aim to continuously expand our business and improve profitability while transforming ourselves in line with the changing needs of the times. In our Long-Term Management Strategy for 2030, we have identified the "challenge to decarbonization" as one of the key issues (materiality).

Taking this opportunity to endorse the TCFD recommendations, ID&E Group will face the challenges of climate change more intensively, enhance understanding of climate-related risks and opportunities, and reinforce relevant measures, thereby promoting contribution to realizing a sustainable society.

2. Information disclosure based on TCFD recommendations

In the attachment, ID&E Group will provide information following the TCFD recommendations on four climate-change thematic areas: "Governance," "Strategy," "Risk management," and "Metrics and Targets". We remain committed to expanding information disclosure following the scope of the TCFD recommendations.

※TCFD is a task force established by the Financial Stability Board (FSB) at the request of G20. TCFD encourages companies and others to disclose information on "Governance," "Strategy," "Risk Management," and "Metrics and Targets" related to climate change.

On Our Efforts to Commit to Climate Change

In September 2023, Integrated Design & Engineering Holdings Co., Ltd. (hereinafter referred to as “HD”) decided to express supporting the TCFD and is gradually promoting group-wide information disclosure based on the TCFD recommendations. In addition, we have set the "challenge to decarbonization" as one of our material issues and will contribute to solving social issues related to climate change and natural capital/biodiversity conservation through human resource development and technology development.

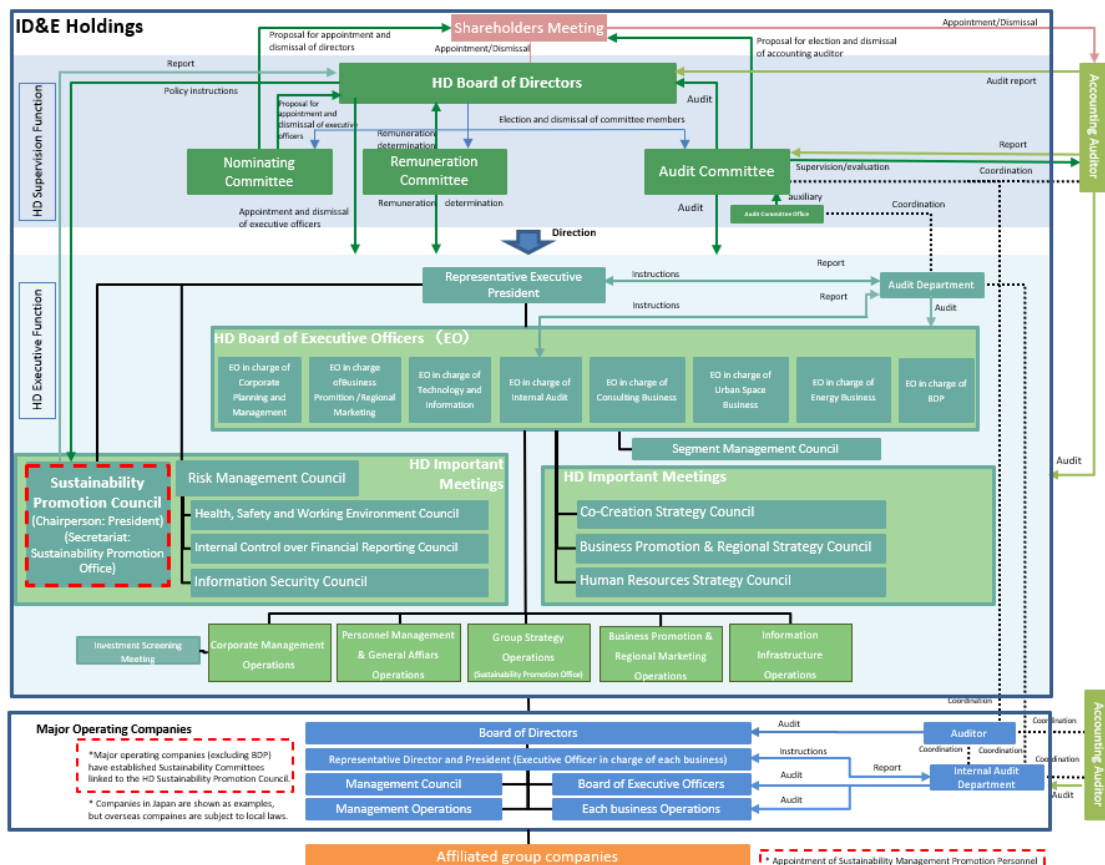
I. Governance

Aiming to contribute to the environment and society through our business, our Group established the “Sustainability Committee” in October 2021, and the “Sustainability Promotion Council” at HD in July 2023 with the aim of promoting sustainability throughout the Group.

The “Sustainability Promotion Council” is chaired by the President of HD. It consists of (1) presidents of major group companies (Nippon Koei Co., Ltd., Nippon Koei Urban Space Co., Ltd., BDP Holdings Limited (hereinafter “BDP”), Nippon Koei Energy Solutions Co., Ltd., and Nippon Koei Business Partners Co., Ltd. (hereinafter “NKBP”)); and (2) Director Generals of NKBP. The Council deliberates and monitors policies, measures and implementation related to group’s sustainability promotion. Important policies are discussed and decided by the Board of Executive Officers and the Board of Directors.

Major group companies have established “Sustainability Promotion Committee” that is chaired by each company's president in principle and works together with HD's “Sustainability Promotion Council” to promote sustainability in the respective segment within the Group.

Figure 1 Group Governance Setup



Attachment

II. Strategy

Definition of Scenarios

We have selected "SSP1-1.9 (under 1.5°C scenario)" and "SSP5-8.5 (4°C scenario)" in the "United Nations Intergovernmental Panel on Climate Change" (IPCC) as baseline for scenario analysis.

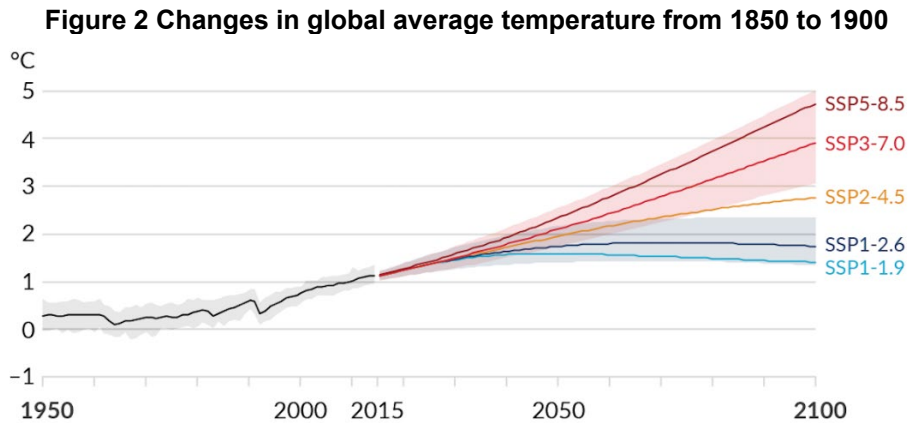


Figure SPM.8 in IPCC, 2021: Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, SL Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M. Huang, K. Leitzell, E. Lonnoy, JBR Matthews, TK Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 332, doi: 10.1017/9781009157896.001.]

Under 1.5°C scenario assumes that decarbonization is promoted to the maximum extent possible, by strengthening environmental policies and regulations, introducing carbon tax, and using renewable energy as a main power source to the aim of achieving carbon neutrality in 2050 under the sustainable development.

On the other hand, 4°C scenario assumes that climate sustainability measures such as reduction of greenhouse gas emissions are not introduced under the fossil fuel-dependent development and the scale and frequency of natural disasters are expected to increase significantly compared to the 1.5°C scenario.

Based on these scenarios, we analyze the medium- to long-term risks and opportunities regarding the climate change factors affecting our business and disclose summarized information on the risks and opportunities as high priority for the Group.

Table 1 Major Risks and Opportunities originated from Climate Change and their Countermeasures

Types of risks and opportunities		Details of risks and opportunities	Business and financial impact		Countermeasure
			1.5°C	4°C	
Risk					
Transition risks	Introduction of carbon tax	· Increase in energy procurement costs such as utility costs and fuel costs	Small	-	· Offsetting CO ² emissions from our own offices through renewable energy production
Physical risks	Frequent and severe weather disasters	· Suspension of business continuity and increase in recovery costs due to severe damage	Big	Big	· Develop systems related to disaster countermeasures through cooperation among group companies (already developed), and strengthen systems for updating and optimizing disaster prevention infrastructure.
Opportunity					

Attachment

Types of risks and opportunities		Details of risks and opportunities	Business and financial impact		Countermeasure
			1.5°C	4°C	
Opportunities associated with transition	Introduction of carbon tax	· Increase in demand for consulting related to carbon trading	Big	-	· Sale of renewable energy certificates from renewable energy production · Strengthen carbon credit-related businesses and create new businesses
	Transition to renewable energy and low carbon energy sources	· Expand investment in businesses related to the spread of renewable energy	Big	-	· Developing businesses related to the spread of renewable energy using aggregation technology, etc. · Active development of energy saving and renewable energy related consulting
Opportunities associated with physical risks	Frequent and severe weather disasters	· Increased demand for disaster prevention/mitigation consulting services and disaster response services	Medium	Medium	· Technology deployment utilizing AI and remote sensing technology using artificial satellites

*With regard to transition risks and opportunities, we examined impacts of foreign market changes and policies on the Group to limit temperature rise below 1.5°C. (Transition risks and opportunities under the 4°C scenario are not assumed.)

*With regard to the physical risks and opportunities, we examined impacts of rising temperatures. (We are evaluating the impacts of physical risks and opportunities under the 1.5°C and 4°C scenarios on our business in 2050. It is assumed that differences in temperature and impact on business will be seen in 2100.)

We will continue to examine the impact and measures of climate change risks and opportunities on our finances and work to improve information disclosure going forward.

III. Risk Management

The Group considers the risks (including opportunities) caused by climate change to be an important management issue. The risks related to climate change; natural capital/ biodiversity is regarded as important as financial risks. Thus, centered on the Sustainability Promotion Council within the group, collects and analyzes related information, and contributes to formulating action policies and plans for the Group.

In addition to the above, in accordance with the "Group Risk and Crisis Management Regulations", the Group identifies risks which may have a negative impact, that is possibility of loss due to events that hinder the achievement of the Group's business objectives, on the business activities of each group company, and then, carries out risk management organizationally by examining management measures and formulating and promoting risk management plans.

Under the supervision of the HD Risk Management Council (all Executive Officers are included), the Group operates risk management activities by establishing Risk Management Committees as subcommittees at major Group companies.

The Sustainability Promotion Council and the Risk Management Council will work together to manage risks resulting from climate change.

IV. Metrics and Targets

The Group monitors greenhouse gas emissions to evaluate their impact on management from its business activities and calculates Scope 1 and Scope 2 CO₂ emissions at bases in Japan. The Group will gradually expand the scope of calculation and work to reduce emissions.

Attachment

Table 2 Emissions for FY 2023/06

Division		FY2023 Emissions (t-CO ²)
Scope1	--	46 t-CO ²
Scope2	Market-based emissions	3,156 t-CO ²
	Location-based emissions	3,024 t-CO ²
Scope1/2 total	Market-based emissions	3,202 t-CO ²
	Location-based emissions	3,070 t-CO ²

*Calculation scope: ID&E Holdings (non-consolidated) (Nippon Koei Co., Ltd.'s main domestic bases for the fiscal year ending June 2023)

*Market-based emissions were calculated by emissions using coefficients for each power company.

*Location-based emissions were calculated by emissions using country-specific factors

Going forward, The Group will work to expand information disclosures based on the four core elements set by TCFD recommendations.