

Information disclosure based on the TCFD recommendations

The DAISHINKU Group understands the impact of climate change on its business and society and supports the TCFD(*) recommendations. We will work to improve disclosure and management of financial information related to climate change. We will focus on identifying and pursuing new business opportunities, including the establishment of greenhouse gas emissions reduction targets and the periodic assessment and proper management of climate change risks.

(*) Abbreviation for “Task Force on Climate-related Financial Disclosures”

We aim to attain both a “stable supply” in the business domain and “environmental initiatives” in the environmental domain, which are our material issues. For electronic components of a device, which consist of a small number of parts, the product design and production method are the key to reducing CO₂ emissions and advancing other environmental initiatives. We consider the ideal product conditions as follows:

- To make products smaller/lighter
- To increase the output per unit area
- To enable fully automatic production
- To reduce the external procurement ratio of parts

We aim to solve social issues, based on our unique initiatives focusing mainly on such ideal products.

Governance

In our group, the Board of Directors determines and supervises policies and strategies regarding climate change issues. For efficient supervision, the Board of Directors established the TCFD Committee, which is chaired by the President and consists of directors and executive officers.

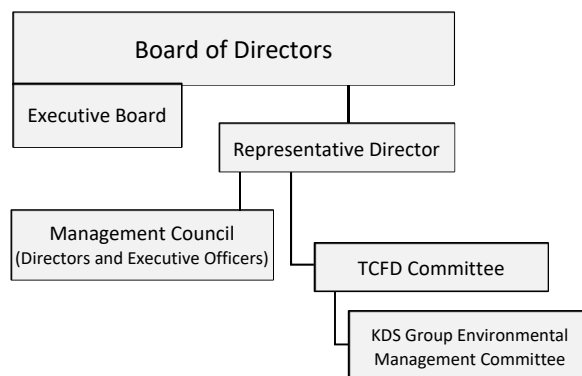
The TCFD Committee meets four times a year to supervise climate change initiatives and report to the Board of Directors.

Main issues to be resolved

- (1) Basic policy on measures against climate change
- (2) Measures to reduce environmental impact and cope with climate change
- (3) Confirmation of progress in measures
- (4) Disclosure of details of activities

The KDS Group Environmental Management Committee meets four times a year to assess and review feasibility related to climate-related risks and opportunities.

Under this system, our group focuses on transition risks of climate-related risks. The “Scope1+2” Carbon Neutrality Challenge in 2030 was established as the common policy related to climate change to strengthen initiatives to reduce CO₂ emissions.



Strategy

We analyze the impact of changes in the external environment and climate change as of 2030 on our company by referring to the framework based on the TCFD recommendations. In our risk and opportunity analysis, regarding transition risks toward mitigation of climate change, we consider the transition of policies and markets. Regarding physical risks, we consider the frequency and impact of natural disasters caused by climate change.

To cope with identified risks and opportunities, we work to solve social issues, based on the “OCEAN+2 Strategy,” our 10-year Long-term Business Plan. At present, we analyze factors whose impact is large, and we will continue to analyze the financial impact on our company.

Main risks and opportunities related to climate change

| Climate-related risks/opportunities | | Impact on business activities | DAISHINKU Group’s main responses |
|-------------------------------------|-----------------------|--|--|
| Transition risks | Policies/regulations | <ul style="list-style-type: none"> ▶ Carbon pricing Costs will increase due to tighter CO₂ emissions regulations and emissions trading. | <ul style="list-style-type: none"> ▶ Evolution of production lines <ul style="list-style-type: none"> – We will reduce CO₂ emissions per product by building flexible production lines with high production efficiency. – Regarding the Arkh series, we will use WLP technology to assemble quartz crystal wafers, increase the production capacity per unit area, and reduce CO₂ emissions. ▶ Reduction of energy consumption by reducing the number of days required to grow synthetic quartz crystals and increasing the energy efficiency of growing furnaces ▶ Initiatives toward carbon neutrality We will take on challenges to develop a “CO₂ capturing module.” ▶ Reduction of CO₂ emissions through fuel conversion We will electrify boilers and other equipment. ▶ Procurement of electricity whose environmental value is high/improvement of the procurement ratio |
| | Market | <ul style="list-style-type: none"> ▶ Changes in customers’ behavior We will be required by customers to reduce carbon emissions by increasing the energy efficiency and reducing the size and weight of products. | <ul style="list-style-type: none"> ▶ Reduction of CO₂ emissions by reducing the size/weight of products |
| Physical risks | Urgent | <ul style="list-style-type: none"> ▶ Increase in typhoons and torrential rains due to climate change, causing wind and flood damage, such as flooding of business sites and roads around them | <ul style="list-style-type: none"> ▶ Evolution of production lines We will enhance response to risks in the event of wind and flood damage by building flexible production lines that can manufacture any model. |
| Opportunities | Products and services | <ul style="list-style-type: none"> ▶ Increase in sales of low-emission products | <ul style="list-style-type: none"> ▶ Development of Arkh series low-emission devices |
| | Energy sources | <ul style="list-style-type: none"> ▶ Reduction of CO₂ emissions through products that achieve reduction in size/power consumption | <ul style="list-style-type: none"> ▶ Development of small/lightweight quartz crystal devices ▶ Development of low-power-consumption quartz crystal devices |

| | | | |
|--|------------|---|---|
| | Resilience | <ul style="list-style-type: none"> ▶ Enhancement of resilience against wind and flood damage through evolution of production lines | <ul style="list-style-type: none"> ▶ Evolution of production lines Enhancement of resilience of production sites by building flexible production lines that can manufacture any model ▶ Reduction of external procurement ratio and proposal of the Arkh series, our key products not affected by supply chain disruption, to customers ▶ Resin molding This will be achieved by incorporating the Arkh series, removing concerns about the supply of package materials due to growing demand. |
|--|------------|---|---|

Risk management

Our group establishes and promotes a company-wide risk management system that focuses on risk prevention. Responsible persons are appointed from among directors and executive officers. They identify and determine climate-related risks and various other risks to ensure business continuity and stable development.

Regarding response to risks, we aim to attain both a “stable supply” in the business domain and “environmental initiatives” in the environmental domain, which are our material issues, by taking full advantage of DAISHINKU’s strengths so that we can continue to grow as a sustainable company.

Targets and metrics

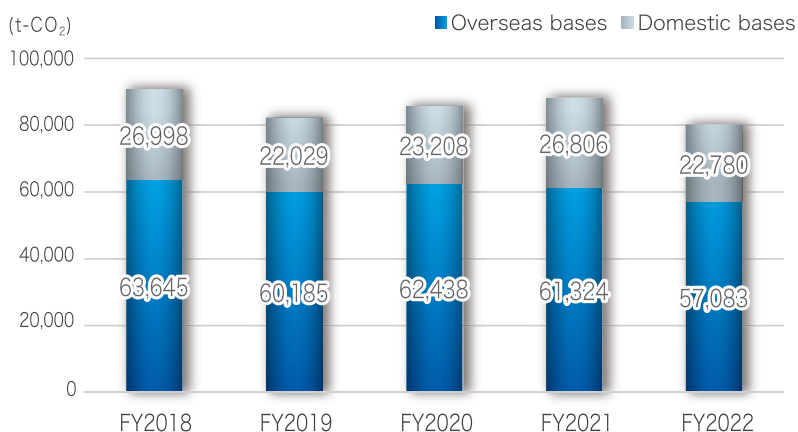
Our group will continue to create new value through activities while always keeping in mind harmony with the global environment, and we will contribute to the development of an electronics society and the realization of a sustainable society.

1. Target/target value toward FY2030
“Scope1+2” Carbon Neutrality Challenge in 2030
We will continue to provide environmentally friendly products and reduce CO₂ emissions.
2. Target/target value toward FY2050
We will aim to achieve carbon neutrality by 2050.
3. Specific reduction measures
 - i. Development of products with low environmental impact
Development of our original Arkh series products
Development of compact CO₂ capture modules
 - ii. Reevaluate our manufacturing process
Increase in the size of quartz crystal wafers and building of flexible production lines
Reduction in the number of days required to grow synthetic quartz crystals
 - iii. Introduction renewable energy
Procurement of environmental value-added electricity
Installation of solar panels
 - iv. Adopt advanced facilities with less environmental impact
Installation of industrial heat pumps
(reduction of CO₂ emissions through fuel conversion)
 - v. Enhance other energy conservation activities

Key Environmental Data

| Reduction of GHG emissions | | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|--|---------------------|---------|---------|---------|---------|---------|
| Total GHG emissions (Scopes 1, 2 and 3 emissions) | | t-CO ₂ e | 194,588 | 198,780 | 217,359 | 225,429 | 211,837 |
| GHG emissions (Scopes 1 and 2 emissions) | | | 90,643 | 82,214 | 85,646 | 88,129 | 79,863 |
| Scope 1 | Japan | | 3,134 | 3,047 | 3,051 | 3,397 | 4,049 |
| | Overseas | | 2,579 | 2,612 | 2,564 | 2,886 | 3,568 |
| Scope 2 | Japan | | 555 | 435 | 487 | 511 | 481 |
| | Overseas | | 87,510 | 79,167 | 82,595 | 84,732 | 75,814 |
| GHG emissions (Scope 3 emissions) | | | 24,419 | 19,417 | 20,644 | 23,920 | 19,213 |
| Scope 3 | Overseas | | 63,091 | 59,750 | 61,951 | 60,813 | 56,602 |
| | Purchased goods and services | | 103,944 | 116,566 | 131,714 | 137,300 | 131,973 |
| | Capital goods | | 84,205 | 94,797 | 106,235 | 110,176 | 105,226 |
| | Fuel- and energy-related activities | | 5,777 | 8,649 | 12,120 | 13,943 | 14,289 |
| | Upstream transportation and distribution | | 9,706 | 9,491 | 9,787 | 9,861 | 9,115 |
| | Waste generated in operations | | 602 | 473 | 422 | 382 | 381 |
| | Business travel | | 1,037 | 668 | 621 | 528 | 606 |
| | Employee commuting | | 574 | 565 | 557 | 547 | 505 |
| | Upstream leased assets | | 2,039 | 1,921 | 1,967 | 1,859 | 1,848 |
| | Downstream transportation and distribution | | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) |
| | Processing of sold products | | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) |
| | Use of sold products | | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) |
| | End-of-life treatment of sold products | | 3 | 3 | 4 | 4 | 3 |
| | Downstream leased assets | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) | |
| | Franchises | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) | |
| Investments | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) | | |
| Energy consumption | | GJ | 543,738 | 522,639 | 539,237 | 546,762 | 533,511 |
| Purchased and consumed non-renewable fuels (fossil fuels, coal, oil, natural gas, etc.) | | MWh | 49,078 | 47,059 | 47,672 | 52,686 | 60,308 |
| Purchased electricity (non-renewable) | | | 134,906 | 132,106 | 136,309 | 136,693 | 124,630 |
| Purchased steam, heating, cooling and other non-renewable energy | | | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) |
| Purchased or generated renewable energy (wind power, solar power, biomass, hydropower, geothermal energy, etc.) | | | (N/A) | (N/A) | 237 | 551 | 6,816 |
| Total sold non-renewable energy (electricity, heating and cooling) | | | (N/A) | (N/A) | (N/A) | (N/A) | (N/A) |

Volume of greenhouse gas emissions (Scopes 1 and 2)



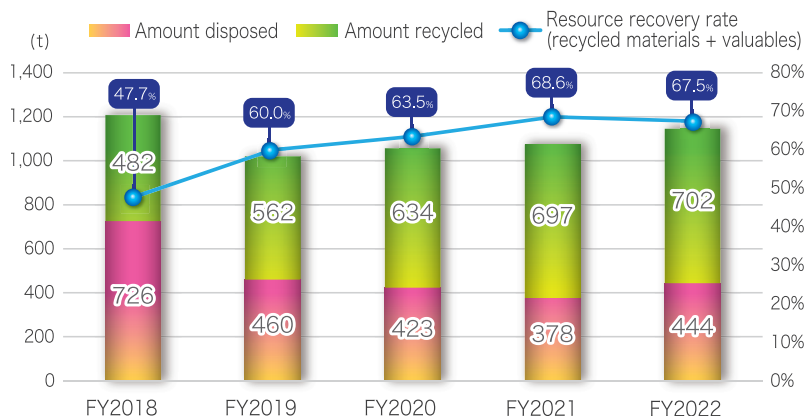
The Group establishes and manages reduction targets for Scopes 1 and 2 emissions that represent sources of CO₂ emissions stemming from its manufacturing activities.

Since FY2022, we have shifted a portion of our electricity consumption in Japan to renewable energy sources, resulting in an annual reduction of approximately 3,000 tons of CO₂ emissions.

Going forward, we will strive to reduce CO₂ emissions through further adoption of renewable energy and technological innovations.

| Waste reduction | | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|------------------------|----------|------|--------|--------|--------|--------|--------|
| Recycling rate | Japan | % | 55 | 72 | 80 | 80 | 73 |
| | Overseas | | 29 | 36 | 37 | 44 | 43 |
| Total waste discharged | Japan | Ton | 502 | 538 | 555 | 633 | 700 |
| | Overseas | | 707 | 484 | 502 | 442 | 446 |
| Waste recycled | Japan | | 275 | 390 | 447 | 504 | 509 |
| | Overseas | | 207 | 172 | 187 | 193 | 193 |
| Final waste disposal | Japan | | 227 | 148 | 109 | 129 | 191 |
| | Overseas | 500 | 312 | 315 | 249 | 253 | |

Waste generated and resource recovery rate



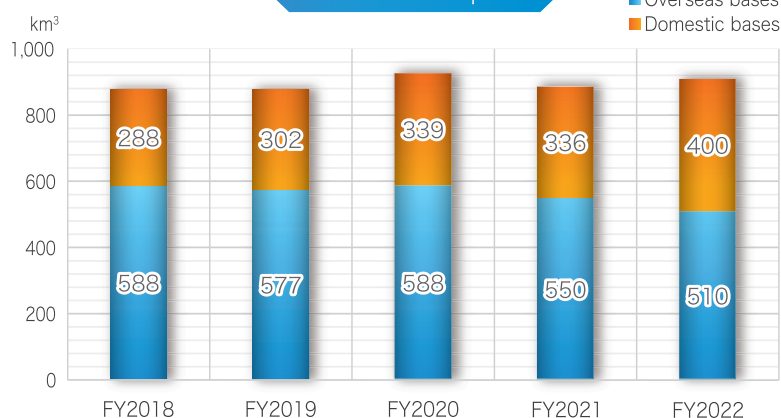
The Group is fully dedicated to waste separation initiatives.

- Effect of reduced environmental impact through waste separation -
 - Recycling waste (resource reutilization) can be maximized. It helps minimize the amount of waste disposal (landfill disposal)
 - Transforming waste into valuable resources* reduces waste generation.

* Separating valuable resources from waste to sell them as valuables
 * The resource reutilization rate is the recycling rate plus the contribution of valuable resources.

| Water consumption | | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|-------------------|--|-----------------|--------|--------|--------|--------|--------|
| Water withdrawn | Municipal water supplies (or from other water utilities) | km ³ | 876 | 878 | 927 | 886 | 909 |
| | Surface water (rivers) | | 503 | 491 | 513 | 464 | 446 |
| | Groundwater | | 150 | 153 | 175 | 168 | 168 |
| | Reclaimed water/Recycled water | | 223 | 234 | 232 | 231 | 279 |
| | | | - | - | 7 | 23 | 16 |
| Water discharged | | 741 | 727 | 765 | 730 | 716 | |
| | Surface water (rivers, etc.) | 209 | 221 | 219 | 221 | 251 | |
| | Other treatment plant (sewers, etc.) | 532 | 507 | 547 | 509 | 466 | |

Water consumption



In September 2020, we introduced a wastewater recycling system at our plant in Thailand as part of our initiatives to reduce water consumption. As a result, water consumption at the plant declined by approximately 21% in fiscal 2021 compared to fiscal 2018, and water discharge reduced by approximately 43%.

While water consumption rose in FY2022 due to increased production, we remain committed to enhancing our production processes to minimize the environmental impact of our business activities.

* Some figures in the graph may differ from those in the table because they have been rounded to the nearest km³.

| ISO 14001 certification achievement | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|--------------|--|--------|--------|--------|--------|
| ISO 14001 certification achieved (for Head Office and production bases) | Organization | ISO 14001-certified organizations Japan: 100%; Overseas: 100% | | | | |
| Violations of environmental regulations and obligations in general, including air and water pollution | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
| Number of violations (Fines ≥US\$10,000) | Case | 0 | 0 | 0 | 0 | 0 |
| Amount of fines (≥US\$10,000) | US\$ | 0 | 0 | 0 | 0 | 0 |