

Major climate change-related risks and opportunities

Risks/Opportunities			Business Impact		Magnitude of future risk *1		Response to Risks/Opportunities
Major category	Sub-major category	Minor category	Period *2	Observations	2° C Scenario	4° C Scenario	
Transition risks	Policies/regulations	Carbon pricing/emissions trading	Long-term	Increasing production costs due to implementation of carbon pricing and emissions trading			Working to reduce the cost of carbon pricing as a percentage of production by reducing CO ₂ emissions in accordance with the Medium-term Environmental Plan
	Market	Rising energy/raw materials costs	Medium/long-term	- Rising crude steel prices in response to decarbonization technologies - Rising electricity prices due to higher renewable energy levies			Creating resource-saving products and increasing use of renewable energy
	Reputation	Reputational changes among investors and other stakeholders	Short/medium-term	- If measures against climate change are insufficient, it may cause reputational damage among investors, increase the cost of meeting disclosure reporting obligations in some countries, and impact funding and recruitment - Increasing compliance costs due to stricter ESG disclosure standards			Addressing international initiatives such as acquiring SBT certification, and disclosing information sufficiently on climate change response through our website, etc.
Opportunities	Products and services	Spread of low-carbon products	Medium/long-term	Creation of AMADAEco-Products (highly efficient, energy-saving products) Increased revenue in the laser business by offering customers monozukuri (manufacturing) solutions for labor saving and stable operation through fiber optic control technology, automation, and IoT.			Creating additional AMADAEco-Products based on the Medium-term Environmental Plan
Physical risks	Chronic	Decreased productivity due to water stress	Long-term	Incidence of droughts, resulting in increasing production costs due to water restrictions and additional investment to improve systems			Promoting reduction of water consumption in production
	Acute	Intensification of abnormal weather	Long-term	- Damage to in-house plants caused by typhoons and other factors, resulting in suspended operations, reduced production, and additional investments to restore facilities - Production stoppages/decreases due to supply chain disruptions caused by flooding, etc.			Taking BCP measures such as installation of in-house power generation equipment and storage batteries