

Our Stance and Initiatives on Climate Change

The Tokyo Century Group’s Management Philosophy calls on us to contribute to the creation of an environmentally sound, sustainable economy and society. We recognize the fight against climate change as an important opportunity for growth toward accomplishing this objective, and a concerted Groupwide response is thus being furnished to address climate change. One of Tokyo Century’s key issues of materiality is “contribution to decarbonized society,” and we are striving to help resolve social issues while achieving ongoing growth and improvements to corporate value.

Note: Please refer to the Response to Climate Change and TCFD Endorsement section on the Company’s website for details on our climate change-related metrics and targets.
<https://www.tokyocentury.co.jp/en/sustainability/esg/environment/tcf.html>

Climate Change Governance

The Tokyo Century Group’s governance system features a Sustainability Committee, which is responsible for planning, promoting, and overseeing Groupwide sustainability initiatives. The committee deliberates on the sustainability management strategy for climate change risks and opportunities. Key issues are then reported to and discussed by the Management Meeting and the Board of Directors.

The Sustainability Committee is chaired by the president of the Corporate Planning Unit and composed of relevant officers and the presidents of each unit. The Sustainability Management Division in the Corporate Planning Unit serves as the secretariat, and the committee meets, in principle, twice a year. It works under the supervision of the Board of Directors to strengthen the PDCA cycle for sustainability management.

	Key Agenda Items on Climate Change (Fiscal 2024)
Board of Directors and Management Meeting	<div>➡ Report from the Sustainability Committee</div> <div>➡ Report from the Comprehensive Risk Management Committee</div> <div>➡ Report from the Environmental Management Committee</div>
Sustainability Committee	<div>➡ Action plan and progress report for achieving carbon neutrality</div> <div>➡ Progress of the Sustainability Road Map in Medium-Term Management Plan 2027</div>
Comprehensive Risk Management Committee	<div>➡ Monitoring results of non-financial key risk indicators (including climate change risk)</div> <div>➡ Results of risk measurement (including climate change risk)</div>
Environmental Management Committee	<div>➡ Establishment of priority management items, environmental targets, and medium- to long-term targets for fiscal 2024</div> <div>➡ Report on fiscal 2023 activities and activities for fiscal 2024</div>

Climate Change Risk Management

The Tokyo Century Group has established the Basic Risk Management Policy and set up its Comprehensive Risk Management Committee. The committee identifies and evaluates Groupwide risks that may significantly impact management and appropriately addresses them both qualitatively and quantitatively as necessary.

The Basic Risk Management Policy and the Comprehensive Risk Management Rules define the Group’s risk categories. For these categories, we annually assess changes in our business operations and create a risk heat map using a matrix that measures the potential impact and likelihood of occurrence for each risk. Climate change risk is positioned on said map as a non-financial operational risk.

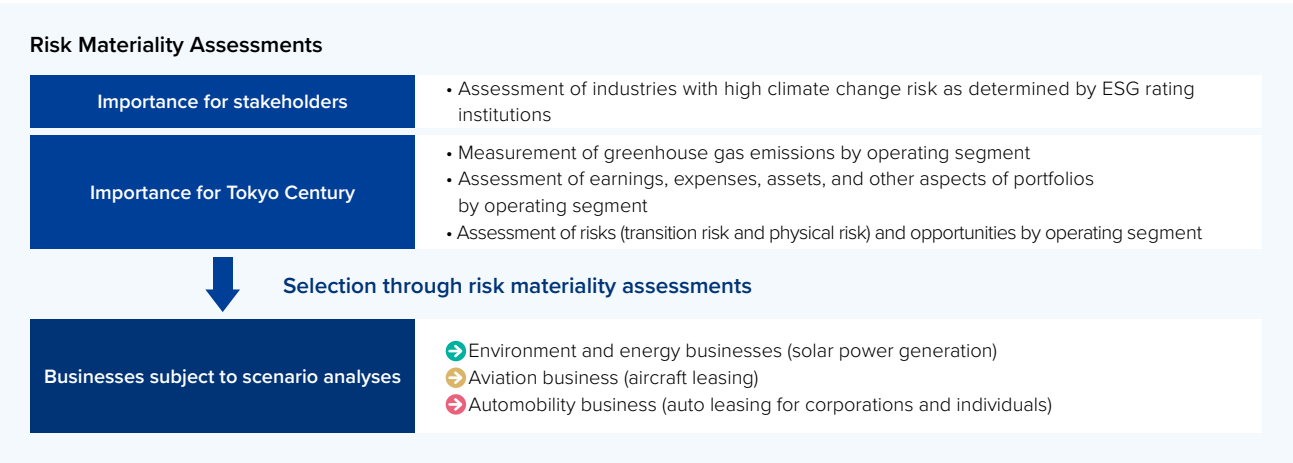
We have also established a system for monitoring operational risks, including climate change risk. The results are reported to the Board of Directors twice a year through the Comprehensive Risk Management Committee as non-financial risk indicators.

To determine the potential impact of climate change on our credit portfolio, we conduct preliminary measurements of our exposure to its key components: transition risk and physical risk, with the results reported regularly to the Comprehensive Risk Management Committee.

Exposure to transition risk is quantified through Monte Carlo simulations targeting sectors chosen based on TCFD recommendations after accounting for the potential impact of such risk on debtor ratings and asset value. Concurrently, physical risk exposure is measured as the maximum loss projected from natural disasters for specific business assets (such as solar power generation businesses), based on statistical simulations.

Climate Change Strategy

Given that it has five operating segments, the Tokyo Century Group selects businesses subject to scenario analyses by conducting risk materiality assessments. These assessments involve industry-specific evaluations of the impacts of climate change risk and comparative analyses of the greenhouse gas emissions and asset portfolios of different operating segments. To date, scenario analyses have been conducted targeting the environment and energy businesses (solar power generation), the aviation business (aircraft leasing), and the automobility business (auto leasing for corporations and individuals). Going forward, the Company will continue to examine the appropriate risk countermeasures and related opportunities by expanding the scope of businesses subject to scenario analyses and improving the accuracy of these analyses based on risk materiality assessments.



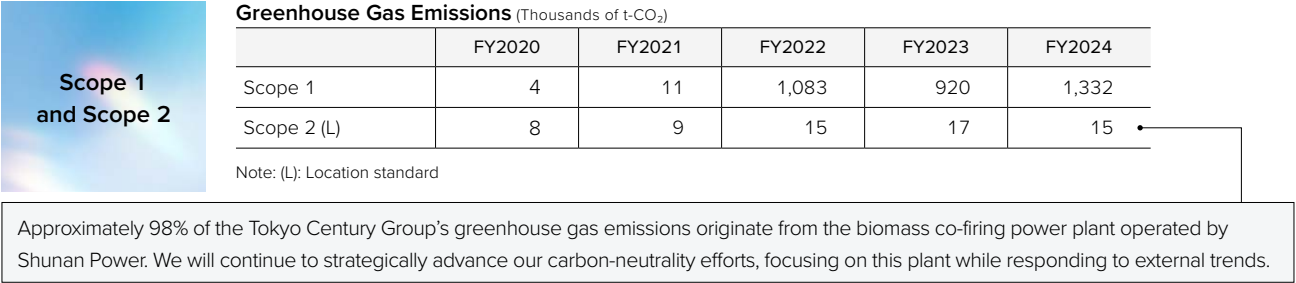
Scenario Analyses (Risks, Opportunities, and Measures)

			Measures
Environment and energy businesses (solar power generation)	Risks	<div>➡ Deterioration of profitability due to the end of the FIT scheme and intensified competition</div> <div>➡ Suspension of power plant operations and increased restoration costs due to natural disasters such as heavy rain and typhoons</div> <div>➡ Soaring insurance premiums for assets located in high disaster risk areas</div>	<div>➡ Maximizing power generation efficiency by accumulating asset management expertise</div> <div>➡ Developing new businesses not dependent on the FIT scheme, such as corporate PPAs and VPPs*3</div> <div>➡ Considering diversifying renewable energy sources beyond solar to include geothermal, wind, and biomass</div>
	Opportunities	<div>➡ Expansion of renewable energy business, driven by CO₂ emissions reduction policies and national targets (60%–70% non-fossil fuel power sources by fiscal 2040)</div> <div>➡ Creation of new businesses by developing and commercializing resilient facilities utilizing knowledge accumulated from disaster response and providing them externally</div>	
Aviation business (aircraft leasing)	Risks	<div>➡ Restrictions on financing and leasing to airlines that do not meet industry standards</div> <div>➡ Rapid decline in the value of current new technology aircraft*1 due to the spread of new generation aircraft*2</div>	<div>➡ Reducing portfolio risk by diversifying and expanding lessees and replacing assets with new technology aircraft</div> <div>➡ Expanding the asset turnover business to achieve early sales of owned aircraft and improve profitability</div> <div>➡ Expanding the asset management business to handle post-sale aircraft management</div>
	Opportunities	<div>➡ Increase in earnings opportunities by securing a sufficient number of new technology aircraft (for the near future)</div> <div>➡ Increase in earnings and asset value by increasing the proportion of new generation aircraft (for the distant future)</div>	
Automobility business (auto leasing for corporations and individuals)	Risks	<div>➡ Decline in used car prices for gasoline and diesel vehicles due to the shift to EVs</div> <div>➡ Decrease in maintenance revenue due to the spread of EVs, which have fewer parts than gasoline and diesel vehicles</div>	<div>➡ Strengthening the value chain to provide new EV-related services (for corporations and individuals)</div> <div>➡ Establishing an appropriate maintenance system for EVs</div> <div>➡ Enhancing monitoring of changes in the used car market for gasoline, diesel, and electric vehicles and setting appropriate residual values</div>
	Opportunities	<div>➡ Increased demand for EV leasing due to growing environmental awareness among customers</div> <div>➡ Emergence of new earnings opportunities from the shift to EVs, such as charging services and second-life business for used EV batteries</div>	

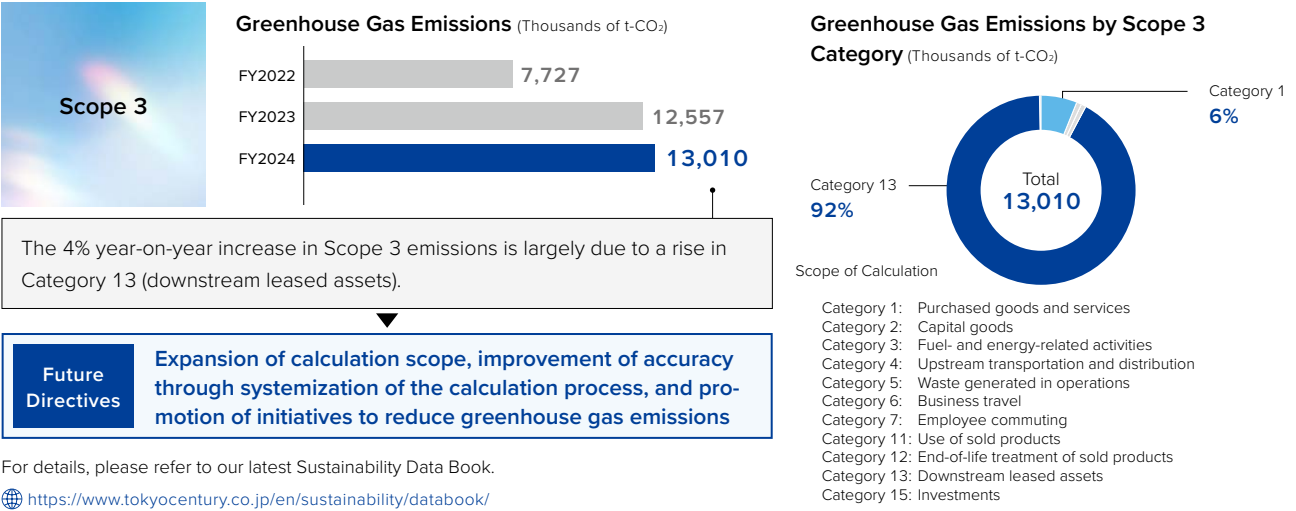
*1 New technology aircraft: Low-carbon aircraft with improved fuel efficiency, lighter airframes, etc.
*2 New generation aircraft: Blended Wing Body (BWB) passenger aircraft, alternative fuel-compatible aircraft, electric aircraft, hydrogen aircraft, etc.
*3 VPP: Virtual Power Plant

Our Stance and Initiatives on Climate Change

The Tokyo Century Group’s Greenhouse Gas Emissions



Carbon-Neutrality Policy
<https://www.tokyocentury.co.jp/en/sustainability/esg/environment/carbon-neutrality-policy.html>



Scope 1 and Scope 2 Emissions Reduction Initiatives

Direct Emissions and Indirect Emissions Originating from Energy Use

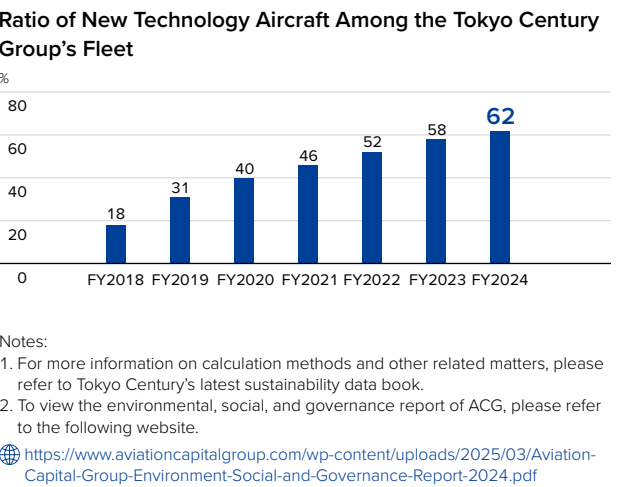
To reduce direct emissions, Tokyo Century is planning a phased shift from gasoline-fueled vehicles to electrified vehicles such as EVs for its Company fleet. In addition, gas-powered equipment will be replaced with electric equipment or with more energy-efficient equipment, while offices will be relocated to buildings that utilize renewable energy.

For indirect emissions, we will seek to effectively switch to renewable energy by procuring green power and purchasing non-fossil fuel certificates. Furthermore, since 2023, the electricity used in the three buildings in Akihabara occupied by the Company and its Group companies, as well as in the TOKYO TORCH Tokiwabashi Tower, has been 100% sourced from renewable energy.

Scope 3 Emissions Reduction Initiatives

Aviation Business: Introduction of Highly Fuel-Efficient, New Technology Aircraft

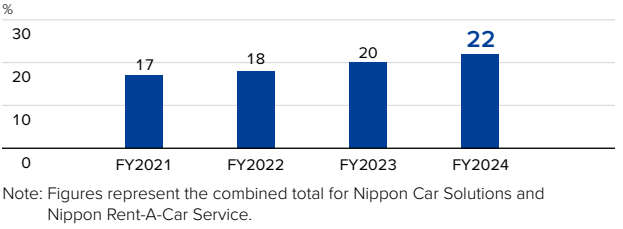
Our aviation business, including U.S.-based aircraft leasing subsidiary Aviation Capital Group LLC (ACG), is pursuing reductions in greenhouse gas emissions by introducing new technology aircraft with high levels of fuel efficiency into its fleets. The Airbus A320neo family, the mainstay of our fleet, offers an approximately 20% reduction in greenhouse gas emissions compared with prior aircraft. The Tokyo Century Group is committed to increasing the portion of its aircraft portfolio accounted for by such eco-friendly aircraft and thereby reducing greenhouse gas emissions. Another pressing task in reducing the emissions of the aviation industry is the shift toward sustainable aviation fuel (SAF). We are currently assessing how best to take advantage of the business opportunity this shift represents.



Auto Leasing and Car Rental Business: Expansion of EV Offerings and Entry into EV Battery Business

- ➡ Provision of EVs to the NTT Group, in light of its declared commitment to transition completely to EVs (participation in EV100 initiative), and promotion of EV adoption by other customers
- ➡ Commencement of transactions of electric taxis, buses, and other electrified micro-mobility options
- ➡ Enhancement of value chain to provide EV-related services
- ➡ Promotion of EV charging infrastructure in collaboration with GO Inc.
- ➡ Creation of a marketplace utilizing “e-mobilog” to support the shift to EVs
- ➡ Provision of used EV leasing services with guaranteed driving range

Ratio of Electrified Vehicles in the Automobility Segment’s Fleet



Real Estate Business: Adoption of Renewable Energy

- ➡ Adoption of electricity sourced from renewable energy
- ➡ Installation of solar panels on Company-owned properties

Projects for Realizing a Decarbonized Society

The Joint Crediting Mechanism (JCM) is a system to support greenhouse gas emissions reductions and sustainable social infrastructure development by providing Japan’s decarbonization technologies to partner countries. The reduced amount is also counted as Japan’s emissions reductions.

From fiscal 2017 to fiscal 2024, Tokyo Century had 17 JCM projects selected for implementation in Indonesia, the Philippines, Thailand, Myanmar, and Vietnam. Of these, a project in the

Philippines was selected in fiscal 2023 under the JCM Eco Lease Scheme, a program for which the Company helped develop the system design. In fiscal 2024, two projects were approved.

Climate Change Actions Through the Joint Crediting Mechanism (JCM)
<https://www.tokyocentury.co.jp/en/sustainability/materiality/decarbonized-society.html>

Estimated Greenhouse Gas Emissions Reductions

Target	Unit	FY2021*	FY2022*	FY2023*	FY2024*	FY2025*
Estimated greenhouse gas emissions reductions at the time of JCM project selection (Cumulative)	t-CO ₂	39,000	45,000	49,000	53,000	56,000

* In the above table, each year represents the period from January to December.

Our Stance and Initiatives on Biodiversity

Participation in the Keidanren Initiative for Biodiversity Conservation

In June 2024, Tokyo Century announced its endorsement of the Keidanren Declaration for Biodiversity and Guideline and joined the Keidanren Initiative for Biodiversity Conservation. The Keidanren Initiative for Biodiversity Conservation is a group of companies and organizations that endorse the objectives of the Keidanren Declaration for Biodiversity and Guideline (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 guideline. The organizations also contribute to achieving global goals such as the Kunming-Montreal Global Biodiversity Framework and the United Nations Sustainable Development Goals (SDGs).

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. 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.