Disclosure Based on the TCFD Recommendations

Premium Group Co., Ltd (7199)
November 11, 2024

Table of Contents

■Message from the President

Premium Group Co., Ltd. (the “Group”) aims to contribute to the realization of a sustainable, recycling-oriented society, while also supporting the transition to a decarbonized society through our business activities, based on our mission, “Contribute to the construction of a prosperous society by providing top-level financing and services to the world.” To this end, we have established a Sustainability Committee in fiscal 2024, conducted a scenario analysis of the risks and opportunities posed to our business by climate change based on the TCFD recommendations, and considered measures to fulfill our corporate social responsibility while focusing on our Group’s business growth.

Moving forward, based on this analysis, we will set appropriate greenhouse gas (“GHG”) emission reduction targets and implement various initiatives as a Group. Through the TCFD report, we will deepen our exchange of views with all stakeholders, including our shareholders, and fulfill our responsibilities toward realizing a sustainable society while ensuring adequate disclosure.

■Contributing to creation of a recycling-oriented society (harnessing limited resources)

In the three segments operated by the Group (finance, automobile warranty, auto mobility), we promote business in the Reduce, Recycle, Reuse, and Repair (4Rs) for automobiles. We will contribute to the creation of a recycling-oriented society by continuing to expand our main business.

■Basic approach to climate change

New production of goods results in GHG emissions that pose a severe challenge to decarbonization. The key to solving this problem is a recycling-oriented society. At the Group, our primary business is secondary distribution support for auto mobility providers, and we believe that the expansion of our main business itself will contribute to the creation of a recycling-oriented society. By accelerating efforts in our main business, we aim to help address climate change, a task demanded worldwide.

Looking ahead, we will strive to further enhance our disclosure on the impact of climate change-related risks and profit opportunities on our business activities, earnings, and other aspects. This will be done with a recognition of the importance of collecting and analyzing the necessary data on these topics.

1. Governance

We have established the Sustainability Committee to drive our efforts to capture and address social and corporate sustainability issues as business opportunities. These efforts include, but are not limited to, the consideration of climate change and other global environmental issues, respect for human rights, and fair and appropriate business activities for all stakeholders, including employees.

Led by the Sustainability Committee, we will proactively disclose the status of our efforts to address climate change, a topic of utmost importance for us. Furthermore, we will make continuous improvements through data management in our environmental management system, among other mechanisms, and conduct management reviews on the results of these efforts.

2. Strategy

The Group has established two scenarios to clarify the risks and opportunities of climate change. The first is the 4°C scenario, defined as “a scenario where no progress is made in measures to address climate change and temperatures rise accordingly, leading to physical risks and opportunities.” We assess the acute and chronic physical risks that arise in this scenario. The second is the 2°C scenario, defined as “a scenario where various actions are taken to prevent global warming, leading to risks and opportunities associated with the transition to a decarbonized society.” We assess the policy and legal, technology, market, and reputation risks that arise in this scenario.

(1) Scenario Conditions
In analyzing climate-related risks and opportunities, we refer to several internationally recognized scenarios.

2°C Scenario	This is a scenario where policy regulations are implemented to achieve a decarbonized society and limit the global temperature increase to less than 2°C above pre-industrial levels. Though transition risks are high, physical risks are low compared to the 4°C scenario.	■IPCC • Shared Socio-economic Pathways(SSP1.9) • Shared Socio-economic Pathways(SSP2.6) ■IEA • Net Zero Emissions by 2050 Scenario(NZE)
4°C Scenario	This is a scenario that assumes that the announced targets, such as national targets in the Paris Agreement, will be achieved. No new policies or regulations will be introduced, and global energy-derived CO_2 emissions will continue to increase. Transition risks are low, but physical risks are high.	■IPCC • Shared Socio-economic Pathways(SSP8.5) ■IEA • World Energy Outlook • Stated Policies Scenario(STS)

■Overview of IPCC scenarios
The Paris Agreement's goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit this increase to 1.5°C. Based on this, in October 2018, the Intergovernmental Panel on Climate Change (IPCC) prepared a special report[1] on the impact from 1.5°C of global warming and the GHG emission pathways leading to this point. This information is also used in our scenario analysis.

■Overview of EV sales by scenario
The electric vehicle (EV) market is expected to expand with the further decarbonization of markets. We analyze risks and opportunities using projected EV sales figures[2] provided in the International Energy Agency (IEA) scenario.

(2) Scenario Analysis Procedure
Climate-related risks and opportunities are analyzed using the following procedure, in order.

(i) Listing of climate-related risks and opportunities
- Identifying climate change risks and opportunities
- Assessing highly significant risks and opportunities
- Establishing axes for assessment of highly significant risks and opportunities

(ii) Identifying qualitative business impact
- Listing the most relevant items in existing scenario
- Setting climate change scenarios

(iii) Quantifying financial impact
- Analyzing the financial impact of each scenario based on the significant climate-related risks and opportunities identified for each scenario and the relevant parameters

(iv) Studying countermeasures
- Assessing the resilience of our strategy to climate change risks and opportunities
- Studying countermeasures to be taken based on an assessment of the current situation

(3) Scenario Analysis Results
In conducting this scenario analysis, we have conducted a number of specific studies, including the calculation of the financial impact of major risks and opportunities for our main businesses as of 2030, as well as measures to address these risks and opportunities.

[1] "IPCC Working Group I Report" (Climate Change 2021: The Physical Science Basis)
[2] "Global EV Outlook 2022" (Global Electric Vehicle Outlook 2022)

Furthermore, in addition to evaluating financial impact, opportunities are being assessed for market scale and contribution to decarbonization while studying the potential for new business development and business growth.

a. Risks

We have identified risks associated with the transition to a decarbonized society and the expansion of the EV market, and quantified the potential financial impact on our business. Based on the results of this analysis, we have categorized risks by expected scale of financial impact (large, medium, and small), and are studying countermeasures for each.

Category	Type	Item	Business Impact	Scale of Damage	Countermeasures
Transition risks	Policy and legal	Change in energy mix	Rising electricity rates	Medium	• Reduce electricity consumption by installing LEDs and energy-saving equipment
		Soaring crude oil prices	Increased costs due to higher gasoline prices	Medium	• Reduce energy costs through the introduction of EV vehicles
		Disparity in subsidy budgets for EVs and gasoline vehicles	EV used car market needs time to form due to sluggish EV new car market	Small	• Diversify risk by developing business not only in the EV market, but also in gasoline and hydrogen vehicles
	Markets	Shrinking used car market	Growing environmental awareness among consumers will increase demand for EVs and decrease demand for gasoline-powered vehicles	Large	• Improve profitability per vehicle by expanding services for used vehicles
		Delayed formation of EV used car market	Market formation will take time due to lack of established valuation methods for EV batteries and incorrect valuation of EV used vehicle values	Large	• Rapidly encourage use of battery diagnostic technology among dealers • Support the spread of EVs, including via capital investment
		Sluggish auto sales market	Market is sluggish as car sales decline due to shift to a recycling-oriented society, car sharing, and other mobility services	Medium	• Avoid risk through business expansion in car-sharing and subscription-based sales
		Delay in parts distribution	EV warranty business affected due to lack of distribution of EV parts and rebuilt/recycled parts	Large	• Procure usable parts from disassembly business • Direct procurement of parts from disassembly facilities
Physical risks	Chronic	Rising sea levels	Delays or stoppages in shipping due to damage to facilities and equipment in coastal areas	Small	• Mitigate risk by diversifying logistics
			Costs arise to move business locations	Small	• Monitor sites with high flooding/sea level rise risks annually and move to lower risk sites as needed

(Note) Scale of damage is defined as follows: Large - ¥1 billion or more; Medium - ¥10 million to less than ¥1 billion; Small - Less than ¥10 million

b. Opportunities

We have studied the scale of opportunities in the event that we were to actually undertake a presumed business oriented toward a decarbonized society and an expanding EV market. In addition, we have already begun work on three projects: automobile warranty plans for EVs, installing solar power generation systems and EV chargers at Car Premium Club member stores (“CP stores”), and building an EV charging network.

Category	Opportunity	Details	Market Scale	Contribution to Decarbonization	Scale of Opportunity
EV procurement/buyback	New EV brokerage	New vehicle brokerage sales business for EVs	Medium	Small	Small
After-sales domain	EV inspection	Vehicle inspection for EVs, which are still maturing	Large	Large	Large
	EV maintenance facility network	Business building a network for stable EV maintenance	Large	Large	Small
EV sales domain	EV credit financing	Aim to expand in-house services along with the growth of the EV market by offering EV credit financing at low interest rates by utilizing sustainability-linked loans (SLLs) and other means to contribute to the decarbonization of the market	Large	Large	Large
	Automobile warranty plans for EVs	Dedicated automobile warranty business that captures the unique characteristics of EVs in anticipation of EV proliferation	Medium	Large	Large
Infrastructure domain	Solar power generation at CP stores	Install solar power generation facilities on CP store rooftops and use the power to decarbonize the supply chain and create new revenue streams	Medium	Medium	Small
	EV charging network	Business building a network of EV charging facilities to eliminate the EV disadvantage of short cruising ranges	Medium	Medium	Small
	EV network map	Business creating a map with information about EV networks for consumers, sharing EV stations, etc.	Small	Medium	Small

(Notes) 1. Market scale is defined as follows: Large - ¥1 trillion or more; Medium - ¥100 billion to less than ¥1 trillion; Small – Less than ¥100 billion
2. Contribution to decarbonization is defined as follows: Large - “Eliminates decarbonization bottlenecks;” Medium - “Contributes significantly to reductions;” Small - “Contributes minimally to reductions”
3. Scale of opportunity is defined as follows: Large - ¥1 billion or more; Medium - ¥100 million to less than ¥1 billion; Small - Less than ¥100 million

3. Risk Management Structure

(1) Risk identification and assessment process

With regard to risks associated with climate change, we have identified and reviewed important risks by re-evaluating current risks and identifying and evaluating new risks in consideration of their impact on management, finance, and business. In addition, significant risks are reported to the Board of Directors for management and supervision.

(2) Risk mitigation process

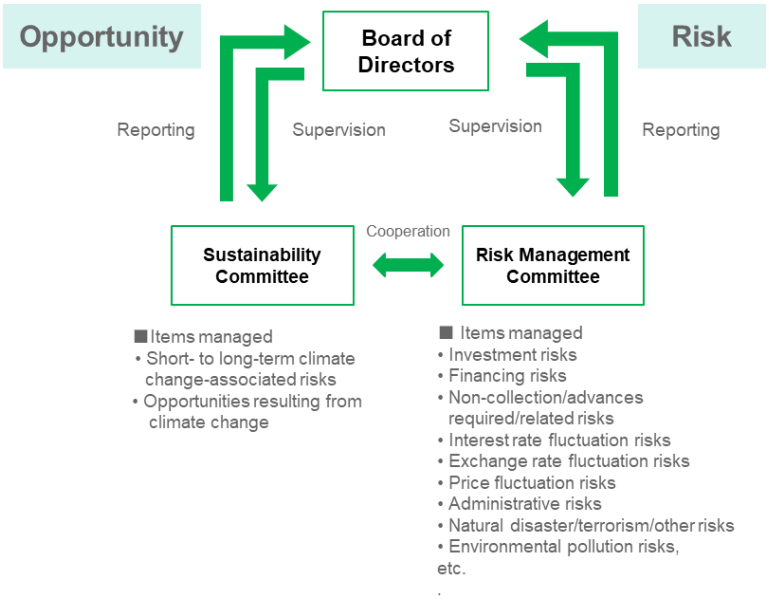
The Sustainability Committee studies each identified risk and determines response policies for their mitigation, deploys the policies to the relevant departments, and monitors response status.

(3) Prioritization process

The significance of identified risks is determined based on their degree of impact and frequency of occurrence, and countermeasures are studied and implemented for risks deemed significant.

(4) Integration with Group-wide risk management

The Sustainability Committee, which studies climate change-related risks with respect to timelines, and the Risk Management Committee, which studies risks from a Group-wide perspective, regularly act to align their awareness of risks. For risks that manifest in the shorter term and require urgent attention, the Risk Management Committee implements and monitors countermeasures to ensure effective Group-wide risk management.



4. Metrics and Targets

The Group calculates GHG emissions in accordance with the GHG Protocol international calculation and reporting standards.[3]

We are currently in the process of identifying reduction measures in the interest of target-setting, and we plan to complete this by the end of this fiscal year.

CO_2 emissions for FY2023 are as follows.

Companies included in the calculation:

Total 19 companies (Premium Group Co., Ltd. and its 16 subsidiaries in Japan and 2 subsidiaries overseas)

Calculation period:

April 1, 2023 to March 31, 2024

Calculation results:

Energy-derived CO2 emissions (Unit: t-CO_2)

Scope 1		1,222
Scope 2	(Location-based)	595
	(Market-based)	604

Other indirect GHG emissions generated in a company's value chain (Unit: t-CO_2)

Scope 3		23,542

Breakdown (Unit: t-CO_2):

Category 1	5,242.0	Category 9	-
Category 2	3,307.0	Category 10	9,753.0
Category 3	350.0	Category 11	1,766.0
Category 4	761.0	Category 12	15.1
Category 5	99.6	Category 13	1,419.0
Category 6	654.0	Category 14	-
Category 7	172.0	Category 15	3.23
Category 8	-		

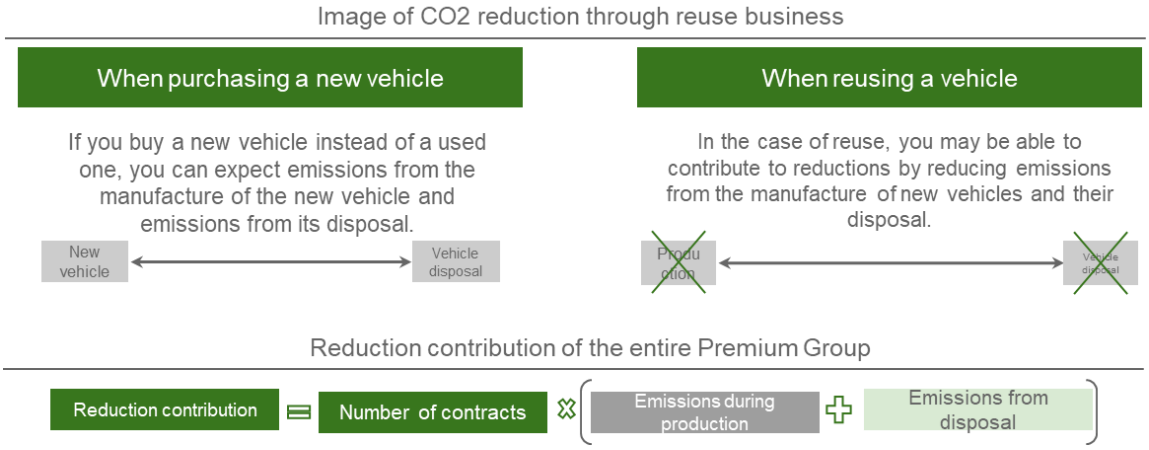
Reference: Estimations of CO_2 reduction contribution

We have estimated the reductions in CO2 emissions for our finance business, automobile warranty, and automobile parts sales business.

[3] International standards for calculating and reporting GHG emissions

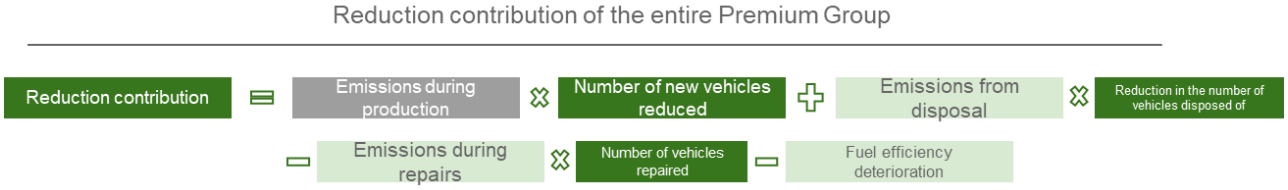
■Finance Segment (Reuse): Reduction contribution: Approx. 129,688 t-CO_2

The Finance Business is expected to reduce the use of energy and resources that contribute to the production of new vehicles by promoting the distribution of used vehicles. Specifically, the amount of emissions generated during the manufacturing of new vehicles and the disposal of vehicles is included in the reduction contribution. Since it is not necessary to produce a new vehicle for every used vehicle sold, we believe that the environmental impact can be significantly reduced.



■Automobile Warranty Segment (Reduce): Reduction contribution: Approx. 472t-CO_2

The Automobile Warranty Business is expected to extend the life of vehicles by providing repair services when they break down and to reduce the emissions associated with disposing of vehicles and purchasing new ones. Extending the life of vehicles reduces the energy consumption involved in mining and manufacturing new resources, which in turn reduces GHG emissions. Therefore, it is possible to calculate the life extension effect per vehicle using the warranty for breakdowns and to calculate the amount of emissions reduced based on the total number of such vehicles.



* The calculation method for the reduction contribution of Automobile Warranty has been changed starting in fiscal 2023

■Assumptions:

- The reduction contribution is calculated by taking into account the reduction in the number of new vehicles sold due to the existence of Automobile Warranty, the reduction in the number of vehicles disposed of, and the increase in emissions due to increased repairs and reduced fuel efficiency.
- This calculation does not take into account the differences in emissions due to minor differences in vehicle type.
- Calculations are based on the assumption that fuel efficiency deteriorates by 0.1% per year.

■Automobile Parts Sales Business (Recycle): Reduction contribution: Approx. 1,647 t-CO_2

The Automobile Parts Sales Business is working to reduce emissions associated with manufacturing new parts by reusing recycled parts (used auto parts). Based on data published by the Japan Automotive Parts Recyclers Association[4], we can determine the amount of reduction per recycled part. By multiplying this by the amount of parts used by our Group companies, we can calculate the total amount of reduction.

[4] Japan Automotive Parts Recyclers Association website: “CO2 reduction figures for recycled parts” (https://www.japra.gr.jp/gpc/partco2) (in Japanese only)

	Rebuilt			Used			
	Emissions (kg)	Items	Total (t-CO2)	Emissions (kg)	Items	Total (t-CO2)	Total (t-CO2)
Engine	642	450	289	681	772	526	815
Automatic transmission	368	757	279	516	643	332	611
Cooling Unit/Compressor	39	3,595	142	44	1,130	49	191
Muffler	75	18	1	75	189	14	16
Front door	157	0	0	157	54	8	8
Front strut	132	0	0	132	17	2	2
Front bumper	37	19	1	37	36	1	2
Steering knuckle	85	0	0	85	10	1	1
Radiator	26	1	0	35	30	1	1
Total		4,840	711		2,881	936	1,647

For Inquiries Regarding This Document
Premium Group Co., Ltd.
Public Relations Group
Email: koho@premium-group.co.jp