

1

Taikisha Ltd.

Companies' approach

□ Background and purpose of accounting

- Amid global warming prevention becoming an important and urgent issue worldwide, we want to surely achieve social responsibility, by identifying and disclosing emissions across the entire supply chain and connecting it to reduction activities.
- On the assumption that we strive to improve environmental values for our customers through our operations, we want to properly identify the environmental impacts in our supply chain including upstream and downstream activities.

□ Utilization of accounting results

- As a reference to confirm what initiatives we should focus on and where in the supply chain has reduction potentials.
- To meet demands of information disclosure from various stakeholders.

□ Benefits of accounting

- Quantitative assessment of relative environmental aspects is capable.
- We can clarify the matters to be approached, in order to advance contributions towards global warming prevention.

□ Internal system for accounting

- The Investor Relations Section of Administrative Management Headquarters is the secretariat, organizing a working group which consists of members of the internal relative departments.

2

Taikisha Ltd.

Companies' approach

□ Efforts to reduce supply chain emissions

- Assuming that the emissions from the operation phase of the facilities that we provide are the largest across our supply chain, we will continue to focus on providing facilities and systems with high energy-saving capabilities.
⇒ Specifically, we will promote proposals for CO₂ reductions by projects designed by our company.
- We will strive to further promote green procurement.
⇒ Specifically, we will promote the purchasing of equipment subjected to green procurement, and increase the adoption of products that are made from eco-friendly materials.
- We will continue to implement reduction of construction by-products and proper disposal of industrial waste.
⇒ Specifically, reduction, re-using, and recycling of construction waste, and proper disposal of industrial waste.

□ Issues in supply chain emissions accounting

- Actual values and estimates are mixed, so all of the values cannot always be controlled. Therefore, it is difficult to evaluate the reduction effects.
- There are issues in creating a collection and calculating framework outside our company, and decreasing the work load of data identification, upon expanding the scope of calculations from the activities by Taikisha itself to activities by Taikisha's consolidated group companies.

3

Taikisha Ltd.

Category	Accounting methods	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> Amount of (raw) materials procured (monetary data) 	<ul style="list-style-type: none"> Emission factor based on input-output table (producer's price basis) *
Category 2: Capital goods	<ul style="list-style-type: none"> Amount of capital investment 	<ul style="list-style-type: none"> Emission factor per price of capital goods *
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> Purchased amount of electricity and fuel 	<ul style="list-style-type: none"> Emission factor per amount of electricity and heat consumed * , CFP COMMUNICATION PROGRAM DB Ver.1.01
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> Transportation expenses accompanied by the procurement of (raw) materials 	<ul style="list-style-type: none"> Emission factor based on input-output table (producer's price basis) *
Category 5: Waste generated in operations	<ul style="list-style-type: none"> Amount of waste discharged, by type 	<ul style="list-style-type: none"> Emission factor by type of waste *
Category 6: Business travel	<ul style="list-style-type: none"> Travel expenses paid, by mode of transportation 	<ul style="list-style-type: none"> Emission factor per transportation expenses paid by traffic classification, emission factor per number of nights staying in accommodation *
Category 7: Employee commuting	<ul style="list-style-type: none"> Transportation expenses paid to employees 	<ul style="list-style-type: none"> Emission factor per transportation expenses paid by traffic classification *
Category 8: Leased assets (upstream)	<ul style="list-style-type: none"> Included in Scope 1 and Scope 2 emissions calculations 	
Category 9: Transportation and delivery (downstream)	<ul style="list-style-type: none"> There are no relevant activities 	
Category 10: Processing of sold products	<ul style="list-style-type: none"> There are some products that are relevant, but calculations are ignored because its ratio in the sales is extremely small. 	

4

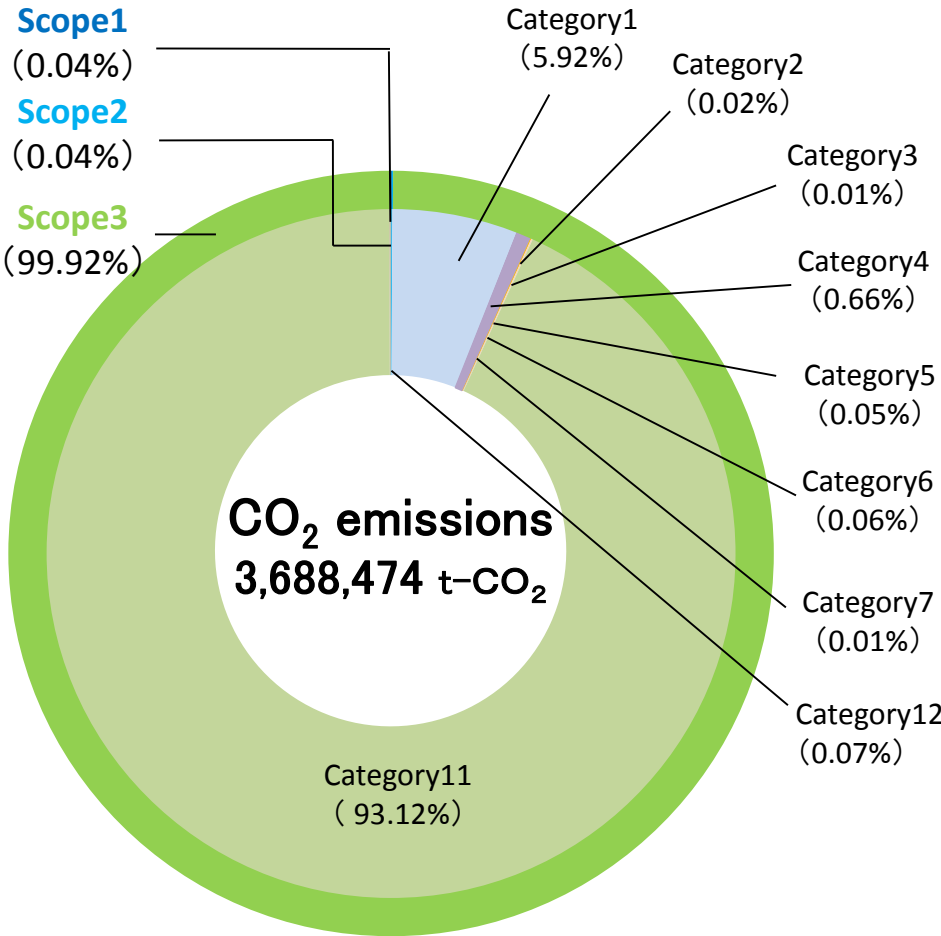
Taikisha Ltd.

Category	Accounting methods	
	Activity data	Emission factor
Category 11: Use of sold products	<ul style="list-style-type: none"> [Green Technology System Division] Construction revenue by building use, assumed value of the total floor space in the completed construction, assumed amount of HFC leakage from delivery equipment [Paint Finishing System Division] Construction revenue, annual production volume of automobiles by our paint finishing system which we delivered 	<ul style="list-style-type: none"> [Green Technology System Division] CO₂ emission factor by building use (Based on Tokyo Metropolitan Government Bureau of Environment “District Energy Planning System for Effective Utilization (2013 results)” × assumed durable life, emission factors related to the use of air conditioning in the National Green House Gas Inventory Report of Japan (packaged air-conditioning for buildings) * [Paint Finishing System Division] CO₂ emission factor per 1 car based on our own calculation model in our own automobile paint finishing line × assumed durable life
Category 12: End-of-life treatment of sold products	<ul style="list-style-type: none"> Weight of main equipments by type 	<ul style="list-style-type: none"> Emission factor by type of waste *
Category 13: Leased assets (downstream)	<ul style="list-style-type: none"> There are no relevant activities 	
Category 14: Franchises	<ul style="list-style-type: none"> There are no relevant activities 	
Category 15: Investments	<ul style="list-style-type: none"> Calculations are ignored because the validity of the category 15 estimates is low as a result of many portfolio companies not disclosing Scope 1,2 emissions, and the impacts of the category 15 estimates to the entire supply chain being small 	
Other	<ul style="list-style-type: none"> Calculations were not made because this is an optional category. 	

5 Taikisha Ltd.

Accounting results

Supply chain emissions (FY 2016)



Scope/Category		Emission amount (t-CO ₂)
Scope 1		1,531
Scope 2		1,589
Scope 3		3,685,354
Category 1	Purchased goods and services	218,483
Category 2	Capital goods	695
Category 3	Fuel- and energy-related activities not included in Scope 1 or 2	342
Category 4	Transportation and delivery (upstream)	24,375
Category 5	Waste generated in operations	1,678
Category 6	Business travel	2,385
Category 7	Employee commuting	260
Category 8	Leased assets (upstream)	—
Category 9	Transportation and delivery (downstream)	—
Category 10	Processing of sold products	—
Category 11	Use of sold products	3,434,618
Category 12	End-of-life treatment of sold products	2,518
Category 13	Leased assets (downstream)	—
Category 14	Franchises	—
Category 15	Investments	—
Total of Scope 1, 2 and 3		3,688,474