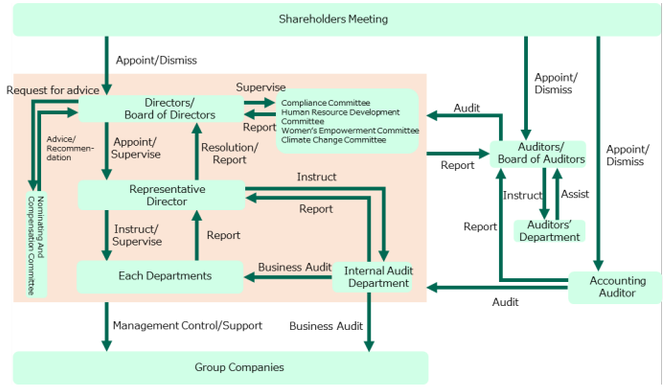
Information Disclosure Based on TCFD Recommendations

1. Governance



○We will build a structure that centers on the Climate Change Response Promotion Committee, which is chaired by President and Representative Director of the Board, as an organization for the study and deliberation of basic policies and key matters concerning climate change and the risks and opportunities that they present.

○The Climate Change Response Promotion Committee will study climate change and regularly present proposals and reports to the Board of Directors. The Board of Directors will supervise and instruct the Committee.

○Proposals deliberated and decided on by the Board of Directors will be rolled out to the individual departments and reflected in their respective management plans and business operations.

2. Strategy

○Identifying climate change as one of medium- to long-term risks, for the purpose of considering strategies based on related risks and opportunities and organizational resilience, we conducted a scenario analysis mainly of our architecture (including detached housing) and civil engineering businesses, to study the impact on Takamatsu Construction Group over the long term until 2050. In this exercise, we referred to the climate change scenarios (under 2°C scenario and 4°C scenario) presented by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC).

※Under 2°C scenario: Scenarios in which measures are taken to minimize temperature rises, including tightening of restrictions and changes to markets (IEA-WEO2022APS, IPCC-AR5 [Fifth Assessment Report], -RCP2.6, etc.)

※4°C scenario: Scenarios in which temperature rises result in physical impacts, e.g. extreme weather events (IPCC-AR5 (Fifth Assessment Report),-RCP8.5, etc.)

3. Risk Management

○We set up a working group on climate change risks to conduct the scenario analyses. For the prioritization of climate change risks, taking into account the possibility of risks and opportunities occurring to our own company and the degree of their impact, we will focus our efforts on key risk factors. The Climate Change Response Promotion Committee will continue these studies.

○As our process for the management of climate change risks, the Climate Change Response Promotion Committee will conduct analyses of such risks, propose and promote countermeasures, and manage their progress.

○The Group's risks have been integrated by having the Climate Change Response Promotion Committee manage climate change risks and collaborate with the Group companies and the Group's Group Internal Audit Department and Management Control Department, among other departments. Where necessary, the Committee also coordinates with the Board of Directors to build a company-wide risk management framework.

4. Metrics & Targets

○In order to quantitatively manage climate-related risks and opportunities, we have set the following reduction targets for the entire Group, using greenhouse gas emissions as a metric. As a measure against climate change, we will continue to implement initiatives to reduce emissions in our business activities, striving to achieve our reduction targets and contribute to a decarbonized society.

	Metric Emissions at the time of target setting (FY2023)	Target for 2030	Target for 2050
Scope1&2	20,074 t-CO2	More than 24% reduction	Net zero GHG emissions

Major Risks and Opportunities Related to Climate Change and Our Responses
(considered in respect of the architecture [including wooden detached housing] and civil engineering businesses)

Scenario	Risk/ Opportunity Type	Causes and Changes	Risk/ Opportunity	Degree of Impact	Impact on TCG	TCG Responses
Under 2°C scenario (transition)	Policy and legal	Increase in procurement costs due to introduction of carbon tax	Risk	↓	● Cost burden will increase if carbon tax is imposed on main purchased materials.	□Shift to low-carbon concrete, recycled materials, and low-carbon materials
		Increase in operating costs due to introduction of carbon tax	Risk	↓	● Company's own operating costs will increase if carbon tax is imposed.	□Use of renewable energy in company-owned buildings and site offices □Generation of power from renewable energy on land owned by the Group companies and promotion of its use □Shift to electric vehicles for company fleet (passenger vehicles)
		Increase in costs of procuring and outsourcing of construction materials and equipment in response to GHG emissions regulations, etc. (procurement))	Risk	↓	● If various regulations are dramatically tightened in future, the cost burden of procuring and outsourcing energy-saving, low-carbon construction materials and equipment will increase.	□Share CO2 emissions information with partner companies □Make active use of environmental-response machinery through collaboration with partner companies
		Increase in costs of investment in energy-saving construction equipment in response to GHG emissions regulations, etc. (operating)	Risk	↓	● Investment costs will increase if construction equipment currently owned is to be replaced with energy-saving models.	□Planning for replacement of currently owned equipment with energy-saving models □Thorough implementation of efficient operation plans for non-energy-saving equipment
		Increase in costs of purchasing power from renewable sources in response to GHG emissions regulations, etc.	Risk	↓	● The cost burden of purchasing power from renewable sources to contribute to Scope 2 reductions will increase.	□Thorough energy saving □Planning of ways to procure power from renewable sources and promotion of purchase for the entire Group
	Reputation	Increased risk of exclusion from customers' supplier lists due to delays in responding to customers' decarbonization demands	Risk	↓	● Decarbonization demands by customers are expected to increase, primarily from SBT-certified companies, and the costs of responding will increase.	□Promotion of development of low-carbon construction methods □Strengthening of sales efforts to customers regarding decarbonization
	Market	Increase in sales due to rise in demand for new construction and maintenance of renewable energy-related facilities	Opportunity	↑	● Demand for new construction and maintenance of facilities for solar, wind, biomass, and geothermal power generation will increase, leading to increased sales.	□Proactive sales activities in relevant sectors □Expansion of refractory business with integrated material-construction development and development of environmentally-friendly products
	Resource efficiency	Increase in sales due to rise in demand for ZEB/ZEH	Opportunity	↑	● Demand for ZEB/ZEH will increase due to factors such as stricter energy conservation standards, tightened control on total emissions, introduction of subsidies, and growing corporate interest in ESG.	□Identification and investigation of demand trends in ZEB/ZEH specifications □Incorporation of ZEB/ZEH specifications □Promotion of ZEB conversion proposals to customers planning new construction and refurbishment
4℃ (physical)	Acute	Increased risk of construction delays due to growing frequency of serious disasters (increased risk of damage to TCG's own facilities)	Risk	↓	● Upon selection of multiple bases with large impact and confirmation using Aqueduct floods RCP8.5, no current risk of river or coastal flooding was found	□Implementation of already formulated BCP responses and training at bases □Planning for new establishment and relocation of bases in consideration of business disruption risks
		Increased risk of construction delays due to growing frequency of serious disasters (increased risk of damage to customers' construction sites and logistics networks)	Risk	↓	● Total cost of damage from construction delays, etc. will increase in the event of serious disaster.	□Implementation of already formulated BCP responses and training at construction sites □Thorough understanding of major suppliers' BCP responses
	Market	Increase in orders for construction work in response to rise in frequency of serious disasters	Opportunity	↑	● Countermeasure construction work will increase due to increase in serious disasters accompanying the growing frequency of sudden torrential downpours and large typhoons.	□Strengthening of sales and marketing capacity for infrastructure development and maintenance and repairs businesses □Promotion of development of applied technologies for disaster prevention and reduction works and strengthening of construction method proposal capacity