

ESG: Environment

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Response to Environmental Issues

Energy Management

In June 2021, the Ministry of Economy, Trade and Industry of Japan released the Green Growth Strategy for carbon neutrality by 2050. The Strategy recommends the promotion of next-generation power management to achieve zero energy in office buildings. It also states that data centers are to be carbon neutral by 2040. The government will support efforts to achieve zero emissions in data centers by improving the ratio of renewable energy use and energy-saving performance. Furthermore, the government will strive to concurrently realize a digital society and a green society by strengthening resilience through promoting decentralized location in regional cities and utilizing renewable energy to improve business continuity capacity in the event of a disaster.

Given these developments, the Simplex Group locates its offices in office buildings operated by Mori Building Co., Ltd., which takes proactive and cutting-edge approaches to environmental issues. Approximately 98% of the offices we occupy use electricity derived from fully renewable energy sources. By proactively selecting sustainable business environments, we are engaging in responsible energy management.

For internal systems, we actively utilize cloud servers, which are energy-efficient and help reduce the burden on the global environment. We are also developing cutting-edge cloud computing support services for our corporate clients.

Since 2020, we have been participating in FISC-compliant APN Consortium of Amazon Web Services (AWS) to promote the use of AWS by financial institutions and the facilitation of compliance with the FISC Security Guidelines*¹.

*¹ FISC Security Guidelines are a set of guidelines and explanatory notes on security measures for computer systems for financial institutions, etc., established by the Financial Information Systems Center (FISC) as voluntary guidelines for financial institutions, etc. in Japan

*² JHEP stands for Japan Habitat Evaluation and Certification Program, which evaluates and certifies initiatives that contribute to the conservation and restoration of biodiversity. The program is developed and operated by the Ecosystem Conservation Society-Japan.

*³ For more information on biodiversity initiatives at our business sites and our efforts to conserve water resources, please visit the Sustainability website of Mori Building Co., Ltd.

Biodiversity

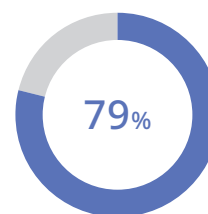
The Simplex Group is housed in the Azabudai Hills Mori JP Tower, which is located in a 2.4ha green space, including the 6,000m² central square, and the Toranomom Hills Mori Tower, which features 6,000m² of green space built on the open space and has received the highest rank (AAA) of JHEP certification *² in recognition of its biodiversity-conscious landscaping plan *³

Water conservation

At the Azabudai Hills Mori JP Tower and the Toranomom Hills Mori Tower, where Simplex Group occupies offices, we utilize relatively clean wastewater as recycled water for flushing toilets in offices and adopt water-saving fixtures with a high performance. Furthermore, we collect and filter rainwater from the entire site to sprinkle on exterior plantings*³.

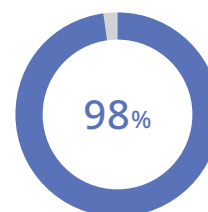
Percentage of renewable energy used in data centers and other facilities

■ Renewable energy (including other reduction contributions) ■ Others



Percentage of renewable energy used in offices

■ Renewable energy ■ Others

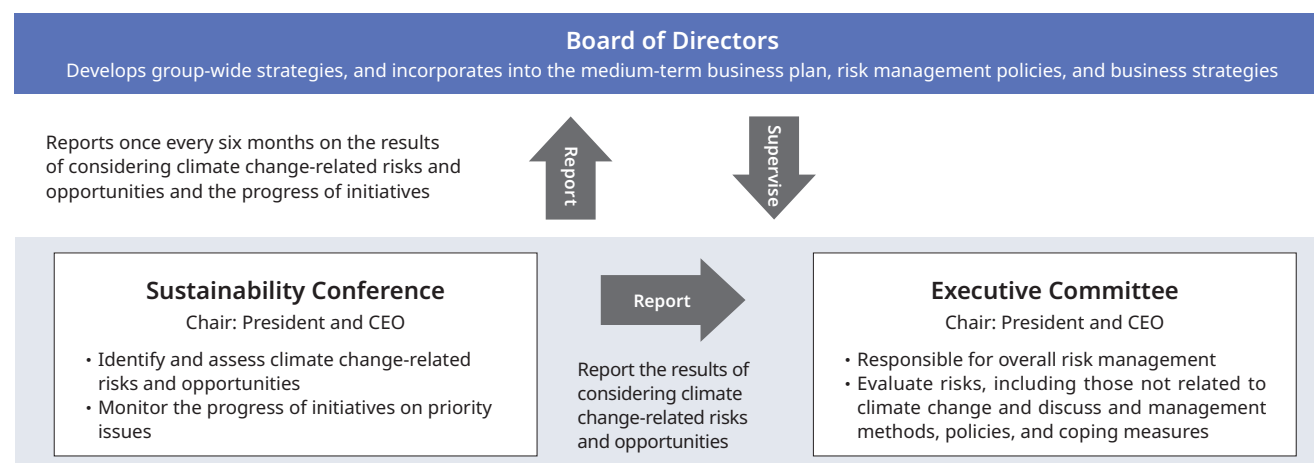


Azabudai Hills Mori JP Tower, where the Simplex Group is located

Response to TCFD Recommendations

Disclosure based on TCFD Recommendations

Through our business activities, we confront the issues that must be dealt with to realize a sustainable society, aiming to achieve the kind of sustainable development that grows along with the global environment and society. As part of these efforts, in June 2023, we agreed to the TCFD recommendations, which established the framework for international climate change disclosure, and declared our intention to join the TCFD Consortium. Based on this recommendation and in recognition of climate change's impacts on our business activities as a company, we are committed to promoting efforts to achieve a decarbonized society, and to improving our disclosure practices in line with the TCFD recommendations.



Governance

Under the supervision of Board of Directors, we carry out group-wide risk management at the Executive Committee meetings, which are chaired by the Representative Director, President and CEO (hereinafter "CEO") and comprise the CEO and executive directors. For the identification and assessment of climate change-related risks and opportunities, authority is delegated to the Sustainability Council.

The Sustainability Council consists of the CEO as well as the executive directors of the Company and its subsidiaries and is chaired by the CEO. Assessments of climate change-related risks and opportunities discussed at Sustainability Council meetings, as well as the progress of related goals and initiatives, are reported to and debated by the Executive Committee as part of group-wide risk management. They are also reported to the Board of Directors on a semi-annual basis, enabling effective board oversight.

Based on these reports, the Board of Directors develops group-wide strategies and incorporates them into the medium-term business plan, risk management policies, and business strategies.

Risk management

We define risk as any hazard that could result in economic loss, business interruption or suspension, or loss of credibility or brand image, and we have implemented a risk management system to mitigate and avoid risk.

At Sustainability Council meetings, each member reports on climate change issues based on the environment surrounding the Group, and a wide range of climate change-related risks are identified. These identified risks are then evaluated on two axes: the likelihood of occurrence and impact on the Group in the event of an actual occurrence, and the risk level of each risk is determined. Significant risks are reported to the Executive Committee and the Board of Directors.

For risks related to climate change that are considered material, the Sustainability Council sets targets, manages progress, and reports to the Board on a semi-annual basis. This provides a mechanism for regular monitoring of risks and helps ensure that the progress of measures is assessed, and material risks are re-identified.

Strategy

With regard to the impact of climate change on the Group's business, we recognize that risk response (avoidance, reduction, transfer, and retention) and opportunity capitalization are critical management issues. As a result, we have broadly considered the short-, medium-, and long-term impacts of climate change and identified material risks and opportunities.

Timeline	Period covered	Approach to assumed developments along the timeline
Short term	0-3 years	Organize items that are already evident, such as current initiatives and areas where sales are increasing, as short-term issues.
Medium term	3-10 years (including 2030)	Organize items that are not occurring right now but have a very high likelihood of occurring by 2030, such as a carbon tax, as medium-term issues.
Long term	10-30 years (including 2050)	With a focus on the physical risks of disasters, organize items anticipated to have a significant impact after the 2030s as long-term issues.

With respect to the impact of each risk and opportunity on our business, we conducted an analysis under two scenarios: a scenario where global temperatures rise by less than 2°C ("below 2°C scenario"), in which climate change policies and regulations are expected to progress; and a scenario where they rise by 4°C ("4°C Scenario"), in which disasters would become more severe and chronic risks caused by global warming are expected. From the analysis, we calculated the impact (impact score) on the business along the two axes of financial impact and likelihood of occurrence, as shown below.

Based on the above analysis, we identified the risks and opportunities that could impact our business activities due to climate change, as detailed in the table below. Note that, in considering each item, we referred to the IEA (International Energy Agency) WEO 2022 Net Zero by 2050, IEA WEO 2022 STEPS, IPCC RCP8.5 scenario, etc. For the calculation method of the impact on the business, details of each scenario and our perception of the business environment under each scenario, please visit our website.

For more detailed information, please visit our website.

<https://www.simplex.holdings/en/sustainability/environment/tcfd/>



Impact of Climate Change on the Group

Risks and opportunities	Type	Impact	Major impact on the Group	Timeline	Business impact Below 2°C Below 4°C		Possible measures
Transition risks	Policy and legal risk	Carbon Pricing Mechanism	•Cost increases due to new carbon taxes could be imposed on the Group's CO ₂ emissions.	Medium term	Low	—	•Switch power consumption in offices to power derived from renewable energy sources. •Continuously monitor and strive to reduce greenhouse gas emissions.
	Market risk	Changing Customer Behavior	•In an environment where customers are choosing data centers with less environmental impact, we could lose sales opportunities by continuing to use existing data centers with high environmental impact. •Costs to implement measures could increase, such as changing to a data center with low environmental impact.	Medium term	Medium	—	•Choose data centers and cloud solutions with low environmental impact and high energy efficiency.
	Reputational risk	Sector condemnation	•Sales could decline due to less demand for crypto asset trading platforms as a result of the massive power consumption required for blockchain mining.	Medium term	Low	—	•Conduct ongoing surveys of environmental regulation trends and consider coping measures.
		More stakeholder concerns or negative stakeholder feedback	•Loss of trust from customers or shareholders by failing to implement adequate climate change measures could reduce corporate value, causing long-term damage to the Group's brand image.	Medium term	Low	—	•Use climate change as an opportunity to more clearly define risk management. •Proactively disclose non-financial sustainability information. •Participate in international climate change initiatives.
Physical risks		Increased frequency of typhoons, floods, and other extreme weather events that cause extensive damage	•Business opportunities could be lost due to data center outages.	Long term	Low	Medium	•Regularly review BCP plans and regularly conduct emergency drills. •Avoid or reduce disaster risks by geographically distributing data centers and utilizing cloud computing.

Risks and opportunities	Type	Impact	Major impact on the Group	Timeline	Timeline		Possible measures
					Below 2°C	Below 4°C	
Opportunities	Products and Services	Financing for the development and/or expansion of low-emission services	<ul style="list-style-type: none"> Lower financing costs through sustainability bond financing that provides favorable financing. 	Short term	Low	—	<ul style="list-style-type: none"> Proactively disclose non-financial sustainability information. Consider third-party verification of greenhouse gas emissions, which may become a financing requirement, and continuously monitor company emissions.
		Development of solutions for climate adaptation, resilience, and insurance risk	<ul style="list-style-type: none"> Increased use of remote work to ensure business continuity due to restrictions on outdoor movement caused by disasters, temperature changes, and other factors could expand opportunities to provide our AI-based remote work solution services as demand for ICT infrastructure increases. 	Medium to long term	Medium	Medium	<ul style="list-style-type: none"> In addition to our existing solutions, develop and provide solutions that are attuned to changes in how customers work in response to climate change. Develop and provide new solutions that are tailored to customers' climate change measures created through the use of ICT.
			<ul style="list-style-type: none"> As climate change progresses, causing diversification of insurance products, there could be more opportunities to sell the insurance solutions we handle and to expand sales due to more opportunities to develop new systems. 	Medium term	Medium	High	
			<ul style="list-style-type: none"> Sales opportunities could expand through orders to integrate or consult on DX-based climate change response systems. (weather derivatives, etc.). 	Medium term	Medium	—	
	Markets	Taking proactive action on climate change	<ul style="list-style-type: none"> By improving our social credibility and image, we could increase our advantage over other companies in recruiting employees and reduce recruitment costs. Stock price could increase due to increased trust from customers or shareholders. 	Medium term	Medium	—	<ul style="list-style-type: none"> Use climate change as an opportunity to more clearly define risk management. Proactively disclose non-financial sustainability information. Participate in international climate change initiatives.
	Resilience	Improvement of employee working conditions, etc.	<ul style="list-style-type: none"> Work style reform via ICT and business efficiency process reform via DX could improve business continuity as well as help maintain and improve working conditions, resulting in higher employee satisfaction and lower turnover. 	Short term	Low	Low	<ul style="list-style-type: none"> Diversify risks and streamline business processes through flexible working styles that use ICT technology, such as remote work.