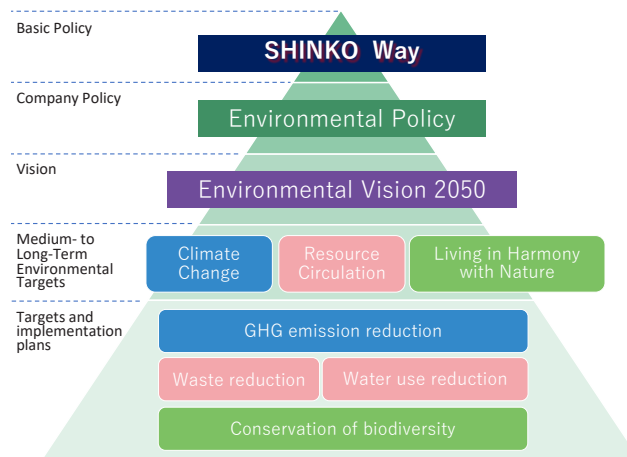


Environmental Management

To promote environmental management, the Shinko Group has established an environmental management system based on the international standard ISO 14001 as a framework for balancing business activities with social needs and environmental issues. Through the PDCA cycle, we strive for continuous improvement and betterment of our environmental performance. This section describes the activities of the Shinko Group in Japan. [See Percentage of Shinko Group Business Sites with ISO 14001 Certification \(page 98\)](#)

Environmental Activity Promotion System

We have made environmental protection a top management priority and are engaged in environmental preservation activities based on a promotion system established in accordance with the Shinko Way, the basic philosophy of the Shinko Group.



Environmental Management Promotion System

To promote environmental management, we have established an Environmental Committee chaired by the Representative Director of Board, President. As the highest deliberative body for environmental measures, the Committee reviews medium- and long-term issues, formulates policies, and proposes, deliberates, and decides upon matters related to environmental management, including measures to address business risks and opportunities related to climate change, waste, water resources, and biodiversity. These results are reported to the Board of Directors, which oversees environmental activities. We have established a structure that is described above.

We have also established an Environmental Measures Execution Committee as a subordinate organization under the Environmental Committee to deliberate matters such as the progress of activities to achieve environmental goals. While strengthening governance through the establishment of this promotion system, we are promoting the maintenance and improvement of our environmental management system.



Identifying Environmental Challenges

The Paris Agreement¹ and the Sustainable Development Goals (SDGs) are accelerating efforts to realize a globally sustainable society, and Japan has declared that it will "Aim for carbon neutrality and a decarbonized society by 2050." In tandem with efforts to fight climate change, global movements to solve social issues are accelerating in such areas as transitioning to a circular economy², tackling the marine plastic problem, conserving water resources, and achieving a nature-positive³ world.

Reflecting this situation, we have decided upon the environmental issues that we should be addressing in order to practice better business ensuring that our activities are environmentally friendly. In addition to identifying the effects that our business activities have on the environment, we clarify the challenges and requests from stakeholder related to the environment and make them the issues to work on that year, while gauging the importance and urgency of their potentially deleterious impact (risks) or beneficial impact (opportunities). We reflect these environmental challenges in the activities of our environmental management system, and are deploying our initiatives to resolve them.

¹ Paris Agreement: An international framework for the prevention of global warming agreed to at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) held in Paris in 2015

² Circular economy: A circular economic system that is designed on the premise that recycling and reuse will occur starting at the stage where goods and services are produced. It maximizes the value of resources and products and minimizes resource consumption and waste generation by reducing the input and consumption of new resources as much as possible. Intended to replace the conventional economic system based on the premise of "mass production, mass consumption, and mass disposal."

³ Nature positive: The nature positive initiative seeks to arrest the loss of biodiversity and put the environment on a recovery path. Natural restoration.

Risks and Opportunities Related to Major Environmental Issues

■ Climate Change

See Information Disclosure Based on TCFD Recommendations (page 36)

■ Resource Circulation

	Risks	Opportunities
Waste	<ul style="list-style-type: none"> ■ Risk that the cost of response will increase due to the strengthening of laws and regulations, such as the Waste Disposal and Public Cleansing Act and the Plastic Resource Circulation Act; risk that corporate value will decline in the event of a violation 	<ul style="list-style-type: none"> ■ Reduce processing costs and environmental impact by reducing input materials and waste emissions in the manufacturing process
	<ul style="list-style-type: none"> ■ Risk of accidents such as explosions, fires, and leaks due to improper storage and warehousing of waste; risk of health hazards and environmental pollution such as water pollution and soil pollution 	<ul style="list-style-type: none"> ■ Increase corporate value through de-plasticization, such as by increasing the recycling rate of plastic waste and switching to alternative materials
Water resources	<ul style="list-style-type: none"> ■ Risk of increased response costs due to restrictions on water withdrawal and stricter environmental standards for wastewater, etc.; risk that corporate value will decline in the event of a violation 	<ul style="list-style-type: none"> ■ Improving the efficiency of water consumption in manufacturing processes and facilities; reducing water consumption and costs through the use of recycled water
	<ul style="list-style-type: none"> ■ Risk of water pollution due to improper water withdrawal and wastewater management; risk of corporate value decline due to drought and land subsidence associated with groundwater use 	<ul style="list-style-type: none"> ■ Maintenance and conservation of ecosystems through appropriate water withdrawal and wastewater management; improvement of corporate value through reduction of water stress

See Water Risk and Water Stress Assessment (page 41)

■ Living in Harmony with Nature

	Risks	Opportunities
Biodiversity	<ul style="list-style-type: none"> ■ Risk of restrictions on the extraction and use of biological resources and the use and modification of land; risk that corporate value will decline in the event of a violation 	<ul style="list-style-type: none"> ■ Improvement of corporate value through biodiversity conservation and restoration activities and reduction of the establishment rate of invasive alien species
	<ul style="list-style-type: none"> ■ Risk of a decline in corporate value due to negative evaluations from stakeholders reflecting delays in responding to natural capital and biodiversity 	<ul style="list-style-type: none"> ■ Reduction of production costs by recycling resources and improving processing technologies; building supply chains that are less influenced by the reduction and degradation of biological resources
Chemical substances	<ul style="list-style-type: none"> ■ Increased burden of response costs due to restrictions on the use, inclusion, and movement of chemical substances or due to tighter information management (registration and notification); risk of a decline in corporate value in the event of a violation 	<ul style="list-style-type: none"> ■ Reduction of costs through recycling and improvement of processing technologies to reduce chemical emissions
	<ul style="list-style-type: none"> ■ Risk of increased burden of response cost of switching to other substances or technologies because of restrictions or prohibitions on materials or products containing certain chemical substances 	<ul style="list-style-type: none"> ■ Increase in corporate value owing to use of safer alternatives to the chemical substances currently used

See Biodiversity Risk Assessment (page 43)

■ Others

	Risks	Opportunities
Air pollution	<ul style="list-style-type: none"> ■ Risk of stricter emission standards for air pollutants; risk of increased response cost of introducing regulations to prevent adverse health effects of air pollution; risk of a decline in corporate value in the event of a violation 	<ul style="list-style-type: none"> ■ Reduction of costs through recycling and improvement of processing technologies to reduce emission of air pollutants
	<ul style="list-style-type: none"> ■ Risk of a decline in corporate value due to improper control of air pollutants and the generation of air pollution 	<ul style="list-style-type: none"> ■ Promotion of stable business activities by introducing equipment to prevent air pollution or reduce emissions
Raw materials	<ul style="list-style-type: none"> ■ Risk of increased response cost burden from controlling or prohibiting the use of specified resources; risk of a decline in corporate value in the event of a violation 	<ul style="list-style-type: none"> ■ Reduction in raw material costs achieved by reducing raw material consumption, practicing recycling in manufacturing processes, and switching to cheaper and more abundant alternative materials
	<ul style="list-style-type: none"> ■ Risk of disruptions in the supply of raw materials due to conflicts, trade friction, and natural disasters; risk of higher procurement costs for substitutes 	<ul style="list-style-type: none"> ■ Increase in sales owing to provision of products and services that meet market needs for weight reduction, thinness, and miniaturization and resource conservation; increase in revenues achieved by expanding markets and attracting new customers

Environmental Audits

Every year we conduct our own internal environmental audit, in addition to one conducted by the Fujitsu Group, to check ISO 14001 conformance, the effectiveness of our environmental management system, and legal compliance. The audits are conducted by internal environmental auditors, including environmental management system examiners (personnel qualified to examine ISO 14001 conformance). We continually improve our management system through the internal audits.

When nonconformity items are revealed by audits, we analyze the causes from multiple perspectives and promptly make improvements. The results of audits, including conformity items, are disseminated throughout the company and are tied in with activities in the coming fiscal year.

In FY2022, we made compliance with laws and regulations a priority check item and increased the number of items to be checked.

We have taken corrective action on all audit findings.

Response to Environmental Laws and Regulations

We strive to comply with national environmental laws and regulations as well as prefectural and city regulations, pollution prevention agreements, industry guidelines, and environmental requests from customers.

In FY2022, there were 2 cases of inadequate authorization or notification and 4 cases of complaints, but we responded appropriately and corrected them. As for others, there were no litigation issues, fines, or petty fines for violations of environment-related laws, including overseas production sites. Moreover, there were no accidents that had a serious impact on the environment.

[See Environmental Measurement Data \(Water Quality\) \(page 97\)](#)

Number of Environmental Laws and Regulations Violations or Complaints (Unit: cases)

Item		FY2020	FY2021	FY2022
Environmental laws and regulations violations	Water quality	0	0	0
	Atmosphere	0	0	0
	Noise	0	0	0
	Odors	0	0	0
	Waste	0	0	0
	Other (authorizations, notifications, etc.)	0	1	2
Complaints		0	2	4

Boundary: Shinko Group in Japan

Environmental Education and Awareness

We conduct environmental education for all employees in Japan at least once a year to ensure that each employee always acts in an environmentally conscious manner, both in conducting corporate activities and in living as a member of society. In FY2022, we initiated education on biodiversity, which is the foundation of a sustainable society and corporate activities. In addition, by incorporating the Shinko Group's "Environmental Vision 2050" into education and enlightenment programs, we aim to spread the vision among our employees and develop human resources who can recognize the necessity of environmental activities and act independently to implement them.

We disseminate information on a variety of topics throughout the company on a monthly basis, including familiar seasonal themes and environmental issues surrounding our company. In June, Environment Month provides an opportunity to think about a sustainable global environment. We conduct activities such as beautifying the area around our plants and holding environmental quizzes to contribute to the community and raise environmental awareness.

Environmental Education Achievements in FY2022 [Shinko Group in Japan]

Training	Participants
General Environmental Education	5,362
Education for Environmental Operations Personnel	3,886
Rank-specific Training	186

Environmental Risk Measures

The Shinko Group is continually making improvements to prevent and minimize environmental risks using our environmental management system. We also prepare to minimize damage in the event of a disaster.

● Preventing Environmental Pollution

Prevention of Air Pollution

We use natural gas as boiler fuel because it produces the lowest CO₂ emissions among fossil fuels and releases the smallest amounts of the environmentally harmful substances that are contained in soot and smoke (dust, sulfur oxides, and nitrogen oxides) during combustion. Some exhaust emissions from manufacturing equipment and wastewater treatment facilities also contain hazardous substances. Under thorough control, such exhaust gas is input to a unit called a “scrubber” so that hazardous substances can be removed and discharged to air.

Prevention of Water Pollution

Wastewater discharged from plants is detoxified, and its discharge into sewers or rivers is strictly controlled. The water discharged from our plants is regulated by the Water Pollution Prevention Act and the Sewerage Act, but we set voluntary standards that are stricter than the national and prefectural effluent standards, and we conduct regular water quality measurements to ensure thorough wastewater management.

Prevention of Soil and Groundwater Contamination

For soil and groundwater, we set voluntary standards that are stricter than the standards set by the Soil Pollution Countermeasures Law and other regulations, and we conduct regular surveys and management.

Preventing Leaks of Chemical Solutions and Waste Liquids

We carefully manage safety when we store chemical solutions and waste liquids. Tanks are systematically updated after a certain number of years, based on the material and the contents. Also, we have installed liquid containment walls around our tanks to prevent leaks in and outside our premises. In addition, liquid containment walls, tanks, piping, etc. are regularly inspected to detect deterioration and anomalies at an early stage, leading to the prevention of leaks.

We also conduct practical response training and protective equipment training in preparation for minimizing environmental risks in the event of a leak.

Plant Safety Management

To ensure early responses to any problems, every plant’s facilities management department conducts monthly comprehensive safety inspections of each equipment to achieve compliance, environmental protection, and the prevention of accidents.

● Disaster Response

Based on the Company-wide Disaster Prevention Guidelines and Business Continuity Management (BCM), we prepare for the occurrence of natural disasters, and implement measures and training to minimize environmental risks in the event of unforeseen circumstances.

[See Risk Management \(page 81\)](#)

Adaptation measures to climate change

[See Information Disclosure Based on TCFD Recommendations - Risk Management \(page 38\)](#)

Flood Control

In response to the frequent flood damage caused by heavy rains and typhoons in recent years, we have implemented flood control measures, after referring to hazard maps. We installed waterproof barriers to stop the flow of water as a measure against indoor flooding. In addition, outdoor equipment is raised on platforms so that even if water damage does occur, it will be minimized.

Earthquake Countermeasures

Seismic strengthening work for buildings constructed under the old quake-resistance standards has been completed at all plants, and we are now seismically retrofitting rooftop equipment (piping and ducts).

Preparing for a Largescale Blackout

As part of our business continuity planning, we installed emergency power generators at all plants in case of a largescale blackout due to an accident or disaster, ensuring power for lights, fire alarm systems, and other equipment during a blackout.