

The ShoEi Foods Corporation

Disclosure under the TCFD Framework

The ShoEi Foods Corporation group (The ShoEi Group) recognizes that climate change is an important issue that affects the sustainable growth of our business. We assess risks and opportunities that climate change poses to our business, and disclose governance, strategy, risk management, indicators and targets.

Governance

The ShoEi Group, which mainly handles processed agricultural products and processed dairy products, is exposed to droughts, floods, storms, and other abnormal weather and global warming caused by climate change, which will damage raw material production areas and create major risks in raw material procurement. In order to avoid this risk, the ShoEi Group has established a Sustainability Committee chaired by the President and CEO as a subordinate body of the Board of Directors to discuss risks and opportunities in climate change and consider countermeasures. In addition, an independent outside director participates in this committee as a member in order to receive an objective and rational evaluation from the outside. The results of the discussion in committees are reported to the Board of Directors at least twice a year. The Board of Directors makes decisions based on a comprehensive perspective, taking into account the impacts of climate change and the results of environmental assessments.

Strategy

The ShoEi Group imports and procures processed raw materials and commodities of agricultural and dairy products from around the world. Therefore, climate change is expected to have a wide range of effects, including drought and sunshine, massive outbreaks of pests, inactivity of insect vectors using honeybees and other insects essential for pollination work, supply instability due to bad harvests, poor quality, price hikes, changes in consumer preferences, and changes in suitable agricultural production areas. The entire group closely monitors these changes and considers diversification of suppliers, diversification of risk, market analysis of transition risk, and investigation of trends in emerging production areas, in order to ensure a stable supply of products to customers and to propose alternative products.

In addition, the Company will procure and develop products for emerging regions in response to the growing ethical consumption choices of consumers due to climate change and increasing health consciousness.

Risk Management

The ShoEi Group promotes risk management by establishing a Risk Management Committee, a Sustainability Committee, etc., in order to appropriately respond to risks that have a serious impact on the company. Among them, "climate change" is also positioned as an important management risk, and the Sustainability Committee comprehensively evaluates the risk level and impact of physical risks, legal regulations, market transition risks, etc., and measures to respond to them. The results will be reported to the Board of Directors, which will supervise and appropriately reflect them in management to promote risk management.

Indicators and Targets

1. Reduction of CO₂ emissions

The ShoEi Group measures CO₂ emissions at all business sites in Japan and overseas (including branches and production plants), and set the 2030 target as follows.

30% reduction in CO₂ emissions (Scope 1.2 target from FY2022)

FY2022 ShoEi Group CO₂ emissions results (Apr. 2022~Mar. 2023)

	Scope 1 (t)	Scope 2 (t)	Total amount (t)
Domestic group companies including ShoEi Foods Corporation	22,038	16,859	38,897
Overseas group companies	1,111	5,751	6,862
Total amount	23,149	22,610	45,759

CO₂ emission reductions from renewable energy (solar power generation systems, etc)

1,489 t

- Scope 1 is the direct greenhouse gas emissions from in-house fuel use and industrial processes.
- Scope 2 is the indirect greenhouse gas emissions resulting from the use of electricity, heat, and steam in the company supplied by other companies.
- For Scope 3, we are currently working to collect and maintain data on CO₂ emissions, and we will encourage our major suppliers to reduce CO₂ emissions and work together with them to reduce CO₂ emissions.

The ShoEi Group is working to reduce CO₂ emissions from a long-term perspective at its domestic and overseas bases of operation.

- ① Grasping CO₂ emissions at domestic and overseas activity sites.
- ② Switching to high-efficiency (energy-saving) equipment when renewing machinery and equipment.
- ③ Review production methods and increase efficiency of energy consumption by improving production efficiency. (improvement of emission intensity).
- ④ Switching energy use from heavy oil to gas with lower CO₂ emissions while taking efficiency into consideration [energy conversion].
- ⑤ Reduction of CO₂ emissions through the introduction of solar power generation (renewable energy) systems (already installed at ShoEi U.S.A.).
- ⑥ Reduction of CO₂ emissions through procurement (purchase) of green electricity.
- ⑦ Maintain functionality of air conditioning and mechanical equipment through periodic maintenance and cleaning.
- ⑧ Promote the use of LED lighting at all business locations.
- ⑨ Promoting energy conservation with motion sensors and illumination sensors.
- ⑩ Promote air conditioning control in offices (28°C in summer and 20°C in winter).
- ⑪ Forest protection through the promotion of paperless.
- ⑫ Reduction of CO₂ emissions by modal shift from truck transportation to rail container transportation for domestic delivery.
- ⑬ Reduction of CO₂ emissions by omitting domestic transportation by unloading ocean freight at consumption points.
- ⑭ Labor savings in electricity use through management of inventory items (temperature-controlled, refrigerated, and frozen) by optimizing inventory and improving turnover ratio, etc.

Overview of Scenario Analysis Based on TCFD Recommendations

In identifying medium- and long-term business risks and opportunities due to climate change, we analyzed and summarized the impact of greenhouse gas emission control and procurement and production of main commodities (agricultural and dairy products) under two scenarios: the 4°C scenario, in which the global average temperature rises 4°C, as announced by the IPCC (Intergovernmental Panel on Climate Change), IEA (International Energy Agency), and the 2°C scenario, in which the global average temperature is kept below 2°C as agreed in the Paris Agreement.

① Scenario Analysis: Risk (Common scenario 2°C and 4°C assumed)

* Worldview Of The 4°C Scenario

- Regulations to limit temperature rise will be less stringent than in the 2°C scenario (Transition Risk)
- Negative impacts on the environment and human activities become more pronounced with rising temperatures. (Physical Risk)

Transition Risks

Major Category	Small Category	Impact On Business	Importance	Response Measures
Policy / Regulation	Carbon tax, carbon credit, etc. Introduction of carbon pricing	<ul style="list-style-type: none"> ◆ Increase in production costs due to higher fuel costs and electricity charges ◆ Increase in logistics costs 	Significant	<ul style="list-style-type: none"> ◆ Efforts to reduce CO2 emissions throughout the supply chain, including energy conversion and switching to energy-saving equipment ◆ Improving logistics efficiency and modal shift (Switching from trucking to rail container transportation)
	Strengthening GHG emission regulations	<ul style="list-style-type: none"> ◆ Operational costs increased in relation to the formulation and execution of reduction targets 	Medium	<ul style="list-style-type: none"> ◆ Initiatives to improve energy efficiency ◆ Promotion of the use of private power generation and

		◆ Increase in investment costs for energy-saving equipment		conversion to renewable energy
Evaluation	Changes in consumer behavior	<ul style="list-style-type: none"> ◆ Decreased sales due to deterioration of reputation to companies when it is judged that efforts to sustainability management are insufficient ◆ Adverse effects on talent acquisition and employee retention due to deterioration of corporate reputation 	Significant	<ul style="list-style-type: none"> ◆ Initiatives for environmentally friendly use of raw materials and materials (organic, recycled materials, etc) ◆ Promoting initiatives for food loss and 3R ◆ Actively promote human capital management
	Change in reputation among investors, financial institutions, shareholders, and business partners	Increased funding costs and the risk of being excluded from the transaction	Significant	<ul style="list-style-type: none"> ◆ Promoting transparency in management such as information disclosure ◆ Steady Initiatives for Sustainability Management

Physical Risks

Major Category	Small Category	Impact On Business	Importance	Response Measures
Chronic	Transition of major agricultural production areas due to rising temperatures	The existing purchasing network may be insufficient for raw material procurement	Significant	<ul style="list-style-type: none"> ■ Diversify and decentralize raw material suppliers ■ Building a healthy and sustainable supply chain
	Increased damage caused by pests and diseases due to rising temperatures, and a decrease in biodiversity caused by pollinating difficulties due to the decrease in insects	Increased costs and procurement difficulties due to lower raw material quality and lower yields	Significant	<ul style="list-style-type: none"> ■ Diversify and decentralize raw material suppliers ■ Research and development of alternative products to existing products
	Increased water resource stress	Produce difficulties or increase of procurement costs due to lack of agricultural products due to drought or drought in the cultivation area, production plant, and supply chain	Significant	<ul style="list-style-type: none"> ■ Strive to diversify and decentralize raw material suppliers ■ Deepen your understanding of water resource finiteness and water cycle mechanisms ■ Make the most effective use of water resources
Acute	Intensification and increase in frequency of weather disasters (typhoon and storm surge)	Shutdown of operations due to damage to factory facilities, equipment and infrastructure	Significant	<ul style="list-style-type: none"> ■ Reduce the damage by formulating BCPs (Business Continuity Plans) at each production plant and distribution point and confirming their effectiveness

Opportunity

Category	Impact On Business	Importance	Response Measures
Opportunities for Changing Consumer Behavior	<ul style="list-style-type: none"> Expanded purchasing behavior for products that take environmental impact into account (ethical consumption) 	<p>Significant</p>	<ul style="list-style-type: none"> Promotion of development of differentiated products with high sustainability value (such as building environmentally friendly manufacturing processes)
	<ul style="list-style-type: none"> Increasing frequency of infectious diseases and epidemics due to global warming and increasing interest in health due to epidemics 	<p>Significant</p>	<ul style="list-style-type: none"> Expansion of the line-up of health-conscious products Development of healthy materials/proposals
	<ul style="list-style-type: none"> Shrinking the conventional market and appearance of new market due to changes in food preferences caused by global warming 	<p>Medium</p>	<ul style="list-style-type: none"> Promote new product design and development efforts through appropriate market research