TCFD Report

- PARK24 GROUP's Action on Climate Change -

Revised on June 18, 2024

PARK24 GROUP

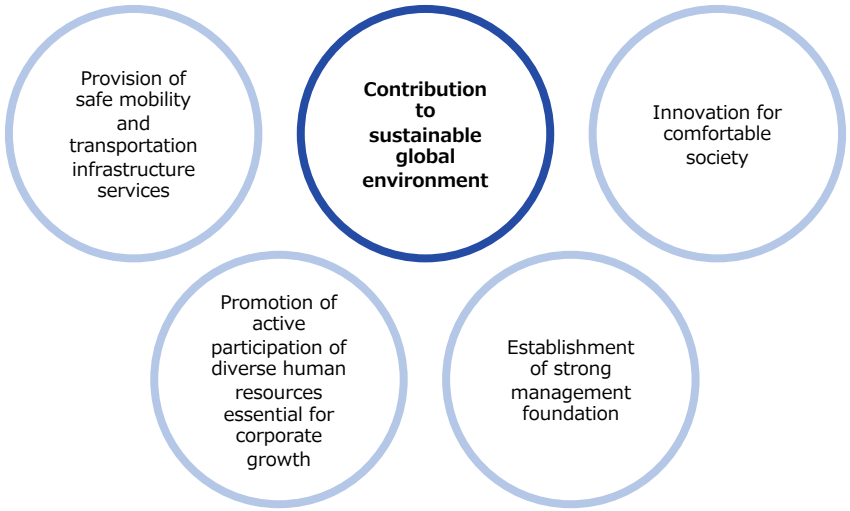
Introduction

The PARK24 GROUP ("the Group," hereafter), having declared its Group philosophy to "create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow," has continued to take on the challenge of making the cities and communities in which people live more fulfilling and attracting by making comfort part of everyday life. At the same time, as a mobility and transportation infrastructure service company, the Group has solved social issues through the growth of its Parking Business and Mobility Business.

Going forward, we believe the Group will play an increasingly large role in shaping a sustainable global environment and society. With this in mind, the Group has incorporated perspectives aimed at solving environmental and social issues in addition to business strategy in its management policies, and in December 2021 identified the **five materialities of the PARK24 GROUP** in an effort to achieve sustainable corporate growth and enhance corporate value.

One of the materialities identified was "contribution to sustainable global environment," clarifying our commitment to pursuing initiatives that treat the environment and climate change as one and the same going forward.

The Five Materialities of the PARK24 GROUP



To engage in dialogue with stakeholders and further reform climate-related strategy by enhancing disclosures, including the Group's policies on the environment (*1) and framework for action, in December 2021 the Group indicated its support for the recommendations of the TCFD (*2).

Accordingly, in this report we will disclose information based on the four items suggested for disclosure in the TCFD recommendations, namely governance, strategy, risk management, and metrics and targets.

Governance	Organizational governance related to climate change risks and opportunities
Strategy	Actual and potential impact that climate-related risks and opportunities have on the organization's business strategy
Risk management	The processes used to identify, assess and manage climate-related risks
Metrics and targets	Metrics and targets used when assessing and managing climate-related risks and opportunities

Note that this report covers the Group's Parking Business Japan and Mobility Business. We understand that the international parking business is an issue to consider in the future.

*1 Sustainability policy: https://www.park24.co.jp/en/csr/about/policy.html

*2 TCFD supporters: https://www.fsb-tcfd.org/supporters/

Governance

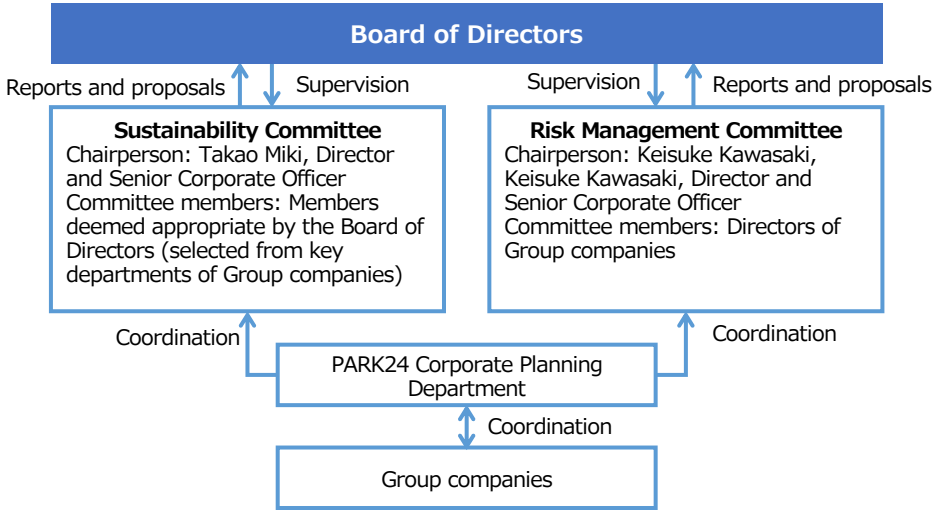
Governance Structure

The Group supervises response policies, targets and progress related to environmental and social risk and opportunities including climate change on a regular basis through the Board of Directors. Additionally, business risks including climate change are chiefly supervised by the Risk Management Committee as a part of the Group's risk management efforts.

The Sustainability Committee formulates sustainability policies and strategies aimed at solving environmental and social issues, deliberates over and determines the metrics to be adopted as targets, and carries out initiatives that span the Group. The committee reports on its progress and delivers recommendations to the Board of Directors as appropriate. The committee is chaired by director or executive corporate officer, and its members comprise those deemed appropriate by the Board of Directors in light of its purpose.

The Risk Management Committee comprises the Representative Director and the directors of Group companies as a company-wide risk management structure. With the Representative Director serving as the Chief Risk Management Officer, the committee identifies and assesses risks, pursues activities to avoid or minimize the impacts of these risks in advance, and delivers regular reports and recommendations under the supervision of the Board of Directors.

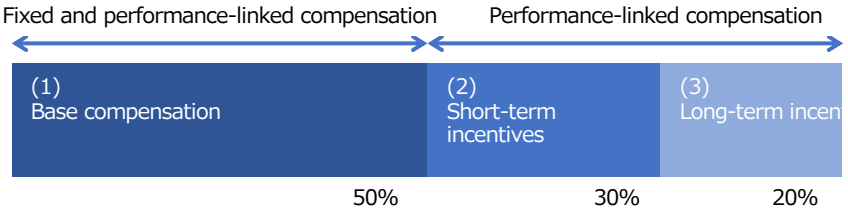
PARK24's Corporate Planning Department is primarily responsible for climate-related targets and their progress, which it promotes by coordinating between the Sustainability Committee, Risk Management Committee and Group companies.



Introduction of ESG Metrics into Directors' Compensation

To achieve its medium-to-long-term vision and attain sustainable business growth, the Group recognizes the need to align with shareholders and other stakeholders and develop a more rational and transparent compensation system.

To that end, as permanent long-term incentives the Group has introduced a restricted stock compensation system and incorporated ESG assessment metrics for the system. We believe that doing so will enable us to carry out sustainability related initiatives with greater vigor.



① As base compensation for a single fiscal year, a compensation structure is determined based on a compensation table designated in light of factors including the duties assigned to a director, their roles and responsibilities, and the size of profits in the business.

② Short-term incentive (STI) is calculated by taking the basic amount set for that position and multiplying it by a factor corresponding to the degree of achievement of the target evaluation indicator based on consolidated operating profit and consolidated recurring profit. The reason consolidated operating profit was chosen as an indicator is because it represents profit from core business operations without the effects of exchange rates, interest rates, or other factors and can therefore be used to measure contributions to core business performance. Consolidated recurring profit was chosen as an indicator of contributions to shareholder returns, which it directly influences as the final stage of profit. The performance of directors in relation to their roles is assessed using qualitative indicators, as well as quantitative indicators in the form of consolidated operating profit and consolidated recurring profit.

③ For long-term incentive (LTI), we introduced a system of restricted stock compensation. For the period of the stock restriction that applies to directors and employees in the Company and subsidiaries, the restriction remains in force until immediately after retirement, determined in advance by our Board of Directors. The restricted stock allocation is made within the limits of the share amount and monetary value resolved at the General Meeting of Shareholders and is calculated based on consolidated recurring profit, ROIC, and ESG as evaluation indicators, while taking into account the business environment and other factors. Our four ESG indicators are formulated from environmental, social, and governance perspectives. For the environment, we use two indicators to evaluate to what extent our medium- to long-term sustainability targets have been achieved: "Increasing the ratio of HVs and EVs in newly introduced vehicles compared to the previous year" and "3% reduction in CO_2 emissions per km traveled by vehicles compared to the previous year." For society, we make evaluations based on the employee engagement index. For governance, we use the average of ESG-related evaluation indices from external evaluation organizations.

Strategy - Preconditions and Scenario Setting

■ Specifying the Scope of Businesses and Fiscal Years to be Analyzed

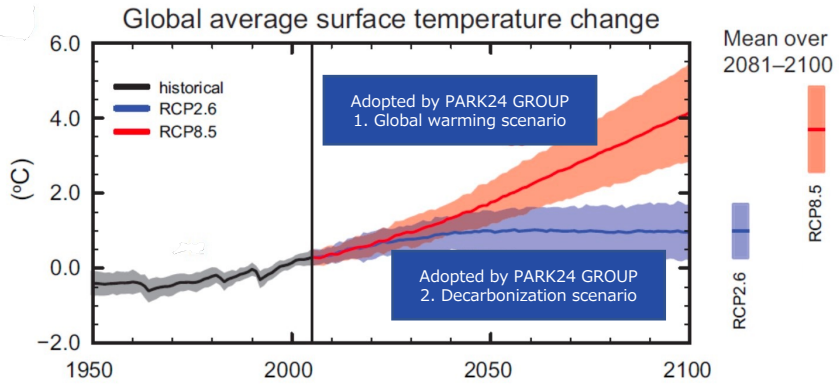
Analysis was performed on the Parking Business Japan and Mobility Business, which accounts for the majority of operating profit in the Group. In addition, the year 2050 was designated as the fiscal year for analysis.

■ Risk Severity Assessment

The impact of future climate change on the Group's business was identified with reference to climate change reports and other materials from outside organizations in terms of the risks and opportunities of the shift to a decarbonized society (policy and regulations, industry and markets, technology), and in terms of the physical risks and opportunities attributable to climate change (chronic and acute). Then the major risk and opportunity items expected to be highly associated with the analyzed businesses were identified (see pages 10 - 11 for details).

■ Setting Scenarios and Parameters

For scenarios, we referenced reports and other materials about future predictions issued by the IPCC, IEA and other governmental and international organizations, and adopted two scenarios, 1. decarbonization scenario (1.5ºC - 2ºC scenario) and 2. global warming scenario (2.7ºC - 4ºC scenario).



*Source: IPCC AR5 WGI SPM Fig. SPM.7(a)

1. Decarbonization Scenario (1.5ºC - 2ºC scenario)

A world in which the average rise in temperatures is kept below 2ºC up to the end of the 21st century

Scenario in which regulations and policies aimed at decarbonization are strengthened and progress is made with action on climate change to keep the rise in temperatures compared with pre-industrial levels to 1.5ºC - 2ºC. Under this scenario, it is predicted that customers' preferences for products and services will change, companies will face strong pressure to respond to climate change, and if companies do not adapt, their transitional risks will increase, including an outflow of customers and increased reputational risk. However, it is predicted that the physical risks would be relatively low due to the increasing severity and frequently of climate-related disasters being kept to a certain level.

2. Global Warming Scenario (2.7ºC - 4ºC scenario)

A world in which the average rise in temperatures increases to 4ºC by the end of the 21st century

Scenario in which sufficient climate change action is not implemented, and average temperatures rise to around 4ºC from pre-industrial levels. Under this scenario, physical risks are predicted to rise, including increasingly severe natural disasters, rising sea levels and an increase in abnormal weather events. It is believed that this will increase the competitiveness of products and services that offer superior BCP performance. However, there is predicted to be low transitional risks, due to governments not enacting stricter regulations, etc.

Report sources used to set scenarios and parameters

- IPCC Fifth Assessment Report
- UNEP The Emissions Gap Report 2015
- IPCC Global Warming of 1.5°C
- IEA Energy Technology Perspectives 2017
- IEA World Energy Outlook
- Ministry of Land, Infrastructure, Transport and Tourism "Manual for Economic Evaluation of Flood Control Investment" (April 2020)
- Technical Committee of Flood Management Plan Considering Climate Change "Planning Approach of Flood Management Considering Climate Change - Recommendations" (2019)

Strategy - Scenario Analysis Results (1)

1. Decarbonization Scenario

- **Summary**

In the decarbonization scenario, the electric vehicle (EV) target declared by the Japanese government is relatively higher than the global warming scenario, and it is expected that adoption costs associated with vehicles will increase as EV-related costs in accordance with this target.

In addition, the use of non-EV vehicles that comply with the government targets is expected to decline. This risk can be minimized by replacing vehicles at an early stage, and we believe that this will enable us to maintain our competitiveness in the market while earning the trust of customers. For physical risks, abnormal weather is expected to become more severe than it is now, but since the impact is expected to be lessened to a certain degree and measures are being implemented to minimize the risks compared with the global warming scenario, even if a disaster were to occur, it is assumed that the expected monetary impact from damages would be insignificant.

As for opportunities, the costs associated with operating mobility vehicles (equivalent to current fuel expenses) will decrease and it is also assumed that with the development of EV chargers, sales will increase by rolling out services as an electricity supplier.

*Electric vehicles (EVs)
For the purpose of this report, an EV refers to a Battery Electric Vehicle (BEV). In the environment surrounding the Company, we anticipate that it will be especially important to adapt to BEVs in the future.

2. Global Warming Scenario

- **Summary**

In the global warming scenario, it is assumed that the costs of adapting to government EV targets would increase to a certain extent because technologies related to zero greenhouse gas emissions will not spread as widely as the decarbonization scenario, and cost reductions are not expected.

Physical risks are also expected to rise in this scenario. While the monetary costs due to damage from natural disasters (flooding, etc.) would be minor, they would be greater than in the decarbonization scenario, but as with the decarbonization scenario, the expected monetary costs of damage are expected to be insignificant.

As for opportunities, compared with the decarbonization scenario, it is assumed that government policies and regulations will not be made stricter, and that the costs of adapting to transition risks will be relatively lower.

Strategy - Scenario Analysis Results (2)

■ **Assessment of the Degree of Impact by Business**

Business	Type	Category	Subcategory	Summary of Impact (Risks and Opportunities)	Occurrence Timing	Impact	
						Decarbonization	Global Warming
Parking	Transition	Technology	Advancement of Next-generation Technologies	With the widespread adoption of EVs it will be necessary to set up charging equipment at parking facilities, and capital investment costs will increase.	Medium-to-Long Term	Large	Moderate
				With the development of EV chargers, sales will increase by rolling out services as an electricity supplier.	Medium-to-Long Term	Large	Moderate
	Physical	Acute	Increasingly severe abnormal weather events	If damage occurs, sales will decrease due to fewer operating days and a decline in users.	Medium-to-Long Term	Small	Moderate
				If physical damage occurs, the Company will bear the entire cost of restoring parking facilities.	Medium-to-Long Term	Small	Moderate
Mobility	Transition	Policies and Regulations	Tax liability due to the introduction of a carbon tax	If a carbon tax is introduced, it is expected that carbon taxes will be incurred to operate the business, increasing operational costs.	Medium-to-Long Term	Small	Small
		Industries and Markets	Changes to energy demand, etc.	Due to the sharp rise in fuel prices, the operational costs for mobility services will increase.	Medium-to-Long Term	Large	Large
			Changes in customers and markets	Due to a changing external environment or increased consumer awareness, vehicle investment associated with EV adoption will be incurred.	Medium-to-Long Term	Large	Large
		Technology	Advancement of Next-generation Technologies	Due to the widespread popularity and expansion of EVs, the Company will be required to shift to EVs, incurring management costs unique to EVs.	Medium-to-Long Term	Moderate	Small
	Physical	Acute	Increasingly severe abnormal weather events	If damage occurs, sales will decrease due to fewer operating days and a decline in users.	Medium-to-Long Term	Small	Small
				Costs will be incurred to repair or re-purchase vehicles due to the flooding of vehicle assets.	Medium-to-Long Term	Moderate	Moderate

■ **Strategies and Initiatives in Light of the Scenario Analysis**

In December 2021, the Group announced medium-to-long-term sustainability goals. The targets also encompass goals related to climate change (the environment), and initiatives will be implemented based on these goals. Based on the results of this risk assessment and business impact assessment, we will promote initiatives to avoid or mitigate the risks, and consider active business expansion to take advantage of opportunities, with the aim of enhancing our strategic resilience in each business.

In the Parking Business, we will keep close watch on trends concerning the widespread adoption of EVs and promote the installation of EV chargers at our parking facilities. When doing so, we will consider the possibilities of utilizing subsidies related to charging infrastructure and collaborating with related companies. Additionally, in relation to physical risks, we will work to minimize damage and speed up recovery at parking facilities by making them more lightly equipped (e.g., flapless).

In the Mobility Business, we will keep close watch on trends concerning the widespread adoption of EVs and promote the adoption of EVs for our mobility services. When introducing EVs, we will consider options such as the utilization of EV-related subsidies. For risks related to changing energy demand and similar developments, we will consider procuring renewable energy-based electricity and renewable energy certificates.

For the increasing severity of abnormal weather events, which is a physical risk that is common to the Parking Business and Mobility Business, we will pursue improved BCP aimed at early recovery for both businesses.

Risk Management

Risk Management System

The Group has established a Risk Management Committee chaired by the manager of the Corporate Compliance Department appointed by the Board of Directors. The committee's members are made up of the officers and employees of Group companies. The Risk Management Committee creates a risk map that lists the risks that could impact Group management including climate change-related issues, monitors important risks, and periodically adds, modifies, assesses and reviews the identified risks. The results of these activities are reported to the Board of Directors quarterly, in order to deal with risks and prevent them from materializing.

By preventing or reducing losses from risks that have an impact on Group management, and by minimizing the impact when risks materialize, the committee plays an important role in ensuring ongoing business stability and improving corporate value.

Climate-related Risks

To deal with climate risks, the Risk Management Committee, Sustainability Committee and PARK24 Corporate Planning Department work together to formulate various policies and strategies for minimizing risks and seizing opportunities. A management system to monitor these initiatives has also been put in place.

The Risk Management Committee also plays a leading role in periodically reviewing climate-related risks and opportunities.

In terms of specific risk management measures, by monitoring the achievement status of medium-to-long-term sustainability goals with the Group's materialities as a guide, we help enhance the Group's risk management structure in relation to sustainability, including climate change.

Metrics and Targets

Setting Metrics and Targets

To coincide with the identification of the materialities of the PARK24 GROUP in December 2021, the Group set medium-to-long-term sustainability targets.

Among these, goals related to climate change (the environment) are as follows.

Materiality	Theme	Medium-to-Long-Term Targets or Policies for 2030
Contributing to a sustainable global environment	Contribution to the reduction of environment load	① Targeting an EV rate for newly introduced vehicles that exceeds the EV rate for newly registered vehicles in Japan for mobility service vehicles and vehicles for in-house use (commercial vehicles and management and maintenance vehicles) ② (For the time being) Increase the ratio of HVs and EVs in newly introduced mobility service vehicles compared to the previous year ③ 3% reduction in CO2 emissions per km traveled by mobility vehicles compared to the previous year ④ Installing EV chargers in newly developed Times PARKING facilities (after FY2025) ⑤ Switch to renewable energy sources for electricity used in company-owned properties (parking facilities and offices)
	Effective use of resources	① Promote reuse of parking-related equipment ② Examine and promote the development of flapless and other lightly equipped parking facilities

CO2 emissions of domestic businesses

Utilization of parking and mobility services shrank significantly in the fiscal year ended October 2021 due to a decline in traffic caused by the spread of COVID-19. The impact of COVID-19 waned in the fiscal year ended October 2022 and CO2 emissions increased due to the recovery of our services. In the fiscal year ended October 2023, CO2 emissions also increased because of the expanding scale of our services operations. On the other hand, in the Mobility Business, the increased percentage of electrified vehicles (HVs and EVs) in our fleet is continually reducing CO2 emissions per kilometer traveled by vehicles.

(Unit: tCO2)	FY2021	FY2022	FY2023
Scope1	139,059	174,778	200,435
Scope2	31,022	32,518	36,434
Scope1＋2 Total	170,080	207,296	236,869

Future Initiatives to Respond to the TCFD Recommendations

On this occasion we conducted a scenario analysis covering our domestic businesses. The analysis showed that while we cover a certain degree of resilience against future physical risks, we need to pay more careful attention to transition risks including energy trends and trends in EV uptake. Going forward, the Group will work out where its opportunities lie while pursuing analyses in greater depth, and explore initiatives to mitigate and avoid risks. We will also expand the businesses covered in our analyses, pursue the quantitative monitoring of risks and opportunities, and reflect those findings in medium- and long-term planning to achieve a sustainable global environment and society through growth in the Parking Business and Mobility Business, in keeping with our Group philosophy of "creating new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow."

Appendix

Risk Severity Assessment - Domestic Parking Business

Type	Category	Subcategory	Details of Risk and Opportunities	Severity
Transition	Policies and Regulations	Carbon Pricing and Carbon Tax	<Risks> <Opportunities> ● If a carbon tax is introduced, it is expected that carbon taxes will be incurred in connection with the development of parking facilities, increasing operational costs. ● If zero greenhouse gas (GHG) emissions can be achieved, no carbon taxes will be levied.	Moderate
		Responding to GHG emission regulations	<Risks> ● If the government demands a shift to renewable energy, the costs to respond will rise, including capital investment and the purchase of green electricity. ● Restrictions on the production and disposal of current equipment will become stricter, and cost swill rise, such as suppliers passing on their environmental costs to prices.	Moderate
		Vehicle entry restrictions, etc.	<Risks> ● If the entry of gasoline-powered vehicles to specified areas is prohibited as a global warming countermeasure due to exhaust gases, the usage of parking facilities inside the designated areas could decline, resulting in lower sales.	Moderate
	Industries and Markets	Changing demand for energy, etc.	<Risks> ● The costs of procuring energy could rise due to energy supply constrictions, increasing the facility operating costs of stores and sales offices in the form of utility costs. ● Tax levies on renewable energy could rise sharply due to a switchover to renewables, and if EVs have been introduced, energy procurement costs could rise. ● Material and procurement costs could rise when suppliers pass on their increased costs to prices.	Large
		Changes in customers and markets	<Risks> ● Due to heightened environmental awareness on the part of customers, use of public transportation could increase, and the decline in the use of vehicles could reduce parking facility usage, resulting in falling sales.	Moderate
	Technology	Advancement of next-generation technologies	<Risks> <Opportunities> ● It will be necessary to make improvements to charging equipment at parking facilities to respond to the widespread adoption of EVs, increasing capital investment costs. ● The removal of existing equipment due to next-generation technologies will help reduce GHG emissions and lower operating costs. ● With the development of EV charging equipment, sales will increase by rolling out services as an electricity supplier.	Large
Physical	Chronic	Rise in average temperatures	<Risks> <Opportunities> ● Due to rising temperatures the asphalt at outdoor parking facilities will degrade more quickly, increasing repair costs. ● Due to a reduced build-up of snow in cold regions, the number of days that outdoor parking facilities can operate will increase, resulting in higher sales. ● To avoid heat exposure during the summer the use of vehicles will increase, promoting parking facility usage and increasing net sales.	Moderate
		Changes in precipitation and weather patterns	<Risks> <Opportunities> ● The number of days with poor weather such as rainfall or extreme heat will increase, reducing the number of people willing to go out and leading to lower usage of parking facilities. ● The number of days with poor weather such as rainfall or extreme heat will increase, causing customers who usually use bicycle transportation to switch to automobiles, leading to an increase in parking facility usage and higher sales.	Moderate
		Rising sea levels	<Risks> ● Costs will be incurred to respond to rising sea levels for sales offices and parking facilities located in coastal areas. ● Repair costs due to flood damage will increase. In addition, lost profits will occur due to the loss of sales opportunities.	Moderate
		Increasingly severe abnormal weather events	<Risks> ● Due to torrential rains, typhoons, flooding or heavy snowfall, parking facilities or nearby facilities could experience flooding or power outages, resulting in increased costs for countermeasures or restoration. <Opportunities> ● If facilities are damaged, sales could decline due to fewer operating days and lower usage. ● If superior flood countermeasures are implemented ahead of competitors, the Company could secure a competitive advantage that leads to increased usage and higher sales.	Large Moderate

Risk Severity Assessment - Mobility Business

Type	Category	Subcategory	Details of Risk and Opportunities	Severity
Transition	Policies and Regulations	Carbon Pricing and Carbon Tax	<Risks> <Opportunities> ● If a carbon tax is introduced, it is expected that carbon taxes will be incurred in connection with the operation of mobility services, increasing operational costs. ● If zero greenhouse gas (GHG) emissions can be achieved, no carbon taxes will be levied.	Large
		Responding to GHG emission regulations	<Risks> ● By the government implementing measures to encourage the adoption of electric vehicles and other next-generation vehicles ("EVs," hereafter) or setting targets for their adoption, costs to introduce or cater to EVs will be incurred due to their widespread adoption.	Moderate
		Vehicle entry restrictions, etc.	<Risks> ● If the entry of gasoline-powered vehicles to specified areas is prohibited as a global warming countermeasure due to exhaust gases, the delayed introduction of EVs could lead to lower sales. <Opportunities> ● If the entry of gasoline-powered vehicles to specified areas is prohibited as a global warming countermeasure due to exhaust gases, promoting the adoption of EVs could increase their use as alternatives to company cars or private cars, leading to an increase in sales.	Moderate
	Industries and Markets	Changing demand for energy, etc.	<Risks> ● Tax levies on renewable energy could rise sharply due to a switchover to renewables, increasing energy procurement costs. ● Material and procurement costs could rise when suppliers pass on their increased costs to prices. ● The costs of procuring energy could rise due to energy supply constrictions, increasing the facility operating costs of stores and sales offices in the form of utility costs. <Opportunities> ● Due to a sharp rise in fuel prices, the number of company cars and privately owned cars will decline, increasing the use of mobility services resulting in higher sales.	Large Moderate
		Changes in customers and markets	<Risks> ● Due to growing awareness of the environment on the part of customers, more customers will choose EVs, increasing investment in EVs. ● Due to heightened environmental awareness on the part of customers, use of public transportation could increase, reducing the demand for car-based transportation. ● If prices of EVs in the used car market are lower than those gasoline vehicles, sales and profit from the sale of vehicles will decline. ● The degradation of EV batteries needs to be managed, and management costs will rise as this increases vehicle lifecycle costs. <Opportunities> ● Due to growing environmental awareness on the part of users, a transition from company cares and privately owned cars to mobility services will be promoted, leading to higher sales. ● The degradation of ZEV batteries needs to be managed, encouraging a shift to mobility services due to higher vehicle lifecycle costs, resulting in increased sales and profit.	Large Moderate
	Technology	Advancement of Next-generation Technologies	<Risks> ● Due to the widespread adoption of EVs, a shift from gasoline-powered cars to EVs will be required, resulting in higher capital investment costs for vehicles, EV charging equipment, and so on. <Opportunities> ● Fuel costs (charging costs) can be reduced by adopting mechanisms such as Virtual Power Plants (VPP) or Demand Response (DR).	Large
Physical	Chronic	Rise in average temperatures	<Risks> ● The frequency of vehicle air conditioning will rise, increasing operating costs. ● A rise in accidents due to rising in-car temperatures will increase handling costs (countermeasures, insurance premiums, etc.). <Opportunities> ● Due to the reduced build-up of snow in cold regions, the use of mobility services will increase, resulting in higher sales. ● To avoid heat exposure during the summer the use of mobility services will be encouraged, leading to higher net sales.	Moderate
		Changes in precipitation and weather patterns	<Risks> ● The number of days with poor weather such as rainfall or extreme heat will increase, reducing the number of customers using mobility services and leading to lower sales. <Opportunities> ● The number of days with poor weather such as rainfall or extreme heat will increase, causing customers who usually use bicycle transportation to switch to the use of mobility services, leading to an increase in mobility service usage and higher sales.	Moderate
		Rising sea levels	<Risks> ● Costs will be incurred to response to rising sea levels for sales offices and parking facilities located in coastal areas. ● Repair costs due to flood damage will be incurred. In addition, lost profits will occur due to the loss of sales opportunities.	Moderate
		Increasingly severe abnormal weather events	<Risks> ● Due to torrential rains, typhoons, flooding or heavy snowfall, sales offices or vehicles could experience flooding and power outages, requiring costs for countermeasures or restoration. ● If facilities are damaged, sales could decline due to fewer operating days and lower usage. <Opportunities> ● If superior flood countermeasures are implemented ahead of competitors, the Company could secure a competitive advantage that leads to increased usage and higher sales.	Large Moderate