

Proterial Group's Response to Ecosystem Conservation

Disclosure Based on TNFD Recommendations (September 30, 2026)

1. Response to TNFD Recommendations

The Kunming-Montreal Biodiversity Framework was adopted at the 15th Meeting of the Conference of the Parties to the Convention on Biological Diversity held in December 2022. In response, countries around the world have been advancing biodiversity conservation strategies, while the Japanese Cabinet approved the National Biodiversity Strategy 2023-2030 in March 2023, which sets out a plan to halt and reverse the loss of biodiversity by 2030.

Our group has identified ecosystem conservation as one of its key pillars, aiming to improve the quality of life and realize a sustainable society by solving environmental issues through collaboration with stakeholders. We also endorse the Keidanren Biodiversity Declaration and Action Guidelines formulated by the Business Federation of Japan

and the Nature Conservation Council of Keidanren, and have participated in the Keidanren Biodiversity Declaration Initiative, as well as disseminating policies and case studies on ecosystem conservation. To further promote efforts for biodiversity conservation, our company has analyzed and assessed nature-related issues using the LEAP approach, based on the Disclosure Framework (ver. 1.0) of the TNFD*.

* The Taskforce on Nature-related Financial Disclosures (TNFD) was established to develop a framework for risk management and information disclosure by companies and financial institutions regarding nature-related dependencies, impacts, risks, and opportunities. TNFD aims to contribute a sustainable economy and society by providing investors and financial institutions with a framework for appropriately disclosing information that is useful for decision-making, and by encouraging the flow of funds to activities that contribute to the conservation and restoration of nature. In September 2023, TNFD released the final version of the disclosure framework (ver. 1.0).

2. General Requirements

The general requirements for this disclosure are as follows:

2-(1) Application of materiality:

In identifying materiality, our company analyzed and evaluated both the impacts of nature on our group's financial position and the impacts of our group's activities on nature.

2-(2) Scope of disclosures:

In this disclosure, we identified priority areas for all of our direct operations, assessed dependencies and impacts, and analyzed risks and opportunities at two priority sites: Power & Electronics Material and Aero & Industrial Alloy. In the future, we plan to expand the scope of analysis to include other businesses and the upstream and downstream value chains.

2-(3) Location of nature-related issues:

Based on the results of Sensitive locations by using the WWF Water Risk Filter and WWF Biodiversity Risk Filter (WWF Risk Filter Suite v2.0) for direct operation sites, and Material locations based on data such as water consumption, we identified priority locations as sites with nature-related issues.

2-(4) Integration with other sustainability-related disclosures:

Our company also discloses information on its responses to the TCFD Recommendations. In this disclosure, we have separately disclosed information on our responses to the TNFD Recommendations. However, as climate change and biodiversity issues are interrelated, and the information disclosure framework of the TNFD overlaps with the TCFD in some areas, we plan to consider integrated information disclosure in the future.

2-(5) The time horizons considered:

In this disclosure, we conducted a scenario analysis assuming FY2030, and identified and assessed risks and opportunities.

2-(6) Engagement with Indigenous Peoples, Local Communities and affected stakeholders:

Our Group Code of Conduct and the complementary Human Rights Policy stipulate respect for human rights, and our basic stance is to respect the rights of all persons involved in our business activities and to strive not to infringe upon them.

Our group also procures materials from suppliers around the world. We have established a procurement policy to practice fair and equitable procurement activities while being aware of our social responsibility and its impacts. We engage in procurement that takes CSR into consideration with the cooperation of many procurement partners.

Through these efforts, we are striving to minimize impacts and risks to local communities where our bases are located.

3. Governance

3-(1) Environmental Promotion Structure, Including Biodiversity Conservation and Climate Change Measures

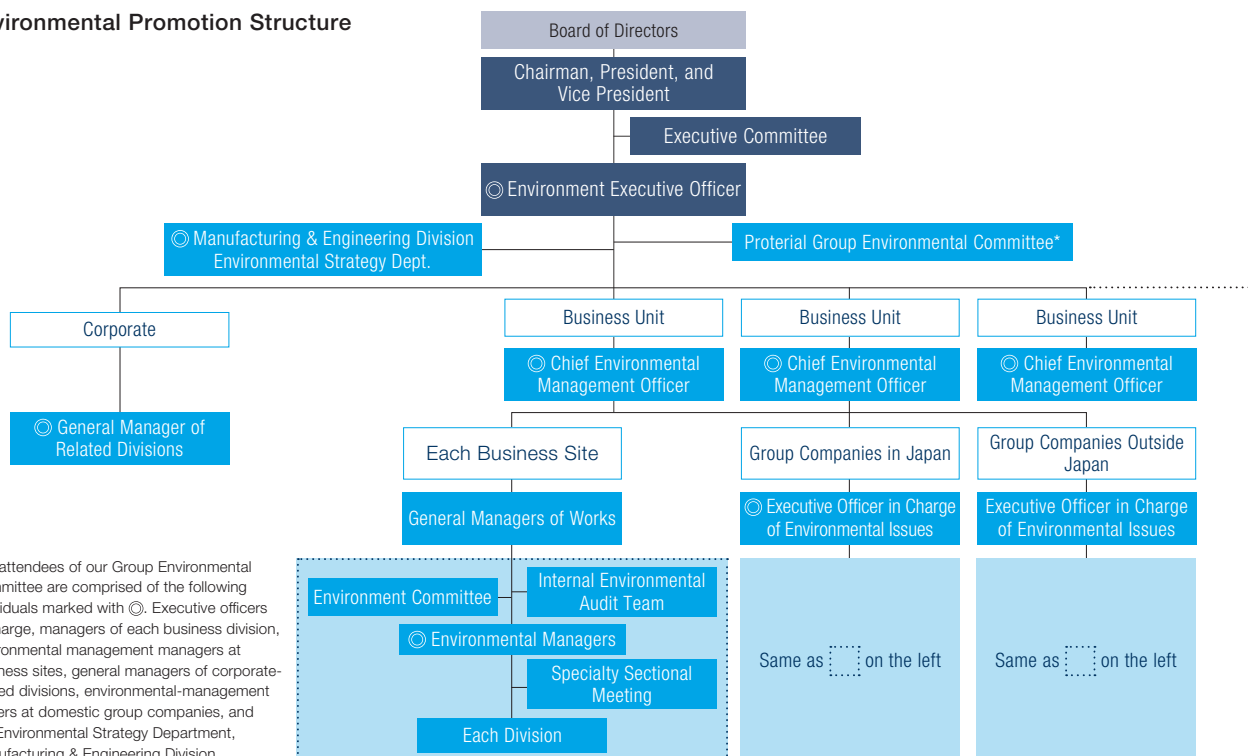
In April 2010, the Proterial Group established the Group Basic Policy on Environmental Preservation to clarify the Group's unified approach to environmental management.

Within our Environmental Promotion Structure, which includes Biodiversity Conservation and Climate Change Measures, we have formed the Group Environmental Committee, which is chaired by the Environment Executive, and whose executive office is the Environmental Strategy Department, Manufacturing & Engineering Division. Activities are promoted in collaboration with the environmental managers of each business division and the environmental managers at business sites and group companies. The Group Environmental Committee is responsible for developing environment-related regulations, setting targets for reducing environmental impact, and confirming that activities are appropriate and effective.

The Group Environmental Committee sets policies and targets for environmental activities in each fiscal year, and deliberates and decides on the Environmental Action Plan. Regarding biodiversity conservation countermeasures, we have set Improvement rate of water use and waste landfill rate targets within the Group and are promoting energy conservation activities, implementing measures to reduce water consumption, reducing waste generation, and improving recycling rates at each manufacturing site based on our Environmental Action Plan. The Group Environmental Committee meets once a year to share the results of the previous fiscal year's environmental activities, the status of numerical targets for the current fiscal year, and major initiatives to promote continuous improvement of activities.

In addition, the status of efforts toward environmental issues, including Biodiversity Conservation and Climate Change measures, is reported twice a year to both the Executive Committee and the Board of Directors, where important related matters are also deliberated and decisions are made.

Environmental Promotion Structure



*The attendees of our Group Environmental Committee are comprised of the following individuals marked with Ⓜ. Executive officers in charge, managers of each business division, environmental management managers at business sites, general managers of corporate-related divisions, environmental-management officers at domestic group companies, and the Environmental Strategy Department, Manufacturing & Engineering Division.

Roles in the Promotion Structure

■ Environment Executive Officer Ⓜ

The executive in charge of manufacturing and technology is in charge as an Environment Executive who is well acquainted with environment-related issues and exercises overall control through the Group Environmental Committee.

■ Proterial Group Environmental Committee

Deliberates and determines policies, targets, etc. related to environmental management activities within the Group.

■ Chief Environmental Management Officer

Oversees environmental management activities within the business units.

■ Environment Committee

Deliberates and determines policies, targets, etc. related to environmental management activities at each business site.

■ Environmental Managers

Take responsibility for and promote environmental-management activities of each business site.

3-(2) Engagement with Stakeholders

Our group promotes global business activities based on respect for human rights, in line with our Corporate Philosophy and Code of Conduct. To clarify this commitment and fulfill our responsibility to all stakeholders, including employees and business partners, we have established the Proterial Group Human Rights Policy. This policy recognizes the human rights stated in the International Declaration of Human Rights and in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work as representing the minimum starting point for such rights. It clearly states that the Proterial Group pursues measures to observe the international principles of human rights. Specifically, we will implement human rights due diligence and appropriate education on the basis of the UN Guiding Principles on Business and Human Rights, while strictly observing the laws of the regions and countries in which we do business.

Our group procures products with a minimal environmental footprint from procurement partners which are working proactively on environmental conservation activities. In 1998, we issued the Green Procurement Guidelines to share with our suppliers our views on environmental considerations, including the prevention of global warming, the recycling of resources, and the conservation of biodiversity and ecosystems. Since then, we have repeatedly revised these guidelines in response to the latest laws and chemical regulations and have notified our suppliers of the latest information. The cooperation of our suppliers is essential to effective green procurement. We ask suppliers to continually implement, organize, and improve their environmental protection activities. In addition, we published the Proterial Group Sustainable Procurement Guideline on our website in January 2023. While based on the latest standards that have been acknowledged worldwide, the Guideline was created by encompassing a wide range of CSR concepts recognized as a company's social responsibility, including respect for human rights, consideration of the environment, fair trading and ethics, occupational health and safety, product quality and safety, information security, and social contribution. The Guideline also stipulates corrective measures to be taken in case of any clear violation discovered among suppliers.

4. Strategy

4-(1) Overview of analysis and assessment

We analyzed and assessed nature-related issues across our Group's direct operations using the LEAP approach recommended by TNFD. In this analysis, we first identified priority areas in the Locate phase based on assessments conducted using tools such as the WWF Water Risk Filter (WWF Risk Filter Suite v2.0) and water consumption and sales in our group. In the Evaluate phase, dependencies and impacts were assessed across all business activities using ENCORE, and material dependencies and impacts were identified by applying corrections that took into account the actual conditions at each location. In the Assess phase, potential risks and opportunities were identified from the material dependencies and impacts identified in the Evaluate phase. In addition, two priority locations identified in the Locate phase were analyzed based on two of the four scenarios presented in the TNFD guidance, namely (1) Ahead of the game Scenario and (3) Sand in the gears Scenario, with a FY2030. Material risks and opportunities were then identified and assessed. Finally, in the Prepare phase, response to address the identified risks and opportunities were considered.

4-(2) Analysis and evaluation in the Locate phase

Based on the TNFD disclosure framework (v1.0), we identified locations that fall within Sensitive locations or Material locations and selected them as Priority locations.

Sensitive locations were first analyzed across our Group's direct operations using the WWF Water Risk Filter and WWF Biodiversity Risk Filter (WWF Risk Filter Suite v2.0). In addition, we identified indicators* related to Sensitive locations as defined by the TNFD: (1) Areas important for biodiversity, (2) Areas of high ecosystem integrity, (3) Areas of rapid decline in ecosystem integrity, (4) Areas of high physical water risks, and (5) Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities and stakeholders. These indicators were scored according to their risk levels. (For example, for (1) Areas important for biodiversity, indicators such as "10. Environmental Factors" identified in the WWF Water Risk Filter and "6.1 Protected/Conserved Areas" identified in the WWF Biodiversity Risk Filter, etc. were assessed, with scores of 1 for Medium Risk, 2 for High Risk, and 3 for Very High Risk, which were then aggregated). As a result, the following five locations were identified as Sensitive locations: "Proterial Hong Kong Ltd. (China)", "Proterial (India) Private Ltd. (India)", "Proterial (Thailand) Ltd. (Thailand)", "Proterial Ltd. Yamazaki Works (Japan)", "Proterial Malaysia Sdn. Bhd. (Malaysia)".

Material Areas were identified across our Group's direct operations by combining nature-related data, specifically water consumption, with FY2024 sales data. As a result, three locations were identified as Material areas: "Proterial Ltd. Yasugi Works (Japan)", "Proterial Cable Solutions, Ltd. (Japan)", "Proterial Metals, Ltd. Tsuchiura Works (Japan)".

* Relevant indicators identified

WWF Water Risk Filter:

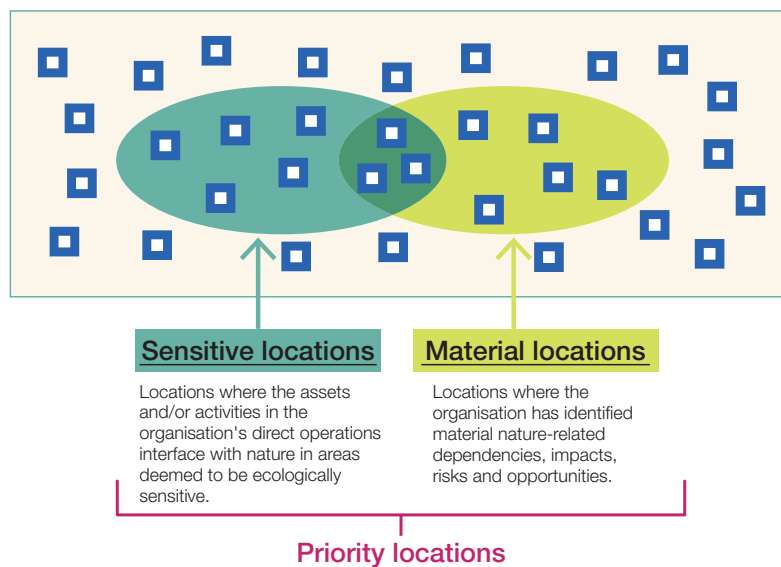
1. Water Availability, 2. Drought, 3. Flooding, 4. Water Quality, 5. Ecosystem Services Status,
10. Environmental Factors

WWF Biodiversity Risk Filter:

- 2.2 Water Condition, 2.4 Ecosystem Condition, 5.1 Land, Freshwater and Sea Use Change,
- 5.2 Forest Canopy Loss, 5.3 Invasives, 5.4 Pollution, 6.1 Protected/Conserved Areas,
- 6.2 Key Biodiversity Areas, 6.3 Other Important Delineated Areas, 6.4 Ecosystem Condition,
- 6.5 Range Rarity, 7.2 Resource Scarcity: Food-Water-Air

Ref."How the WWF Risk Filter Suite can support the Taskforce on Nature-related Financial Disclosures: LEAP Approach (2024)"

■ Definitions of Sensitive locations, Material locations, and Priority locations:



4-(3) Analysis and evaluation of the Evaluate Phase

In order to understand the dependencies on nature and the impacts of all business activities in our group, dependencies on and impacts on nature were evaluated using ENCORE on a five-point scale. In addition, as the ENCORE evaluation is based on the evaluation of general business activities, the evaluation results were adjusted to reflect the actual conditions of our group. For example, some sites manufacturing Sialon ceramics products within Aero & Industrial Alloy unit (Hereinafter referred to as (A & I)) operate melting furnaces and other facilities subject to the Air Pollution Control Act. However, emissions of soot, dust, NOx and other pollutants are maintained below regulatory limits and are managed in accordance with voluntary standards that are stricter than legal requirements. In addition, no emissions of VOCs, HAPs or other air pollutants have been identified. Accordingly, in the heat map of the impacts on nature, the rating for "Emissions of non-GHG air pollutants" was revised from High (H) to Medium (M).

The heat map summarizing these results is shown in the figure below. Based on the evaluation results, no business unit was identified as having a high~Very high level of dependency on nature. On the other hand, the the manufacturing "Electronic Materials" in the Power & "Electronics Material unit (Hereinafter referred to as (P&E)), and the manufacturing of "Aero & Energy Materials," "Molds and tool steel, industrial Materials" in the (A&I), were identified as potentially having high impacts on nature, primarily due to "Emissions of GHG".

Heat map of dependencies on nature:

Business Segment	Manufacturing Products	Provisioning services	Regulating and Maintenance Services												
		Water supply	Air Filtration	Global climate regulation	Local climate regulation	Noise attenuation	Rainfall pattern regulation	Soil and sediment retention	Solid waste remediation	Storm mitigation	Flood mitigation services	Water flow regulation	Water purification	Dilution by atmosphere and ecosystems Biological control	Mediation of sensory impacts (other than noise)
Power & Electronics Material	Electronic Materials	M	VL	VL	L	VL	VL	L	L	M	M	M	M	L	VL
	Soft Magnetic Materials and Components, information system components	M	VL	VL	L	VL	VL	L	L	M	M	M	M	L	VL
Aero & Industrial Alloy	Aerospace & Energy Materials	L	VL	VL	L	VL	VL	M	M	M	M	M	M	L	VL
	Molds and tool steel, Industrial Materials	M	M	VL	L	VL	M	M	M	M	M	M	M	L	VL
	Rolls, Cylinders	M	—	VL	L	VL	L	L	M	M	M	M	M	L	VL
	Sialon Ceramics	M	VL	VL	L	VL	L	L	M	M	M	M	M	L	VL
Magnetic Materials	Magnetic Materials	M	VL	VL	L	VL	VL	L	L	M	M	M	M	L	VL
Automotive Components	Automotive Components	L	VL	VL	L	VL	VL	M	L	M	M	M	M	L	VL
Electric Wire & Cable	Electric Wire & Cable	M	VL	VL	L	VL	M	L	L	M	M	M	M	L	VL

Heat map of impacts on nature:

Business Segment	Manufacturing Products	Land/Sea/ Fresh water Use Change	Pollution				Resource Exploitation	Climate Change	Invasive Alien Species and Other Disturbances
		Area of land use	Emissions of non-GHG air pollutants	Emissions of nutrient soil and water pollutants	Emissions of toxic soil and water pollutants	Generation and release of solid waste	Volume of water use	Emissions of GHG	Disturbances (e.g noise, light)
Power & Electronics Material	Electronic Materials	L	L	—	M	L	L	H	M
	Soft Magnetic Materials and Components, information system components	L	M	—	M	L	M	M	M
Aero & Industrial Alloy	Aerospace & Energy Materials	L	L	—	M	L	L	H	M
	Molds and tool steel, Industrial Materials	L	M	M	M	L	L	H	M
	Rolls, Cylinders	L	L	—	M	L	M	L	M
	Sialon Ceramics	L	M	M	M	M	M	L	M
Magnetic Materials	Magnetic Materials	L	M	—	M	L	M	M	M
Automotive Components	Automotive Components	L	L	—	M	L	L	VL	M
Electric Wire & Cable	Electric Wire & Cable	L	L	—	M	L	L	L	M

VH: Very high

H: High

M: Medium

L: Low

VL: Very low

blank: not applicable, no data

4-(4) Analysis and Assessment of the Assess phase

Based on the priority locations identified in the Locate phase and the manufacturing products of business units identified in the Evaluate phase as having significant dependencies and impacts on nature, two were selected for further analysis and assessment. These sites were the Proterial Ltd. Yasugi Works (Japan), which manufactures "Electronic Materials" in the (P&E) Business Unit and "Aerospace & Energy Materials," "Mold and tool steel, Industrial Materials" in the (A&I) Business Unit, and the Proterial Metals, Ltd. Tsuchiura Works (Japan), which manufactures "Electronic Materials" in the P&E Business Unit. Nature-related risks and opportunities were identified based on the results of the Evaluate phase. Biodiversity Visualization Map (Ministry of the Environment, Japan), IBAT and other tools were used to assess the surrounding environment of the selected sites.

For the scenario analysis, we conducted a scenario analysis assuming FY2030. Two of the four scenarios defined by the TNFD scenario analysis guidance were assessed based on the two key uncertainties represented by the x-axis (Ecosystem service degradation) and the y-axis (Alignment of market and non-market forces). The assessment of ecosystem service degradation was informed by meteorological data and future projections published by the Japan Meteorological Agency and relevant local authorities, while the assessment of market and non-market drivers was based on biodiversity and environmental policies and plans in countries and regions around the world.

■ Assumptions for scenario analysis

Target Units: Aero & Industrial Alloy unit (A&I), Power & Electronics Material unit (P&E)

Target Sites: Proterial Ltd. Yasugi Works, Proterial Metals, Ltd. Tsuchiura Works

Target Fiscal year: 2030

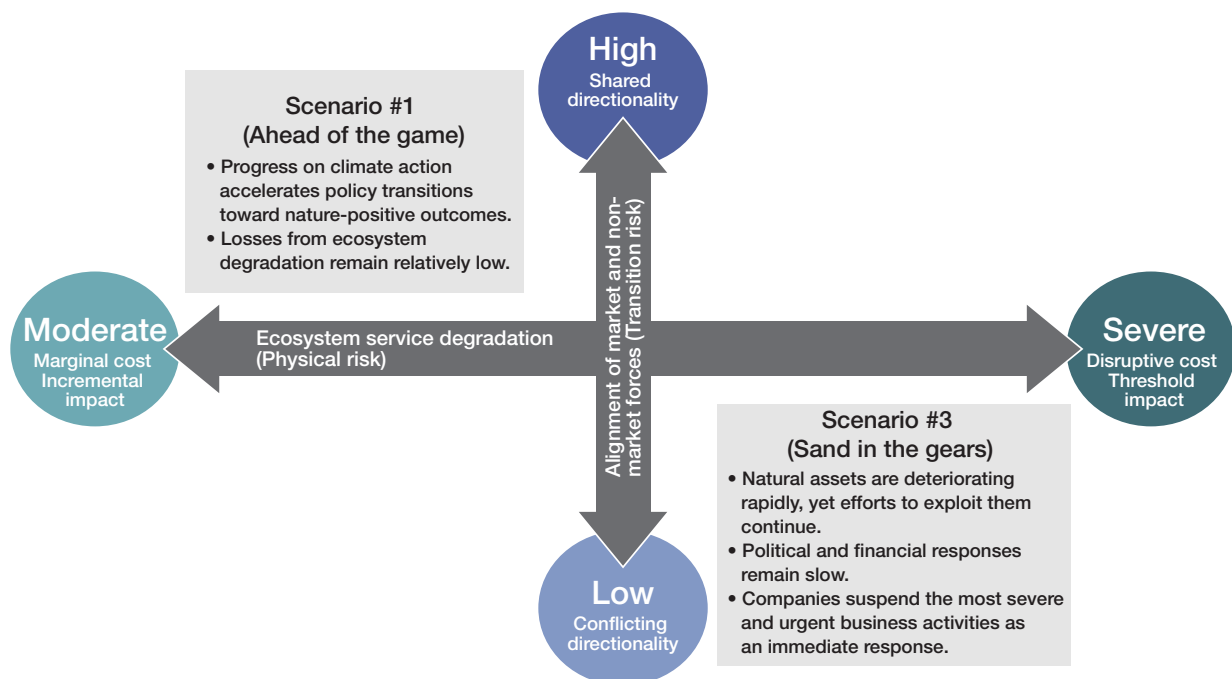
■ Assumed scenario conditions

● Scenario #1 (Ahead of the game):

- (x-axis: Ecosystem service degradation) Climate change is mitigated, and ecosystem degradation progresses only gradually.
- (y-axis: Alignment of market and non-market forces) Society, regulations, and economic systems evolve in a direction that is positive for ecosystems and nature.

● Scenario #3 (Sand in the gears):

- (x-axis: degradation of ecosystem services) Climate change continues to advance, and ecosystem degradation also progresses.
- (y-axis: coincident market/non-market driving forces) Society, regulations, and economic systems move in a direction that is negative for ecosystems and nature, or remain largely unchanged from the current situation.



The identified risks and opportunities were qualitatively assessed based on their business impact and likelihood of occurrence under two scenarios. High, medium and low risks and opportunities were identified based on the assessment results. The table below summarizes the major risks, opportunities and our response. Based on the results of this analysis and assessment, we identified major risks, including "Increased manufacturing and operating costs due to tighter carbon pricing regulations", "Increased procurement costs due to rising raw material prices caused by stricter environmental regulations at suppliers' manufacturing facilities," and "Increased procurement costs due to rising raw material prices resulting from resource depletion and export restrictions," and so on. To respond these risks, our group will promote various energy-efficiency initiatives and increase the use of recycling within existing production processes. We also identified key opportunities, including "Improved supplier evaluation by customers due to decarbonization initiatives," and others. Going forward, we will continue to advance our decarbonization efforts and other initiatives to further enhance our standing in customer supplier-selection evaluations.

■ List of important risks and opportunities and major countermeasures:

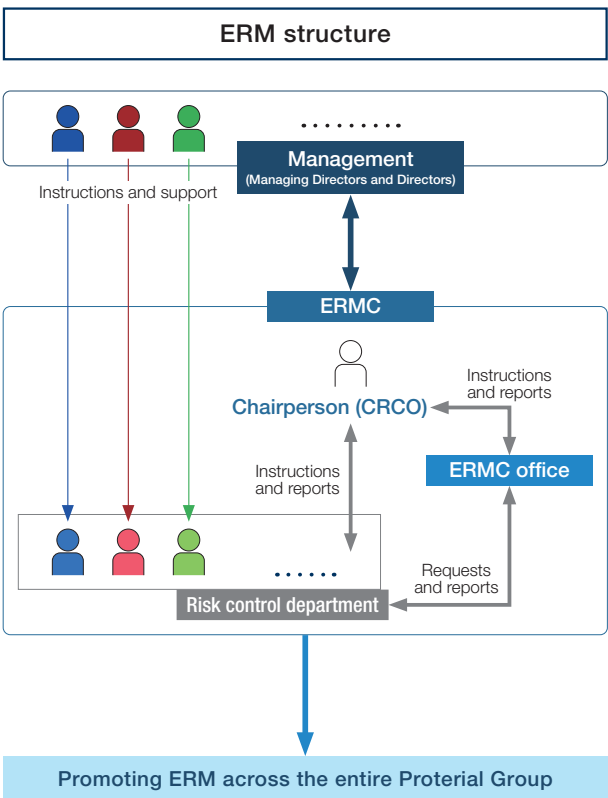
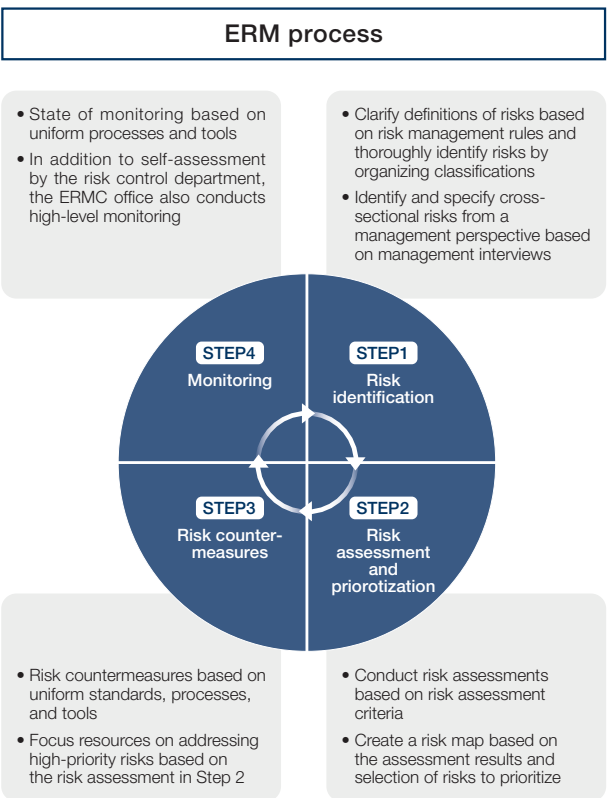
Classification		Type	Risk/Opportunity Contents	Significance		Our response
				Scenario #1	Scenario #3	
Risk	Physical	Acute	Flooding caused by typhoons, torrential rainfall, storm surges, and river flooding, resulting in operational shutdowns, reduced productivity, and inventory damage	Small ~ Medium	Small ~ Large	We will strengthen flood prevention measures by implementing physical protective barriers such as flood walls and by arranging equipment and facilities with potential flooding scenarios in mind, including elevation improvements and other heavy rainfall countermeasures
	Transition	Policy/ regulations	Increased manufacturing and operating costs due to tighter carbon pricing regulations	Large	Medium ~ Large	We are working to improve energy intensity by more than 1% annually through various energy-saving initiatives, including LED lighting upgrades and the replacement and introduction of high-efficiency equipment, together with productivity improvement measures. Looking ahead, we plan to actively promote fuel switching and the installation of renewable energy facilities, such as solar panels, to achieve our 2030 emission reduction targets
			Increased procurement costs due to rising raw material prices caused by stricter environmental regulations at suppliers' manufacturing facilities	Large	Medium ~ Large	We will promote recycling within existing processes, develop products compatible with recycled materials, and expand the use of recycled raw materials
		Market	Decrease in sales due to delays in responding to customer requests for decarbonization and lost opportunities to expand new sales	Large	Medium	As for reducing CO ₂ emissions from manufacturing processes, we will continue to promote both energy conservation and renewable energy, and we will focus on how to respond to customer requests for decarbonization
			Increased procurement costs due to rising raw material prices resulting from resource depletion and export restrictions	Medium ~ Large	Large	We have established "diversification of procurement sources to address changes in the procurement environment" as a key initiative and manage the "number of items requiring source diversification" as an important KPI. While there were 14 such items in 2020, we are working toward reducing this number to zero by FY2030
			Increased energy costs due to rising fuel prices caused by resource depletion and export restrictions	Medium ~ Large	Medium	We are reducing energy consumption through the introduction of high-efficiency equipment, adoption of renewable energy, productivity improvements, efficient operation of facilities, thermal insulation and heat-shielding measures, and fuel switching initiatives
		Technology	Increase in operating costs due to capital investment involved in the introduction of manufacturing processes (electrification and alternative fuels) to meet decarbonization requirements	Medium ~ Large	Small ~ Medium	When introducing new manufacturing processes (e.g., introduction of the latest energy-saving technologies), we will examine equipment specifications with the aim of reducing their impact on operating costs
	Opportunity	Resource efficiency	Reduction in energy consumption through the introduction of high-efficiency equipment	Medium ~ Large	Medium ~ Large	We will reduce energy consumption through the adoption of high-efficiency equipment, thereby lowering electricity and fuel costs
		Market	Increased sales of Environmentally Friendly Products driven by accelerated development and market introduction, changes in customer preferences, and supportive regulations and policies	Medium ~ Large	Medium	We will promote new orders and expand market share for target products by shortening development lead times and reducing costs for environmentally friendly products. We will also expand sales of environmentally friendly products with strong growth potential, including aerospace products that contribute to improved aircraft fuel efficiency and battery materials (such as clad products) used in batteries and other applications. We will obtain information on changes in customer preferences, regulations, and policies and evaluate how these trends can be reflected in our environmentally friendly product portfolio
		Reputation	Improved supplier evaluation by customers due to decarbonization initiatives	Large	Medium	To improve supplier evaluation and selection by customers, we will actively promote CO ₂ emissions reductions through measures such as the introduction of renewable energy and the transition to carbon-neutral fuels

5. Risk Management

In addition to a bottom-up approach, the Group has established an Enterprise Risk Management (ERM) system in which management (management executives and executive officers) uses a top-down approach to identify and control cross-sectional and medium- to long-term risks from a management perspective. The Enterprise Risk Management Committee (ERMC), chaired by the Chief Risk Control Officer (CRCO), implements ERM processes such as risk identification, assessment, and prioritization, and promotes ERM throughout the Group. Risks are classed and defined as strategic risks, operational risks, and company-wide risks, and the extracted risks are evaluated on a four-level scale

based on their impact and likelihood of occurrence. A risk map is created based on the assessment results, and priority risks are selected from the risks positioned in the "high" zone, taking into account their importance and urgency, and are managed by implementing countermeasures and monitoring through ERMC. Risks related to climate change identified by the Group Environmental Committee, corporate departments, and business divisions are considered to be risks related to environmental regulations, etc., and are monitored by the ERMC as target risks for ERM, along with other risks. The ERMC shares the status of risk responses and related monitoring results, and reports to management.

■ Risk Management Structure



6. Indicators and Targets

The table below presents the our group's Indicators and nature-related targets based on the TNFD-recommended Core global disclosure indicators. For Indicators and targets

that have not yet been disclosed, we plan to prepare for future disclosure through additional data collection and analysis.

■ Indicators and Targets

Metric no.	Driver of nature change	Core global disclosure indicators	Indicators	FY2024 results	Targets for FY2030
—	Climate change	GHG emissions	(1) GHG emissions (2) Reduction in CO ₂ emissions (compared to FY2015)	(1) 997kt-CO ₂ ¹ (2) 64% ¹	(1) 1,723kt-CO ₂ (2) 38%
C2.1	Pollution/pollution removal	Wastewater discharged	Total wastewater discharge	8,533km ³	— ²
A3.0	Resource use and replenishment	Total water consumption and withdrawal	Improvement rate of water use (compared to FY2010)	34.9%	38.5% ²
C2.2	Pollution/pollution removal	Waste generation and disposal	Waste landfill rate	5.6%	8.5%
C2.3	Pollution/pollution removal	Plastic pollution	Target of reducing the amount of waste plastics, waste and valuables per production unit (compared to FY2022) ³	2.5%	7.0%
C2.4	Pollution/pollution removal	Non-GHG air pollutants	(1) SOx Atmospheric Emissions (2) NOx Atmospheric Emissions	(1) 30t (2) 227t	— (not set)

1: FY2024 results had significantly exceeded the FY2030 target due to the effects of a review of the business portfolio and other factors.

2: Our group has not established a target for total wastewater discharge volume. Instead, it has established a target for improvement rate of water use.

This indicator is calculated as water consumption divided by activity metrics such as sales revenue or production volume.

3: To promote efficient resource utilization, improvement targets have been established for the amount of waste plastics, waste and valuables per production unit.

This indicator is calculated as the amount recycled divided by the total amount generated.