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Climate Action

Recognizing “environmental” issues as one of the important issues to be prioritized, TRANSACTION Group (hereinafter, “the Group”) has re-identified “expansion of eco-product lineup” and “planning, development, and proposal capabilities” as its materiality issues. Since its foundation, it has focused on the development and supply of “Eco-products” such as eco bags, tumblers, and thermos bottles. It strengthens the development and supply of eco-friendly products, not only by simply developing products made of environmentally-friendly materials or recyclable materials but also with philosophies “stop using disposable things” and “use reusable products,” and under the theme of “consider the environment from manufacturing.”

On May 31, 2023, the Company established the Sustainability Committee as an advisory body to the Board of Directors for the purpose of strengthening initiatives for sustainability centered on addressing climate change in looking toward achieving the Group’s sustainability targets. On the same day, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (hereinafter called “TCFD”). The TCFD recommendations constitute an internationally standardized framework for comparable disclosure of climate-related information and accordingly recommend that all enterprises furnish disclosure in accordance with the four recommended disclosure categories of “governance,” “strategy,” “risk management,” and “metrics and targets.”

As the Group promotes initiatives to address climate change, it actively discloses information enlisting the TCFD recommendations as guidelines for assessing the appropriateness of its response to climate change.

1. Governance

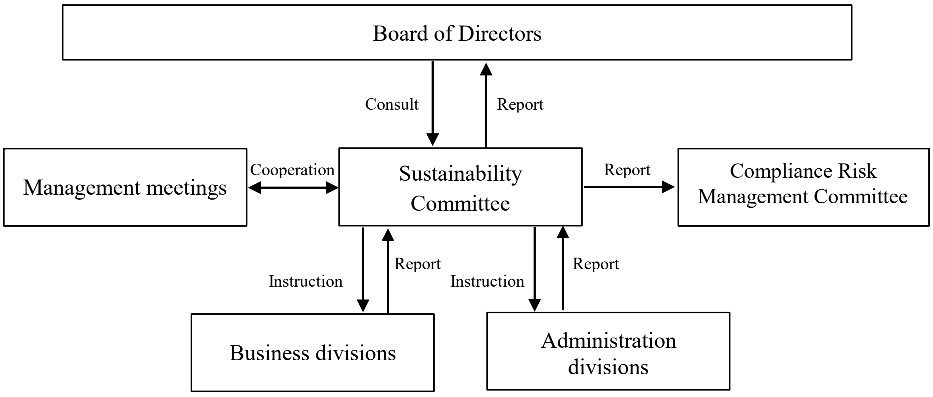
a. Roles and oversight system of the Board of Directors

The Group makes disclosures on matters determined by the Board of Directors with respect to policy, important issues and targets related to sustainability, encompassing initiatives to address climate change risk in accordance with its framework for the TCFD recommendations, etc.

The Group has established the Sustainability Committee, which is chaired by the President and Representative Director. The committee is held twice a year for the purpose of identifying and ensuring appropriate management of material climate-related risks and opportunities. The President and Representative Director assumes ultimate responsibility for managerial decisions pertaining to environmental issues.

At its meetings, the Sustainability Committee discusses, determines, and periodically manages and monitors progress with respect to climate change-related risks and business opportunities, targets, and specific initiatives, and accordingly considers remedial actions as necessary. The Board of Directors engages in management and oversight regarding the content of reports it receives from the Sustainability Committee on the status of initiatives and progress toward achieving targets.

b. System for promoting sustainability



2. Strategy

a. Details of risks and opportunities over the short, medium, and long term

Assuming various situations that could potentially arise due to the realization of a low-carbon society or climate change, the Group conducts scenario analysis with respect to physical risks, taking into account factors that include business activities, time periods, and assets in order to ascertain the validity of strategies and the challenges involved.

In addition, the Group evaluates transition risks based on potential scenarios associated with legal developments, technological advancement, and market conditions, thereby enabling it to recognize and take action with respect to climate-related risks and opportunities affecting its business activities.

The scenario analysis is conducted enlisting a short-term time horizon extending to the year 2030, which serves as the implementation period of the 5th medium-term management plan, a medium-term time horizon extending to the year 2035, and a long-term time horizon extending to the year 2050.

Short term	Until 2030, the implementation period of the 5th medium-term management plan
Medium term	Until 2035
Long term	Until 2050

b. Description of risks and opportunities and their degree of impact on business, strategy, and financial planning

The Group conducts scenario analysis with the objectives of understanding the climate change-related risks and opportunities affecting the Group and their impacts, and considering resilience of the Group's strategy and the need for further measures based on assumptions regarding the world in the year 2035.

The Group has identified climate-related risks and opportunities aligned with the TCFD recommendations. Furthermore, the Group has identified transition risks and physical risks brought about by climate change, as well as opportunities arising from initiatives to appropriately address climate change. In addition, the Group has assessed the climate-related risks and opportunities that have been identified in terms of their potential impact on the Group and their likelihood of occurrence, and their materiality.

The following three levels of qualitative financial impact are provided in disclosing such information.

Major	Impact on the Group's business and finance is likely to be extremely significant
Moderate	Impact on the Group's business and finance is likely to be somewhat significant
Minor	Impact on the Group's business and finance is likely to be immaterial

c. Summary of the Group's climate-related risks and opportunities

A summary of the Group's climate-related risks and opportunities is as described below.

■Risks

Types of climate-related risks and opportunities		Occurrence	Summary of climate-related risks and opportunities	Financial impact
Transition risks	Government policy and regulation	Short to medium term	• Introduction of carbon taxes and other government policies • Increase in energy costs due to more stringent regulation • Increase in energy procurement costs due to rising demand for renewable energy associated with geopolitical risks	Minor
	Technology	Medium to long term	• Increase in operational costs as a result of adapting to high-efficiency energy-saving equipment • Increase in energy procurement costs due to more widespread adoption of new zero-carbon energy, including hydrogen • Rising prices due to reduced supply of raw materials of crude oil origin such as plastic, accompanying a reduction in the volume of crude oil used	Moderate
	Markets	Short to medium term	• Increase in renewable energy procurement costs due to an increase in consumption of electricity derived from renewable energy • Loss of growth opportunities due to delays in responding to market changes, including an increase in demand for low-carbon products • Loss of growth opportunities due to delays in addressing increased risk of infectious disease caused by climate change	Major
	Reputation	Short to medium term	• Diminished reputation due to delays in addressing environmental issues and delays in responding to diversifying consumer behavior • Diminished reputation due to delays and inadequacies in addressing investor demands for disclosure of environmental information • Adverse effect on recruitment of those newly entering the workforce, on recruitment of career professionals, and on employee engagement due to diminished reputation in the eyes of stakeholders	Minor

Types of climate-related risks and opportunities		Occurrence	Summary of climate-related risks and opportunities	Financial impact
Physical risks	Acute	Medium to long term	• Loss of sales opportunities accompanying a diminishing supply of products due to incapacitated or reduced production of production site suppliers due to natural disaster caused by climate change or rising procurement costs due to the resulting need to secure alternative products • Loss of product sales opportunities arising from logistics route disconnected due to natural disaster caused by climate change • Decrease in revenue due to production facility damage, inoperability or downsizing due to natural disaster caused by climate change	Major
	Chronic	Medium to long term	• Increase in procurement costs due to destabilization of agricultural production of cotton, flax, etc. resulting from increased rainfall and changes in weather patterns • Increase in health-related problems among employees due to infectious disease caused by climate change	Minor

■Opportunities

Types of climate-related risks and opportunities	Occurrence	Summary of climate-related risks and opportunities	Financial impact
Resource efficiency	Medium to long term	• Decrease in energy consumption due to enhancing energy-saving measures • Decrease in energy procurement costs as a result of shift to offices with substantial environmental value	Minor
Energy source	Short to long term	• Decrease in energy procurement costs as a result of introduction of the latest high-efficiency energy equipment • Decrease in renewable energy procurement costs due to development of new government policy and systems related to renewable energy	Moderate

Types of climate-related risks and opportunities	Occurrence	Summary of climate-related risks and opportunities	Financial impact
Products and services	Short to medium term	• Increase in revenue as a result of an increase in demand for environmentally-friendly products, including products with certification mark such as products made of recycled materials, upcycled materials, biomass-based plastics and Organic cotton, Fairtrade certified products, and Eco Mark certified products • Increase in revenue due to heightened consumer awareness accompanying mounting interest in environmentally-friendly products • Increase in revenue as a result of launch of products that comply with more stringent regulations	Major
Markets	Medium to long term	• Improvement of profitability as a result of restructuring of the business portfolio and expansion of the market for low-carbon products • Increase in revenue as a result of products being selected by environmentally conscious customers accompanying a shift to products with high environmental value • New growth opportunities obtained as a result of more stringent regulations • New growth opportunities obtained as a result of addressing increased risk of infectious disease caused by climate change	Major
Resilience	Medium term	• Improvement of energy resilience as a result of promoting renewable energy and energy savings	Major

3. Risk management

The Group regards its risk management as important initiatives for enhancing corporate value, and it has accordingly established the Sustainability Committee, and managed risk. The Sustainability Committee monitors risk, assesses the probability of that risk materializing, and evaluates the materiality of risk, and takes responsive measures, reflecting its findings in the Group's management strategy.

Moreover, the Sustainability Committee reports risks recognized and assessed to the Compliance Risk Management Committee, which manages such risks alongside other risks.

Last updated on November 26, 2025