

ECO SUSTAINABILITY

Eco-Sustainability at Wacom

From the launch of the ESG Task Force to environmental-friendly development, manufacturing, and logistics, let's take a look at the various environmental initiatives that "Technology Leadership Company" Wacom has been promoting.

1 | What Wacom Can Do to Define an Eco-friendly Sustainable World

Back in 2019, Wacom launched an ESG Task Force to improve external ESG evaluations. With this as a starting point, Wacom began disclosing its recycling efforts and environmental performance in addition to its ISO certification information and quality and environmental policies. In the process, the Task Force worked to disclose the company's GHG (greenhouse gases) Scope 1 and 2 data and has realized it, followed by the Scope 3 data pertaining to GHG indirectly emitted from the company's activities by March 2023.

In addition to these disclosure efforts, Wacom announced its participation in the JCI (Japan Climate Initiative) in April 2021. The current plan is to achieve a 48% reduction by 2030 (a decrease of about 4% per year) compared to 2014.

Wacom's environmental disclosure score by global environmental non-profit CDP was a "D" as of 2019, but has been raised to a "C" in 2020 and beyond. This means that Wacom has achieved the same level as the global average, the Asian region, and the electrical and electronics sector. In this way, Wacom's commitment and plans for GHG emissions reduction and other environmental issues have steadily led to the attainment of a fitting external evaluation.

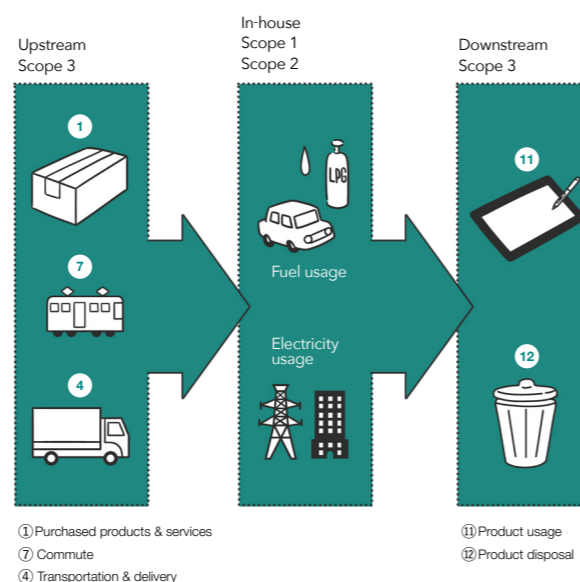
Wacom's digital pen and ink were intended to replace paper and pens from the very start. In other words, we believe that from a perspective of reducing paper consumption, there is plenty of potential for the proliferation of Wacom products to contribute to reducing the environmental footprint. As for corporate activities, the latest flagship model, the Wacom® Cintiq® Pro 27, uses PCR plastic (recycled material), improves transportation efficiency by reducing product weight and packaging volume, which also uses eco-friendly packaging materials. And as for the office environment, Wacom has begun to introduce renewable energy and has created e-Learning materials for implementing online courses that raise environmental awareness among team members.

Looking to the future, Wacom's upcoming environmental activities include setting standards and guidelines for the company's definition of eco-friendliness, conducting product life-cycle assessment (LCA), and conducting third-party assessments of GHG emissions.



Hidemi TOMITSUKA

Senior Manager
Regulation & ISO Group
Quality Engineering
Quality Assurance



- ① Purchased products & services
- ⑦ Commute
- ④ Transportation & delivery

- ⑪ Product usage
- ⑫ Product disposal

For the latest environmental performance data, please visit the "Eco Initiatives" page on Wacom's official website.
<https://www.wacom.com/en-jp/eco-initiatives>



Greenhouse gas (GHG) Scope 3 emissions (as of 2021)

| Category | CO2 Emissions (t-CO2) |
|---|-----------------------|
| 1. Purchased goods and services | 764,349 |
| 2. Capital goods | 4,472 |
| 3. Fuel- and energy-related activities (not included in scope 1 or scope 2) | 191 |
| 4. Upstream transportation and distribution | 2,115 |
| 5. Waste generated in operations | 6* |
| 6. Business travel | 303 |
| 7. Employee commuting | 439 |
| 8. Upstream leased assets | - |
| 9. Downstream scope 3 emissions 9. Downstream transportation and distribution | - |
| 10. Processing of sold products | - |
| 11. Use of sold products | 25,476 |
| 12. End-of-life treatment of sold products | 240 |
| 13. Downstream leased assets | - |
| 14. Franchises | - |
| 15. Investments | - |

*5. Waste from projects is calculated only from Japanese figures

2 | Moving towards Implementing Product LCA

In Mechanical Technology, we've been focusing our attention on environmental sustainability from a planning and developmental perspective, and we've put together a mid- to long-term roadmap to address the issue. Currently, we are working on the applications of eco-friendly products, which is the first part of the final step as defined therein. More specifically, this includes things like increasing our usage of PCR plastic and recyclable aluminum, and we've set a goal for making these a regular part of our product lineup by around 2025. We're also moving towards designing our products with an eye on LCA, and soon we hope to be assessing the environmental impact of our products and services quantitatively throughout their lifecycle (resource extraction—raw material processing—production—distribution & consumption—disposal & recycling).

In line with the emergence of new materials such as bioplastics, we would like to build a framework where Wacom is using eco-friendly materials in many ways, and we would also like to collaborate with universities to promote research on biomaterials in the future.



Takenori KANEDA

Executive Mechanical Technologist
Head of Mechanical Technology



3 | The Daily Environmental Efforts of Own Factory Production Lines in Japan

The production line at our main factory where the main components of our EMR digital pens used by Branded Business are manufactured is pouring daily effort into conserving resources and reducing waste.

To raise an example, we had set an environmental goal under ISO 14001 to lower the defect rate (held to our own standards of responsibility) to under 3 ppm (parts per million) by curbing errors and preventing waste loss of materials in our operations.

As of January 2023, we've achieved 0 ppm with no defects (held to our own standards of responsibility). We will continue our efforts to reduce waste loss by maintaining this rate. Further, we have begun the adoption process for "Sainokuni Furusato Electric Power" as of November 2022, which has resulted in zero CO2 emissions at the head office including the factory area in Saitama Prefecture.



Tadashi OHASHI

Manager
SCM In-house Manufacturing

4 | The Challenge of Reducing CO2 Emissions through Logistics

We, the logistics team, are working alongside our logistics partners in the name of reducing emissions of CO2, which is a GHG, and together we've begun efforts to determine the extent of our CO2 emissions.

Regarding CO2 reduction, in principle, Wacom products are transported overseas by boat. Nevertheless, the transportation by air is sometimes unavoidable when on time delivery to our customers is our primary objective, and in such cases, we are making efforts to load our products more efficiently.

On top of that, to up the level of environmental consciousness with our logistics partners, we are encouraging to introduce eco-friendly vehicles for domestic deliveries, and improving the efficiency of allocating vehicles by arranging deliveries through large-scale centralized facilities. One of the partner warehouses uses the uniforms made from recycled plastic bottles.



Atsuko YODA

Director
Branded Logistics Branded Business SCM



Examples of eco-friendly initiatives under Wacom Cintiq Pro 27

- The Introduction of lightweight products and downsized packaging
Main Unit: Product size has been reduced by approximately 20% compared to the previous model (Wacom Cintiq Pro 24). Package has also been reduced in size by 33% (in volume), resulting in a 33% increase in transportation efficiency.
Stand: 52% lighter than the previous model (Ergo Stand 24). Package size has also been reduced by 70% (in volume), tripling the transportation efficiency.
- Application of recycled plastic and metals
Main Unit: Main plastic components such as chassis use recycled plastic. Weight of recycled plastic accounts for 59% of total plastic weight.
Stand: Main components use metal out of consideration for sturdiness and ease of recycling. Recycled plastic is used for plastic components. Recycled plastic accounts for 58% of total plastic weight.

5 | How the Flagship Model Addressed Environmental Issues

In the development of Wacom Cintiq Pro 27, we were conscious of the idea of responsible consumption and production (SDG #12) in order to keep up with the shift in our society's values to one where sustainability and SDGs have become major topics. We believe that in the future, LCA and the question of how we make things will become an important mode of thought.

To give an example, we replaced plastics made from petroleum with those made from vegetable materials and increasing the ratio of PCR plastic with the cooperation of suppliers and team members in the engineering department. Although it is difficult to express quantitative measurements by environmental aspects, we've also adopted a structure that allows for users to depend on a single pen that can be recombined with modules to meet their individual needs without developing several types of pens. We believe that these approaches have led to efficiency improvements in various perspectives, has also given users more freedom to personalize their experience, and we could deliver "the model that can be tailored to each individual preference".



Naoya NISHIZAWA

Director of Design
Technology & Experience

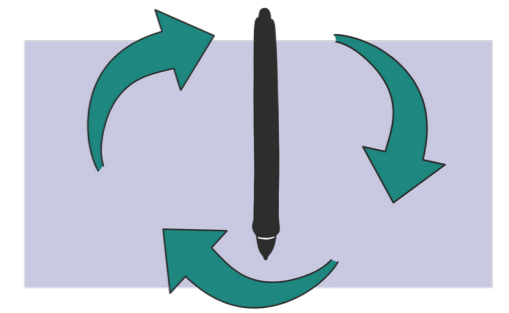
6 | Environmental Initiatives Responding to OEM Customer Requests

Technology Solution Business is taking a proactive role when it comes to launching eco-friendly initiatives in response to various requests from our OEM customers.

One such initiative involves us working together with an aluminum manufacturer in China to develop recycled aluminum out of the re-melted scraps and waste materials from their factory processes. We are currently working on making some prototypes of pen body made of 75% to 90% recycled aluminum.

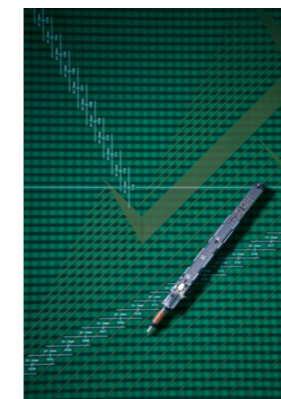
We are also developing PCR plastic in collaboration with a Chinese plastic manufacturer and moving towards changing the material of packing bags from PE (polyethylene) to PBAT + PLA (biodegradable plastic).

Our current activities are directed at the products of our OEM customers, but we are working hard to build new supplier relationships for future collaborations in the hopes that our branded products will also use these materials someday soon.



Ben WAN

Manager
Sourcing
Wacom China Corporation



Kenji YOKOYAMA

Director
Environment & Certification
Quality Engineering
Quality Assurance

7 | Collaborating with Suppliers for Water Conservation

The major suppliers of printed circuit boards (PCBs) used in Wacom's products are located in China, and they strictly comply with wastewater treatment standards under the "New Industrial Wastewater Standards" established by the Ministry of Ecology and Environment under the direct control of the government. Wacom also confirms that all of the PCB supplier plants have "wastewater permits". In addition, Wacom voluntarily inspects the plant's wastewater facilities and flow conditions to ensure that wastewater containing hazardous substances is properly managed and treated.

It seems that there are only a limited number of PCB suppliers as of yet that have established wastewater flows that are both eco-friendly and conscientious about water conservation in accordance with various regulations, Wacom would like to continue this effort in the future.



Kenichi OKAWA

Manager
Sourcing

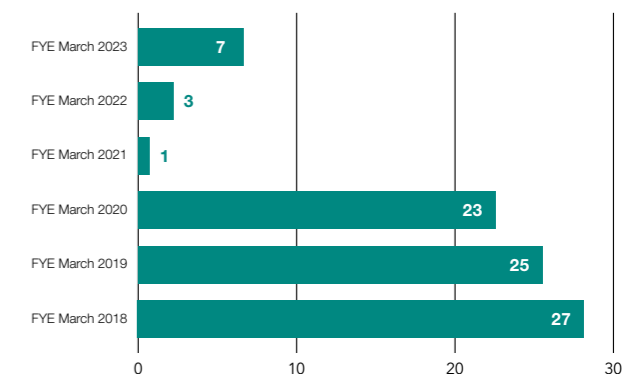
8 | Understanding & Disseminating the "Wacom Suppliers Code of Conduct"

As part of the company's responsible procurement efforts, Wacom has established the "Wacom Suppliers Code of Conduct" based on the RBA Code of Conduct formulated and issued by the Responsible Business Alliance (RBA).

In addition to our suppliers' own self-spurred CSR activities, we ask their own supply chain and subcontractors (including companies who dispatch temporary employees) to endorse and abide by the Code of Conduct in accordance with the guidelines provided by each item therein. Beyond that, we conduct credit checks, quality and environmental system surveys, and factory inspections for new suppliers to promote understanding and ensure compliance. We also distribute the latest version of the "Wacom Suppliers Code of Conduct" to our main suppliers to promote understanding of our ESG initiatives.

To top it off, Wacom conducts environmental audits of new suppliers and major suppliers to ensure that products do not contain hazardous substances prohibited by our customer requirements or under the laws of the countries in which they are sold.

Number of environmental audits performed (primarily hazardous substance control)



Note: The number of cases decreased from FYE March 2021 to FYE March 2023 due to the COVID-19 pandemic.

TCFD DISCLOSURE

Information Disclosure Based on the TCFD Recommendations

(as of May 31, 2023)

1. Purpose

Wacom recognizes climate change as an important consideration in striving to enhance sustainable corporate value and contribute to the realization of a sustainable society. We expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on April 13, 2023. Based on the TCFD recommendations, we will promote information disclosure on governance, strategy, risk management, and metrics and targets, and continue to enrich content related to sustainability.

2. Governance

Wacom has established an ESG Task Force to ensure that the Board of Directors appropriately supervises and advises on important issues related to sustainability, such as climate change. The ESG Task Force meets regularly to examine specific sustainability policies and consider strategies, measures, and progress toward environmental targets. Participants include the President and CEO, the CFO, the environmental management representative, the secretariat of the Compliance and Risk Committee, and IR staff. Of the matters discussed by the ESG Task Force, important subjects—particularly those related to management risks and opportunities—are reported annually to the Board of Directors, which includes outside directors.

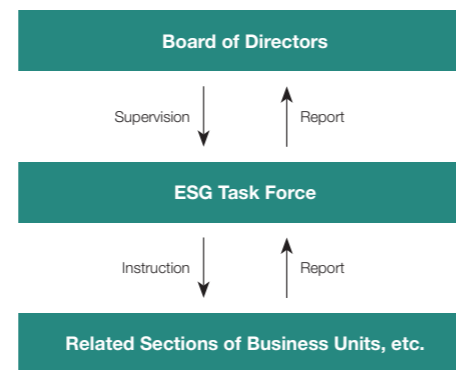
3. Strategy

Through the ESG Task Force, Wacom collects data and parameters necessary to identify and assess climate change-related risks and opportunities and analyzes the degree of business impact. In considering and analyzing the degree of impact and potential countermeasures, we utilize scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), and analyze the impact based on two different scenarios for the year 2030.

| 4°C Scenario | 1.5°C Scenario |
|---|--|
| <p>Priority on economic activity and passive approach to climate change mitigation.</p> <p>Under this scenario, climate change-related government policies and regulations do not progress, resulting in a 4°C rise in the average global temperature by the end of this century compared to the start of the industrial revolution. This will lead to further long-term changes in climate and an increased impact from extreme weather events.</p> | <p>Society moves proactively to achieve decarbonization.</p> <p>Under this scenario, policies and regulations are strengthened with the goal of achieving carbon neutrality by 2050, aiming to limit the global average temperature rise to 1.5°C by the end of this century compared to the start of the industrial revolution. The decarbonization transition is supported by the market through ethical consumption, technological innovation, and other changes in consumer behavior.</p> |
| <p>(Reference Scenarios) IPCC Fifth Assessment Report (AR5) RCP8.5 IEA WEO2021 STEPS</p> | <p>(Reference Scenarios) IPCC Fifth Assessment Report (AR5) RCP2.6 IEA WEO2019 SDS, NZE2050</p> |



Governance System



<Impact assessment in the 4°C scenario>

The analysis of the 4°C scenario includes anticipated impacts such as losses arising from direct damage to facilities and operational disruptions due to increased frequency of natural disasters. It also considers the increased cost of air conditioning due to rising average temperatures. The potential damage extends not only to our own facilities but also to contracted manufacturing factories, with direct impact from extreme weather events, particularly floods, being evaluated as significant risk factors.

At the same time, the intensification of extreme weather and the impact of rising temperatures could potentially lead to an increased demand for our products as web conferencing systems and similar solutions become more prevalent. Moving forward, we will enhance resilience against weather disasters through engagement with suppliers and consider response measures through continuous review of our Business Continuity Planning (BCP) measures.

<Impact assessment in the 1.5°C scenario>

In our analysis of the 1.5°C scenario, we anticipate the main risk being increased expenditures, including from the introduction of carbon taxes and rising electricity prices. Based on an analysis of Wacom's business model and actual CO₂ emissions, we have determined that the financial impact from these additional direct expenses is likely to be minor. However, we have to anticipate price pass-throughs of additional expenses arising from the introduction of border carbon taxes and similar impacts on contracted manufacturing and transportation partners, resulting in an increase in indirect costs. We also recognize the potential for increased demand for products which are energy-efficient and use environmentally friendly materials, and services that cater to societal and environmental concerns, such as ethical consumption. We believe that the provision of products and services which meet these needs can create business opportunities. For example, if society as a whole goes paperless, we can anticipate increased demand for various types of pen tablets across different fields, including enterprises, local governments, educational institutions, and creative industries. Wacom has been actively promoting the use of renewable energy and working towards reducing CO₂ emissions. Going forward, we will continue to pursue these initiatives and consider additional measures.

| Classification | Item | Major Risk & Opportunity | Category | Time period | Assessment | | Countermeasure |
|-----------------|------------------------------------|---|-------------|-------------|--------------|----------------|---|
| | | | | | 4°C scenario | 1.5°C scenario | |
| Migration risks | Carbon pricing | • Increase in operating costs due to the introduction of carbon pricing including a carbon tax | Risk | Long Term | - | Small | • Introduction of renewable energy • Setting CO ₂ emissions targets • Energy-saving measures such as switching to LED lighting |
| | | • Increase in indirect costs due to the price pass-through resulting from the implementation of cross-border carbon taxes and the introduction of carbon taxes for contracted manufacturing and transportation partners | Risk | Long Term | - | Small* | • Promotion of renewable energy at contracted partners |
| | Changes in energy costs | • Increase in electricity costs due to conversion to renewable energy | Risk | Long Term | - | Small | • Energy-saving measures such as switching to LED lighting • Replacement with energy-saving facilities |
| | Changes in customer behaviors | • Increase in demand for environmental-friendly products • Increase in demand for various pen tablets due to paperless promotion | Opportunity | Medium term | - | Medium* | • Development and sales of products with high energy-saving performance • Expansion of targets to educational settings and businesses, etc. • Respond to customer needs for paperless |
| Physical risks | Increase in extreme weather events | • Direct damage to company bases due to floods or storm surges • Damage due to suspension of business due to damage to the base | Risk | Short Term | Large | Medium | • Strengthening resilience of stores and offices through BCP development • Establishment of remote work systems |
| | | • Damage caused by floods or storm surges to contracted manufacturing partners that hold our inventories • Damage due to suspension of business due to damage to contracted manufacturing partners | Risk | Short Term | Large* | Medium* | • Evaluation of stable procurement methods • Grasping the BCP measures across the entire supply chain |
| | Rise in global average temperature | • Increase in remote work due to fewer opportunities to go out • Increase in air conditioning usage | Opportunity | Long Term | Small* | Small* | • Expansion of targets to educational settings and businesses, etc. • Introduction of high-efficiency air conditioning systems |

<Time period>
Short term: 0-1 year
Medium term: 1-5 years(s)
Long term: 5-10 years

<Indicators for Impact Assessment>
"Large", "Medium", and "Small" represent the impact evaluation outcomes. Evaluations marked with an asterisk (*) indicate qualitative results. Please note that the assessment of the impact for each event is described on an individual basis and does not take into account the interrelationships between them.

4. Risk Management

Wacom has established a Compliance Risk Committee, chaired by the Group CEO, to serve as our risk management framework. The managers of each department, including our overseas subsidiaries, are required to report to this committee in the event of realized risks or material changes in predicted risks. The ESG Task Force identifies and evaluates risks related to climate change issues. For related risks with a significant potential impact on our company, the ESG Task Force shares information and collaborates with the Compliance Risk Committee to ensure appropriate management and supervision and minimize their potential impact on the Company. These activities are regularly reported to the Board of Directors by our Group CEO.

5. Metrics and Targets

As part of our response to climate change, we participate in the Japan Climate Initiative (JCI) and have set and announced an intermediate target for CO₂ emissions to be achieved by fiscal year 2030 in order to achieve carbon neutrality by 2050. Considering early introduction of renewable energy, we aim to reduce CO₂ emissions by 48% by 2030 compared to 2014 as the base year, aiming to emit less than 715 t-CO₂.

Activities to Reduce CO₂ Emissions

In fiscal year 2021 our emissions amounted to 914 t-CO₂, significantly lower than our target of 1032 t-CO₂, which had been revised from 1151 t-CO₂. We achieved this significant reduction through initiatives such as converting to LED lighting at our head office and implementing telework. While we have not set a specific target for our energy consumption rate, we will continue to disclose our actual performance. For our CO₂ emissions trend for fiscal years 2012 to 2021, please refer to our environmental performance data, which we expanded in fiscal 2021 to include data from our overseas locations. We have now identified the majority of available data sources and will add these to our disclosure as appropriate. Moving forward, we will explore feasible measures to reduce CO₂ emissions and consider setting global targets.

From November 8, 2022, we began utilizing Sai no Kuni Furusato Denki (renewable energy from post-FIT sources) at our head office in Saitama Prefecture. This is expected to enable achievement of zero CO₂ emissions (Scope 2) from our head office, which will be reflected in the environmental performance data for fiscal year 2022. For the latest information on our environmental performance, please see Eco Initiatives on the Wacom website. <https://www.wacom.com/en-jp/eco-initiatives>