UNITED ARROWS LTD. - Information Disclosure Based on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Last Updated: September 30, 2022

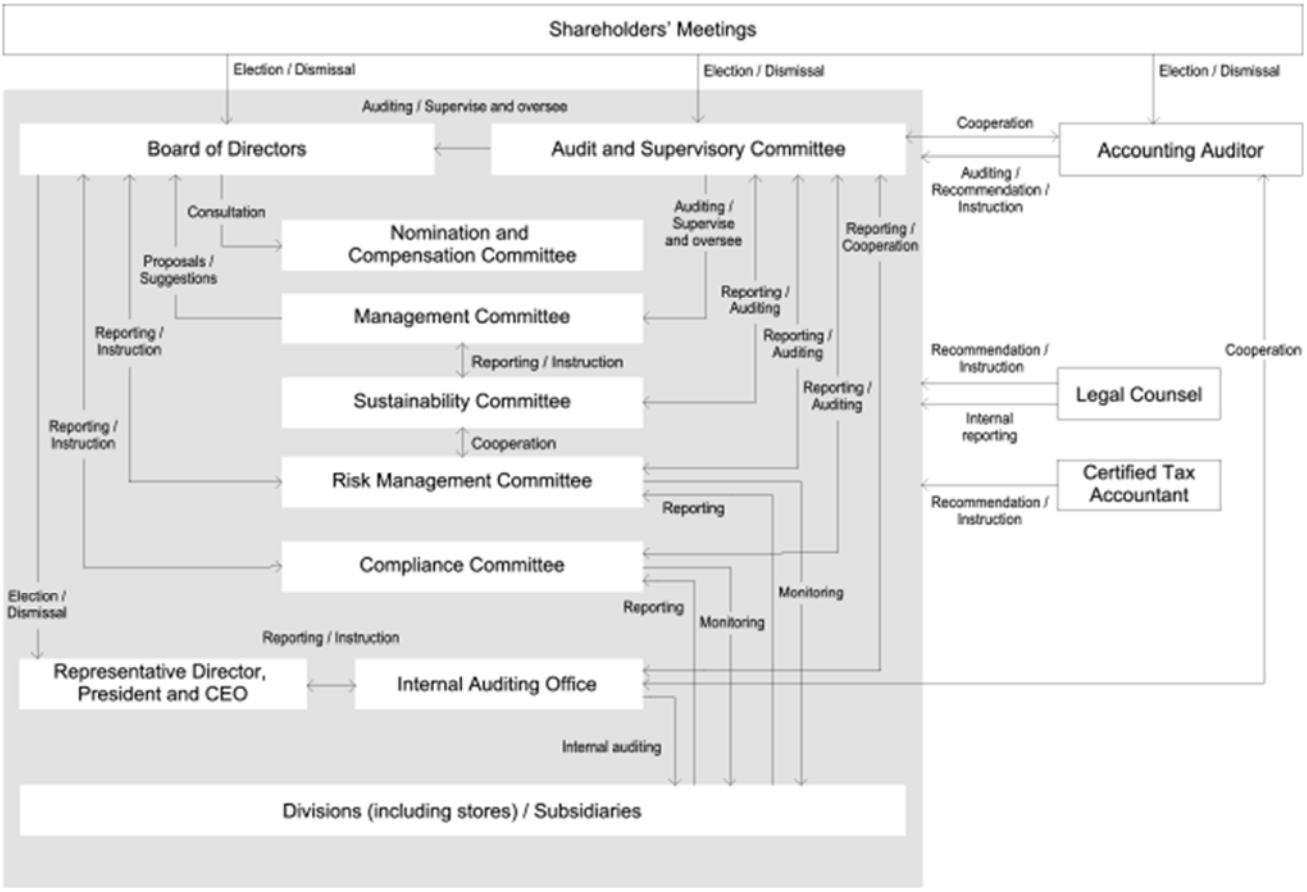
Introduction

UNITED ARROWS recognizes that climate change is one key management issue in its business activities. Therefore, while strengthening our governance framework, we intend to take initiatives toward analyzing the impact climate change risks have on business operations, developing appropriate measures and promoting opportunities for further growth so as to utilize them in our corporate strategy. As such, we will endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board. For the realization of a sustainable society and environment, together with sustainable corporate growth, we will actively take measures toward climate change and disclose related information.

Governance

UNITED ARROWS established a Sustainability Committee in April 2020 as a subordinate organization of the Management Committee to deliberate matters, such as the establishment of climate change-related policies and targets as well as initiatives to achieve them. Progress reviews are also being conducted. Related activities are being promoted across relevant in-house departments led by the Sustainability Committee, which will be working in unison with the Risk Management Committee. The Chairperson of the Sustainability Committee is served by the Representative Director and President, with all executive directors serving as committee members and full-time outside directors as observers. The Sustainability Promotion Department will serve as the secretariat.

Matters deliberated at the Sustainability Committee are reported regularly to the Board of Directors, which bears the final responsibility for management and approvals, etc.



Strategy

To understand and assess the impact of climate change, UNITED ARROWS has conducted a scenario analysis which covers a period up to 2030, with cases when the average temperature increase by 2100 is below 2°C and at 4°C.

The scenario analysis was based on scenarios drawn up by global specialized agencies, including the IPCC and IEA, which set average temperature increases at (1) 4°C or more, (2) below 2°C, and (3) at 1.5°C.

Since an average temperature increase of 4 °C will greatly affect society and businesses, we recognize the importance of aiming to keep the temperature increase to below 1.5 to 2°C.

[Referenced scenarios]

4°C scenario

"The Stated Policies Scenario (STEPS)" (IEA)

"Representative Concentration Pathways (RCP8.5)" (IPCC)

Below 1.5 to 2°C scenario

"Sustainable Development Scenario (SDS), Net Zero Emissions by 2050 Scenario (NZE)" (IEA)

"Representative Concentration Pathways (RCP2.6)" (IPCC)

[Scenario analysis]

	Scenario assumption for 2030	NO	Risks and opportunities	Risk category	Impact	Response strategies
4°C scenario	Temperature increase cannot be kept under control, precipitation and weather patterns are changing significantly, and damage from natural disasters is increasing. Farm crops and livestock products are also greatly affected. Customers are becoming to be more aware of disaster prevention, and demand for functional products that respond to changes in the living environment such as heat waves and hot weather is increasing.	1	Decrease in sales due to damage to product manufacturing sites, interruption of distribution, and closing of stores resulting from abnormal weather	Physical risks (acute)	Large	* On-going BCP
		2	Increase in costs due to impact on production of product raw materials resulting from abnormal weather and average temperature increases	Physical risks (acute and chronic)	Large	* Diversification of procurement risks and verification of alternative materials
		3	Decrease in sales due to late response toward change in customer needs resulting from abnormal weather and average temperature increases	Transition risk (market)	Small	* On-going marketing and verification of measures
		4	Creation of demand for related products that correspond to environmental changes in everyday life; enhancement of reputation	Market (*opportunities)	Large	* On-going marketing and verification of measures
Below 1.5 to 2°C scenario	Regulations on carbon emissions, introduction of a carbon tax, policies on emission reduction targets, and energy conservation policies are strengthened. Product procurement costs and store operation costs are affected by taxation. Although temperature increase is kept under control, precipitation and weather patterns are undergoing certain change. Customers are becoming to be more environmentally conscious, and demand for sustainable products is increasing.	1	Increase in operational costs resulting from introduction of greenhouse gas emission reduction policies, such as carbon tax and carbon pricing	Transition risk (policy and regulation)	Large	* Promotion of CO^2 emission reduction
		2	Decrease in sales due to damage to product manufacturing sites, interruption of distribution, and closing of stores resulting from abnormal weather	Physical risks (acute)	Medium	* On-going BCP
		3	Increase in costs due to impact on production of product raw materials resulting from abnormal weather and average temperature increases	Physical risks (acute and chronic)	Medium	* Diversification of procurement risks and verification of alternative materials
		4	Decrease in sales, deterioration of corporate image and reputation due to late response to change in customer needs such as increasing demand for sustainable products from heightened environmental consciousness	Transition risk (market)	Small	* On-going marketing and verification of measures
		5	Creation of new demand by offering sustainable products and conducting sustainable activities that involve customers; enhancement of reputation	Market (*opportunities)	Large	* On-going marketing and verification of measures

Risk Management

UNITED ARROWS established a Risk Management Committee based on Risk Management Regulations to periodically identify risks related to business activities. In principle, material risks are assessed and selected annually to be subject for review as management issues, etc. for the next fiscal year.

In addition, risks related to climate change are also managed under an integrated risk management framework and reviewed in more detail by the Sustainability Committee. Study and implementation of initiatives toward risks by each division are also promoted.

Metrics and Targets

The Company's greenhouse gas emissions are set as a metric for initiatives taken toward climate change.

[Metrics/Results]

Greenhouse gas emissions for fiscal year ending March 2020 (consolidated)

Scope 1: 681 t-CO2

Scope 2: 9,075 t-CO2

Scope 3: 303,228 t-CO2

[Targets]

Greenhouse gas emission reduction targets (consolidated, compared to fiscal year ending March 2020)

Fiscal year ending March 2031　Scopes 1 and 2: 30% reduction

Fiscal year ending March 2031　Scope 3: 15% reduction

※In July, we have applied to The Science Based Targets (SBT) initiative for certification of our targets.