

Overview of the Transition Plan Guidebook

- TCFD defines a transition plan as **"an aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition toward a low-carbon economy, including actions such as reducing its GHG emissions."** (similar description in IFRS S2)
- Based on the discussions in the TCFD Consortium, the Transition Plan Guidebook was **formulated to position the transition plan as follows, and serve as a reference for companies and investors.**

Basic Concepts

Decision - useful information that provides the clearest possible picture of how a company can balance value creation with the transition to a low-carbon, decarbonized society

(1) Transition to a low-carbon, decarbonized society

✓ It is necessary to aim for a transition to a low-carbon, decarbonized society as set out in Japan's 2030 and 2050 targets, and to understand the position of the company in this transition.

(2) Alignment with business strategy

✓ It is necessary not only to show how the company is moving toward decarbonization, but also to show that it is consistent with the company's future vision and business model as envisioned in its medium-term management pPlan.

(3) Reaching out to others

✓ Since the transition cannot be achieved by the company on its own, it is necessary to present initiatives involving the value chain, government and the civil society.

< Structure of the Guidebook >

Chapter	Overview
Chapter 1 Purpose and Background	<ul style="list-style-type: none"> ● Purpose of this guidebook, background and history (Trends of GX League, discussions at the TCFD Consortium, etc.) ● Structure of the guidebook
Chapter 2 Overview of the Discussion on Transition Plan	<ul style="list-style-type: none"> ● Definition of transition plan in TCFD and IFRS S2, and explanation of the transition plan in other frameworks such as TPT ● Explanation of the three basic concepts of the transition plan described above
Chapter 3 How Companies can Formulate Transition Plans	<ul style="list-style-type: none"> ● Companies that should formulate transition plans, timing, organizational structure ● Possible contents (see the next page), methods of disclosure ● Other issues (intermediate milestones, regional and sectoral characteristics, review, etc.)
Chapter 4 Summary	<ul style="list-style-type: none"> ● Overall summary
Case examples	<ul style="list-style-type: none"> ● A compilation of corporate disclosure which can serve as references

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< Elements that may be included in the transition plans >

Theme of TCFD Recommendations	Factors that may be included in the transition plan
Governance	<ul style="list-style-type: none"> ● Measures taken by management and supervision by the board of directors (1) ● Organizational structure (coordination with other departments; e.g. finance department) (2) ● Determination of entities to be approached based on the overall supply chain (3) ● Assessment, monitoring of effects, and review of the transition plan (2)
Strategy	<ul style="list-style-type: none"> ● Low-carbon and decarbonized society envisaged (1) ● Scenario which forms the basis, key assumptions, sectoral roadmaps, etc. (1) ● Future vision of the company based on business strategies (medium-term management plan, long-term vision, etc.), background scenarios, etc. (2) ● Financing policy (2)
Risk management	<ul style="list-style-type: none"> ● Monitoring of emissions by the company, region, and sector (1) ● Assumptions of the transition plan and implementation of the current situation / monitoring of the status of discrepancies (1) ● Monitoring and assessing risks related to discrepancies between business strategy and transition plan (2)
Metrics and targets	<ul style="list-style-type: none"> ● Corporate climate-related targets (company's Scope 1 to 3 emission targets including interim targets) (1) ● Metrics and targets related to the company's business areas consistent with the above (future state of products, etc.) (1) ● Measures required, capital allocation and timing, assumed scale of each business, expected earnings, etc. (2) ● External factors necessary to achieve the above corporate vision, and activities to achieve it (2)
Others	<ul style="list-style-type: none"> ● Messages and comments by the CEO and other top management (1) ● Specific approaches such as engagement with the entities to be approached, in view of the entire supply chain described above (3) ● Utilization of metrics such as emission reduction effects in the entire supply chain, such as emission reduction contribution (1) ● Formulation of emission reduction pathways using internal carbon pricing (1)

(1) (2) and (3) correspond to the basic concepts of the transition plan: (1) transition to a low-carbon, decarbonized society, (2) alignment with business strategy, and (3) reaching out to others.