

# Disclosure based on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

**June 30, 2022**



TOLI Group is working to create more economic value and more social value in its business activities, aiming for the achievement of <TOLI VISION 2030>. In particular, the Group has positioned actions for the realization of a sustainable society as a key issue and is actively implementing concrete initiatives that will help reduce its environmental impact.

As part of such initiatives, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2022. We are taking this as an opportunity to analyze the impact of climate change-related business risks and opportunities on our business activities and further strengthen our countermeasures to such risks and opportunities, and to enhance disclosure of climate change-related information.

# TOLI Group's Plan of Action and Targets for Protection of the Environment

## <TOLI Group CSR Policy>

TOLI Group will clearly set out a corporate social responsibility (CSR) policy and actively implement CSR initiatives in all its business activities.



### -Global Environment -

Recognizing that global environmental conservation is an important issue for all human beings, we will work to reduce the environmental impact of our business activities and aim to contribute to a sustainable society.

Important subject	Main Initiatives	Long-term Target (in FY2030)
<b>Promoting Reduction of industrial Waste, Resource Conservation/ Promotion of Recycling</b>	<ul style="list-style-type: none"> <li>● Development and supplying of eco-friendly products and services                             <ul style="list-style-type: none"> <li>- Maintain and expand products compliant with (Japan's) the Green Purchasing Law and certified under the Eco Mark</li> <li>- Expand the products using recycled contents</li> <li>- Work on "low maintenance"</li> </ul> </li> <li>● Promoting recycling and reduction of industrial waste</li> <li>● Expand the area to collect wastes for recycling, using the 'Wide-area certification system' in Japan</li> </ul>	<p>&lt;CO<sub>2</sub> emissions (Scope 1.2)&gt; 30% reduction (compared to FY2020)</p> <p>&lt;Recycling rate&gt; 90% or more</p>
<b>Promote Reduction of Greenhouse Gas Emissions and Energy saving</b>	<ul style="list-style-type: none"> <li>● Development and supplying of eco-friendly products and services                             <ul style="list-style-type: none"> <li>- Enhancement of extended usage products</li> <li>- Product weight reduction</li> <li>- Development of easy installation products</li> </ul> </li> <li>● Promote reduction of greenhouse gas emissions and energy saving throughout the supply chain</li> </ul>	<p>&lt;Industrial waste emissions&gt; 60% or more reduction (compared to FY2019)</p>
<b>Corporate Activities Considering Safety and Security</b>	<ul style="list-style-type: none"> <li>● Consideration for the indoor air environment</li> <li>● Promoting Environmental Globalization</li> </ul>	

\* Scope 1: Direct emissions from fuel-use activities by TOLI group  
Scope 2: Indirect emissions from the use of electricity for the materials purchased by TOLI Group from other companies

\* Recycling rate: Percentage of In-group Recycling + Valuable Recycling against total emissions at main manufacturing lines, logistic company and head office of TOLI group  
\*Industrial waste emission: Percentage of In-group Recycling + other emissions than Valuable Recycling against total emissions at main manufacturing lines, logistic company and head office of TOLI group

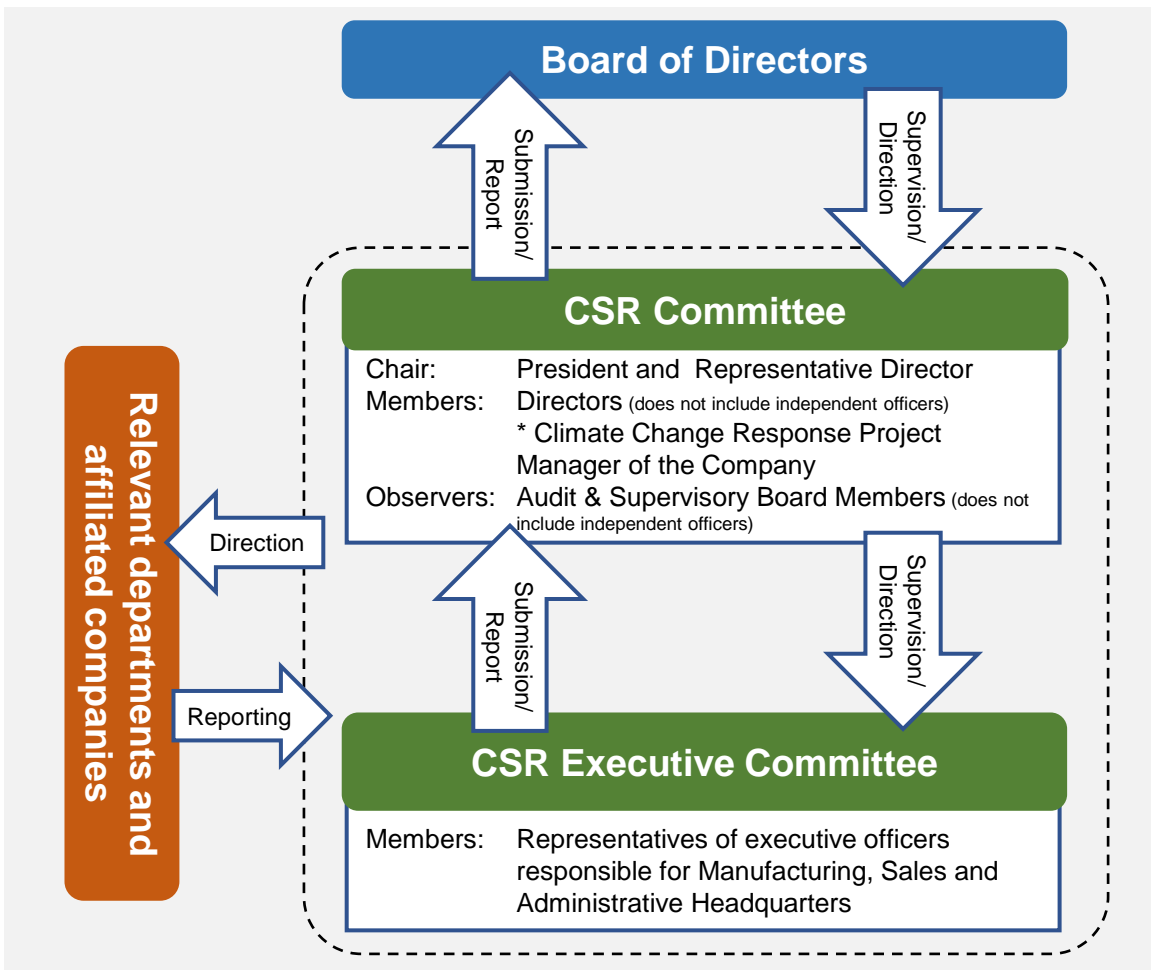
# TCFD Recommended Disclosures

Theme	Overview	Details of Recommended Disclosures
Governance	Organization's governance regarding climate-related risks and opportunities	<ul style="list-style-type: none"> <li>- Board's oversight of climate-related risks and opportunities.</li> <li>- Roles of management in the evaluation and management of risks and opportunities</li> </ul>
Strategy	Actual and potential impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	<ul style="list-style-type: none"> <li>- Short, medium and long-term climate-related risks and opportunities identified by the organization</li> <li>- Impact of risks and opportunities on the organization's businesses, strategy and financial planning</li> <li>- Resilience of the organization's strategies under different climate-related scenarios</li> </ul>
Risk Management	Process to identify, evaluate, and manage climate-related risks	<ul style="list-style-type: none"> <li>- Process to identify and evaluate climate-related risks</li> <li>- Process to manage climate-related risks</li> <li>- Integration of climate-related risks into the organization's existing risk management</li> </ul>
Indexes and Targets	Indexes and targets used when assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> <li>- Indexes used to assess risks and opportunities</li> <li>- Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions</li> <li>- Track record for achievement of the indexes and targets the organization uses to manage climate-related risks and opportunities</li> </ul>

# Governance

- TOLI Group implements groupwide climate action initiatives such as considering and monitoring climate-related risks and opportunities, in collaboration with the CSR Committee, which is chaired by the President and Representative Director and composed of Directors including the Climate Change Response Project Manager who is the person responsible for promoting TCFD, and its subordinate organization the CSR Executive Committee.
- The CSR Committee and CSR Executive Committee implement initiatives as appropriate including managing and monitoring progress against targets and measuring risks and opportunities and their financial impact, and share this information with relevant divisions and affiliated companies and take follow-up action.
- Climate action-related business strategies and their progress are submitted and reported to the Board of Directors and supervised and directed by the Board of Directors.
- The CSR Committee meets twice a year to deliberate on CSR-related matters including climate change related matters.

## <Diagram of Promotional Framework>



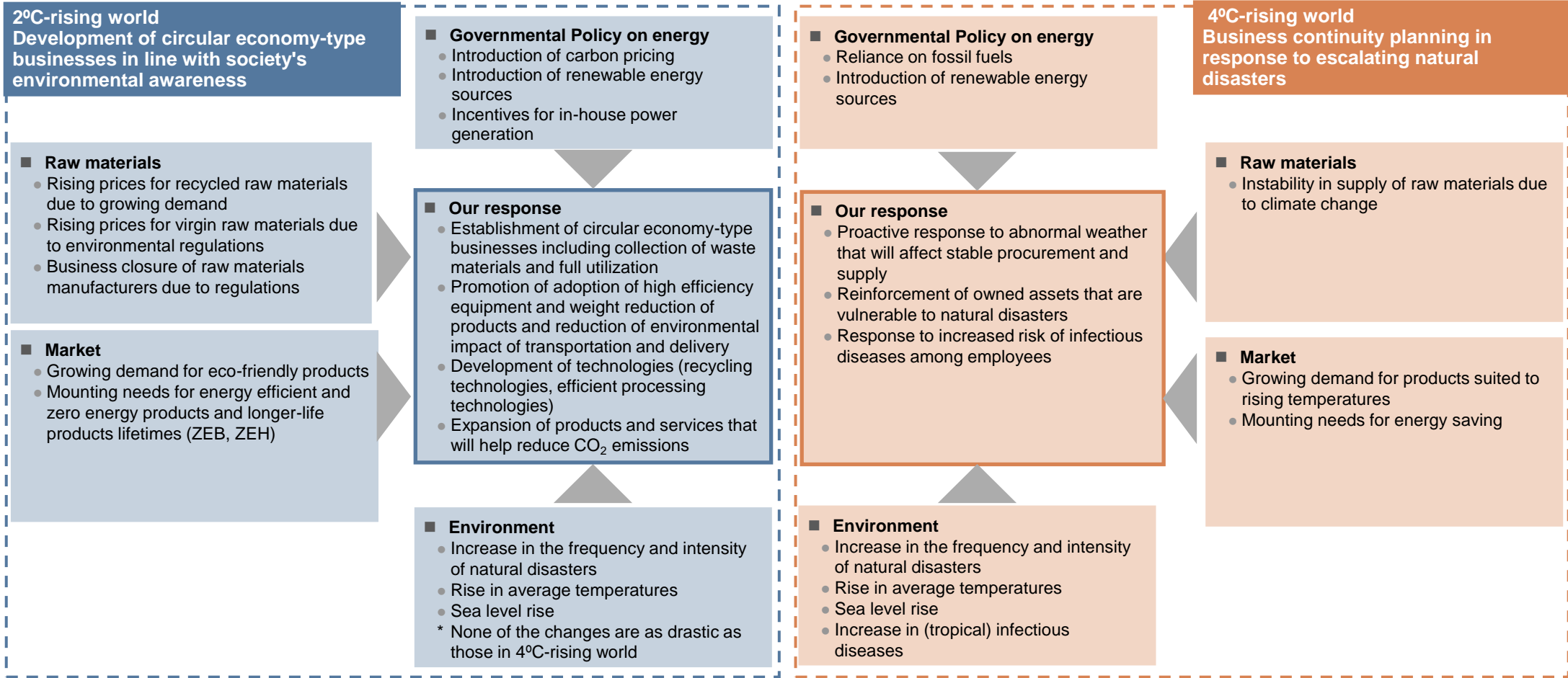
## <Roles>

- **Board of Directors**  
Deliberation, determination, supervision and direction of important climate action-related matters submitted or reported by the CSR Committee
- **CSR Committee**  
Identification of climate change-related risks and opportunities  
Formulation of measures in response to identified risks and opportunities  
Formulation of targets and indexes  
Management and monitoring of progress etc.
- **CSR Executive Committee**  
Identification of risks and opportunities facing each department and action to address them  
Submission of important matters to the CSR Committee  
Management and monitoring of progress  
Sharing with each department and follow-up action

# Strategy (Scenario Analysis)

○ We have conducted an analysis of scenarios in 2030, adopting the climate of 2°C and 4°C temperature rise .

\* We began by conducting scenario analysis for our domestic business which accounts for a large share of total sales. Going forward, we will gradually conduct scenario analysis for overseas business as well.



We referred mainly to the scenarios disclosed by the agencies and research institutions shown in the table below.

Worldview	Scenario used in analysis	
2°C	Sustainable Development Scenario (SDS): IEA's World Energy Outlook 2021	RCP2.6 (2°C scenario): IPCC's AR5
4°C	STEPS (Stated Policies Scenario): IEA's World Energy Outlook 2021	RCP8.5 (4°C scenario): IPCC's AR5

# Strategy (Risks and Opportunities)

- We identified the risks and opportunities envisioning each stage of the supply chain for each of factors behind risks and opportunities.
- From among these, we identified seven risks and six opportunities that would significantly impact our business and that have a high probability of actually occurring.

## <Risks>

Category			Factors behind risks	Details	Financial impact
Risks	Transition risks	Policy and legal	Introduction of carbon pricing	The introduction of carbon pricing and rising carbon prices lead to higher energy costs and raw materials costs	Large
				As a result of the introduction of carbon pricing, private sector demand stagnates and sales decline	Small
	Technology	Replacement of existing products and services with eco-friendly options	Switch from raw materials with a high emission factor to raw materials with a low emission factor leads to higher capital investment and development and procurement costs	Large	
			Shift to recycling-oriented business results in higher capital investment and development costs	Large	
			Upfront costs associated with transition to eco-friendly technologies	Higher costs for the development and procurement of energy-saving products, products with a long lifetime, and easy-to-install and lightweight products	Small
	Market	Rising raw material prices	Higher capital investment and development costs as a result of rising raw material prices and the adoption of in-house manufacturing measures	Large	
	Physical risks	Acute	Increase in the severity and frequency of abnormal weather events such as typhoons and floods	Disasters cause supply chain disruptions, leading to the suspension or scaling-back of business activities and decline in sales. Disaster countermeasures also lead to higher costs.	Small

\* Financial impact: Impact as of FY2030

# Strategy (Risks and Opportunities)

## <Opportunities>

Category		Factors behind opportunities	Details	Financial impact
Opportunities	Resource efficiency	Establishment of circular economy-type business	Establishment of recycling business that turns waste materials in the market and waste materials generated at own factories into recycled raw materials leads to lower raw materials costs. Corporate reputation improves as a result of contribution to reduction of CO <sub>2</sub> emissions and sales increase.	Large
	Energy sources	Reduction of energy costs through energy-saving measures such as the introduction of high efficiency equipment	Energy costs in each supply chain are reduced through the adoption of high efficiency equipment that helps reduce CO <sub>2</sub> emissions, lighter weight products, and increased transportation and delivery efficiency, resulting in higher profits	Small
	Products and services	Development of new products and services through R&D and innovation	Establishment of technologies to meet needs for expansion in the recycling rate, reduction of CO <sub>2</sub> emissions and reduction of manufacturing costs, and expansion of eco-friendly products and services applying these technologies leads to increased sales	Large
			Higher levels of technology to meet needs for low carbon materials and various other raw materials and to process them efficiently and more options for the procurement of raw materials strengthen business continuity capabilities and also reduce manufacturing costs	Small
			Provision of new products and services that help reduce CO <sub>2</sub> emissions leads to increased sales	Medium
	Market	Use of public sector incentives	Sales increase with the emergence of renewal and replacement demand	Small

\* Financial impact: Impact as of FY2030



# Strategies (Countermeasures)

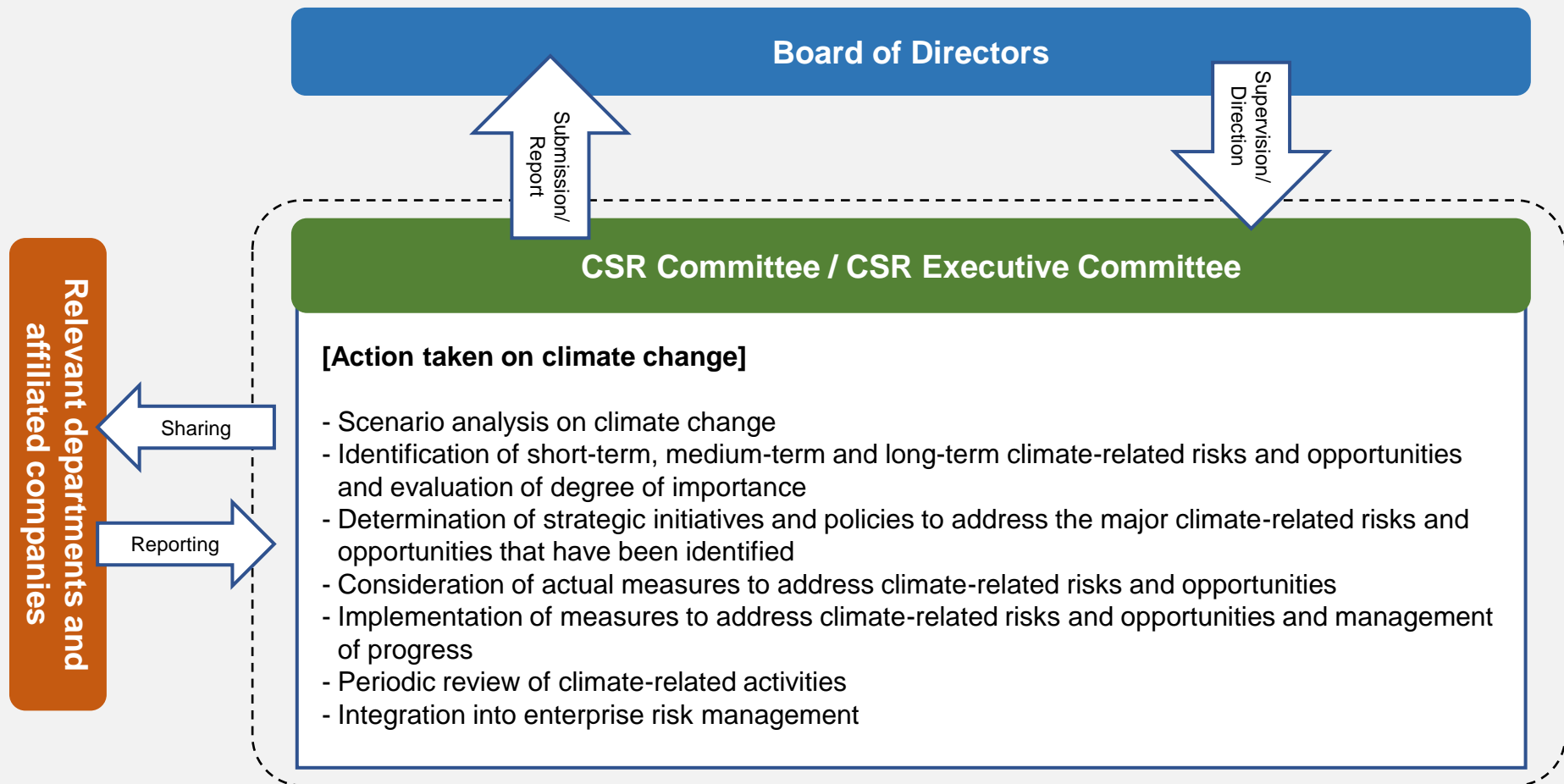
○ We will continuously implement medium- and long-term countermeasures to address risks and opportunities identified based on scenario analysis and will increase the resilience of our business activities.

Countermeasures	Details
<b>①</b> Reduce greenhouse gas emissions by steadily implementing groupwide plan	(1) "Reduce" ... <Scope 1 and 2> Install energy saving/energy efficient equipment and review processes <Scope 3> Reduce energy used in transportation and delivery (2) "Create" ... Install solar power generation facilities (3) "Replace" ... <Scope 1 and 2> Switch to low emission energy sources and renewable energy sources, etc. <Scope 3> Switch to raw materials with a low emission factor
<b>②</b> Expand eco-friendly products and services and improve profit margins	(1) Expand Eco Mark products and other products made from recycled raw materials (2) Expand products with a long lifetime and maintenance saving products (NW series, etc.) (3) Expand easy-to-install products (flooring which does not require adhesive, etc.) (4) Promote shift to lightweight products (5) Expand new eco-friendly products and services (6) Improve technologies for optimum use of recycled materials
<b>③</b> Procure and use recycled raw materials	(1) Collect waste materials in the market through the wide area certification system, etc. (2) Pursue zero emissions in the tile and carpet business (3) Develop stable procurement routes for recycled raw materials (4) Improve technologies for optimum use of recycled raw materials (5) Promote the use of raw materials across businesses
<b>④</b> Move upstream processes in-house	(1) Establish technologies for the in-house production of upstream raw materials (2) Install new raw material manufacturing equipment (3) Expand technologies to meet needs for various raw materials (4) Invest in new equipment for intermediate processing and recycling and put into stable operation
<b>⑤</b> Strengthen supply chain BCP	(1) Strengthen business continuity planning (BCP) that also covers supply chains
<b>⑥</b> Improve transportation and delivery	(1) "Reduce" ... <Scope 3> Reduce transportation and delivery energy costs - Reduce weight of products - Increase transportation and delivery efficiency - Improve storage and loading and unloading efficiency - Request logistics companies to improve their transportation and delivery efficiency

# Risk Management

- In relation to identified risks and opportunities, the CSR Committee and the CSR Executive Committee play leading roles in formulating policies and proposing measures for the avoidance, mitigation and control of risks and early involvement in opportunities and monitoring the implementation status of such policies and countermeasures.
- Action to address identified risks and opportunities is submitted and reported to the Board of Directors.
- The Board of Directors provides supervision and direction in response to matters submitted or reported to it by the CSR Committee.
- The CSR Committee and the CSR Executive Committee share determined countermeasures with relevant departments and affiliated companies.

## <Diagram of Promotional Framework>

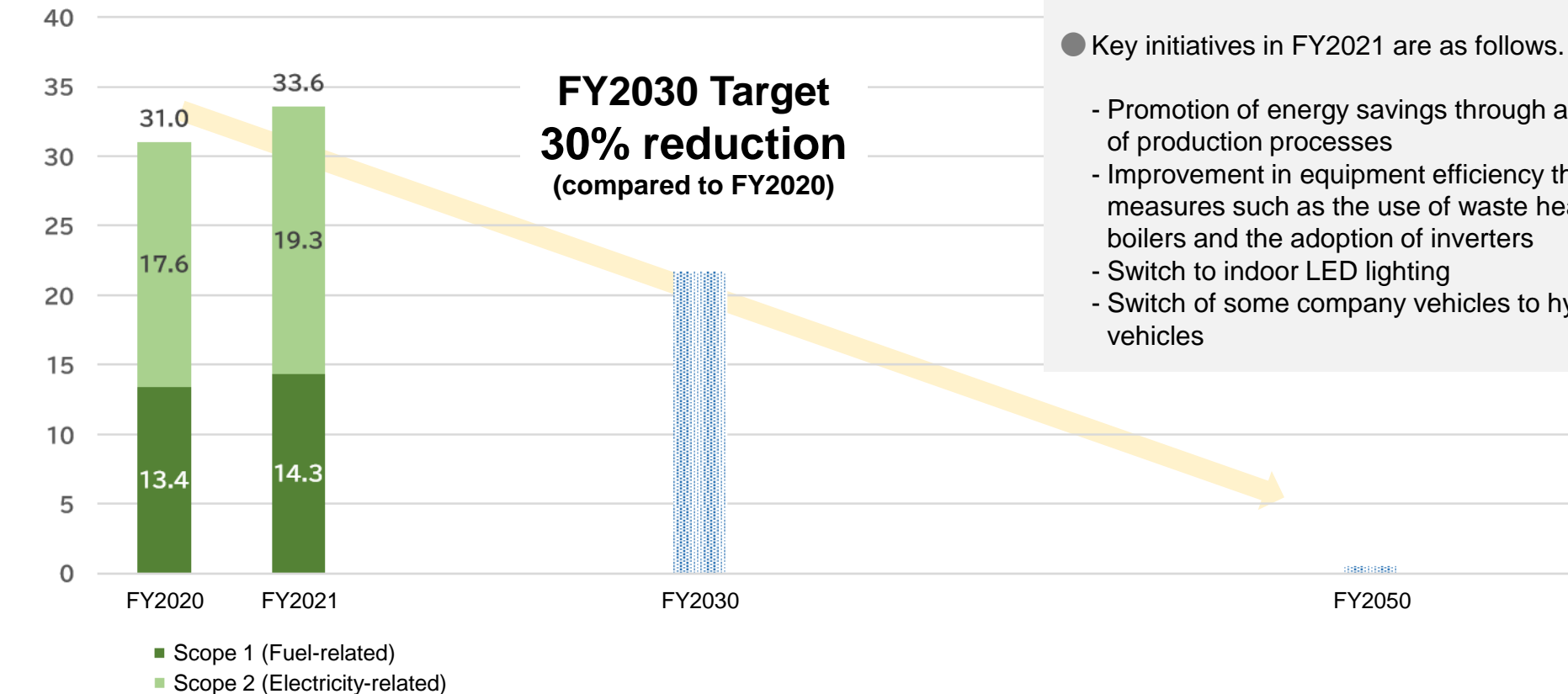


# Indexes and Targets

- We are promoting effective business activities by setting specific targets for reducing greenhouse gas emissions in order to respond to global climate change risks.
- We set targets for reducing TOLI Group's environmental impact that are linked to the Japanese government's goal of reaching a 46% reduction in GHG emissions by 2030 compared to 2013 levels, and set a target of reducing scope 1 and 2 CO<sub>2</sub> emissions by 30% compared to FY2020 levels.
- We will work to reduce scope 1 and 2 CO<sub>2</sub> emissions in line with the Japanese Government's goal of realizing carbon neutrality by 2050.
- We will also contribute to reducing CO<sub>2</sub> emissions in the supply chain (scope 3) by increasing the recycling ratio and the ratio of eco-friendly products.

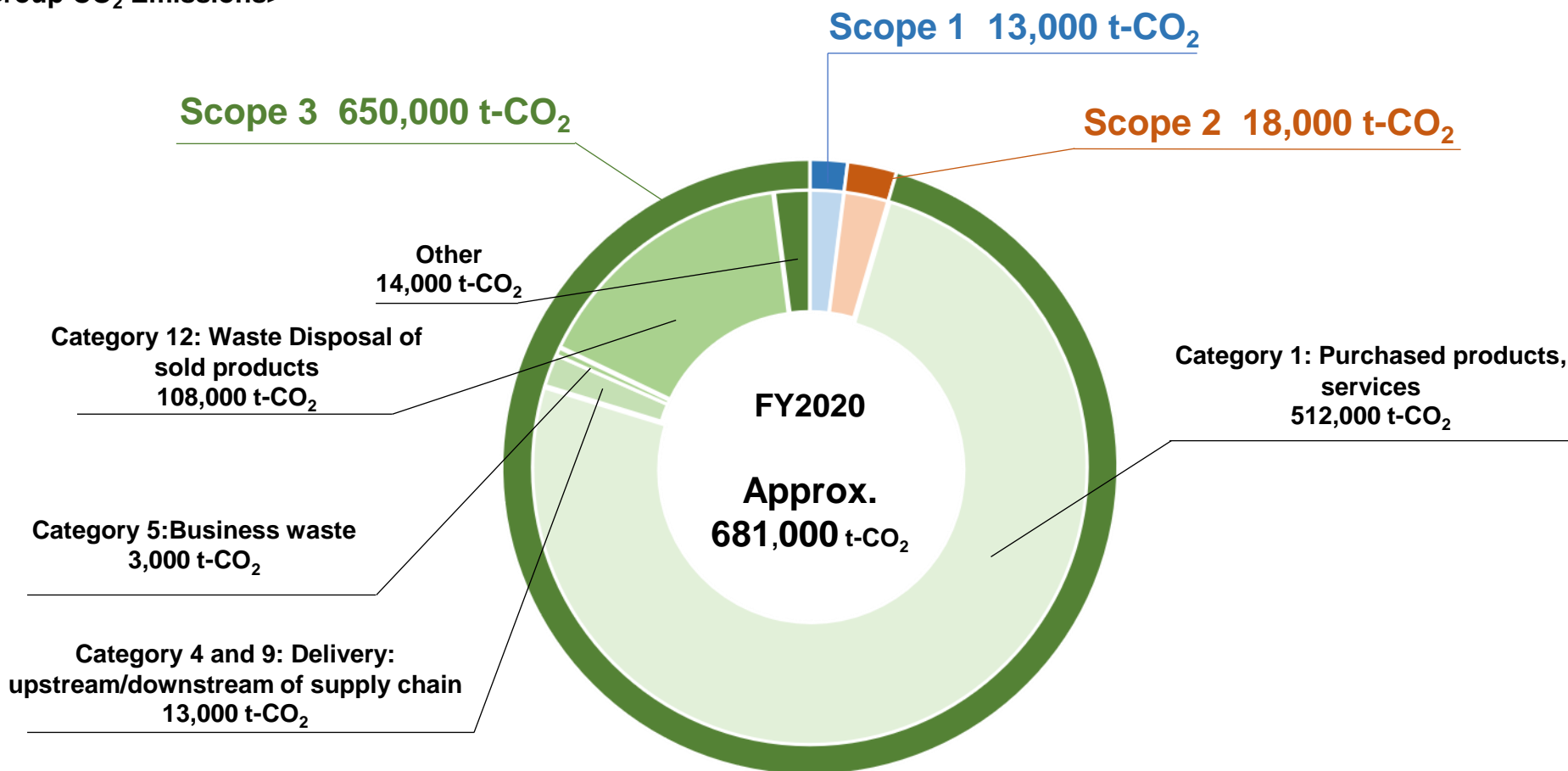
## <TOLI Group Targets for CO<sub>2</sub> Emissions and Reduction of Environmental Impact>

1,000 t-CO<sub>2</sub>



# For Reference

## <TOLI Group CO<sub>2</sub> Emissions>



- \* Calculated based on "Basic Guidelines for Calculating Greenhouse Gas Emissions Throughout Supply Chain (Ver. 2.3)" by the Ministry of the Environment and the Ministry of Economy, Trade and Industry in Japan.
- \* Emissions from transportation between TOLI Group factories and warehouses, loading, unloading and storage at contract warehouses associated with shipment, as well as from transportation and delivery are calculated as Scope 3, category 4 and 9 in accordance with Ministry of the Environment guidelines
- \* Scope 3 is calculated based on business activities related to products sold by TOLI. Purchases and sales of other companies' products by TOLI Group's sales companies are not included in the calculation
- \* Scope 3 data for FY2021 will be disclosed as soon as calculations are complete.



For inquiries about this matter, please contact:

Management Planning Department, TOLI Corporation

Email: [ir@toli.co.jp](mailto:ir@toli.co.jp)

#### Cautionary Note

Any plans, strategies and forecasts of TOLI Group described in this document that are not historical fact are forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of TOLI Group in light of the information currently available to it and actual results may differ from those expressed in such statements, depending on a variety of factors.