

## Sustainability

# Reporting in Line with the TCFD Recommendations

### Business opportunities

As set out in our new management policy, we will also devote resources to businesses that contribute to realizing carbon neutrality based on portfolio management with a focus on growth, performance, and sustainability.

We will progressively expand the business scale and strengthen the profitability of specific focus businesses that offer climate change-related business opportunities, including lighter mobility materials, vehicle-mounted battery materials, bioplastics, and carbon fiber and composite materials.

### Impact of business opportunities and risks from perceived social issues

- In fiscal 2022, the target year of *Step 1* of the medium-term management plan *APTSIS 25*, we aim to raise to 12% the proportion of sales revenue from products that contribute to the circular economy or mitigate and adapt to climate change.
- We estimate risk associated with social issues and structural change in 2030 at around ¥1 trillion.

**For reference:**

New Management Policy, "Forging the future" (▶ Pages 23–29)  
Overview of Business Domains (Performance Products Domain) (▶ Pages 87–89)

### Process of risk identification, evaluation, and management

#### Portfolio management

As announced in the new management policy, MCG has designated carbon neutrality as a selection criterion for its focus businesses. Incorporating a carbon-neutral perspective, our portfolio management will focus on growth markets where we have a competitive advantage.

**For reference:**

Portfolio for the New Management Policy "Forging the future" (▶ Pages 24–26)

#### Risk management

We will strive to avoid the occurrence of major risks and minimize losses when they occur under our risk management system.

In addition, we have begun studying the introduction of Enterprise Risk Management (ERM), which comprehensively manages risk relating to Group business activities that are linked to significant issues identified from the perspective of material issues, and promotes minimization of loss and appropriate risk acceptance from a Company-wide standpoint.

**For reference:**

Risk Management (▶ Pages 65–67)

### Metrics and targets

#### Metrics and targets to assess risks and opportunities

The management indices (MOS Indices) set to measure progress with material issues include the GHG emissions reduction rate and the percentage of sales revenue from products that contribute to the circular economy or mitigate and adapt to climate change.

We have also established medium-term targets and will measure progress year by year (▶ Page 77, "Strategy and risk management"). As indicated under Strategy, the GHG emissions reduction targets have been changed to targets for the realization of carbon neutrality.

**For reference:**

Risk Management (▶ Pages 65–67)  
Sustainability Indices (▶ Pages 71–74)

#### Scope 1, 2, 3 GHG emissions

Please see GHG emissions in "Non-Financial Highlights" for the performance in fiscal 2021. We have received independent assurance for GHG emissions, and are working to disclose highly reliable information.

**For reference:**

Non-Financial Highlights (▶ Page 97)  
Environmental Data / Independent Assurance Report (▶ Pages 107, 109)