

# 1 Sumitomo Riko Company Limited

	<b>Companies' approach</b>
① <b>Background and purpose of accounting</b>	<ul style="list-style-type: none"> <li>• In addition to CO2 emission (Scope1,2) reduction by the in-house production, we aim at reducing CO2 emission (Scope3) of the value chain.</li> <li>• Therefore we will learn the Scope3 calculation in order to set the categories and targets for reduction based on the calculation results.</li> <li>• We want to announce the results of Scope1,2,3 emissions and reductions to the public.</li> </ul>
② <b>Utilization of accounting results</b>	<ul style="list-style-type: none"> <li>• Identify CO2 emissions by category in Scope3 and select categories with high emissions and high business effectiveness as targets for reduction.</li> <li>• Set specific reduction targets for the categories selected above and implement reduction activities.</li> <li>• We would like to publicize our environmental activities by responding to external surveys on environmental activities (CDP, etc.) and disclosing the data in our integrated report.</li> </ul>
③ <b>Benefits of accounting</b>	<ul style="list-style-type: none"> <li>• You can visualize CO2 emissions in the value chain, including procurement, design, production, logistics, etc.</li> <li>• Through visualization, we can identify priority areas for reduction.</li> <li>• Visualization helps to raise awareness of CO2 reduction among related parties.</li> <li>• Understanding the entire supply chain can be helpful in formulating business strategies.</li> </ul>
④ <b>Internal system for accounting</b>	<ul style="list-style-type: none"> <li>• Necessary data are obtained from related divisions and calculated by the Environmental Control Department. (currently Sumitomo Riko parent only)</li> <li>• In the future, we would like to develop a system to collect data from the entire group.</li> </ul>

## 2

## Sumitomo Riko Company Limited

	<b>Companies' approach</b>
<b>⑤ Efforts to reduce supply chain emissions</b>	<ul style="list-style-type: none"> <li>• Category 1 accounts for more than 80% of Scope 3, and is therefore the first candidate for reduction</li> </ul> <p>&lt;Concept of Category 1 reduction&gt;</p> <p>(1) Raw materials procurement ⇒ Reduced at product design (Material reduction and material conversion due to miniaturization etc.)</p> <p>(2) Parts and product outsourcing ⇒ Request suppliers to reduce CO2</p>
<b>⑥ Issues in supply chain emissions accounting</b>	<ul style="list-style-type: none"> <li>• It is necessary to prepare enough activity data and emission factor data with calculation for global expansion.</li> <li>• Establishment of an organization for global expansion is also necessary.</li> <li>• Since many categories use the emission factor for calculating emissions, it is difficult to reflect this in the reduction.</li> </ul>
<b>⑦ Other</b>	

## 3

## Sumitomo Riko Company Limited

Category	Accounting methods ※Accounting period : April 2017 - March 2018	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> <li>Weight of procured raw materials and other materials</li> <li>Parts procurement amount, outsourcing purchase amount</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1,2,3</li> <li>Database of emission factor *2,3</li> </ul>
Category 2: Capital goods	<ul style="list-style-type: none"> <li>Amount of capital investment</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1</li> </ul>
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> <li>Energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1,2</li> </ul>
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> <li>Transport ton-kilometers under scenario setting</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1,3</li> </ul>
Category 5: Waste generated in operations	<ul style="list-style-type: none"> <li>Amount of waste generated by means of disposal</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1</li> </ul>
Category 6: Business travel	<ul style="list-style-type: none"> <li>Number of employees</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1</li> </ul>
Category 7: Employee commuting	<ul style="list-style-type: none"> <li>Number of employees in each location</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1</li> </ul>
Category 8: Leased assets (upstream)	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	
Category 9: Transportation and delivery (downstream)	<ul style="list-style-type: none"> <li>Sales to customer</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *3</li> </ul>
Category 10: Processing of sold products	<ul style="list-style-type: none"> <li>Sales to customer</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *3</li> </ul>
Category 11: Use of sold products	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	
Category 12: End-of-life treatment of sold products	<ul style="list-style-type: none"> <li>Amount of waste generated by means of disposal</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *1</li> </ul>
Category 13: Leased assets (downstream)	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	
Category 14: Franchises	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	
Category 15: Investments	<ul style="list-style-type: none"> <li>Stock ownership rate</li> </ul>	<ul style="list-style-type: none"> <li>Database of emission factor *3</li> </ul>
Other	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>

\*1 Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5)

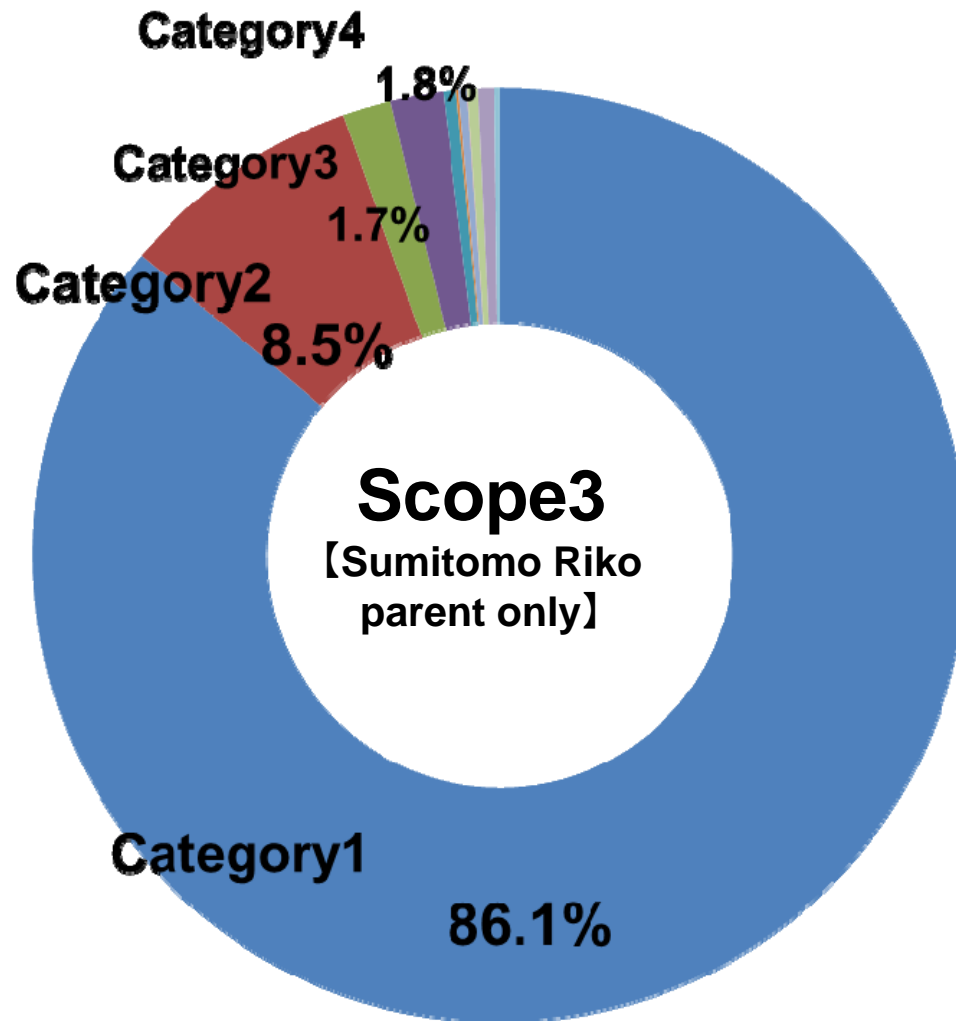
\*2 CFP Communication Program Basic Database Ver. 1.01

\*3 Other; Japanese association of car tire LCCO2 calculation guidelines (2012), Survey data of the Sumitomo Riko

## 4

## Sumitomo Riko Company Limited

## Supply chain emissions : Accounting results 【Sumitomo Riko parent only】



## CO2 emissions share by Scope 3 category

Category	Share %
Category 1	86.1%
Category 2	8.5%
Category 3	1.7%
Category 4	1.8%
Category 5	0.5%
Category 6	0.1%
Category 7	0.3%
Category 9	0.02%
Category 10	0.4%
Category 12	0.5%
Category 15	0.2%