

Environment

Environmental Policies

Policies related to the environment	Basic Environmental Policy	<p>Basic Environmental Policy</p> <p>The Tokyo Century Group recognizes that addressing environmental issues is a key management concern and will seek to contribute to the creation of an environmentally sound, sustainable economy and society and a decarbonized society based on the United Nations Sustainable Development Goals (SDGs). To this end, the Tokyo Century Group will act with due consideration for environmental issues, including prevention of environmental pollution, reduction of greenhouse gas emissions, mitigation and adaptation to climate change impacts, and conservation of biodiversity and ecosystems, in all areas of its operating activities.</p> <p>1. Global Environmental Preservation through Business</p> <p>We will strive to contribute to reducing environmental impacts, conserving forests, oceans, and water resources through our operating activities by developing and providing environmentally sound products and services around the world. We also track the impact of our operating activities on ecosystems and engage in activities that contribute to biodiversity conservation.</p> <p>2. Contribution to Creating an Environmentally Sound, Sustainable Economy and Society</p> <p>From the standpoint of life cycle management, we will seek to create an environmentally sound, sustainable economy and society through our efforts for promoting waste reduction, reuse and recycling, and renewable energy.</p> <p>3. Promotion of Resource and Energy Conservation Activities</p> <p>We will promote resource and energy conservation activities in recognition of the environmental impact caused by the consumption of resources and energy and the discharge of wastes and other materials associated with our operating activities, including in our supply chain.</p> <p>4. Legal Compliance</p> <p>We comply with environmental laws and regulations, ordinances and treaties, as well as international environmental standards and stakeholder agreements to which the Tokyo Century Group agrees.</p> <p>5. Efforts for Continuous Improvement</p> <p>We will seek to prevent environmental pollution and engage in environmental activities along with providing environmental education and ensuring its dissemination by setting environmental objectives and goals. Furthermore, by constantly reviewing the results of these activities, we will strive to continuously improve our environmental management system and raise awareness of environmental issues.</p> <p>6. Information Disclosure</p> <p>We will strive to disclose information on this policy and our environmental initiatives to our various stakeholders and encourage their understanding and cooperation.</p>
Management system	Chief executive	President & CEO, Representative Director
	Oversight organization	Environmental Management Committee
	Climate change-related oversight by the Board of Directors	<p>Tokyo Century takes steps to address climate change-related issues through management reviews conducted via an environmental management system based on ISO 14001. These reviews are used to evaluate environmental performance and provide guidance for future directives. In addition, twice-annual meetings are convened for the Environmental Management Committee, which is chaired by the president of the Risk Management Unit, who is also the environmental oversight representative.</p> <p>The Environmental Management Committee reports to the Management Meeting on the environmental activities implemented in a given fiscal year and receives evaluations of these activities as well as guidance for future directives.</p> <p>The Company's governance system is designed so that important matters, such as the establishment, revision, or abolition of the Basic Environmental Policy, are resolved after being brought to the attention of the Board of Directors for discussion.</p>

Management system

Acquisition of ISO 14001 certification

The Tokyo Century Group recognizes that it has a social responsibility to help address environmental issues. Accordingly, it has acquired ISO 14001 certification, the international standard for environmental management systems, for the following companies (certification was received from BSI Group Japan K.K.).

Scope of ISO 14001 Certification

ISO 14001 certification has been acquired for the following Tokyo Century Group entities.

- Tokyo Century Corporation
(head office, Akihabara UDX office, Tokiwabashi Tower office)
- EPC Japan K.K.
- TC Agency Corporation
- FLCS Co., Ltd. (head office)



EMS 506044 / ISO 14001

*1 Effective December 1, 2023, TRY Corporation was renamed EPC Japan K.K.

In addition, the following three consolidated subsidiaries have received certification on an individual basis.

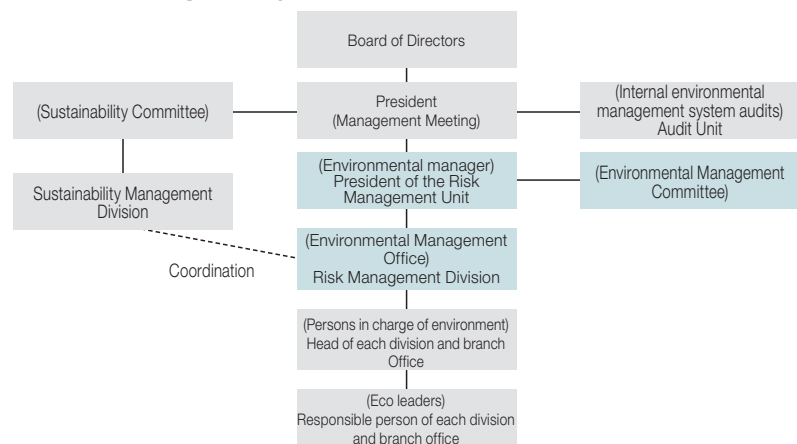
- Nippon Car Solutions Co., Ltd. (head office)
- Amada Lease Co., Ltd.
- Executive Personal Computers, Inc. (subsidiary of CSI Leasing, Inc., of the United States)

Scope of Application of Environmental Management System

Tokyo Century Corporation; EPC Japan K.K.; TC Agency Corporation; TC Property Solutions Corporation;*2 FLCS Co., Ltd.; S.D.L. Co., Ltd.; ITEC Leasing Co., Ltd.; and IHI Finance Support Corporation

*2 Effective October 1, 2024, TC Property Solutions Corporation undertook a merger with TC Hotels & Resorts Karuizawa Co., Ltd., and TC Hotels & Resorts Beppu Co., Ltd., in which TC Property Solutions Corporation was the surviving company. TC Property Solutions Corporation changed its name to TC Hotels & Resorts Co., Ltd., on October 1, 2024.

Environmental Management System

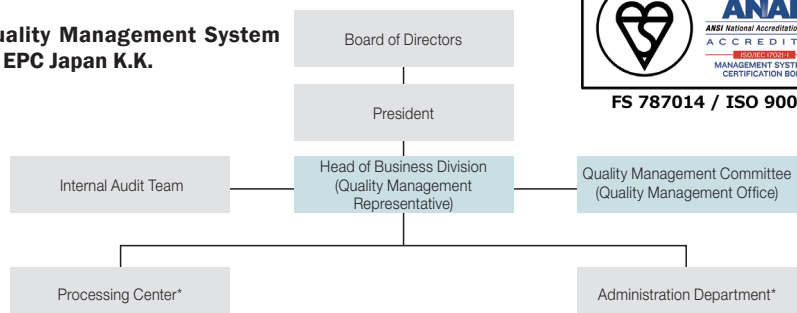


Acquisition of ISO 9001 certification

In August 2023, Tokyo Century subsidiary EPC Japan K.K. acquired certification under ISO 9001, the international standard for quality management systems.

For information on the basic quality management policy of EPC Japan K.K. please refer to the following website (in Japanese only).
https://www.tokyocentury.co.jp/assets/pdf/company/epcjapan_quality.pdf

Quality Management System of EPC Japan K.K.



FS 787014 / ISO 9001

* The ITAD Group of the Processing Center and the Digital Transformation Strategy Group of the Administration Department are not included within the scope of ISO 9001 certification.

Management system	Environmental audits	Internal environmental audits of organizations at companies applicable under the environmental management system are performed to confirm that their operations are conducted in accordance with the stipulations of the environmental management system. The fiscal 2023 audit found no nonconforming organizations.									
	Long-term quantitative greenhouse gas emissions reduction targets (intensity targets)	<p>Tokyo Century participates in the carbon neutrality action plan formulated by Japan Leasing Association as a member company and revises its target values in line with the targets of the association.</p> <p>Long-Term Targets Per head office floor space electricity use Fiscal 2030: 56.9 kWh/m² or less (38% reduction compared with fiscal 2009)</p> <table><tr><th>Item</th><th>Unit</th><th>Fiscal 2021</th><th>Fiscal 2022</th><th>Fiscal 2023</th></tr><tr><td>Per head office floor space electricity use</td><td>kWh/m²</td><td>64.84</td><td>67.69</td><td>66.94</td></tr></table>	Item	Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023	Per head office floor space electricity use	kWh/m ²	64.84	67.69
Item	Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023							
Per head office floor space electricity use	kWh/m ²	64.84	67.69	66.94							
Environmental education	<ul style="list-style-type: none">Environmental education is provided through e-learning programs for the purpose of raising environmental awareness at Tokyo Century Corporation and Group companies.We have issued our in-house newsletter, eco news, three to four times a year since fiscal 2011, renaming it Sustainability Communication in January 2020. The newsletter has been used to communicate on environmental issues and sustainability topics pertaining to management strategies. The redesigned sustainability newsletter is currently distributed to Tokyo Century Corporation and to Group companies, being issued three times in fiscal 2023, in both Japanese and English.In divisions engaged in operations closely related to the environment, such as those responsible for disposal of end-of-lease properties and renewable energy business initiatives, environmental regulation tables are used to periodically confirm the regulations and ordinances related to the activities of these divisions. In addition, division members participate in internal and external lectures and training to gain deeper insight in this regard.Tokyo Century has been making ongoing contributions to environmental education for elementary and junior high school students through donations to local environmental preservation organizations in the regions where it operates solar power generation businesses. As a result of these efforts, the Company received a letter of appreciation from an environmental preservation organization in Shiga Prefecture.										
Biodiversity initiatives	<p>Biodiversity-Related Guidelines</p> <p>See Basic Environmental Policy on page 26</p>										
	<p>Endorsement of the Keidanren Initiative for Biodiversity Conservation</p> <p>In June 2024, Tokyo Century announced its endorsement of the Keidanren Declaration for Biodiversity and Guideline and joined the Keidanren Initiative for Biodiversity Conservation.</p> <p>The Keidanren Initiative for Biodiversity Conservation is a group of companies and organizations that endorse the objectives of the Keidanren Declaration for Biodiversity and Guidelines (revised version) and take actions to address the items listed. The Japan Business Federation (Keidanren) and the Keidanren Nature Conservation Council are striving to realize a society that exists in harmony with nature, as well as a sustainable economic and social environment, through the dissemination and practice of the declaration and guidelines. The organizations also contribute to achieving global goals such as the Kunming-Montreal Global Biodiversity Framework and the United Nations Sustainable Development Goals (SDGs).</p> <p>The Tokyo Century Group’s Management Philosophy calls for us to contribute to the creation of an environmentally sound, sustainable economy and society. Based on this philosophy, we are striving to achieve ongoing improvements in Groupwide corporate value by helping resolve social issues.</p> <p>Going forward, the Tokyo Century Group will continue seeking to preserve biodiversity and address other environmental issues in all areas of its business activities to create an environmentally sound, sustainable economy and society.</p> <p>Notes:</p> <ol style="list-style-type: none">For more information on the Keidanren Declaration for Biodiversity and Guidelines, please refer to the following website. https://www.keidanren.or.jp/en/policy/2023/082.htmlFor more details about our initiatives, please refer to the following website. https://www.keidanren-biodiversity.jp/logo_en.php										
	<p>Coastal Forest Restoration Project Planting area: 103.05 ha; Aggregate number of trees planted: 370,198 (As of March 31, 2024)</p> <ul style="list-style-type: none">Tokyo Century is involved in a project that supports the restoration of coastal forests damaged by the tsunamis that followed the Great East Japan Earthquake through seedling cultivation and reforestation activities.We are supporting the Great East Japan Earthquake Reconstruction Support–Coastal Forest Restoration Project through ongoing donations to OISCA (The Organization for Industrial, Spiritual and Cultural Advancement-International).In fiscal 2023, employees took part in volunteer activities as part of the Great East Japan Earthquake Reconstruction Support–Coastal Forest Restoration Project organized by OISCA (The Organization for Industrial, Spiritual and Cultural Advancement-International).										

Biodiversity Initiatives

Mangrove Tree Planting Scope: 5 countries; Planting area: 8,900 ha; Trees planted to date: 34.9 million (As of March 31, 2024)

- Tokyo Century is advancing mangrove tree planting projects in the Asia Pacific region to protect coastal environments and the lifestyles of people in coastal areas by preventing erosion caused by high waves and the loss of coastal mangrove trees.
- We also began supporting a mangrove tree planting project as a new donation-driven venture by OISCA in fiscal 2022.

Kodomo no Mori Plan Scope: 5,572 schools in 37 countries and regions (As of March 31, 2024)

- The Kodomo no Mori Plan is a project that promotes greening and teaches children to love nature and value greenery by having them plant and take care of trees at their schools or in other locations in their communities.
- We make regular donations to OISCA to support the Kodomo no Mori Plan, which gives children the opportunity to plant and take care of trees at their schools or in the surrounding areas.

Mount Fuji Forestry Project

- OISCA began advancing a forestry project together with Yamanashi Prefecture in 2007 in response to the withering of trees in forests owned by the prefectural government on the western side of Mount Fuji (in Narusawa Village) due to damages from pests. The activities of this project included planting trees raised in the surrounding areas, installing nets to prevent deer from eating bark, and monitoring surveys. These ongoing activities are being advanced alongside forestry efforts for developing an independent and biologically diverse forest.
- In fiscal 2024, Tokyo Century began supporting a Mount Fuji forestry project as a new donation-funded project associated with OISCA.

Refurbishment Businesses

In our refurbishment businesses, we erase the data of end-of-lease computers, servers, and other IT equipment so that they can be resold rather than discarded, thereby contributing to the creation of an environmentally sound, sustainable economy and society.

FMV Leasing and ITAD Services

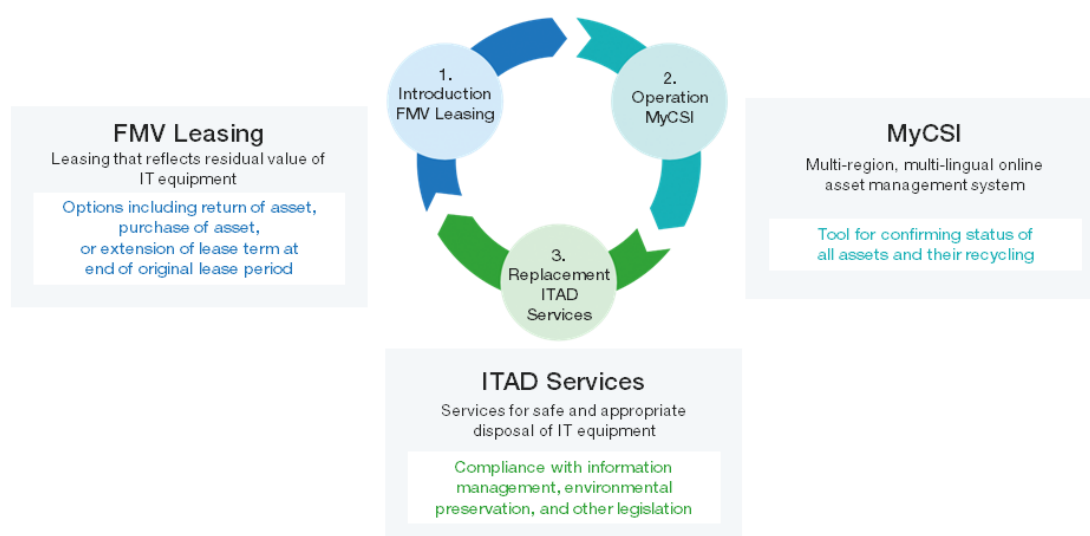
Tokyo Century engages in fair market value (FMV) leasing, a highly flexible form of leasing that offers customers options such as returning an asset, purchasing an asset, or extending the lease term at the end of the original lease period based on FMV derived from the assessed residual value of the asset in question.

Meanwhile, our IT asset disposition (ITAD) services can be used to dispose of IT equipment in a safe and appropriate manner compliant with information management, environmental preservation, and other legislation.

Note: The above services are supplied by consolidated subsidiary CSI Leasing, Inc., and its wholly owned subsidiary EPC, Inc.

Sustainable Resource Use

IT Life Cycle Management Services of CSI Leasing



Environmental Performance

Scope			Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023
Greenhouse gas emissions	Scope 1 (direct emissions)		t-CO ₂	10,963	1,082,758	919,706 ¹
	Scope 2 (location-based indirect emissions originated from energy use)		t-CO ₂	9,177	14,784	16,803 ¹
	Scope 2 (market-based indirect emissions originated from energy use)		t-CO ₂	—	15,368	17,374 ^{1,2}
	Scope 3 (emissions from supply chain, etc., not included in Scope 1 or Scope 2)		t-CO ₂	6,195,446	7,727,580	12,557,412
	Total of Scope 1 and Scope 2 (location-based) and Scope 3		t-CO ₂	6,215,586	8,825,123	13,493,921
	Total of Scope 1 and Scope 2 (market-based) and Scope 3		t-CO ₂	—	8,825,706	13,494,492
	Scope 3 Emissions by Category					
	Category 1 Purchased goods and services		t-CO ₂	617,405	650,423	792,461
	Category 2 Capital goods		t-CO ₂	71	42	1,264
	Category 3 Fuel- and energy-related activities (not included in Scope 1 or Scope 2)		t-CO ₂	3,820	97,728	85,665
	Category 4 Upstream transportation and distribution		t-CO ₂	0	2,341	1,109 ³
	Category 5 Waste generated in operations		t-CO ₂	593	309	241
	Category 6 Business travel		t-CO ₂	121	122	135
	Category 7 Employee commuting		t-CO ₂	222	225	249
	Category 8 Upstream leased assets		t-CO ₂	0	0	0
	Category 9 Downstream transportation and distribution		t-CO ₂	0	0	0
	Category 10 Processing of sold products		t-CO ₂	0	0	0
	Category 11 Use of sold products		t-CO ₂	19,104	39,086	115,619
	Category 12 End-of-life treatment of sold products		t-CO ₂	575	808	2,377
	Category 13 Downstream leased assets		t-CO ₂	5,544,166	6,923,346	11,545,820 ⁴
	Category 14 Franchises		t-CO ₂	0	0	0
	Category 15 Investments		t-CO ₂	9,369	13,149	12,472
Other environmental performance data			Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023
	Environmental contributions through office activities EMS	Electricity use and related CO ₂ emissions	Environmental targets	kWh	1,650,000	1,600,000
			Use volume	kWh	1,539,011	1,593,216
			Emissions volume	t-CO ₂	723	546
		Paper use	Environmental targets	Thousands of sheets	13,000	10,000
			Use volume	Thousands of sheets	8,278	9,457
			Emissions volume	t-CO ₂	105	116
		Gasoline use, CO ₂ emissions, and fuel efficiency for business vehicles and rent-a-car fleet	Environmental targets	L	69,000	65,000
			Use volume	L	45,360	49,937
			Fuel consumption volume	km/L	14.5	16.1
			Emissions volume	t-CO ₂	105	116
	Environmental contributions through business activities	Renewable energy generation operations	Environmental targets	MWh	400,000	410,000
			Annual generation volume	MWh	447,619	456,008
			Reductions of CO ₂ emissions	t-CO ₂	178,824	176,703
		Refurbishment operations (Annual number of secondhand computers sold)	Environmental targets	Units	260,000	209,000
			Unit sales	Units	247,456	327,017

Other environmental performance data			Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023
	Valuable materials and waste	Valuable materials (material recycling volume)	t	526	1,127	1,454
		Industrial waste emissions (of which, industrial waste from plastic products)		824 (—)	566 (519)	494 (Under tabulation)
		Industrial waste emissions (total)		1,350	1,693	1,948
		Recycling rate of industrial waste from plastic products	%	—	93.9	Under tabulation
	Water resources	Water intake (only head office and Okachimachi Bldg.)	Thousands of m³	18	17.7	20.8
Water intake (per unit of production)		m³	12.87	11.9	14.8	
Compliance	Number of environmental law violations EMS		Cases	0	0	0
Environmental accounting	Environmental preservation costs TC					
	Item	Specific Expenses	Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023
	1. Costs within business area	Costs for transition to ecofriendly vehicles and network equipment upgrades, etc.	Millions of yen	147	107	125
	2. Upstream and downstream costs	Costs for waste disposal, green purchasing, etc.	Millions of yen	50	27	21
	3. Administrative costs	ISO 14001 certification maintenance and related costs	Millions of yen	35	41	29
		Secretariat, environmental, and CSR expenses	Millions of yen			
	Total			231	175	175
Green revenue		Breakdown	Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023
	Sales of solar power generation businesses	11 solar power generation business companies (Total for Kyocera TCL Solar LLC and ten other companies)	Billions of yen	18.4	18.7	18.7
Green purchasing rate	Rate of green purchasing of office supplies	Ratio of purchase of Tokyo Century-recommended items (Items compliant with Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities)	%	81.6	84.7	69.5
Reduction of plastic product use	Rate of recycling of clear plastic files		%	—	100.0	105.4
Greenhouse gas emissions through JCM Model Projects	Projected aggregate greenhouse gas emissions reductions when choosing JCM Model Projects	Projected aggregate greenhouse gas emissions reductions	t-CO ₂	35,457	38,343	43,034
Aviation business fuel-efficiency initiatives	Ratio of fuel-efficient aircraft assets (Six aircraft models with high fuel efficiency compared with conventional models)	Ratio of fuel-efficient aircraft assets (Ratio of fuel-efficient aircraft to all aircraft)	%	45.7	51.8	57.6
Introduction of eco-friendly vehicles	Rate of electrified vehicle use (EVs, FCEVs, PHEVs, HVs)	Two auto business companies (Nippon Car Solutions Co., Ltd.; Nippon Rent-A-Car Service, Inc.)	%	16.8	18.4	20.3

Changes to the Scope of Greenhouse Gas Emissions Data Collection

The following changes to the scope of data collection were implemented in fiscal 2023 (see pages 3 and 4 for more information on the scope of data collection).

*1 The scope of data collection for Scope 1 and Scope 2 greenhouse gas emissions comprises two domestic companies, Daigo Nihon Solar Power G.K. and one other company (down two companies year on year due to mergers and reorganizations of subsidiaries), and four overseas subsidiaries of CSI Leasing, Inc. (down one company year on year due to mergers and reorganizations of subsidiaries), newly introduced to the scope of calculation. In addition, Orico Auto Leasing Co., Ltd., and Orico Business Leasing Co., Ltd., were converted into equity-method affiliates effective October 1, 2023, and were thus only included in the scope of calculation up to September 30, 2023.

*2 Figures for Scope 2 (market-based) greenhouse gas emissions are after the deduction of 442.6 t-CO₂ in emissions associated with the purchase of non-fossil certificates.

*3 Ferry flying of unleased and repossessed aircraft of Aviation Capital Group LLC is included in the scope of data collection, and ferry flying of unleased and repossessed aircraft of TC Skyward Aviation Ireland Limited, TC Skyward Aviation U.S., Inc., and TC Aviation Capital Ireland Limited was newly included in the scope of data collection.

*4 Auto leased vehicles and rental cars attributable to Nippon Rent-A-Car Service, Inc., and Nippon Car Solutions Co., Ltd., have been included in the scope of data collection.

Tokyo Century has identified climate change as one of the operational risks covered by its risk management system, and we manage this risk as a non-financial risk. Climate change presents significant risks to Tokyo Century's business while also creating substantial business opportunities. Various initiatives are being advanced based on this perspective.

Tokyo Century announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2021. In addition, based on a risk severity assessment related to climate change, we have conducted scenario analyses in accordance with the TCFD recommendations for environment and energy businesses (solar power generation, May 2021), the aviation business (aircraft leasing, April 2022), and the automobility business (corporate and individual auto leasing, April 2023). These scenario analyses used multiple scenarios to identify climate change-related risks and opportunities and to assess the potential qualitative and quantitative impacts on our business.

For more information on Tokyo Century's response to climate change and endorsement of TCFD recommendations, please refer to the following website.
<https://www.tokyocentury.co.jp/en/sustainability/esg/environment/tcfd.html>

Major Climate Change Risks for Businesses Subject to Scenario Analysis Environment and Energy Businesses (Solar Power Generation)

Regarding the environment and energy businesses (solar power generation), we recognize the physical risks of urgency due to abnormal weather such as typhoons and heavy rain and the transition risks such as introducing a carbon tax and strengthening laws and regulations.

Items	Details	Timeline	Risks	Opportunities	Responses
Policy/Legal (transition risks and opportunities)	Subsidy policy for renewable energy, etc.	2040	<ul style="list-style-type: none"> The profitability of a business operated under the FIT program may deteriorate if grid parity is not achieved before the program ends 	<ul style="list-style-type: none"> A stricter CO2 emission reduction policy will be adopted, and the FIT program will provide opportunities for business expansion for a long time to come 	<ul style="list-style-type: none"> Maximizing power generation efficiency through accumulated asset management expertise
Industry/Market (transition risks and opportunities)	Changes in energy mix	2040	<ul style="list-style-type: none"> Due to changes in the energy mix, the number of renewable energy power generation companies will increase, and the competitive environment will become increasingly severe Sales prices may fall 	<ul style="list-style-type: none"> Japan has stipulated that the share of non-fossil electricity in electricity sales should be 44% by 2030, and opportunities for renewable energy generation will expand 	<ul style="list-style-type: none"> Developing new businesses in areas such as corporate power purchase agreements, self-wheeling models, and virtual power plants (VPPs) Examining renewable energy businesses other than solar power generation
Acute (physical risks and opportunities)	More severe abnormal weather	2040	<ul style="list-style-type: none"> Damage to employees and power plants caused by torrential rains, floods, and typhoons will result in shutdowns, lower operating rates, and additional investment to restore facilities Insurance premiums and other costs will increase for assets located in high-risk areas 	<ul style="list-style-type: none"> The development of resilient equipment through the accumulation of expertise may lead to new opportunities via the external supply of this equipment 	

■ Environment and Energy Businesses (Solar Power Generation)
https://www.tokyocentury.co.jp/assets/pdf/sustainability/sa_solarpower_e.pdf

Aviation Business (Aircraft Leasing)

With regard to the aviation business (aircraft leasing), we recognize the physical risks that will be incurred due to the impact of severe extreme weather events and the transition risks such as carbon emission targets in each country and regulations unique to the airline industry.

Items	Details	Timeline	Risks	Opportunities	Responses
Policy/Legal (transition risks and opportunities)	Aviation industry regulation (CORSIA)	2050	<ul style="list-style-type: none"> Potential restrictions on financing/lending and leasing to airline companies that do not meet the standards 	<ul style="list-style-type: none"> Securing a sufficient number of next-generation aircraft^{*1} will increase earnings opportunities 	<ul style="list-style-type: none"> Reduce portfolio risk by diversifying and expanding lessee base and shifting toward¹ next-generation aircraft
Technology (transition risks and opportunities)	Spread of next-generation aircraft ^{*1} and new generation aircraft ^{*2}	2050	<ul style="list-style-type: none"> Potential rapid decline in value of current next-generation aircraft^{*1} 	<ul style="list-style-type: none"> Potential increase in earnings and asset value from an owned portfolio with a sizable number of new generation aircraft^{*2} 	<ul style="list-style-type: none"> Enhance the asset turnover business to realize the early sale of owned aircraft and improve profitability Expand asset management business extended to third parties post sale of aircraft

*1 New technology aircraft: Low-carbon aircraft with improved fuel efficiency, lighter bodies, and other features

*2 New generation aircraft: Blended wing body passenger aircraft, alternative fuel aircraft, electric aircraft, hydrogen-powered aircraft, etc.

■ Aviation Business (Aircraft Leasing)
https://www.tokyocentury.co.jp/assets/pdf/sustainability/sa_aircraft_e.pdf

Climate-related risks and opportunities

Automobility Business (Corporate and Individual Auto Leasing)

Concerning the Automobility business (corporate and individual auto leasing), we recognize the physical risks resulting from the impact of severe extreme weather events, such as vehicle production delays due to flooding and heavy rainfall, and the transition risks of shifting from gasoline and diesel vehicles to EVs, such as switching from fueling to charging.

Items	Details	Timeline	Risks	Opportunities	Responses
Policy/Legal (transition risks and opportunities)	National Carbon emissions targets and energy saving policy	2040	• Further shift to EVs may result in lower-priced used gasoline and diesel vehicles	• Demand for used EVs may increase and prices for used EVs may rise after lease expires	• Strengthen the value chain to launch new EV-related services for corporate and individual customers • Establish an appropriate maintenance system for EVs
Industry/Market (transition risks and opportunities)	Changes in customer behavior	2040	• Increased environmental awareness among customers may reduce demand for gasoline and diesel vehicles	• Increased environmental awareness among customers could strengthen demand for EV leasing	• Expand the use of preferential interest rates for procuring EVs through the issuance of green bonds
Industry/Market (transition risks and opportunities)	Products and services	2040	• Widespread use of EVs, which have fewer parts than gasoline and diesel vehicles, may reduce maintenance revenues	• Shift to EVs could generate new earnings opportunities, such as recharging services and businesses for second-life EV batteries	• Strengthen the monitoring of changes in the used vehicle market for gasoline, diesel, and EVs and set appropriate residual values
Acute (physical risks and opportunities)	Intensified extreme weather	2040	• Heavy rainfall and flooding may cause vehicle production delays and damage leased vehicles	—	

■ Automobility Business (Corporate and Individual Auto Leasing)
https://www.tokyocentury.co.jp/assets/pdf/sustainability/sa_autoleasing_e.pdf

Environmental impact assessments

Tokyo Century's Management Philosophy and Basic Environmental Policy state that it will contribute to the creation of an environmentally sound, sustainable economy and society. Contributing to the environment through our business activities is imperative to accomplishing this goal. Accordingly, we began conducting environmental impact assessments in fiscal 2019 using environmental impact assessment worksheets to evaluate and track the impact of individual projects on the environment.

It is important for the Company to take the environment into account in the investments it conducts. For this purpose, we are expanding the scope of environmental impact assessments, and in fiscal 2020 we started using the abovementioned environmental impact assessment worksheets to evaluate the environmental policies of investment candidates and the potential environmental impacts of their businesses.

Item	Unit	Fiscal 2021*	Fiscal 2022*	Fiscal 2023*
Number of environmental impact assessment checks		48	64	56

* Figures for fiscal 2021 include projects in Japan as well as figures for trial overseas projects.
The full-fledged operation of overseas projects was commenced in fiscal 2022.

Reduction of environmental impacts

Internal carbon pricing

In June 2023, Tokyo Century introduced an internal carbon pricing system on a trial basis for use in screening highly important investment projects proposed to the Management Meeting. This system is meant to help track greenhouse gas emissions risks and appropriately control increases in greenhouse gas emissions as a result of undertaking new projects.

Specifically, an internal carbon pricing column has been included on environmental impact assessment worksheets. Using the J-Credit (renewable energy) price for internal carbon pricing, prices are calculated after receiving the necessary environmental data (usage data) for calculating Scope 1 and Scope 2 emissions for investment projects at consolidated subsidiaries. This information is used in making investment decisions.

Reduction of environmental impacts

Companywide energy conservation initiatives

Tokyo Century is conducting the following energy conservation initiatives on a Companywide basis.

Reduction of Electricity Use

Employees are asked to turn off their computer monitors when they are away from their seats and to turn off lights in unused meeting rooms and during lunch breaks. We also encourage employees to dress cooler in the summer and warmer in the winter to cut back on airconditioning use. In addition, we are working to reduce overtime hours through increased operational efficiency. These are just some of our efforts for reducing energy use.

Purchase of Energy from Renewable Sources

In January 2023, three buildings in the Akihabara area of Tokyo that house offices of the Company and of Group companies adopted energy from renewable sources for 100% of the electricity they use. Renewably sourced electricity is also used at TOKYO TORCH Tokiwabashi Tower, an asset leased by the Specialty Financing segment that opened in May 2023.

For more information, please refer to the following press release (in Japanese only).
<https://ssl4.eir-parts.net/doc/8439/tdnet/2216908/00.pdf>

Reduction of Gasoline Use

Reductions in gasoline use from driving for business purposes are being pursued by improving the fuel efficiency of business-use vehicles through eco-friendly driving techniques, utilizing trains and rental cars, and employing telematics systems installed in business-use vehicles.

Reduction of Paper Use

We are reducing paper use by employing paperless applications and other documents and electronic applications and by holding paperless meetings through the utilization of secure computers and tablets.

Tokyo government's global warming response plan system

Tokyo Century's head office (FUJISOFT Building) qualifies as a specified tenant as defined by Tokyo ordinances. For this reason, we have submitted a specified tenant global warming response plan to the Tokyo government.

The names of specified tenants with an overall ranking of A or above are disclosed as excellent business operators. On the six-level ranking scale (C–S), Tokyo Century has consistently received an AA ranking, indicating that we are a tenant implementing superior energy conservation initiatives and systems.

For more details, please refer to the Tokyo Bureau of Environment's website.

Tokyo Bureau of Environment

Evaluations and list of specified tenants can be found via the link below (in Japanese only).

https://www.kankyo.metro.tokyo.lg.jp/climate/large_scale/tenant/tenant_karte/

Environmental Market Opportunities

Sustainable financial products	Financial services contributing to social sustainability	Energy conservation subsidy services	<p>Tokyo Century uses various subsidy programs to help customers introduce cutting-edge equipment that help to lower their environmental impacts. The resulting reductions in lease payments effectively drive the spread of low-emissions equipment, thereby helping preserve the environment while supporting small to medium-sized companies in achieving carbon-free operations.</p> <p>Major Subsidy Programs</p> <ul style="list-style-type: none"> • ESG lease subsidization program for contributing to a decarbonized society • Cutting-edge energy-saving investment support subsidy • Advanced factory and workplace decarbonization support programs
		Donation-oriented corporate power purchase agreements (in-house generation support services)	<p>Kyocera Corporation, KYOCERA Communication Systems Co., Ltd., and Tokyo Century have launched a donation-oriented corporate power purchase agreement (in-house generation support) service as an initiative for contributing to the accomplishment of the SDGs.</p> <p>This service will use a framework in which the initial investment and maintenance costs and work will be handled by KYOCERA Communication Systems and Tokyo Century in order to supply customers with options for corporate power purchase agreements (in-house generation support) that allow them to introduce solar power generation systems with no upfront investment. Moreover, the service supplements conventional corporate power purchase agreement contracts with donations to public welfare organizations and NPOs that contribute to accomplishment of the SDGs. Customers that introduce solar power generation systems through this service are able to designate the organization of their choice to receive a donation of a portion of the revenues of Tokyo Century.</p> <p>For more information, please refer to the following website https://www.tokyocentury.co.jp/tc-news-en/services/equipment-leasing/decarbonization-corporateppa-menicon/</p>
		Leases with attached carbon credits	<p>Tokyo Century has begun offering leases with attached carbon credits to support the decarbonization and corporate value improvement initiatives of customers. Leases with attached carbon credits entail providing carbon credit offset services through programs such as the J-Credit Scheme together with the auto and other leases offered by the Company and Group companies. These services make it possible for customers to offset the CO₂ emissions from the production equipment, IT equipment, vehicles, and other items they lease.</p> <p>For more information, please refer to the following press release (in Japanese only). https://ssl4.eir-parts.net/doc/8439/tdnet/2240405/00.pdf</p>
		Forestry Fund	<p>Tokyo Century has invested and participated in Eastwood Climate Smart Forestry Fund I, a forestry fund organized and operated by Eastwood Forests, LLC, a U.S.-based forest asset management company under the control of Sumitomo Forestry Co., Ltd. As a major investor in this fund, Tokyo Century acts as a member of a committee that makes decisions regarding important matters such as the purchase and sale of forest assets. Through our involvement in the management of this fund, we expect to acquire insight pertaining to forest management that can be used for the development of new forestry businesses.</p> <p>For more information, please refer to the following press release (in Japanese only). https://ssl4.eir-parts.net/doc/8439/tdnet/2310035/00.pdf</p>

Establishment of Sustainability-Linked Financing Framework

Tokyo Century launched a sustainability-linked financing framework in March 2024. Based on this framework, we are receiving financing via sustainability-linked bonds and sustainability-linked loans to demonstrate our initiatives for working toward our long-term vision to investors and a wide range of other market participants.

For more information, please refer to the following website (in Japanese only).
<https://www.tokyocentury.co.jp/jp/newsroom/news/004652.html>

Tokyo Century has continued to promote fund procurement through sustainability-linked loans, positive impact finance, and the DBJ Employees' Health Management Rated Loan Program. A total of ¥575.8 billion has been procured through these activities as of March 31, 2024.

Fund procurement vehicle	Instances	Amount procured (billions of yen)
Sustainability-linked loans	11	350.7
Positive impact finance	4	215.1
DBJ Employees' Health Management Rated Loan Program	1	10.0
Total	16	575.8

Sustainability-Linked Loans

Sustainability-linked loans entail setting sustainability performance targets linked to sustainability goals. Borrowing conditions are then determined based on performance with regard to the sustainability performance targets in order to encourage economic activities and growth founded on environmental and social sustainability.

Positive Impact Finance

Positive impact finance is an approach toward financing based on the Principles for Positive Impact Finance established by the United Nations Environment Programme Finance Initiative as well as on the related guidelines. Under a positive impact finance approach, the positive and negative environmental, social, and economic impacts of projects are comprehensively analyzed and assessed to ensure that funds are used to provide ongoing support to activities that generate positive impacts. Tokyo Century practices positive impact finance by using the degree of contribution to the accomplishment of the United Nations Sustainable Development Goals as an evaluation indicator and conducting monitoring based on disclosed information.

DBJ Employees' Health Management Rated Loan Program

The DBJ Employees' Health Management Rated Loan Program is the world's first financing menu to incorporate health management ratings. Using a proprietary screening system created by Development Bank of Japan Inc., this program rates and selects companies that exhibit excellence in caring for employee health.

Third-Party Assessment Concerning Compliance

Tokyo Century receives third-party opinions regarding the compliance of its sustainability-linked loans and positive impact finance initiatives with the respective principles and guidelines as well as regarding the rationality of the indicators it has defined.

The following key performance indicators (KPIs) have been established with regard to the sustainability-linked financing framework launched in March 2024. Pursuing the targets for these KPIs will help us work toward the accomplishment of the goals of Medium-Term Management Plan 2027 and of our carbon-neutrality policy for fiscal 2040.

KPI 1	Number of battery electric vehicles owned
KPI 2	Ratio of fleet comprising electrified vehicles (electric vehicles, fuel cell electric vehicles, plug-in hybrid electric vehicles, and hybrid electric vehicles)
KPI 3	Ratio of fuel-efficient aircraft in aviation business (ACG) (ratio of fuel-efficient aircraft based on asset value)
KPI 4	Annual sales volume of used computers
KPI 5	Annual paid leave acquisition rate
KPI 6	Rate of childcare acquisition by male employees

For more information on fund procurement through sustainability-linked loans, please refer to the news releases available on the Company's website.
<https://www.tokyocentury.co.jp/en/ir/>

Sustainable financial products

Projects for realizing a decarbonized society

JCM system

*Joint Crediting Mechanism

The Joint Crediting Mechanism (JCM) system facilitates the diffusion of Japan's superior decarbonization technologies to partner countries with support in the form of subsidies for part of the installation costs toward contributing to the establishment of sustainable social infrastructure and in the form of reduced greenhouse gas emissions in these partner countries. At the same time, the system allows for the crediting of some of the reduction in greenhouse gases under Japan's emissions.

Over the period from fiscal 2017 to fiscal 2023, Tokyo Century engaged in 15 projects in five countries (Indonesia, the Philippines, Thailand, Myanmar, and Vietnam) that were selected for the JCM system. In fiscal 2023, we took part in three such projects, one pertaining to a 1.9 MW roof-mounted solar power generation system for a fiber and chemical product plant in Vietnam, one related to a 7.0 MW solar power generation venture advanced in coordination with a wiring company in the Philippines, and another for installing a 1.2 MW roof-mounted solar power generation system at an electronic equipment assembly plant in the Philippines. The roof-mounted solar power generation system project was recognized under the new JCM Eco Lease Scheme, which Tokyo Century was involved in designing.

For more information, please refer to the following website.
<https://www.tokyocentury.co.jp/en/sustainability/materiality/decarbonized-society.html>

Target	Unit	2021*	2022*	2023*	2024*	2025*
Projected aggregate greenhouse gas emissions reductions when choosing JCM Model Projects	t-CO ₂	39,000	45,000	49,000	53,000	56,000

Other Initiatives

Participation in Decarbonization-Related Initiatives

Registration of Decokatsu Declaration and Participation in the Decokatsu Support Team

In May 2024, Tokyo Century registered its Decokatsu Declaration with the Decokatsu Team of the decarbonized lifestyle office of the Minister of the Environment and joined the Decokatsu Support Squad, a council focused on new national movements and public-private coordination.

Decokatsu is a portmanteau combining "decarbonization," or reducing CO₂ emissions, with "eco" and the Japanese words for "activities" (*katsudo*) and "lifestyle" (*seikatsu*) and refers to a national movement for creating new and enriching lifestyles that contribute to decarbonization.

One of Tokyo Century's issues of materiality (key issues) is contribution to a decarbonized society, and we have announced our target of achieving carbon neutrality by fiscal 2040. Accordingly, we are moving forward with Decokatsu for enriching the lives of people in Japan through products, services, and initiatives that contribute to decarbonization. We are also incorporating Decokatsu into our everyday and work activities.

