CHIYODA CORPORATION

TNFD Report

1st Edition
September 2026

Engineering a Sustainable Future in Harmony with Nature.

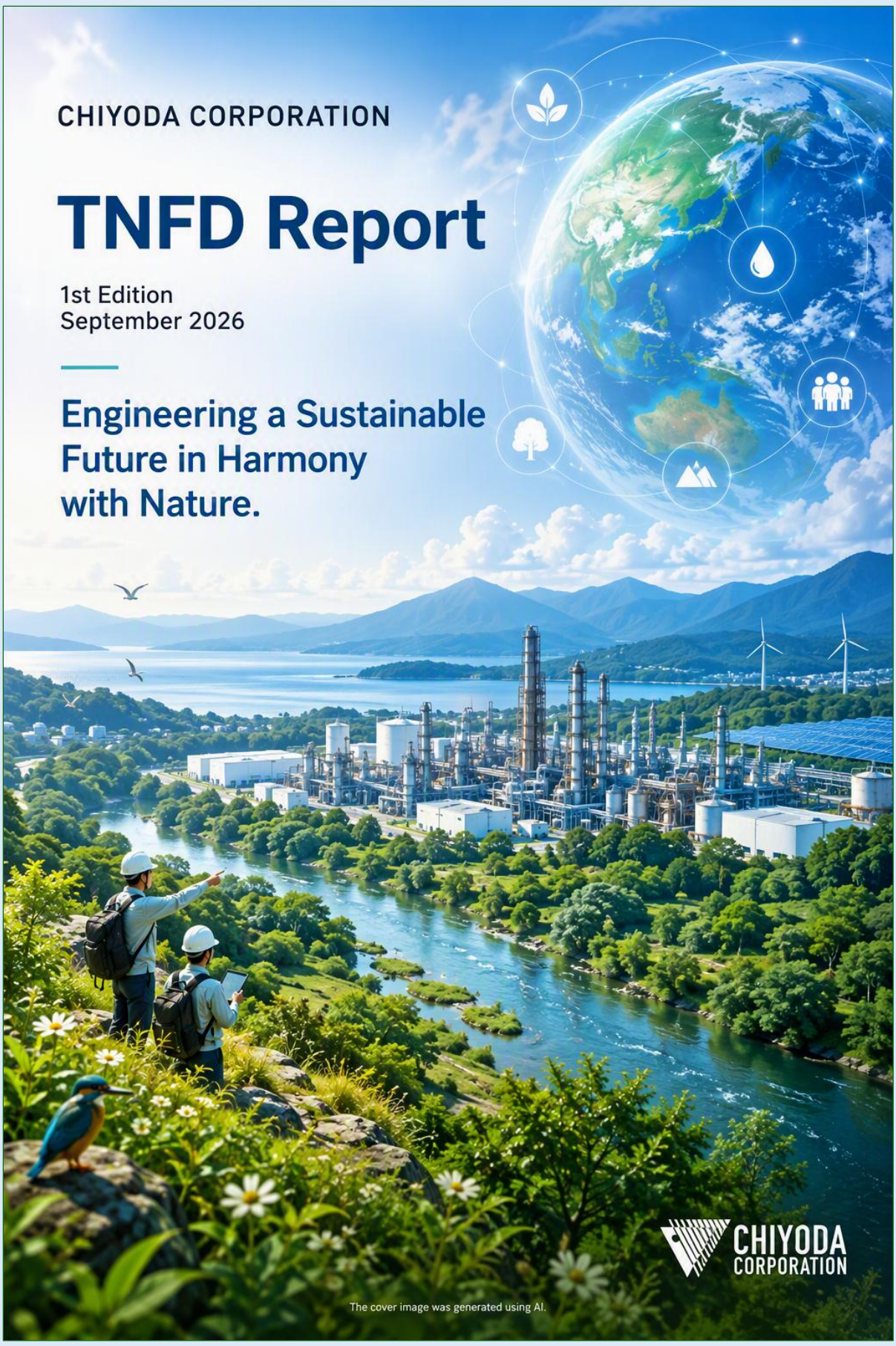


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Summary

1. Our Basic Approach to Natural Capital and Biodiversity

As an integrated engineering (EPC) company, Chiyoda Corporation has long conducted its business activities with a strong commitment to reducing environmental impacts and giving due consideration to local communities by ensuring that the findings of environmental assessments are appropriately reflected throughout project planning and execution processes.

The Company recognizes the global degradation of natural capital and the loss of biodiversity not only as a planetary environmental crisis, but also as a significant management issue that may affect the sustainable growth of the Chiyoda Group and the enhancement of corporate value. The Company also believes that appropriately managing its dependencies and impacts on natural capital contributes to improving the sustainability and resilience of its clients' projects.

2. Our Approach to TNFD and the Positioning of This Disclosure

Drawing on the recommendations of the TNFD (Taskforce on Nature-related Financial Disclosures), the Company is enhancing its understanding of the relationship between its business activities and natural capital while strengthening its responses to nature-related issues.

This disclosure summarizes the results of our analysis and assessment of the interfaces between our business value chain and natural capital, including our dependencies on and impacts upon nature, as well as nature-related risks and opportunities, in accordance with the LEAP approach.

The Company will continue to enhance its initiatives while taking into account international developments related to natural capital conservation, including the Kunming-Montreal Global Biodiversity Framework.

3. Integration with Other Sustainability Initiatives

Climate change and biodiversity loss are inseparable and closely interconnected challenges. Through its response to frameworks such as the TCFD, the Company has advanced its management of climate-related risks. Going forward, the Company will also integrate nature-related issues into its sustainability management framework and promote decision-making that considers climate-related and nature-related challenges in a holistic manner.

In particular, the Company will seek to optimize overall environmental performance by avoiding unintended trade-offs whereby measures aimed solely at addressing climate change could result in adverse impacts on natural capital.

4. Overview of Our Business and Interfaces with Nature

- **Structural Characteristics of the EPC Business and Division of Responsibilities:** In our core EPC (Engineering, Procurement and Construction) business, the land on which projects are developed is acquired and owned by the project owner. Chiyoda does not own or hold such land assets. Accordingly, environmental and social impact assessments are conducted by the client (owner), while the EPC contractor is responsible for incorporating the resulting environmental management plans and permit conditions into project execution.
- **Our Role:** Reflecting these structural characteristics, in projects in which it participates, the Company appropriately incorporates the results of environmental assessments conducted by its clients and the requirements of relevant permits and approvals into engineering, procurement, and construction activities. The Company executes projects with due consideration for the avoidance and mitigation of environmental impacts. Beyond mere regulatory compliance, the Company provides optimal engineering solutions, technical proposals, and construction services aimed at minimizing environmental impacts and ultimately hands over completed plant assets to project owners upon completion.
- **Risk Management:** To ensure the effectiveness of this process, the Company has formalized procedures for managing significant environmental aspects in EPC operations. Additional assessments are conducted as necessary on a project-by-project basis, and the results are reflected in project execution.

Results of the LEAP Assessment

Following the LEAP approach, the Company conducted assessments covering major plant project locations across the globe. The assessment identified the following key characteristics:

- Assessment locations include areas with high biodiversity importance and locations adjacent to biologically significant areas.
- Ecosystem integrity varies across assessment locations, including areas already subject to significant development and anthropogenic pressure.
- Certain locations are exposed to physical risks such as flooding and drought (water stress).

Results of the Assessment of Nature-related Dependencies and Impacts

- **Impacts:** Disturbance and air pollutant emissions associated with plant construction and operation were identified as relatively significant impact factors across the assessment locations.
- **Dependencies:** Moderate to very high levels of dependency were identified in relation to ecosystem services such as flood and storm mitigation, flow regulation, water purification, and solid waste purification.
- **Regional Vulnerabilities:** In certain locations, including arid regions, high dependence was identified on water supply and water purification functions that are essential for plant construction and operation, indicating potential exposure to future water resource constraints.

Identification of Risks and Opportunities

The Company identified transition risks, including schedule delays and additional costs resulting from tighter regulations and measures addressing invasive species, as well as

physical risks arising from extreme weather events, vulnerabilities in water supply, degradation of infrastructure functionality, and impacts on project execution.

Conversely, the Company recognizes significant business opportunities in providing engineering and construction management services that help reduce environmental impacts and enhance resilience. These include differentiation through proven practices that minimize impacts on surrounding environments, compact plant designs that improve land-use efficiency, and expertise related to resource circulation and waste reduction during the construction phase.

- **Technologies and Expertise Supporting Responses to Nature-related Issues:** Over many years, the Company has accumulated technologies and expertise covering the entire project lifecycle, from planning based on environmental assessment findings through engineering, procurement, and construction management, with a focus on minimizing environmental impacts. These capabilities represent a key strength that supports both effective responses to nature-related risks and the enhancement of project sustainability for its clients. In response to the dependencies, impacts, and risks identified through the Evaluate and Assess stages of the LEAP approach, the Company works closely with clients and other stakeholders to develop and implement measures for avoidance, mitigation, and adaptation.

5. Future Outlook and Roadmap

Looking ahead, the Company will continue to respond to increasingly stringent environmental regulations and evolving disaster risks associated with climate change by leveraging the engineering and construction management expertise that the Company has developed under diverse environmental conditions worldwide.

The Company will also strengthen engagement with project owners based on its expertise as an EPC contractor, thereby contributing to both enhanced project resilience and the reduction of impacts on the natural environment in areas where potential nature-related risks may arise.

Furthermore, building on the qualitative assessment conducted in this disclosure, the Company will progressively advance discussions regarding quantitative assessment methodologies and scenario analysis while continuing to enhance the sophistication of its nature-related financial disclosures.

General Disclosure Requirements

Approach to Materiality

The Company identifies material issues from a **double materiality** perspective, considering both the impacts of its business activities on nature (**impact materiality**) and the financial impacts of nature on its business (**financial materiality**).

Impact Materiality

The Company recognizes that the engineering, procurement, and construction management services it provides for plants and facilities can significantly affect regional natural capital and biodiversity. Accordingly, while ensuring full compliance with legally required environmental assessments, the Company leverages the expertise and experience accumulated over many years to identify and assess emerging environmental changes as well as potential nature-related risks and opportunities. Through technical proposals that support appropriate responses to these challenges, the Company seeks to contribute to reducing environmental impacts throughout project lifecycles.

Financial Materiality

The Company recognizes that sudden changes in the external environment and the tightening of regulations represent significant management challenges that may affect project profitability, schedules, additional costs, and future business opportunities. To address both physical risks, such as climate change-related extreme weather events and water-related risks, and transition risks, including increasingly stringent environmental standards and biosecurity regulations, the Company continues to enhance the application of advanced environmentally conscious and resilient design solutions. Through these efforts, the Company aims to reduce financial impacts arising from nature-related issues and strengthen overall business resilience. The Company believes that this capability represents an important source of competitive advantage, both in managing nature-related risks and in capturing business opportunities.

Materiality Selection Process

To ensure a consistent and objective assessment of the interactions between nature-related issues and its business activities, the Company identifies material issues in accordance with the recommendations of the TNFD (Taskforce on Nature-related Financial Disclosures) and related assessment frameworks, including the LEAP approach.

Treatment of Locations

Due to the nature of plant construction projects as critical infrastructure, there are limitations on the disclosure of specific geographic locations. Accordingly, while detailed analyses are conducted internally based on site-specific information, this disclosure presents aggregated and consolidated assessment results that combine the characteristics of its business activities with the characteristics of natural capital and ecosystems within the assessment regions. This approach enables the Company to protect highly confidential information while conducting objective assessments consistent with the TNFD framework.

Time Horizons

Taking into consideration the Kunming-Montreal Global Biodiversity Framework, developments in nature-related policies across various jurisdictions, and the need for integrated action on climate change and nature-related issues, the Company has established

the following medium- and long-term time horizons based on its business characteristics and the expected manifestation of nature-related issues.

Medium-term: Through 2035 (Milestones established through backcasting from 2050 objectives)

Long-term: Through 2050 (A long-term perspective reflecting the transition to a carbon-neutral society and the evolving nature-related challenges expected over time)

Integration with Other Sustainability-Related Disclosures

Recognizing that climate change and natural capital and biodiversity are closely interconnected issues, the Company will continue to enhance the integration of its nature-related disclosures with climate-related disclosures, including those aligned with the TCFD framework. This includes the progressive integration of risk management, scenario analysis, and metrics and target management.

Stakeholder Engagement

The Company recognizes that dialogue and value co-creation with a diverse range of stakeholders, including employees, business partners, customers, creditors, and local communities, in addition to shareholders, are essential elements of sound corporate management. Accordingly, the Company is committed to fostering appropriate collaboration with multiple stakeholder groups.

In particular, when assessing dependencies on and impacts on natural capital, the Company places significant importance on dialogue and collaboration with local communities, governmental authorities, customers, suppliers, and other stakeholders that may be affected by plant construction activities and facility operations conducted by its customers. Throughout the value chain, the Company promotes collaborative efforts based on the mitigation hierarchy, including the avoidance, minimization, mitigation, and, where appropriate, compensation of nature-related impacts and risks.

Governance

In addition to addressing climate change, the Company recognizes sustainability-related issues, including natural capital and biodiversity, as key management priorities and is committed to contributing to a sustainable society while enhancing corporate value.

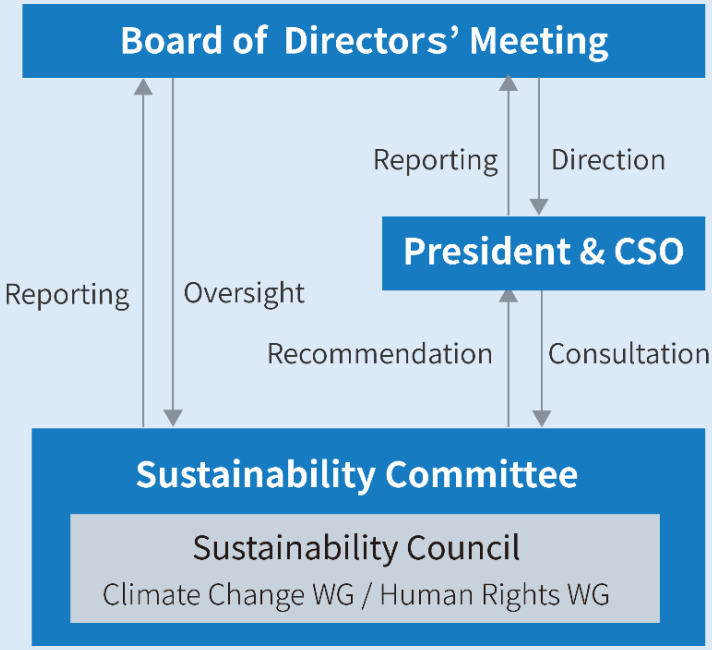
To further strengthen sustainability management across the Group and achieve sustainable growth alongside the enhancement of corporate value, the Company established the Sustainability Committee in April 2022 under the leadership of the Chief Sustainability Officer (CSO), a role concurrently held by the President. By positioning sustainability at the core of management, the Committee engages in focused and ongoing discussions from a medium- to long-term perspective on key ESG topics, including nature-related dependencies, impacts,

risks, and opportunities, which are inseparable from climate change, as well as human rights and supply chain management.

The Sustainability Committee serves as an advisory body to the CSO and, in principle, convenes twice a year to deliberate on policies, risks and opportunities, and response measures related to material ESG issues, including nature-related matters. The outcomes of these discussions are reported to the CSO and the Board of Directors, thereby promoting their integration into management strategy and risk management. Matters deliberated by the Sustainability Committee are shared and managed at the management level through recommendations to the CSO (President) and reporting to the Board of Directors. The Board of Directors oversees and supervises the Sustainability Committee and provides direction regarding response strategies and priority issues. Through this governance framework, the Company ensures that nature-related dependencies, impacts, risks, and opportunities are appropriately identified and reflected in management decision-making.

The governance structure for overseeing nature-related dependencies, impacts, risks, and opportunities within the Group functions as illustrated below.

Our Sustainability Governance Structure (Reporting and Oversight Lines)



Role of the Sustainability Committee and Its Subordinate Organizations

Through related bodies established under the Sustainability Committee, including the Climate Change Working Group, the Company collects and analyzes information on nature-related issues that are closely linked to climate change, such as biodiversity and water resources. The results of assessments of nature-related dependencies, impacts, risks, and opportunities are reported to the Sustainability Committee.

Role of Management and the Board of Directors

Matters deliberated by the Sustainability Committee are submitted as recommendations to the Chief Sustainability Officer (CSO), who concurrently serves as President, and are also reported regularly to the Board of Directors. In addition, a clear oversight and instruction framework has been established between the Board of Directors and the Sustainability Committee. Through this governance structure, information on nature-related dependencies, impacts, risks, and opportunities is appropriately communicated to senior management and reflected in decision-making processes relating to business strategy, risk management, and investment decisions.

Strategy

To understand its impacts and dependencies on natural capital across its business activities and to identify and assess the associated risks and opportunities, the Company conducted an assessment based on the LEAP approach recommended by the Taskforce on Nature-related Financial Disclosures (TNFD).

In conducting this assessment, the Company first carried out a scoping exercise in accordance with the TNFD LEAP approach to identify priority areas for evaluation across its business activities. The Company then proceeded through the steps of Locate, which identifies interfaces with nature through a location-specific approach; Evaluate, which assesses the current status of relevant impacts and dependencies; and Assess, which identifies and evaluates risks and opportunities. Based on the results of these assessments, the Company finally conducted the Prepare phase to determine material matters for disclosure.

The assessment was supported by biodiversity big data provided by Think Nature Inc. (globally developed spatial datasets on biodiversity, ecosystem services, and anthropogenic pressures; https://think-nature.jp/), enabling objective analysis based on scientific knowledge.

Scoping (Selection of Priority Assessment Areas)

The Company divided its extensive value chain into three categories: upstream (procurement of equipment and materials and subcontracted construction services), direct operations (engineering, procurement management, construction management, and project management), and downstream (plant operation and use). The Company then screened priority assessment areas based on the magnitude of their dependencies and impacts on nature, as well as the degree of influence and control that the Company can exercise over them.

Using ENCORE, a natural capital assessment tool that evaluates nature-related dependencies and impacts by industry sector, the Company analyzed the degree of impacts and dependencies across the value chain. The analysis indicated that both the upstream segment, which includes the procurement of equipment and materials and subcontracted construction activities, and the downstream segment, which involves the operation and use of completed plants, exhibit relatively high levels of dependencies and impacts on nature.

Assessment Results of Dependencies and Impacts across the Value Chain Based on ENCORE

a) Impacts

VC	ENCORE Sector (Production Process)	Impacts											
		Disturbances (e.g noise, light)	Area of freshwater use	Emissions of GHG	Area of seabed use	Emissions of non-GHG air pollutants	Other abiotic resource extraction	Emissions of toxic soil and water pollutants	Emissions of nutrient soil and water pollutants	Generation and release of solid waste	Area of land use	Volume of water use	Introduction of invasive species
Upstream	Mining of iron ores	H	H	M	H	M	H	H	ND	VH	M	L	VL
	Mining of non-ferrous metal ores	VH	VH	M	VH	H	H	VH	ND	H	M	M	L
	Quarrying of stone, sand and clay	H	H	H	H	H	VH	H	ND	L	M	M	VL
	Extraction of crude petroleum	VH	VH	H	VH	M	N/A	VH	N/A	L	L	L	L
	Extraction of natural gas	H	H	H	H	H	N/A	H	N/A	M	L	M	VL
	Manufacture of other chemical products	VH	N/A	M	N/A	M	N/A	VH	N/A	M	L	M	N/A
	Manufacture of non-metallic mineral products n.e.c.	M	M	H	N/A	H	N/A	VH	M	M	L	M	N/A
	Manufacture of structural metal products, tanks, reservoirs and steam generators	M	N/A	L	N/A	L	N/A	M	N/A	L	L	M	N/A
	Manufacture of communication equipment	M	N/A	VL	N/A	L	N/A	H	N/A	L	L	L	N/A
	Manufacture of measuring, testing, navigating and control equipment; watches and clocks	M	N/A	M	N/A	H	N/A	M	N/A	L	L	M	N/A
	Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus	M	N/A	VL	N/A	L	N/A	H	N/A	L	L	L	N/A
	Manufacture of wiring and wiring devices	M	N/A	VL	N/A	L	N/A	M	N/A	L	L	L	N/A
	Manufacture of general-purpose machinery	M	N/A	L	N/A	M	N/A	M	N/A	L	L	M	N/A
	Manufacture of special-purpose machinery	M	N/A	L	N/A	L	N/A	M	N/A	L	L	M	N/A
Upstream (Quasi-direct operation)	Installation of industrial machinery and equipment	VH	N/A	M	M	M	N/A	L	N/A	L	L	M	L
	Construction of other civil engineering projects	VH	VH	M	M	L	N/A	H	N/A	M	L	L	L
Own Operation	Architectural and engineering activities and related technical consultancy	VL	N/A	VL	N/A	VL	N/A	VL	N/A	VL	M	L	N/A
Downstream	Manufacture of refined petroleum products	VH	N/A	M	N/A	H	N/A	VH	N/A	M	L	L	N/A
	Remediation activities and other waste management services	H	ND	H	ND	M	N/A	M	M	M	M	M	M
	Manufacture of basic chemicals	VH	N/A	M	N/A	M	N/A	VH	N/A	M	L	M	N/A
	Manufacture of basic precious and other non-ferrous metals	VH	N/A	M	N/A	H	N/A	VH	M	M	L	L	N/A
	Manufacture of medical and dental instruments and supplies	ND	N/A	M	N/A	H	N/A	M	N/A	L	ND	M	N/A
	Manufacture of pharmaceuticals, medicinal chemical and botanical products	M	N/A	M	N/A	M	N/A	M	M	M	L	M	ND

b) Dependencies

VC	ENCORE Sector (Production Process)	Ecosystem Services (Dependencies)												
		Solid waste remediation	Soil and sediment retention	Water purification	Other regulating and maintenance service - Dilution by atmosphere and ecosystems	Air Filtration	Flood mitigation services	Genetic material	Global climate regulation	Water supply	Storm mitigation	Water flow regulation	Rainfall pattern regulation	Education, scientific and research services	Spiritual, artistic and symbolic services
Upstream	Mining of iron ores	L	M	VH	M	VL	H	N/A	H	H	M	H	VH	N/A	N/A
	Mining of non-ferrous metal ores	L	M	VH	M	VL	H	N/A	H	H	M	H	VH	N/A	N/A
	Quarrying of stone, sand and clay	ND	H	VH	M	VL	H	N/A	H	H	M	H	VH	N/A	N/A
	Extraction of crude petroleum	L	L	VL	M	VL	H	N/A	H	M	L	M	ND	N/A	N/A
	Extraction of natural gas	L	L	VL	M	VL	H	N/A	H	L	L	M	ND	N/A	N/A
	Manufacture of other chemical products	M	M	M	L	VL	M	N/A	VL	M	M	M	N/A	N/A	N/A
	Manufacture of non-metallic mineral products n.e.c.	M	L	M	L	VL	M	N/A	VL	M	M	M	L	N/A	VH
	Manufacture of structural metal products, tanks, reservoirs and steam generators	L	L	M	ND	VL	M	N/A	VL	M	M	M	N/A	N/A	N/A
	Manufacture of communication equipment	L	L	M	L	VL	M	N/A	VL	M	M	M	VL	N/A	N/A
	Manufacture of measuring, testing, navigating and control equipment; watches and clocks	L	L	M	L	VL	M	N/A	VL	M	M	M	VL	N/A	N/A
	Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus	L	L	M	L	VL	M	N/A	VL	M	M	M	M	N/A	N/A
	Manufacture of wiring and wiring devices	L	L	M	L	VL	M	N/A	VL	M	M	M	M	N/A	N/A
	Manufacture of general-purpose machinery	L	L	M	L	VL	M	N/A	VL	M	M	M	VL	N/A	N/A
	Manufacture of special-purpose machinery	L	L	M	L	VL	M	N/A	VL	M	M	M	VL	N/A	N/A
Upstream (Quasi-direct operation)	Installation of industrial machinery and equipment	ND	M	N/A	ND	VL	M	N/A	VL	M	M	M	VL	N/A	N/A
	Construction of other civil engineering projects	ND	H	M	L	VL	H	N/A	M	M	H	M	VH	N/A	N/A
Own Operation	Architectural and engineering activities and related technical consultancy	N/A	M	N/A	N/A	N/A	VL	N/A	VL	L	L	VL	N/A	N/A	N/A
Downstream	Manufacture of refined petroleum products	L	M	H	L	VL	M	N/A	VL	L	M	M	N/A	N/A	N/A
	Remediation activities and other waste management services	VH	N/A	M	M	VL	M	N/A	ND	M	M	M	M	N/A	N/A
	Manufacture of basic chemicals	L	M	M	L	VL	M	N/A	VL	M	M	M	VL	N/A	N/A
	Manufacture of basic precious and other non-ferrous metals	L	L	M	ND	M	M	N/A	VL	M	M	M	M	N/A	N/A
	Manufacture of medical and dental instruments and supplies	L	L	VH	L	VL	M	N/A	VL	H	M	H	VL	N/A	N/A
	Manufacture of pharmaceuticals, medicinal chemical and botanical products	L	M	VH	L	VL	M	H	VL	H	M	H	N/A	VH	N/A

VH: Very High, H: High, M: Medium, L: Low, VL: Very Low, N/A: Not Applicable, ND: No Data (insufficient scientific evidence)

Based on these results, the Company identified the downstream segment (plant operation and use) as the priority area for detailed assessment under the Locate phase. Among the areas exhibiting high dependencies and impacts on nature, this segment was prioritized because the Company can exert a relatively significant influence on environmental performance during plant operation through design and specification selection. This decision reflects our business characteristics as an EPC contractor, whereby environmentally conscious design and resilience-oriented design can contribute to avoiding and reducing impacts on nature throughout the operational phase of our customers' plants.

At the same time, the Company recognizes that the upstream segment also exhibits significant nature-related dependencies and impacts. Given TNFD's emphasis on addressing nature-related issues throughout the supply chain, the Company will continue to strengthen engagement with suppliers involved in the procurement of key equipment and materials in line with our approach to sustainable procurement.

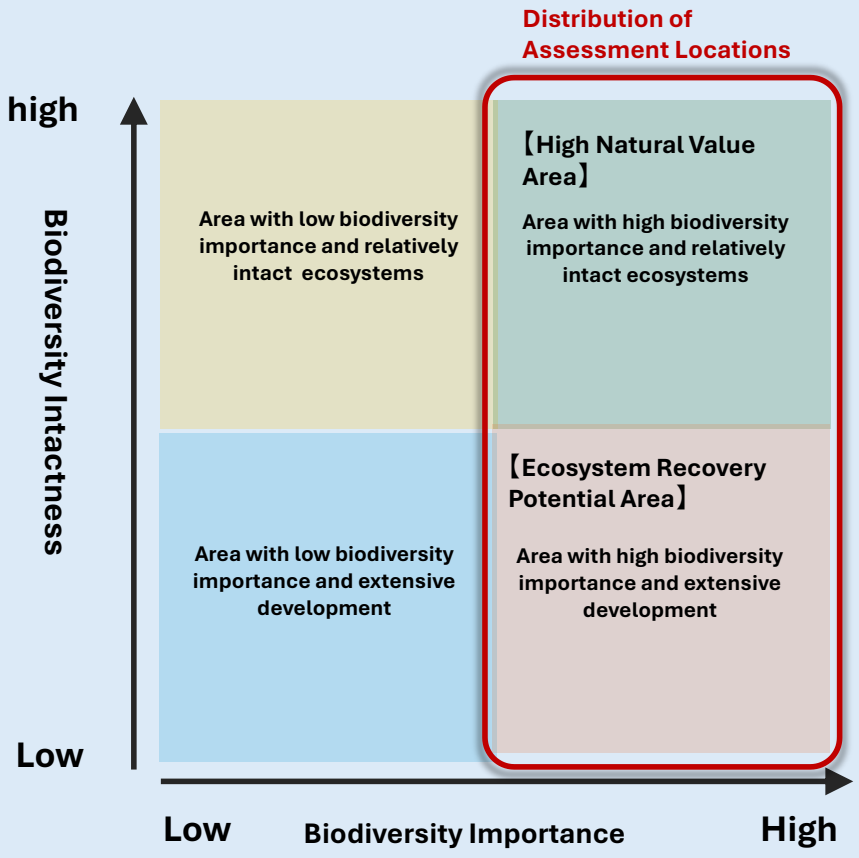
Locate (Identification of Interfaces with Nature)

To assess nature-related risks and opportunities associated with the plant operation phase, the Company conducted a location-based assessment covering five evaluation areas worldwide where plants are either currently in operation, under construction, or expected to commence operation in the future. As noted in the General Requirements section, specific locations and regional names have not been disclosed due to business confidentiality considerations. Instead, the assessment focuses on the characteristics of the natural environments surrounding each evaluation area.

To characterize the locations, the Company performed an overlay analysis using two ecological sensitivity indicators: **Biodiversity Importance**, which reflects the significance of biodiversity in a given area, and **Biodiversity Intactness**, which indicates the degree to which ecosystem integrity has been maintained. In addition, from the perspective of assessing physical risks, the Company conducted a multi-faceted evaluation of nature-related vulnerabilities, including water stress, deforestation, and flood risk.

As shown in the figure below, all five evaluation areas were found to be located within or in close proximity to areas of high biodiversity importance. Furthermore, based on differences in biodiversity intactness, the evaluation areas were classified into the following two categories.

Classification of Evaluation Areas by Biodiversity Importance and Biodiversity Intactness



1. High Natural Value Areas (Areas with High Biodiversity Importance and High Biodiversity Intactness)

These areas are characterized by potentially high conservation value, including a high concentration of endemic and threatened species, and relatively limited anthropogenic disturbance, resulting in well-preserved natural capital. In such areas, the impacts of business activities on nature are subject to particularly rigorous scrutiny due to their potential effects on biodiversity and ecosystem services. As a result, projects may be subject to stricter regulatory requirements and heightened environmental management expectations during project development and implementation. When undertaking projects in these areas, the Company places the highest priority on strict compliance with applicable laws and regulations while striving to avoid and minimize impacts through the adoption of environmentally conscious and resilience-oriented design approaches. At the same time, the Company emphasizes transparent disclosure of information and ongoing communication with local stakeholders to foster mutual trust and maintain constructive relationships.

2. Ecosystem Recovery Potential Areas (Areas with High Biodiversity Importance but Low Biodiversity Intactness)

These areas have high potential conservation significance but have experienced declines in ecosystem intactness as a result of historical development and land-use changes. In such areas, the Company recognizes the importance of preventing additional environmental pressures and reducing impacts on nature by leveraging its environmentally conscious technologies and construction expertise. Efforts to minimize the environmental footprint of its business activities also help avoid hindering ongoing ecosystem recovery processes in the surrounding environment. As a result, the Company views these areas not only as locations where additional pressures on the natural environment can be reduced, but also as areas that present opportunities to create value by supporting the coexistence of business activities and the restoration of nature.

Evaluate (Assessment of Impacts and Dependencies)

To assess impacts and dependencies that are highly relevant to its business activities, the Company first identified material impact and dependency categories using ENCORE, a natural capital assessment tool. The Company then overlaid these categories with global geospatial datasets to analyze the current status of ecosystem services and anthropogenic pressures in the areas surrounding the evaluation locations.

Impacts (Impacts of Business Activities on Nature)

For the construction and operation of plants in which the Company is involved through design and construction management, a high degree of relevance was identified for the following impact categories: **disturbance (e.g., noise and light), pollutant discharges to soil and water, and emissions of GHGs and non-GHG air pollutants**.

The Company assessed the level of anthropogenic pressure in each evaluation area using a scoring system ranging from 0 to 100, with higher scores indicating greater pressure. The analysis revealed the following characteristics:

- **Disturbance (e.g., noise and light) and air pollutant emissions:** Relatively high levels of pressure were observed across all evaluation areas (scores exceeding 90).
- **Pollutant discharges to soil and water:** Scores varied among locations, reflecting differences in natural conditions as well as geographical and climatic characteristics.

Dependencies (Dependencies of Business Activities on Nature)

The assessment indicated that the construction and operation processes of plants in which the Company is involved have **medium to very high levels of dependency** on ecosystem services, including **flood mitigation, storm protection, water purification, water flow regulation, and solid waste remediation**.

To evaluate the availability of ecosystem services in each location, ecosystem service richness was scored on a scale of 0 to 100, with higher scores indicating greater provision of ecosystem services. The analysis revealed the following characteristics:

- **Overall trend:** Most evaluation areas exhibited moderate to high levels of ecosystem service provision (scores above 50).
- **Specific vulnerabilities:** Some evaluation areas exhibited extremely low scores (below 1), indicating limited capacity to provide certain ecosystem services on which operations depend. For example, water supply and water purification services that are essential for plant construction and operation were found to be significantly constrained in arid regions.

The results of the Evaluate phase confirmed both the presence of nature-related impact drivers and dependencies on key ecosystem services across the evaluation areas. In addition, vulnerabilities in ecosystem service provision were identified in certain locations. These findings were subsequently used as key inputs for the nature-related risk and opportunity assessment conducted during the Assess phase.

Assess (Assessment of Nature-related Risks and Opportunities)

■ Identification and Assessment of Nature-related Risks

In the Assess phase, the Company evaluated how the dependencies and impacts on natural capital identified in the Evaluate phase could affect its business operations and financial performance. Based on the TNFD framework, the principal nature-related risks recognized by the Company are broadly categorized into **transition risks** and **physical risks**.

These risks extend beyond the scope of traditional environmental management practices, such as air pollution control, noise management, and soil contamination prevention. Failure to appropriately respond to external environmental changes, including climate change and increasingly stringent regulations, could lead to reduced project profitability, schedule delays, and additional costs.

1. Transition Risks (Regulatory, Market, and Technological Changes)

Increased Compliance Costs Associated with Stricter Environmental Standards

If regulatory requirements relating to air pollutant emissions, water withdrawal, and wastewater discharge associated with plant operations are strengthened more rapidly than anticipated, existing technologies may become insufficient to meet compliance requirements. This could necessitate the adoption of cleaner technologies or additional environmental protection measures, resulting in increased project costs and reduced profitability.

The Company recognizes that such regulatory risks are not merely short-term concerns. They are expected to persist over the medium to long term, particularly in alignment with international initiatives and biodiversity conservation targets such as the "30 by 30" goal described in the General Requirements section.

Project Schedule Impacts from Biosecurity Regulations

Projects located in regions with unique ecosystems, including Oceania, are often subject to strict biosecurity regulations aimed at preventing the introduction of invasive species. Even where materials and equipment meet environmental quality requirements, tighter quarantine and inspection procedures may delay customs clearance and site delivery operations, potentially resulting in additional costs and schedule delays.

As global expectations regarding invasive species management continue to increase, the Company recognizes the possibility of expanding biosecurity regulations across additional regions and therefore considers this a medium- to long-term risk.

2. Physical Risks (Acute and Chronic Risks)

Infrastructure Disruptions and Schedule Delays Caused by Extreme Weather Events

Climate change and shifts in natural environmental conditions, such as increased occurrences of localized heavy rainfall and flooding in arid regions, may disrupt transportation networks and other social infrastructure in and around project locations.

Such disruptions can result in construction delays, project interruptions, and additional costs during the construction phase.

The Company has already experienced short-term impacts arising from sudden natural disasters. Furthermore, it recognizes that climate change is altering regional disaster regimes, including hazard patterns and risk characteristics, over the medium to long term. In response, the Company continues to enhance its design and project management practices by incorporating climate adaptation measures.

Vulnerability of Water Supply and Water Purification Functions

In certain regions, vulnerabilities have been identified in ecosystem services related to water supply and water purification. Depending on local conditions, such vulnerabilities may affect the stable availability and quality of water resources required for construction and plant operations.

■ Risk Management and Mitigation Measures

To address the identified risks, the Company leverages more than half a century of accumulated engineering expertise and construction management know-how and implements the following measures throughout the value chain.

1 Integration of Nature-related Risks into EPC Project Execution

For plant projects, the Company conducts thorough reviews of environmental impact assessments prepared by specialist consultants engaged by clients and systematically identifies all applicable environmental requirements and risk factors.

Dedicated internal specialists oversee the identification, management, and monitoring of environmental requirements through a structured organizational process.

2. Risk Identification through ENVID

At both the design and construction stages, the Company utilizes **ENVID (Environmental Impact Identification)**, a systematic assessment methodology designed to comprehensively identify activities that may generate environmental impacts and define corresponding prevention and mitigation measures.

Having applied ENVID across numerous projects, the Company incorporates the assessment results into project planning and execution.

3. Mitigation of Environmental Impacts During Construction

At construction sites, project-specific environmental management plans are strictly implemented throughout the construction period. Mitigation measures and environmental monitoring activities are undertaken to minimize impacts associated with temporary land disturbance, wastewater, dust generation, noise, and other construction-related activities that may affect biodiversity, water resources, and local communities.

Air Quality and Climate Change

- Suppression of dust through regular water spraying;
- Adoption and promotion of low-emission vehicles and equipment on-site;
- Installation of solar panels where appropriate;
- Accurate calculation and reporting of GHG emissions.

Noise and Light Pollution

- Installation of noise barriers;
- Selection of low-noise construction methods;
- Strategic placement of heavy machinery and equipment;
- Avoidance of nighttime construction activities wherever practicable.

Soil and Water Pollution Prevention

- Regular emergency response drills for potential fuel and chemical spills;
- Provision of spill response kits and containment trays at project sites;
- Proper backfilling of excavated soils;

- Appropriate treatment of construction wastewater;
- Proper disposal of sludge from drainage facilities through qualified treatment facilities.

Waste Management

- Thorough segregation and storage of waste materials to prevent leakage and dispersion caused by rainfall;
- Introduction of waste segregation processes to improve recycling rates of construction waste;
- Strict implementation of the industrial waste manifest system for domestic projects; and
- Establishment of waste management routes compliant with applicable environmental regulations in overseas jurisdictions.

Water Risk Management

- Continuous monitoring of water consumption at construction sites; and
- Implementation of water conservation measures.

4. Reduction of Downstream Risks Through Design (Supporting Client Operations)

To address downstream risks associated with plant operations after handover, the Company incorporates environmentally conscious design principles from the engineering stage onward, thereby helping clients reduce operational risks. During the procurement stage, environmentally preferable equipment and materials are selected in accordance with design requirements.

Air Pollution Prevention

- Implementation of detailed atmospheric dispersion modeling to ensure compliance with applicable environmental standards;
- Incorporation of Leak Detection and Repair (LDAR) programs for volatile organic compounds (VOCs), methane, and other emissions;
- Estimation of operational GHG emissions and evaluation of emission reduction options.

Soil and Water Pollution Prevention

- Design of water quality monitoring systems; and
- Design of wastewater treatment facilities incorporating neutralization and oil removal processes prior to discharge or disposal.

Water Risk Reduction

For projects located in highly water-stressed regions, such as the Middle East, the Company proposes air-cooled systems and wastewater recycling (closed-loop systems) from the design stage to reduce freshwater withdrawals and alleviate regional water stress.

In addition, hydrodynamic simulations are used to develop designs that minimize impacts on marine ecosystems from thermal discharges.

Waste Management

- Identification of operational waste streams and development of appropriate treatment and disposal plans.

Resilience to Other Physical Risks

- Analysis of historical natural disaster data; and
- Structural design of facilities incorporating projected climate-related risks and future resilience requirements.

With respect to transition risks, the Company recognizes that nature-related regulations and environmental standards, including those associated with climate change, continue to evolve through revisions and the introduction of new requirements. The Company will continue to monitor these developments closely.

■ Identification and Assessment of Nature-related Opportunities

The Company views action on nature-related issues not merely as risk management, but as an opportunity to strengthen its competitive advantage through its core engineering capabilities and to create new value for clients and society.

Strengthening Design Competitiveness Through the Adoption of Advanced Technologies

The Company continuously evaluates and adopts cutting-edge technologies and emerging regulatory requirements related to air pollution, soil contamination, water risks, flooding, and other nature-related challenges.

By providing optimal design solutions tailored to project-specific conditions, the Company aims to further enhance its engineering and design competitiveness.

Expanding Business Opportunities Through Environmental and Resilience Solutions

In addition to continuously advancing technologies for air and soil pollution control in anticipation of stricter regulations, the Company is accumulating expertise and project experience relating to climate adaptation and resilience against increasingly severe natural disasters.

These capabilities enable the Company to broaden the scope of solutions offered to clients seeking long-term operational sustainability and to expand business opportunities in environmentally focused project markets.

Environmentally Conscious Design that Reduces Operational Costs

By incorporating water conservation measures, advanced wastewater treatment systems, and water reuse technologies into plant designs, the Company provides facilities that help clients reduce water-related operating costs and mitigate exposure to future environmental taxes and regulatory costs.

In doing so, the Company contributes to the enhancement of its clients' long-term corporate value.

Minimizing Land-use Footprints Through Compact Design

Drawing on decades of experience in plant layout optimization, the Company minimizes the overall footprint of plant facilities.

This approach reduces land disturbance and associated impacts on surrounding ecosystems during construction while simultaneously lowering clients' initial capital expenditures and strengthening the Company's competitive position.

Metrics and Targets

Core Metrics for Nature-related Dependencies and Impacts

Based on the core disclosure metrics recommended by the TNFD, the Company calculates and monitors its dependencies and impacts on natural capital across its direct operations (offices) and value chain activities (domestic and overseas construction sites), as summarized below.

Metric No.	Metric (TNFD Core Metric)	Assessment Scope	Primary Measurement Item	FY2025 Performance	Notes / Definition
—	GHG Emissions (Scope 1, 2, 3)	—	Total GHG emissions	—	Refer to the ESG Data Book available on the Company's website.
C1.0	Land-use Footprint	Construction Sites	Area of land occupied	—	Construction sites are owned by clients and are therefore excluded from disclosure.
		Company-owned Offices	Office site area	28,876.03 m²	Only the Company-owned Koyasu Office and Research Park are included in the calculation.
C1.1	Land/Freshwater/Marine Use Change	Construction Sites	Area of ecosystem conversion by ecosystem type	—	Construction sites are owned by clients and are therefore excluded from disclosure.
		Company-owned Offices	Area of land-use change	—	No land-use change associated with Company-owned offices was identified.
C2.0	Pollutants Released to Soil	Construction Sites and Offices	Number of significant spills or violations	0 cases	Managed using the number of significant spills or environmental violations as a proxy indicator.
C2.1	Wastewater and Pollutants Discharged	Construction Sites and Offices	Number of significant spills or violations	0 cases	Managed using the number of significant spills or environmental violations as a proxy indicator.
C2.2	Total Hazardous Waste Generated	Domestic Construction Sites	Industrial waste generated (excluding sludge)	5,676 t	Industrial waste generation (excluding sludge) is used as a proxy indicator for waste management performance.

		Overseas Construction Sites	Industrial waste generated (excluding sludge)	23,563 t	Industrial waste generation (excluding sludge) is used as a proxy indicator for waste management performance.
		Company Offices	Waste generated	138 t	Waste generated from office activities is used as a proxy indicator for waste management performance.
C2.3	Plastic Pollution	Domestic Construction Sites	Plastic waste generated	34 t	Estimated as approximately 0.6% of total industrial waste generated.
		Overseas Construction Sites	Plastic waste generated	141 t	Estimated as approximately 0.6% of total industrial waste generated.
C2.4	Non-GHG Air Pollutants	Company Offices	Number of regulatory or environmental standard violations	0 cases	Continuous compliance with applicable regulations and environmental standards.
		Construction Sites	Number of regulatory or environmental standard violations	0 cases	Managed using the number of violations as an indicator.
C3.0	Water Withdrawal and Consumption in Water-stressed Areas	Domestic Construction Sites	Water consumption (construction and domestic use)	88,639 m^3	Total water withdrawal including both water-stressed and non-water-stressed regions.
		Overseas Construction Sites	Water consumption (construction and domestic use)	1,375,920 m^3	Total water withdrawal including both water-stressed and non-water-stressed regions.
		Company Offices	Water consumption (municipal supply)	12.7×10^3 m^3	Total water withdrawal including both water-stressed and non-water-stressed regions.
C3.1	Volume of High-risk Natural Commodities Used	Domestic Construction Sites	Consumption of major construction materials and fuels	Diesel: 245 kL; Kerosene: 0.6 kL; Ready-mixed concrete: 14,417 t; Asphalt: 1,096 t; Reinforcing steel and structural steel: 4,565 t	Major materials and fuels for which consumption can be tracked during the construction phase are managed as proxy indicators. Procurement is optimized according to project requirements.
		Overseas Construction Sites	Consumption of major construction fuels	Diesel: 22,917 kL; Kerosene: 0 kL	Major fuels for which consumption can be tracked during the construction phase are managed as proxy indicators. Fuel consumption is appropriately controlled.
		Company Offices	Office paper consumption	12 t	Office paper consumption is tracked as a proxy indicator. Promotion of green procurement and paperless operations.

C4.0	Invasive Species Management	Construction Sites	Number of projects requiring native species planting	1 project	Proxy indicator for biodiversity conservation requirements. Counted when included in client specifications.
C5.0	Ecosystem Condition	Construction Sites	Ecosystem integrity	—	Assessed using a matrix in which pristine ecosystems are scored as 1 and completely degraded ecosystems as 0. No aggregate value is reported due to significant variation among project locations.
C5.1	Species Extinction Risk	Construction Sites	Biodiversity importance	—	Evaluated on a scale from 0 to 1 using vertebrate and tree species composition. The Company confirmed the presence of project locations overlapping with areas of high biodiversity importance (top 30%).
C7.0-C7.4	Financial Effects	—	Financial impacts of nature-related risks and opportunities	—	Financial impacts are assessed and disclosed qualitatively.

Qualitative Approach to Financial Effects of Nature-related Risks and Opportunities (C7.0-C7.4)

With respect to the financial effects prescribed under TNFD Core Metrics C7.0-C7.4, the Company currently relies on qualitative assessment and disclosure, taking into account the structural characteristics of its core EPC business.

As discussed in the Assess section, financial risks such as project delays and additional costs are mitigated through comprehensive review of environmental assessment documentation by specialized departments, implementation of ENVID (Environmental Impact Identification), and rigorous environmental management practices.

The Company recognizes that, given the nature of its business model, under which EPC projects are executed on a project-by-project basis without permanent ownership of local operating assets such as land or industrial facilities, it is difficult to isolate and quantify the financial impacts attributable solely to nature-related risks and opportunities from other external factors, including foreign exchange fluctuations, market conditions, and geopolitical developments.

Accordingly, the Company will continue to disclose financial impacts qualitatively for the time being while monitoring international best practices and industry developments. Going forward, the Company intends to progressively develop methodologies for measuring and evaluating those areas that are most amenable to quantitative assessment.

At present, the Company considers the continuous monitoring of nature-related metrics and the enhancement of data quality to be its highest priorities. As TNFD adoption and industry

practices continue to evolve, the Company will also consider the establishment of quantitative targets to support the effective management of nature-related risks and opportunities.

Looking Ahead

1. Adapting to Future Environmental Changes

As global concern over the degradation of natural capital continues to grow, environmental regulations around the world are expected to become increasingly stringent. At the same time, climate change may alter the frequency and intensity of natural hazards, potentially giving rise to nature-related challenges that have not previously been anticipated.

The Company has successfully delivered projects across a wide range of environmental and geographical conditions around the world and has developed a high degree of resilience and adaptability in responding to uncertainty. Building on this strength, the Company will continue to respond flexibly and proactively to evolving nature-related challenges.

2. Strengthening Engagement with Clients

The Company seeks not only to meet the environmental requirements specified by clients but also to proactively address potential risks associated with the degradation and loss of natural capital by leveraging its expertise as an EPC contractor.

By strengthening client engagement through environmentally conscious and resilient design solutions, as well as through construction-phase expertise and know-how, the Company aims to prevent erosion of project value and contribute as a trusted partner in the development of facilities and plants that support the conservation and sustainable use of natural capital in the regions where projects are undertaken.

3. Enhancing Assessments and Advancing Scenario Analysis

The assessment conducted for this disclosure has primarily focused on identifying the Company's interactions with natural capital and qualitatively assessing nature-related risks and opportunities. Given the nature of the EPC business model, under which the Company does not own permanent operating assets at project locations, the quantification of financial impacts arising from nature-related risks and the development of robust scenario analyses remain areas where methodologies are still evolving globally. The Company therefore recognizes the need for a phased approach.

Accordingly, the Company will first focus on establishing and refining the assumptions that will underpin future scenario analyses while further improving the accuracy and robustness of qualitative assessments.

Over time, the Company intends to advance its disclosures in line with TNFD recommendations by progressively developing methodologies to quantitatively estimate the potential impacts of identified risks, including project delays, additional costs, and other financial consequences. Through this step-by-step approach, the Company aims to enhance its disclosure practices and further develop practical scenario analysis capabilities.