Information Disclosure Based on TCFD Recommendations

Atrae, Inc.

Our Policy on Climate Change

We are committed to promoting ESG initiatives to create a society where people feel fulfilled in their work.

In addition, our mission is to create businesses that broaden people's potential through technology, and since the beginning, we have achieved a business portfolio with a low environmental impact.

Our environmental policy includes the promotion of climate change initiatives, and we are working toward measuring and disclosing greenhouse gas emissions and improving energy efficiency.

In July 2022, we announced our support for the recommendations of the TCFD *1 (Task Force on Climate Related Financial Disclosures) and joined the TCFD Consortium *2 consisting of companies and financial institutions that support the TCFD Recommendations. We are also working on better disclosure of climate-related information based on the TCFD Recommendations.

**1 TCFD: A task force established by the Financial Stability Board (FSB), which includes representatives of central banks and financial supervisory authorities from major countries and regions around the world. An international initiative aimed at stabilizing financial markets by providing support to companies disclosing information on climate change and facilitating a smooth transition to a low-carbon society.*

**2 TCFD Consortium: An organization established in Japan in 2019 to discuss effective corporate disclosure and efforts to link disclosed information to appropriate investment decisions by financial institutions. Companies and financial institutions that support the TCFD Recommendations are promoting the initiative.*

Core Elements of Recommended Disclosures under TCFD Recommendations

The TCFD recommends that companies disclose information on climate-related risks and opportunities in the areas of 1. Governance, 2. Strategy, 3. Risk management, and 4. Metrics and targets.

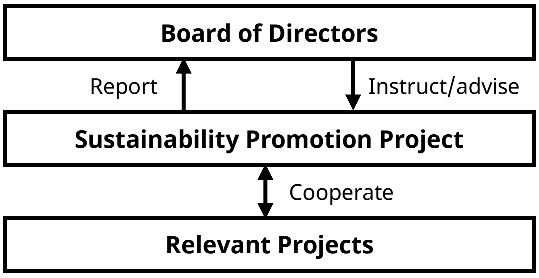
This document will disclose climate-related information for the four core elements of disclosure set out under the TCFD Recommendations.

1. Governance	The organization’s governance around climate-related risks and opportunities
2. Strategy	The actual and potential impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning
3. Risk management	The processes used by the organization to identify, assess, and manage climate-related risks
4. Metrics and targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities

1. Governance

We discuss and examine social issues, including those related to climate change, mainly through the Sustainability Promotion Project, and the Board of Directors determines policies for addressing these issues.

We also monitor ESG initiatives, including responses to climate change, under the direction and advice of the Board of Directors.



2. Strategy

We conducted an analysis of the impact of climate change on our People Tech business, based on the framework proposed by the TCFD, using a scenario analysis approach to project changes in the external environment as of 2030.

(1) Subject of Analysis

We conducted the analysis on the People Tech business, our Group’s main segment.

(2) Identifying Risks/Opportunities

We identified potential risks and opportunities for our People Tech business due to climate change. Among these, we identified items that we believe are especially relevant to our business.

Category		Item		Impact on our company
Risks	Transition risk	Policy/legal regulations	Increase in GHG emission prices	• Increased operating costs due to the introduction of a carbon tax
			Strengthening of emissions reporting requirements	• Increased labor and outsourcing costs to comply with stricter regulations on decarbonization
		Market	Changes in customer behavior	• Decrease in sales due to increased customer awareness of environmental considerations and a shift to more environmentally friendly services
			Rise in raw material costs	• Increased costs due to rising electricity prices and associated increases in server usage fees
		Reputation	Increased stakeholder concern or negative stakeholder feedback	• Decrease in investor evaluation due to delays in climate change initiatives and disclosures
	Physical risk	Acute	Increased severity of extreme weather events such as typhoons and floods	• Lost opportunities if data center servers shut down due to extreme weather or natural disasters
		Chronic	Rise in average temperatures	• Increased office air conditioning costs due to higher average temperatures
Opportunities	Products/ services	Consumer trends	Changes in consumer preferences	• Increased demand for matching personnel with environmental skills and expertise as the environment-related market expands

(3) Selecting Scenarios

We selected the 1.5°C scenario and the 4°C scenario, and examined the societal changes and their impact on our People Tech business, while referring to the scenarios published by various organizations.

(We adopted the 1.5°C scenario instead of the 2°C scenario because the world is aiming for net-zero CO_2 emissions in 2050, and therefore policies and regulations are expected to be stricter.)

Scenario	Summary	References
1.5°C Scenario	● To limit the rise in global average temperatures to less than 1.5°C above pre-industrial revolution levels, policies and regulations in each country will be strengthened beyond the 2°C scenario, such as aiming for net-zero CO_2 emissions by 2050, and social awareness of the environment and climate change will increase significantly compared to now.	● IEA World Energy Outlook 2021. Sustainable Development Scenario / Net Zero Emissions by 2050 Scenario ● IPCC SSP1-1.9
4°C Scenario	● The announced policies will be implemented in addition to those already in place. Policies and regulations are weaker than in the 1.5°C and 2°C scenarios; CO_2 emissions are likely to increase for the time being, and social awareness of the environment and climate change will remain an extension of the current level.	● IEA World Energy Outlook 2021. Stated policies Scenario ● IPCC SSP5-8.5

(4) Study of Social Changes and Countermeasure Plans

(4-1) 1.5℃ Scenario

This is a scenario in which the entire world aims for carbon neutrality in 2050, regulations and policies are strengthened (introduction of carbon taxes and electricity price increases, restrictions on greenhouse gas emissions, etc.), progress is made in addressing climate change, and temperature rise is limited to 1.5°C from pre-industrial revolution levels.

Electricity prices are expected to rise as a result of switching away from fossil fuels and rising demand for renewable energy. At the same time, usage fees for cloud servers, which consume a lot of electricity, are also expected to increase, leading to higher operation costs, which in turn will reduce operating income. Furthermore, there is a risk of increased costs due to compliance with stricter regulations on environmental information disclosure.

Under such circumstances, we will implement measures to address transition risks through energy-saving activities and paperless initiatives to reduce CO2 emissions, which we have been promoting for some time, and switching to electricity derived from renewable energy sources. In addition, we assume that there will be opportunities to increase sales due to the growing demand for human resources with skills and expertise in decarbonization in the corporate sector.

By taking these measures, we aim to mitigate the impact of transition risks on business and capture new opportunities.

Category		Item		Impact on the company	Level of impact	Countermeasure plans
Risks	Transition risk	Policy/legal regulations	Increase in GHG emission prices	• Increased operating costs due to the introduction of a carbon tax	Small	• Continue and strengthen energy conservation efforts
			Strengthening of emissions reporting requirements	• Increased labor and outsourcing costs to comply with stricter regulations on decarbonization	Small	• Strengthen internal systems • Use CO2 emission calculation services, etc.
		Market	Changes in customer behavior	• Decrease in sales due to increased customer awareness of environmental considerations and a shift to more environmentally friendly services	Small	• Strengthen environmental responses and disclosures
			Rise in raw material costs	• Increased costs due to rising electricity prices and associated increases in server usage fees	Medium	• Continue and strengthen energy conservation efforts • Switch to electricity derived from renewable energy sources
		Reputation	Increased stakeholder concern or negative stakeholder feedback	• Decrease in investor evaluation due to delays in climate change initiatives and disclosures	Small	• Strengthen internal systems • Strengthen environmental responses and disclosures
Opportunities	Products/services	Consumer trends	Changes in consumer preferences	• Increased demand for personnel with skills in the environmental field	Medium	• Providing services for personnel with skills in the environmental field

(4-2) 4℃ Scenario

This is a scenario in which the entire world aims for carbon neutrality in 2050, regulations and policies are strengthened (introduction of carbon taxes and electricity price increases, restrictions on greenhouse gas emissions, etc.), progress is made in addressing climate change, and temperature rise is limited to 1.5°C from pre-industrial revolution levels.

Electricity prices are expected to rise as a result of switching away from fossil fuels and rising demand for renewable energy. At the same time, usage fees for cloud servers, which consume a lot of electricity, are also expected to increase, leading to higher operation costs, which in turn will reduce operating income. Furthermore, there is a risk of increased costs due to compliance with stricter regulations on environmental information disclosure.

Under such circumstances, we will implement measures to address transition risks through energy-saving activities and paperless initiatives to reduce CO2 emissions, which we have been promoting for some time, and switching to electricity derived from renewable energy sources. In addition, we assume that there will be opportunities to increase sales due to the growing demand for human resources with skills and expertise in decarbonization in the corporate sector.

Category		Item		Impact on the company	Level of impact	Countermeasure plans
Risks	Physical risk	Acute	Increased severity of extreme weather events such as typhoons and floods	● Lost opportunities if data center servers shut down due to extreme weather or natural disasters	Large	● Use of alternative servers ● Establish BCP system
		Chronic	Rise in average temperatures	● Increased office air conditioning costs due to higher average temperatures	Small	● Continue and strengthen energy conservation efforts ● Renew air conditioning equipment
Opportunities	Products/ services	Consumer trends	Changes in consumer preferences	● Increased demand for personnel with skills in the environmental field	Medium	● Providing services for personnel with skills in the environmental field

3. Risk Management

The project leader of each project identifies, evaluates, and monitors risks associated with business operations in accordance with the risk management rules established within the company. Particularly important risks are reported to the Board of Directors, which discusses them and instructs the members of relevant projects to take specific measures if necessary.

Risks related to climate change, including responses to legal amendments, are identified, evaluated, and monitored by the Sustainability Promotion Project. Particularly important risks are reported to the Board of Directors by the Sustainability Promotion Project in the same manner as other important risks, and the Board of Directors discusses them and instructs the members of relevant projects to take specific measures as necessary through the Sustainability Promotion Project.

4. Metrics and Targets

In response to climate change, we measure and disclose greenhouse gas emissions, and are aiming to improve energy efficiency.

We promote the reduction of greenhouse gas emissions by encouraging employees to live close to the office, promoting paperless initiatives, and other activities in the workplace for energy-saving.

CO2 emission

	FY2020	FY2022	FY2023
SCOPE1 (kg-CO2)	0	0	0
SCOPE2 (kg-CO2)	109,414	125,751	143,010
SCOPE1,2 total	109,414	125,751	143,010