

Information Disclosure Based on TCFD Recommendations

September 30, 2024

Hoosiers Holdings Co., Ltd.

The Group's Policy on Climate Change



In recent years, extreme weather considered to have been caused partly by climate change has been occurring and having a significant impact on our economic and social activities, making the response to climate change a pressing issue. Under such circumstances, the movement to incorporate decarbonization into corporate management accelerated globally after the Paris Agreement, and the private sector is required to contribute to the achievement of the Sustainable Development Goals (SDGs) through proactive measures to combat climate change.

Under the Medium-Term Management Plan (for FY3/22 to FY3/26), the Group is promoting ESG management with the target of integrating business strategy and ESG strategy. In September 2023, we announced our endorsement of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Going forward, we will further accelerate our measures to combat climate change with the aim of contributing to the achievement of the 2°C target set out by the Paris Agreement. We also recognize the importance of the climate-related financial information disclosure and will work to enhance the information disclosure recommended by the TCFD.

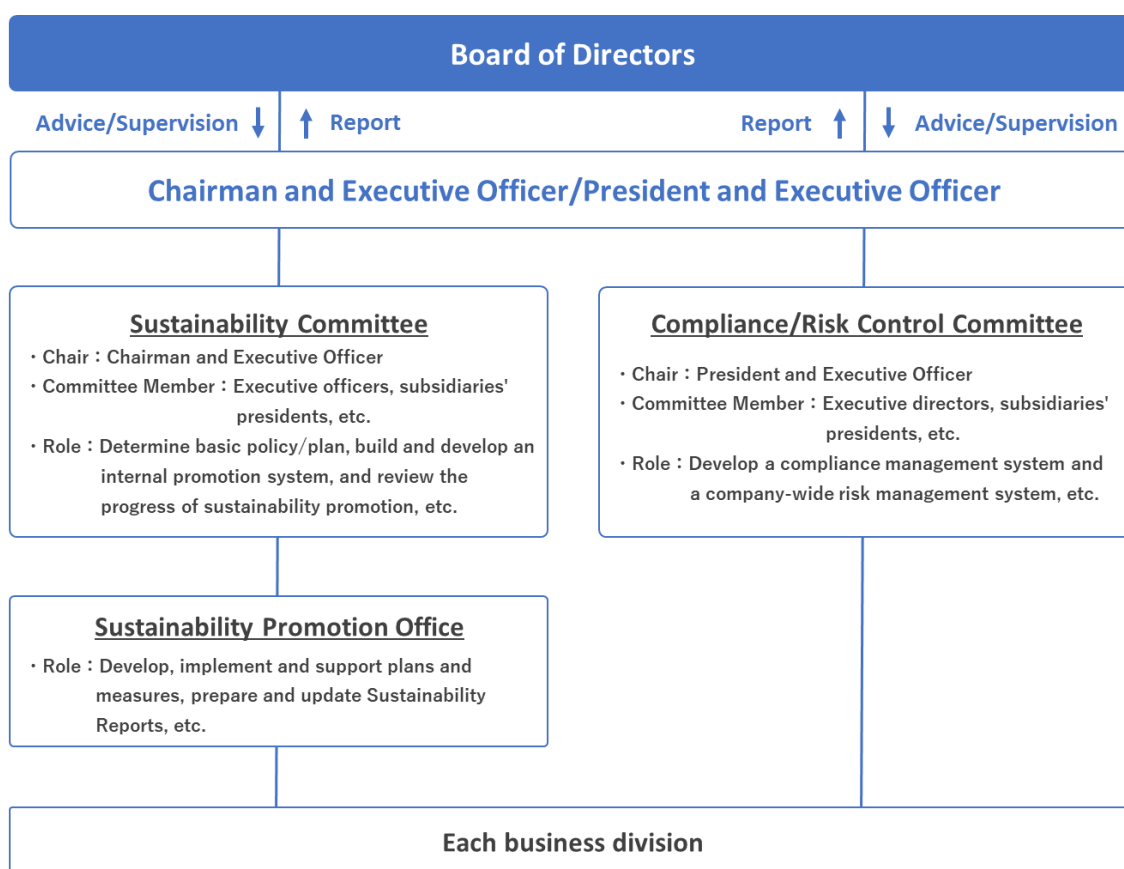
Recommended disclosure items in the TCFD recommendations

Governance	Disclose the organization's governance around climate-related risks and opportunities
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning
Risk management	Disclose how the organization identifies, assesses, and manages climate-related risks
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities

1. Governance

The Company has the Sustainability Committee, chaired by the Chairman and Executive Officer and comprised of executive officers and its subsidiaries' presidents, etc. The roles of the Sustainability Committee include determining the basic policies and plans related to the Group's overall sustainability strategy such as responses to climate change, establishing and improving an internal promotion system, reviewing the progress of the sustainability promotion activities, and managing risk factors.

We also have a system whereby the Board of Directors monitors the status of the various sustainability initiatives and oversees the risk factors based on the regular reports from the Sustainability Committee on its activities, and provides advice to management, as necessary.



2. Strategy

The Group conducted a scenario analysis for the impact of the climate change on its business based on the framework of the TCFD recommendations.

◆Assumptions

1) Segments subject to the analysis

As the TCFD recommendations require to assess potential financial impact of climate-related risks and opportunities, we expanded the scope of analysis from last year's "Real Estate Development/CCRC" to the entire business of the Group.

	Scope of Analysis
FY3/23	Real Estate Development, CCRC
FY3/24	Real Estate Development, CCRC Real Estate Investment, Condominium Management and Related Services

2)Time horizon for the analysis

We selected 2050 (long-term) as the time horizon, one of the assumptions for the scenario analysis, in light of the following two points.

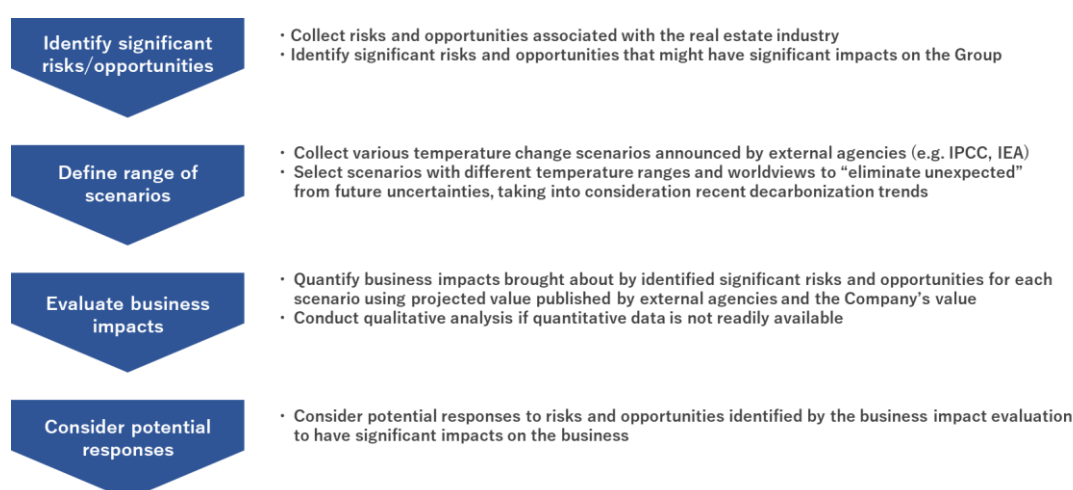
❶ Japan aims to achieve carbon neutrality by 2050

(Reduce by 46% from the FY2013 level by FY2030 and achieve net zero GHG emissions by 2050)

❷ There is no major difference among all scenarios with a nearly identical change in temperature up until 2030, but the gap between the temperature change widens after 2030 and the impact of climate change varies depending on the scenario ¹⁾.

◆Analysis process

We performed the scenario analysis through the following process in line with the TCFD recommendations.



【References】

1) Source: "Practical guide for Scenario Analysis in line with the TCFD recommendations 3rd edition" by Ministry of the Environment (2022)

◆ Identify significant risks and opportunities

We collected information on risks and opportunities associated with the real estate industry from the TCFD Final Report, other climate change-related reports, and published information of the industry peers. And we identified significant risks and opportunities that may have a significant impact on the segments subject to the analysis, “Real Estate Development,” “CCRC,” “Real Estate Investment,” and “Condominium Management and Related Services” by 2050 as shown in the table below based on the evaluation from the perspectives of the probability of occurrence and the degree of impact.

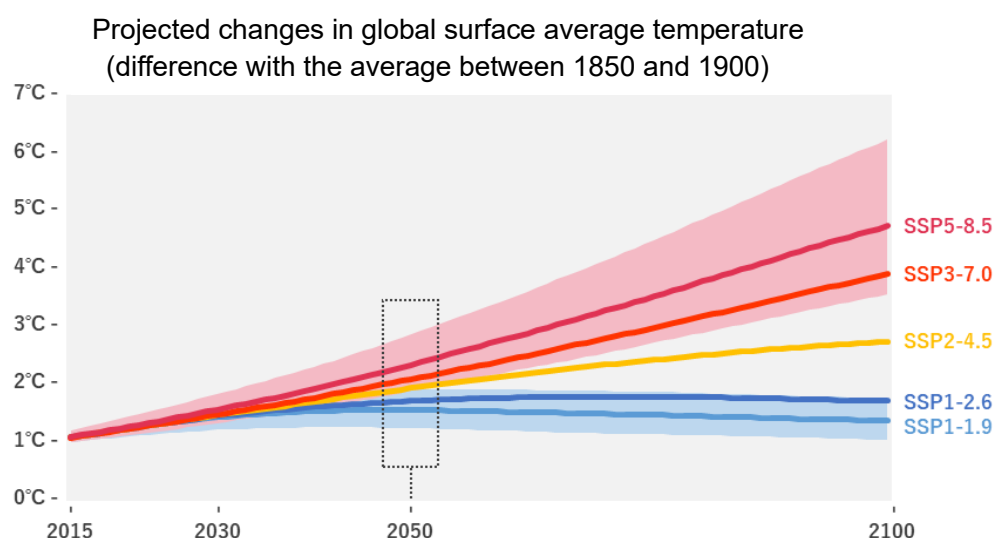
Major category	Sub-category	Sub-sub-category	Changes in external environment	Risks/opportunities for the Company
Climate-related risks	Transition risks	Policy/Legal	Increase in operational costs related to business activities due to introduction of a carbon tax and an increased carbon prices	Carbon tax levied on GHG emissions generated by the business activities (Scope 1 + 2) of headquarters, branches, and sales offices increases
			Increase in procurement cost of construction materials due to price pass-through as a result of introduction of a carbon tax	The procurement cost of carbon-intensive construction materials such as steel and cement increases
			Increase in costs to improve environmental performance of housing in response to tightened environmental regulations	Development/renovation costs for housing/buildings, etc. that comply with environmental regulations (ZEH, ZEB) increase
		Technology	Increase in costs to shift to energy-saving technologies meeting the environmental regulation standard	Development/renovation costs of housing/buildings, etc. (ZEH, ZEB) increase due to a shift to facilities and materials with high energy efficiency performance
		Market	Fluctuations in energy prices in the market due to changes in energy demand and supply	Electricity prices fluctuate due to a fall in cost of fuels used in power generation, pass-through of cost to introduce renewable energy, etc.
		Market/Reputation	Decrease in demand for housing with low environmental performance as a result of change in customer's preference	While low environmental performance in housing may lead to a decrease in competitiveness and net sales, newly built houses with a certain level of environmental performance become widespread following the revision of the Building Energy Efficiency Act, and therefore we do not assume a decrease in net sales solely due to environmental performance
		Reputation	Negative stance towards decarbonization affects funding from investors/financial institutions	Funding costs increase due to the slow progress of decarbonization of real estate for sale
	Physical risks	Acute	Increase in damages and recovery costs due to the escalation of natural disasters	The increase in tropical cyclones (typhoons) and river flooding leads to an increase in damages to and recovery costs for managed properties
			Increase in the risk of suspension of development constructions due to the escalation of natural disasters	Construction costs increase due to delay in development construction of housing caused by the escalation of natural disasters
			Increase in insurance payouts by non-life insurers due to the escalation of natural disasters resulting in an increase in damage	Fire insurance premium associated with the business activities increases due to an increase in insurance premium by non-life insurers
		Chronic	Increase in heat stress for construction workers due to an increase in the number of days with temperatures over 30°C as a result of the rise in average temperature	Construction site management costs increase to take preventive measures against heat stroke of construction workers
			Increase in operating costs due to the rise in average temperature	Air-conditioning costs in the business activities increase to maintain employees' productivity
Climate-related opportunities	Products/Services		Increase in demand for housing with high environmental performance due to an increase in eco-awareness	While high environmental performance in housing may lead to an increase in competitiveness and net sales, newly built houses with a certain level of environmental performance become widespread following the revision of the Building Energy Efficiency Act, and therefore we do not assume an increase in net sales solely due to environmental performance
			Decrease in energy-saving equipment, etc. due to improvement/spread of low-carbon technologies	Net sales increase due to a decline in construction costs of housing with high environmental performance
	Market		The momentum is growing among local governments nationwide towards compact city development that contributes to the realization of a low-carbon society through initiatives such as promoting the use of public transportation.	The opportunities to participate in regional development projects that consolidate multiple urban functions around stations increase
			Recognition by investors/financial institutions for decarbonization efforts	The decarbonization of real estate for sale progresses leads to a decrease in funding costs

◆ Define range of scenarios

One of the recommended disclosures included in the TCFD recommendations is the description of the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. Accordingly, for the purpose of "eliminating the unexpected" in analyzing the potential impact of the identified significant risks and opportunities on the Company, we have selected (1) 1.5°C scenario in which temperature rise is limited most effectively through decarbonization (= the highest transition risk) and (2) 4°C scenario in which temperature rises the most due to a decline of decarbonization trends (=the highest physical risk).

[Main climate change-related materials and range of scenarios used as reference]

- International Energy Agency (IEA)(2022): "World Energy Outlook 2022"(Net Zero Emissions by 2050 Scenario (NZE))
- Intergovernmental Panel on Climate Change (IPCC)(2021): "Sixth Assessment Report"(SSP1-1.9 - SSP5-8.5)



*The shadings around the SSP5-8.5 and the SSP1-1.9 show the range of uncertainties about predicted temperature change.

*Source: The Intergovernmental Panel on Climate Change (2021) "IPCC Sixth Assessment Report WG1 SPM Figure SPM.8(a)"

Defined as
4°C
scenario

SSP5-8.5 (Median: 4.7°C, Range of uncertainties: 3.5- 6.2°C)
Scenario which assumes the highest emissions without climate policies under the fossil-fueled development

SSP3-7.0
Scenario without climate policies under the development with regional rivalry

SSP2-4.5
Scenario with climate policies under the middle-of-the-road development

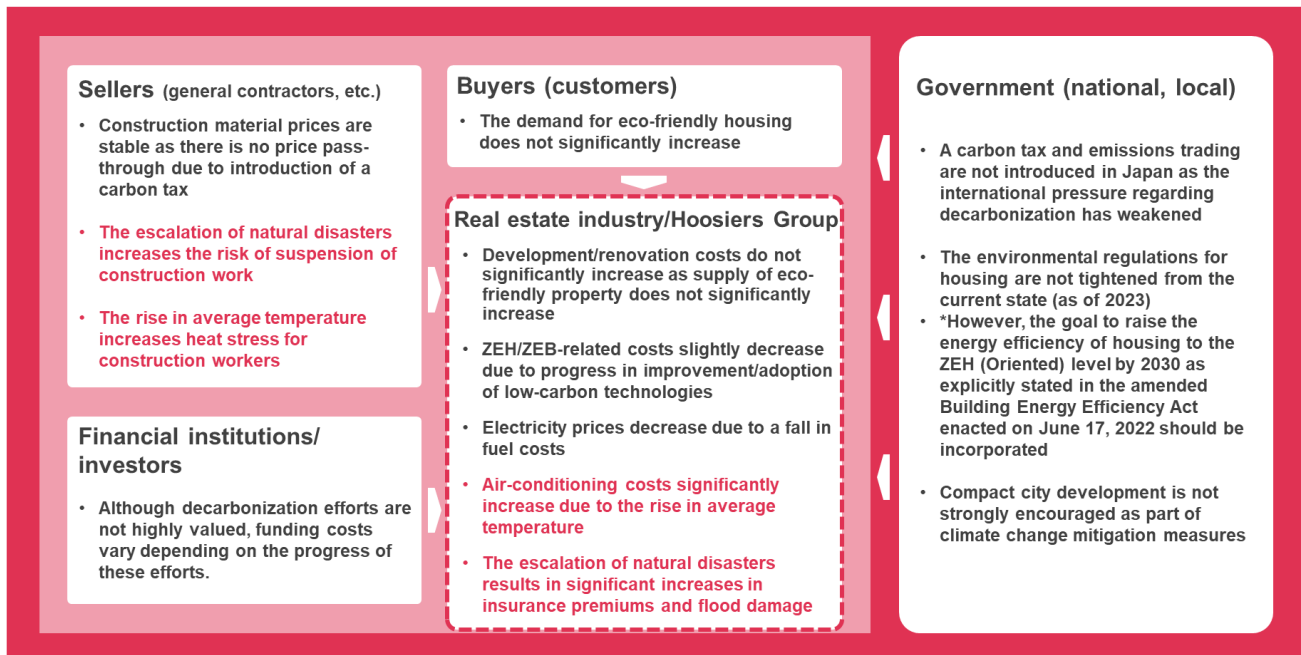
SSP1-2.6
Scenario which limits temperature rises to below 2°C under the sustainable development

Defined as
1.5°C
scenario

SSP1-1.9 (Median : 1.4°C, Range of uncertainties : 1.0- 1.7°C)
Scenario which limits temperature rises to below 1.5°C under the sustainable development

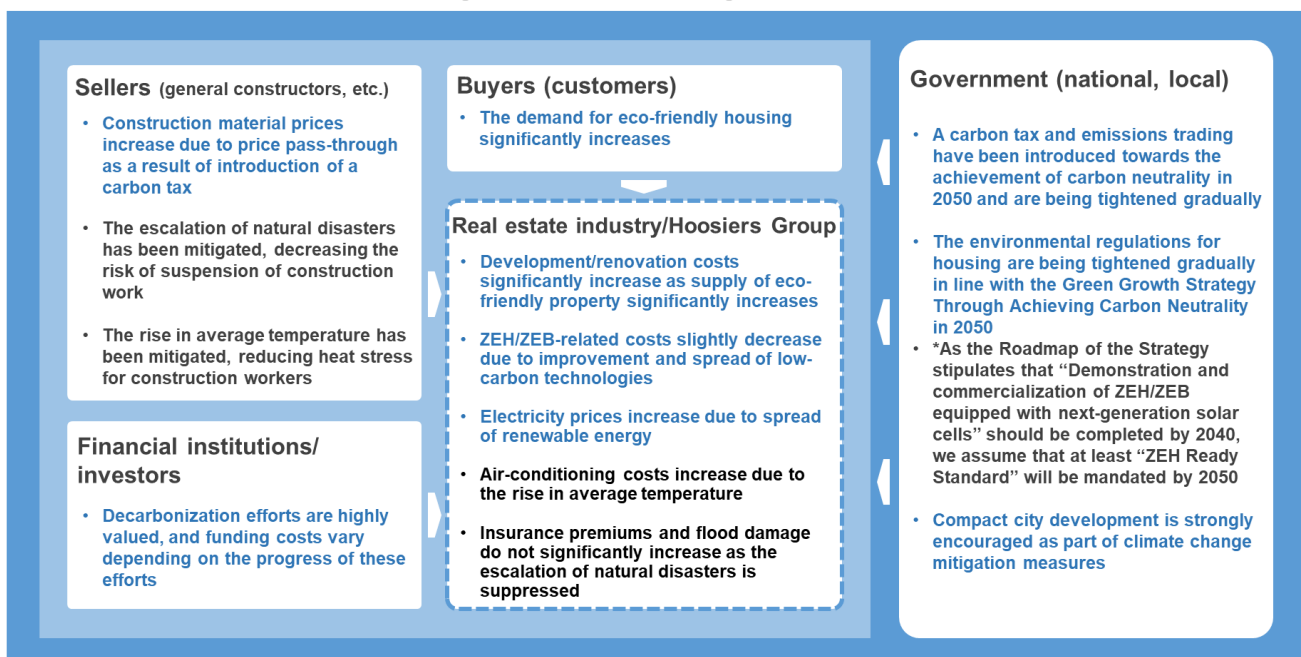
4°C World @2050s

✓ While the decarbonization trends weakens, physical risks such as the escalation of natural disasters increase



1.5°C World @2050s

✓ The strict enforcement of environmental regulations demands a stronger commitment towards decarbonization



◆Evaluate business impacts

We quantified the business impact brought about by identified significant risks and opportunities for each of the aforementioned scenarios using the projected value published by external agencies and the Company's value.

In terms of the transition risk, it was identified that ZEH development cost to be incurred due to tightening of the environmental regulations will have the largest impact under the 1.5°C scenario, followed by payments of a carbon tax and price pass-through for construction materials. In terms of the physical risk, it was identified that the potential damage in case of simultaneous inundation of our properties nationwide due to the escalation of natural disasters could pose a substantial risk under the 4°C scenario. In terms of opportunities, the regional redevelopment business contributing to compact city development will have the largest impact under the 1.5°C scenario. The evaluation also showed that a reduction of ZEH development costs due to the spread of decarbonization technology and a reduction in borrowing costs related to decarbonization initiatives will also have positive impacts.

Major category	Sub-category	Sub-sub-category	Changes in external environment	Risks/opportunities for the Company	Financial impact	
					4°C scenario	1.5°C scenario
Climate-related risks	Transition risks	Policy/Legal	Increase in operational costs related to business activities due to introduction of a carbon tax and an increased carbon prices	Carbon tax levied on GHG emissions generated by the business activities (Scope 1 + 2) of headquarters, branches, and sales offices increases	No carbon tax	Low
			Increase in procurement cost of construction materials due to price pass-through as a result of introduction of a carbon tax	The procurement cost of carbon-intensive construction materials such as steel and cement increases	No carbon tax	Low
			Increase in costs to improve environmental performance of housing in response to tightened environmental regulations	Development/renovation costs for housing/buildings, etc. that comply with environmental regulations (ZEH, ZEB) increase	Low	Medium
		Technology	Increase in costs to shift to energy-saving technologies meeting the environmental regulation standard	Development/renovation costs of housing/buildings, etc. (ZEH, ZEB) increase due to a shift to facilities and materials with high energy efficiency performance		
		Market	Fluctuations in energy prices in the market due to changes in energy demand and supply	Electricity prices fluctuate due to a fall in cost of fuels used in power generation, pass-through of cost to introduce renewable energy, etc.	Low	Low
		Market/ Reputation	Decrease in demand for housing with low environmental performance as a result of change in customer's preference	While low environmental performance in housing may lead to a decrease in competitiveness and net sales, newly built houses with a certain level of environmental performance become widespread following the revision of the Building Energy Efficiency Act, and therefore we do not assume a decrease in net sales solely due to environmental performance	-	-
	Physical risks	Reputation	Negative stance towards decarbonization affects funding from investors/financial institutions	Funding costs increase due to the slow progress of decarbonization of real estate for sale	Low	Low
		Acute	Increase in damages and recovery costs due to the escalation of natural disasters	The increase in tropical cyclones (typhoons) and river flooding leads to an increase in damages to and recovery costs for managed properties	Medium	Low
			Increase in the risk of suspension of development constructions due to the escalation of natural disasters	Construction costs increase due to delay in development construction of housing caused by the escalation of natural disasters	Low	Low
			Increase in insurance payouts by non-life insurers due to the escalation of natural disasters resulting in an increase in damage	Fire insurance premium associated with the business activities increases due to an increase in insurance premium by non-life insurers	Low	Low
		Chronic	Increase in heat stress for construction workers due to an increase in the number of days with temperatures over 30°C as a result of the rise in average temperature	Construction site management costs increase to take preventive measures against heat stroke of construction workers	Low	Low
			Increase in operating costs due to the rise in average temperature	Air-conditioning costs in the business activities increase to maintain employees' productivity	Low	Low
Climate-related opportunities	Products/ Services		Increase in demand for housing with high environmental performance due to an increase in eco-awareness	While high environmental performance in housing may lead to an increase in competitiveness and net sales, newly built houses with a certain level of environmental performance become widespread following the revision of the Building Energy Efficiency Act, and therefore we do not assume an increase in net sales solely due to environmental performance	-	-
			Decrease in energy-saving equipment, etc. due to improvement/spread of low-carbon technologies	Net sales increase due to a decline in construction costs of housing with high environmental performance	Low	Low
	Market		The momentum is growing among local governments nationwide towards compact city development that contributes to the realization of a low-carbon society through initiatives such as promoting the use of public transportation.	The opportunities to participate in regional development projects that consolidate multiple urban functions around stations increase	Low	Medium
			Recognition by investors/financial institutions for decarbonization efforts	The decarbonization of real estate for sale progresses leads to a decrease in funding costs	Low	Low

*Degree of financial impact: High (over 10% of net sales); Medium (between 3% and 10% of net sales); Low (less than 3% of net sales)

◆Consider potential responses

As potential responses to risks and opportunities that will have a significant impact on the business, we will promote the following measures based on the results of the evaluation of business impacts.

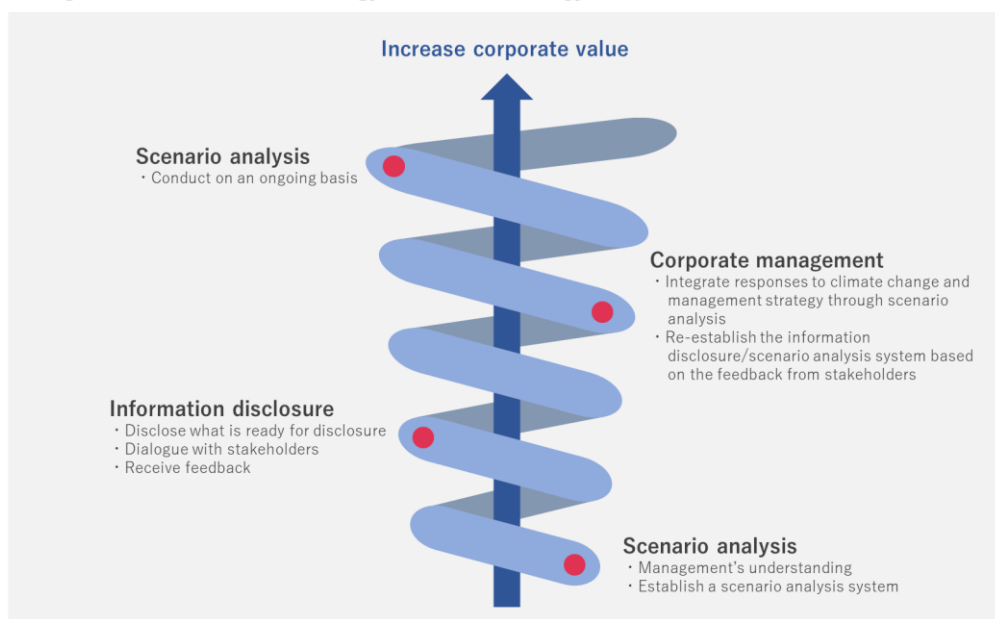
<Examples of potential responses>

- Reduce greenhouse gas emissions to alleviate the burden of carbon taxes.
- Further promote regional redevelopment business that contributes to the compact city development.
- Accumulate ZEH development/sales know-how in preparation for stricter environmental regulations.
- Implement safety measures to prepare for natural disasters and temperature rises and enhance BCP measures.
- Consider procurement of low-carbon construction materials (e.g. eco-friendly concrete) in anticipation of the introduction of a carbon tax (in the medium- to long- term).

◇Toward the future

Following the scenario analysis, we will perform scenario analysis and disclose information on a regular basis and promote the integration of the business strategy and ESG strategy, with an aim to increase the medium- to long-term corporate value.

Integration of Business Strategy and ESG Strategy



3. Risk management

With the aim of ensuring thorough compliance across the Group and promoting the risk management from a company-wide perspective, the Company has the Compliance/Risk Control Committee, chaired by President and Executive Officer, and comprised of executive directors and its subsidiaries' presidents, etc. The Compliance/Risk Control Committee classifies the identified company-wide risks mainly into disaster risk ⁽¹⁾, external risk ⁽²⁾, investment risk ⁽³⁾, and internal risk ⁽⁴⁾ taking into consideration the changes in internal and external environment and analyzes the degree of impact (severity) and the probability of occurrence according to the group common standard to assess the significance of risks and priority for response.

Under such company-wide risk management system, the Company recognizes climate-related risks as major risks that may have a significant impact on the Group's management, and the Sustainability Committee and the Compliance/Risk Control Committee work together under the supervision of Chairman and President to identify risks and opportunities, assess risks and manage how to address them based on the understanding that risks have two aspects of a positive factor (opportunity) and a negative factor (threat). We have in place a system in which the Board of Directors receives reports on climate-related risks that have been identified and assessed on a regular basis and monitors how they are managed.

【Footnote】

(1) Disaster risk: Disaster-induced risk that has a significant impact on customers, business continuity, etc.

(2) External risk: Risk associated with external factors that has an impact on business operations

(3) Investment risk: Risk associated with individual investments

(4) Internal risk: Operational risk arising within the Group

4. Metrics and targets

In recent years, an international consensus has been formed on greenhouse gas emission reduction targets, and in April 2021, the Japanese government announced that it would aim to reduce greenhouse gas emissions by 46% by FY2030 (compared to FY2013) and achieve net zero by 2050.

In light of these social conditions, the Group set a target to “reduce greenhouse gas emissions associated with its business activities (Scope 1 and 2) by 50% by FY2030 compared to the FY2022 levels and to achieve net-zero emissions by FY2050” toward the realization of carbon neutrality by FY2050. We will continue to consider the reduction target for Scope 3.

[Metrics] Greenhouse gas emissions

[Scope] Scope 1 and 2

[Target] Reduce by 50% by FY2030 compared to FY2022 levels and achieve net-zero emission by FY2050

[Measures] ✓ Shift to green energy (use renewable energy and environmental certification⁽⁵⁾)

✓ Save energy by introducing high-efficiency equipment

✓ Shift to EVs

✓ Use carbon offsets

✓ Use eco-friendly synthetic fuels (e-fuels) in the medium- to long-term, etc.

Unit : t-CO2		FY3/22 (FY2021)	FY3/23 (FY2022)	FY3/24 (FY2023)
Scope 1+2		8,731	9,242	9,337
Scope 1	Direct emissions of greenhouse gases from business activities	3,485	3,457	3,450
Scope 2	Indirect emissions of greenhouse gases associated with the use of energy supplied by other companies	5,245	5,786	5,887
Scope 3	Indirect emissions other than Scopes 1 and 2	-	352,664	362,787
Category 1	Products and services purchased	-	184,532	203,683
Category 2	Capital goods	-	504	943
Category 3	Fuel- and energy-related activities that are not included in Scope 1 and 2	-	1,490	1,523
Category 4	Transportation and delivery (upstream)	-	-	-
Category 5	Waste generated by businesses	-	659	652
Category 6	Business trips	-	620	711
Category 7	Employers' commuting	-	105	132
Category 8	Lease assets (upstream)	-	1,780	1,503
Category 9	Transportation and delivery (downstream)	-	-	-
Category 10	Processing of products sold	-	-	-
Category 11	Use of products sold	-	158,226	149,508
Category 12	Disposal of products sold	-	1,276	1,035
Category 13	Lease assets (downstream)	-	-	-
Category 14	Franchise	-	-	-
Category 15	Investments	-	-	-
-	Other	-	3,472	3,095
Total (Scope 1, 2 and 3)		8,731	361,907	372,123

※1 The scope 1 and 2 of the data collection includes (1) properties owned or manages by the Group (holding company and domestic consolidated subsidiaries) over which the Group has full authority to introduce and execute its management policies (excluding those to which we do not have energy management authority and properties for sale), and (2) vehicles owned or leased by the Group (holding company and domestic consolidated subsidiaries).

※2 Categories 4, 9, 10, 13, 14, and 15 are excluded from the calculations due to reasons such that there are no emission sources or they are included in other categories or Scope 1+2.

[Footnote]

(5) Environmental certification includes non-fossil certificate, green certificate, and J-credit

<Disclaimer>

The information contained herein is based on judgments in view of information available as of the date of disclosure of this material. Actual information may differ due to various factors.