

# Approach to TCFD

---

As of June 28, 2022



## Disclosure Based on TCFD Recommendations

The Mitsubishi Shokuhin Group has defined its "Purpose" which it seems as the reason for its existence, as "Contributing to the realization of a sustainable society through the food business". The company also established its "Vision", the desired future state, as "Evolving into a next-generation food distributor (solving Key Sustainability Issues)".

Recognizing climate change as one of our material sustainability issues, our Group supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We will work to improve our disclosures in line with the TCFD guidelines.

### Governance

In March 2021, we established the Sustainability Committee to promote company-wide efforts towards addressing sustainability issues through our business activities.

The Sustainability Committee, serving as an advisory body to the executive decision-making body entity, the Management Conference, is responsible for overseeing sustainability issues, including climate change.

We collaborate with the "Enterprise Risk Management Committee" to identify, manage climate-related risks, and develop and implement specific response strategies.

In June 2021, we appointed a Chief Sustainability Officer (CSO), who also serves as the President and Representative Director. The CSO, in consultation with the Sustainability Committee, reviews and deliberates on fundamental policies and important matters related to climate change, which are subsequently discussed and decided upon in the Management Conference. The discussions are also presented to the Board of Directors for consideration and are reported twice a year to ensure the board's monitoring and oversight.

### Risk Management

For risks that significant impact our business or are highly relevant to our business strategy, we establish risk scenarios and conduct detailed analyses and assessments. Furthermore, we integrate significant climate change risks into our overall risk management process and evaluate and manage them alongside other business risks within the company's Risk Management Committee.

#### ● Governance Structure for Climate Change Issues



# Strategy

## (1) Identification of Risks and Opportunities

To identify climate-related risks and opportunities affecting the Group's business, we extracted climate-related risks and opportunities within our operations and qualitatively assessed their financial impacts.

Key Factors for Risks and Opportunities	Climate-Related Risks/Opportunities	Risk/Time Until Opportunities Discovered	Financial Impact (Profit basis)
<b>Transition Risks</b>			
Introducing/Increasing Carbon Pricing	Increase in operating costs due to introduction of carbon pricing	Medium-term	Medium
	Increase in purchase costs due to introduction of carbon pricing	Medium-term	Large
Increase in Fuel Prices	Increase in transportation and storage costs due to higher fuel prices	Medium-term	Large
	Increase in purchase costs due to higher fuel prices	Medium-term	Medium
Increase in Electricity Prices	Increase in transportation and storage costs due to changes in electricity prices	Medium-term	Medium
	Increase in purchase costs due to changes in electricity prices	Medium-term	Medium
Lower Demand for Fossil Fuels	Increase in refrigerant costs due to change in demand for fossil resources	Medium-term	Small
<b>Physical Risks</b>			
Increased Risk of Infectious Diseases Due to Rising Temperatures	Fewer opportunities for consumers to use food services due to increased risk of infectious diseases from rising temperatures	Medium-term	Small
Increasing Frequency and Severity of Wind/Flood-Related Disasters	Damage to business sites due to frequent and severe wind and flood disasters	Short-term	Small
	Decline in farm and field productivity due to frequent and severe wind and flood disasters	Short-term	Medium
	Supply chain disruption due to frequent and severe wind and flood disasters	Short-term	Small
<b>Opportunities</b>			
Progress Made with Joint Delivery and Modal Shift Initiatives	Lower transportation and storage costs due to the progress made with joint delivery and modal shift initiatives	Short-term	Large

Progress with Development of Recycled Materials and Biomass-Related Technologies	Increased sales of containers with low environmental impact/ packaging products due to progress with development of recycled material and biomass-related technologies	Short-term	Small
--	--	------------	-------

[Risk/Time until opportunities discovered] Short-term: no more than 3 years; Medium-term: over 3 years and no more than 10 years; Long-term: over 10 years

[Financial Impact] Small: no more than ¥1 billion; Medium: over ¥1 billion and no more than ¥5 billion; Large: over ¥5 billion

## (2) Theme of Scenario Analysis and Setting for Climate Change Scenarios

We conducted an analysis of the future impacts of the following three themes, which were assessed as "highly important" based on the extraction and organization of climate-related risks and opportunities, considering their financial impact and relevance to our business strategy, in two scenarios including decarbonization scenario as 2°C scenario.

### ■ Scope and Themes of Scenario Analysis

Risk Classification	Scope	Analysis Themes
Transition Risks/Opportunities	Mitsubishi Shokuhin Domestic Group (excluding some subsidiaries)	① Impact on the Group's operating costs associated with the introduction of carbon pricing
	Wholesale business of Mitsubishi Shokuhin	② Impact on purchase costs associated with the introduction of carbon pricing in the upstream companies of the supply chain
Physical Risk	All domestic Mitsubishi Shokuhin Group bases	③ Impact of an increase in weather-related disasters due to climate change on business locations

### ■ Scenarios Setups

	Decarbonization Scenarios	Current Scenarios
Transition Risks		
	<p>External scenarios established</p> <ul style="list-style-type: none"> <li>● SDS (* 1)</li> </ul> <p><u>Assumed business environment</u></p> <ul style="list-style-type: none"> <li>● A world in which the pledge of achieving net zero GHG (*3) emissions by each country is fulfilled, and the global average temperature increase compared to the pre-industrial revolution is well below 2°C around 2100.</li> <li>● A world in which countries are dependent on fossil fuels, and the price of fossil fuels is declining.</li> </ul>	<p>External scenarios established</p> <ul style="list-style-type: none"> <li>● STEPS (* 2)</li> </ul> <p><u>Assumed business environment</u></p> <ul style="list-style-type: none"> <li>● A world in which the average global temperature increase compared to the pre-industrial levels is about 2.6°C around 2100, based on emission routes in line with pathways aligned with the planes currently announced by each country.</li> <li>● A world in which countries are dependent on fossil fuels, and the price</li> </ul>

	<ul style="list-style-type: none"> <li>A carbon price is imposed on corporate GHG emissions, assumed to be ¥13,200 per ton of GHG emission in 2030 and ¥22,000 in 2050.</li> </ul>	<ul style="list-style-type: none"> <li>of fossil fuels is increase.</li> <li>A carbon price is imposed on corporate GHG emissions, assumed to be ¥7,150 per ton of GHG emission in 2030 and ¥9,900 in 2050.</li> </ul>
<b>Physical Risks</b>		
	<p>External scenarios established</p> <ul style="list-style-type: none"> <li>RCP (*3) 2.6_SSP (*4) 1-2.6</li> </ul> <p><u>Assumed business environment</u></p> <ul style="list-style-type: none"> <li>Under sustainable development, climate policies are introduced to keep the temperature rise (median) to be low 2°C compared to pre-industrial levels. Net-zero CO2 emissions are anticipated in the second half of the 21st century.</li> </ul>	<p>External scenarios established</p> <ul style="list-style-type: none"> <li>RCP8.5_SSP5-8.5</li> </ul> <p><u>Assumed business environment</u></p> <ul style="list-style-type: none"> <li>A high-reference scenario where there are no climate policies in place and development is reliant on fossil fuels.</li> </ul>

\*1. S D S: Sustainable Development Scenario

\*2. S T E P S: Stated Policies Scenario

\*3. G H G: Greenhouse Gas

\*4. R C P: Representative Concentration Pathways

### ■ Main External Information Referred to in the Scenario Analysis

Information Provider	Reference Information
IEA (*5)	World Energy Outlook 2021
National Institute for Environmental Studies	Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables (2015)
Ministry of Land, Infrastructure, Transport and Tourism	Flood Hazard Map
WRI (*6)	Aqueduct Floods Hazard Maps, Inundation depth in meters for coastal and riverine floods
IPCC (*7)	AR6 Climate Change 2021: The Physical Science Basis

\*5. I E A: International Energy Agency

\*6. W R I: World Resources Institute

\*7. I P C C: The Intergovernmental Panel on Climate Change

### (3) Scenario Analysis Results and Response Strategies

Analysis Theme ①	Impact of Introducing Carbon Pricing on the Group's Operating Costs
Analysis Assumption	<ul style="list-style-type: none"> <li>To predict the future impact of carbon pricing on our company group's operating costs, we conducted an analysis of the financial effects based on the carbon pricing imposed on Scope 1 and Scope 2 emissions. *Scope1: direct emissions from the reporting company's factories, offices, vehicles, etc. *Scope2: indirect energy-derived emissions from electric power and other energy consumed by the reporting company</li> <li>As of 2020, the impact was considered negligible and assumed to be zero.</li> <li>For the analysis, we assumed that the activity levels of our company in terms of emissions (factors influencing emission levels based on</li> </ul>

business activities) would remain the same as in 2020 for both 2030 and 2050.

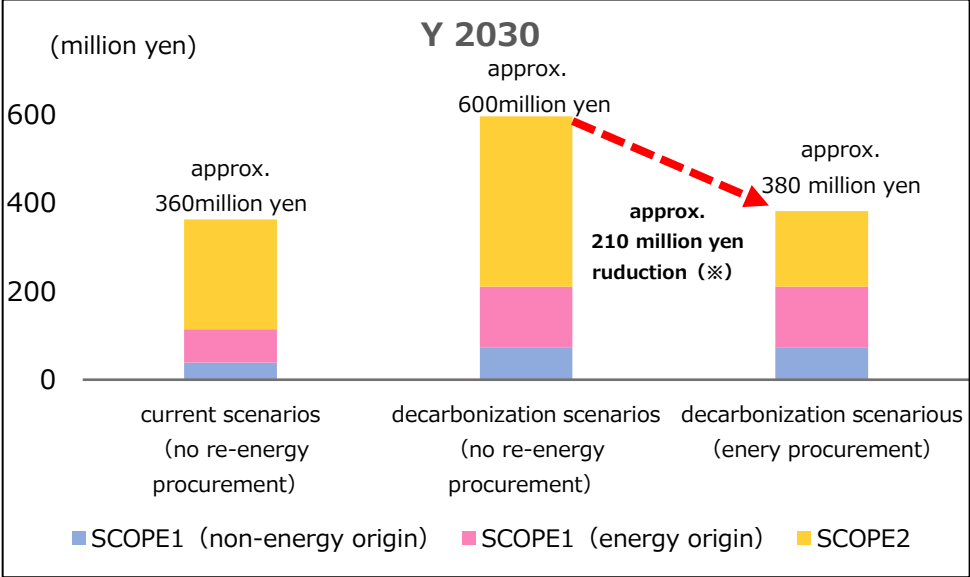
- To assess the resilience of our business strategy, we also examined the extent to which our financial impact could be mitigated by addressing Scope 2 emissions through the procurement of renewable energy in the decarbonization scenario. Please note that this analysis does not evaluate the impact of reduction activities related to Scope 1 emissions.

**Analysis Result**

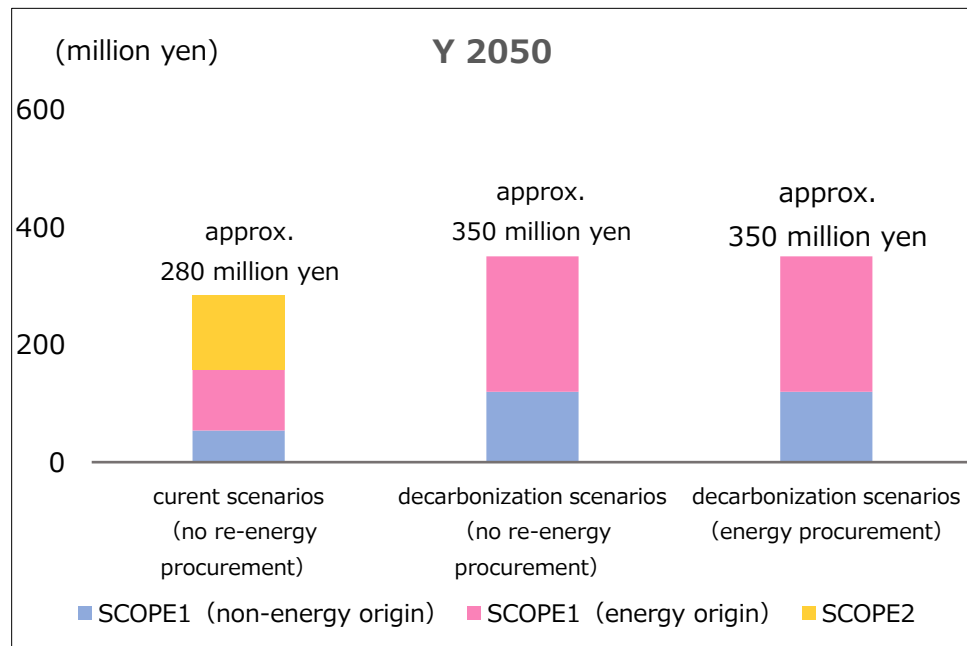
- By 2030, it was found that the financial impact of carbon pricing, compared to 2020, would increase by approximately 360million yen in the current scenario and approximately 600 million yen in the decarbonization scenario, which includes the procurement of renewable energy.
- By 2030, under the 1.5°C scenario, we found that we could reduce our impact by about 210 million yen by working to procure renewable energy. In addition, since our GHG emissions are mainly derived from electricity, we recognized that it is important to give higher priority to the decarbonization of electricity.
- By 2050, it was found that the financial impact of carbon pricing, compared to 2020, would increase by approximately 280 million yen in the current scenario without procuring renewable energy and approximately 350 million yen in the decarbonization scenario, which includes the procurement of renewable energy.
- By 2050, under the 1.5°C scenario, the emission coefficient of Japanese electricity is expected to turn negative due to the spread of CCUS\*, etc. Therefore, there will be no difference in the impact of the carbon price derived from Scope 2 emissions whether the company procures its own renewable energy or not. In addition, since the impact of the carbon price derived from Scope 1 emissions is expected to be larger than in 2030, we recognized that it will be more important to reduce the use of fossil fuels in vehicles and equipment.

\*CCUS : Carbon dioxide Capture, Utilization and Storage

**Future Financial Impact of Carbon Price (change from 2020)**



"without renewable energy procurement" and "with renewable energy procurement" does not equal the amount of reduction due to the reduction initiatives because of fractional processing.



In the decarbonization scenarios "without renewable energy procurement" and "with renewable energy procurement," the emission factor for Japanese electricity is projected to turn negative, so the Scope 2-derived impact is projected to be zero in both scenarios. In addition, since the impact of Scope 1 reduction activities was not evaluated in this study, there is no difference in the Scope 1-derived impact amount.

Response Strategy

Based on this quantitative analysis, the Group will formulate a roadmap for GHG reduction in Scope 1 and 2.

Based on the quantitative analysis conducted, our company has developed a roadmap for GHG reduction in Scope 1 and Scope 2 emissions. In Scope 1, we have initiated efforts to reduce GHG emissions from fossil fuel sources, such as the introduction of introducing environmentally friendly vehicles for testing purposes since 2022.

Regarding Scope 2, the Group is switching to environmentally friendly power contracts that utilize renewable energy sources from April 2022 for the procurement of electricity, which has a significant impact on the Group's business.

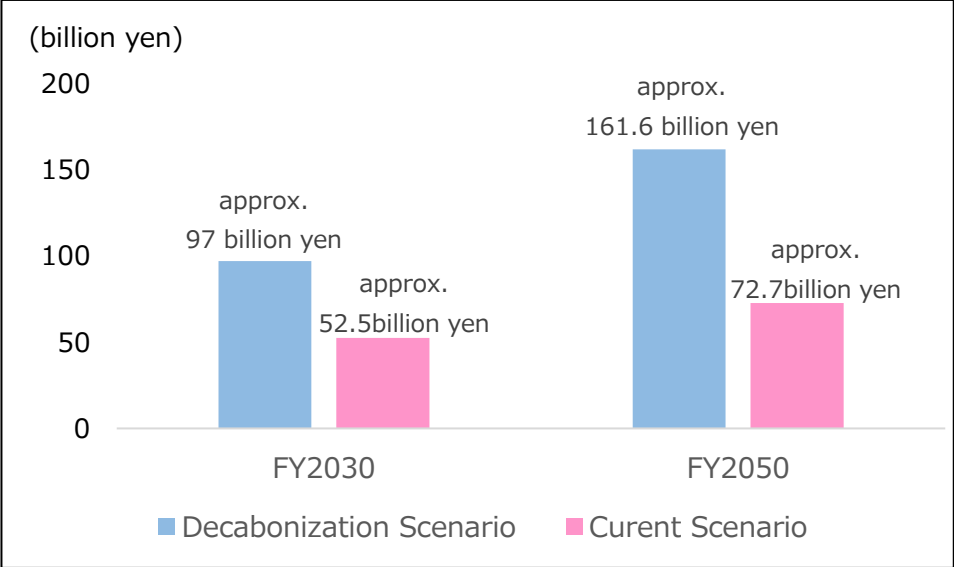
Also, we will promote energy-saving activities, contemplate investments in facility and equipment replacement, and work towards achieving carbon neutrality by 2050 and building a decarbonized society through various other initiatives.

Analysis Theme ②

Impact on Procurement Costs Associated with the Introduction of Carbon Pricing in the Upstream Companies of the Supply Chain

Analysis Assumption

- To forecast the impact of future carbon pricing on our product procurement costs, we conducted an analysis of the potential financial effects based on the carbon pricing imposed on upstream GHG emissions in

	<p>our supply chain for the years 2030 and 2050.</p> <ul style="list-style-type: none"> <li>● The financial impact in the year 2020 was considered and hence assumed to be zero.</li> <li>● Based on these assumptions, we conducted an analysis to assess the potential changes in our future financial impact for the years 2030 and 2050. Please note that the specific results of this analysis, including the estimated financial impact, are not provided in the given text.</li> </ul>									
<p>Analysis Result</p>	<ul style="list-style-type: none"> <li>● In the Decarbonization Scenario, the impact equates to an increase of approximately 97 billion yen by 2030 and approximately 161.6 billion yen by 2050, compared to the year 2020. In the Current Scenario, the impact equates to an increase of approximately 52.5 billion yen by 2030 and approximately 72.7 billion yen by 2050, compared to the year 2020.</li> <li>● In the Decarbonization Scenario, the impact on our procurement costs corresponds to approximately a 4% increase compared to the 2020 procurement costs by 2030, and approximately a 7% increase by 2050. It is important to note that if our procurement volume or upstream GHG emissions in the supply chain increase in the future, the impact on procurement costs may become even greater.</li> </ul> <p>■ Future Financial Impact of Carbon Price (change from 2020)</p>  <table border="1"> <caption>Future Financial Impact of Carbon Price (change from 2020)</caption> <thead> <tr> <th>Year</th> <th>Decarbonization Scenario (billion yen)</th> <th>Current Scenario (billion yen)</th> </tr> </thead> <tbody> <tr> <td>FY2030</td> <td>approx. 97</td> <td>approx. 52.5</td> </tr> <tr> <td>FY2050</td> <td>approx. 161.6</td> <td>approx. 72.7</td> </tr> </tbody> </table>	Year	Decarbonization Scenario (billion yen)	Current Scenario (billion yen)	FY2030	approx. 97	approx. 52.5	FY2050	approx. 161.6	approx. 72.7
Year	Decarbonization Scenario (billion yen)	Current Scenario (billion yen)								
FY2030	approx. 97	approx. 52.5								
FY2050	approx. 161.6	approx. 72.7								
<p>Response Strategy</p>	<p>In this quantitative analysis, even though the calculations are based on GHG emissions from 2020, we confirmed that the measures our group is already taking to reduce GHG emissions in the supply chain will effectively curb future increases in purchase costs. Our specific current initiatives include relaxing delivery requirements to improve supplier’s delivery efficiency and introducing truck receipt and reservation system to reduce waiting times for trucks arriving at the warehouse. We aim of building a strong, sustainable supply chain and reducing GHG emissions, besides expanding our own initiatives, we are actively working to streamline the entire chain in collaboration with all levels of the company.</p>									



Analysis Theme③	Impact of Increased Weather-Related Disasters Due to Climate Change on Business Locations																					
Analysis Assumption	<ul style="list-style-type: none"> <li>To forecast the impact of climate change-related weather disasters on our company's operations, we conducted a scenario analysis for our domestic facilities within the company group (as of October 2021).</li> <li>In the analysis, we assessed the flood risk for each of our domestic facilities under the climate change scenarios of RCP2.6 (partially RCP4.5) and RCP8.5. We evaluated both the baseline flood risk as well as the projected risks for the mid-21st century and end of the 21st century. Moreover, we calculated the overall financial impact on the company resulting from climate change.</li> </ul>																					
Analysis Result	<ul style="list-style-type: none"> <li>From the baseline assessment, we identified 53 facilities with a high risk of flood inundation and 14 facilities with a high risk of coastal flooding. These evaluations considered the potential impacts of floods and tidal surges.</li> <li>Moreover, we discovered that the number of facilities with a high risk is predicted to increase to 69 facilities by the end of the 21st century under RCP8.5 scenario. Similarly, the number of facilities with a high risk of coastal flooding is projected to increase to 21 facilities by the end of the 21st century under RCP8.5 scenario. These evaluations indicate heightened concerns of flood-related risks due to climate change.</li> <li>Subsequently, we carried out a quantitative evaluation of the financial impact of climate change on several facilities identified as having a high risk of flooding. In additionally, we estimated the overall financial impact for the entire company.</li> <li>Below, we present the estimated results of the overall financial impact for the entire company due to the increased risk of flooding associated with climate change, expressed as the multiplier of loss increase com-</li> </ul> <table border="1" data-bbox="411 1496 1393 1794"> <thead> <tr> <th rowspan="2">Climate change Scenario</th> <th colspan="2">Multiplier for Increased Losses due to Flood Inundation</th> <th colspan="2" rowspan="2">(Reference) Flood frequency*</th> </tr> <tr> <th>Mid 21<sup>st</sup> Century</th> <th>End 21<sup>st</sup> Century</th> </tr> </thead> <tbody> <tr> <td>RCP2.6</td> <td>approx.1.4 times</td> <td>approx.1.4 times</td> <td>at 2°C rise</td> <td>approx.2 times</td> </tr> <tr> <td>RCP8.5</td> <td>approx.1.8 times</td> <td>approx.3.6 times</td> <td>at 4°C rise</td> <td>approx.1.4 times</td> </tr> </tbody> </table> <p>pared to the baseline.</p> <p>*Source: Ministry of Land, Infrastructure, Transport and Tourism, "Flood Control Planning in Light of Climate Change" Proposal (revised April 2021)</p>					Climate change Scenario	Multiplier for Increased Losses due to Flood Inundation		(Reference) Flood frequency*		Mid 21 <sup>st</sup> Century	End 21 <sup>st</sup> Century	RCP2.6	approx.1.4 times	approx.1.4 times	at 2°C rise	approx.2 times	RCP8.5	approx.1.8 times	approx.3.6 times	at 4°C rise	approx.1.4 times
Climate change Scenario	Multiplier for Increased Losses due to Flood Inundation		(Reference) Flood frequency*																			
	Mid 21 <sup>st</sup> Century	End 21 <sup>st</sup> Century																				
RCP2.6	approx.1.4 times	approx.1.4 times	at 2°C rise	approx.2 times																		
RCP8.5	approx.1.8 times	approx.3.6 times	at 4°C rise	approx.1.4 times																		
Response Strategy	As a corporate group that supports the food supply chain, we are committed to ensuring a "safe, secure, and stable food supply" even in the face of anticipated increases in climate-related disasters. To ensure this, we have been implementing Business Continuity Plans (BCPs) and enhancing our																					

	<p>preparedness for all-hazard disasters. Our measures include installing emergency power generators, ensuring a fuel supply for transportation in case of fuel shortages, and establishing alternative centers for prompt response to shipment demands during emergencies. We have increased the frequency of reviewing our BCPs and have conducted comprehensive assessments that include climate change risks.</p> <p>Based on the results of this thematic analysis, in order to further improve the effectiveness of "food safety, security, and stable supply," we will work to build a robust system for the entire supply chain to further address all hazards, such as establishing an alternative center to handle shipments in the event of a disaster and a distribution system that enables rapid recovery, in addition to considering investment policies to reduce flooding risks at business sites due to climate change.</p>
--	---

## Indicators and Targets

### ■ Indicators and Targets Related to GHG Emissions

Our group manages GHG emissions (Scope1 and Scope2) as key indicators for managing climate-related risks and opportunities. We have set a target to reduce our company's GHG emissions from our business operations by 60% by 2030, using 2016 as the baseline.

indicator	Y2020	Y2030 (target)
GHG emissions [1000t - CO <sub>2</sub> e]	73.4 Scope1 : 15.9 Scope2 : 57.5	36.1 (60% reduction compared to FY2016)

We regularly monitor and manage the progress of these indicators and targets to ensure our contribution towards achieving a decarbonized society. By doing so, we aim to make our efforts towards a carbon-neutral society more robust and impactful.