UNITED ARROWS LTD. - Information Disclosure Based on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Last Updated: December 23, 2025

Introduction

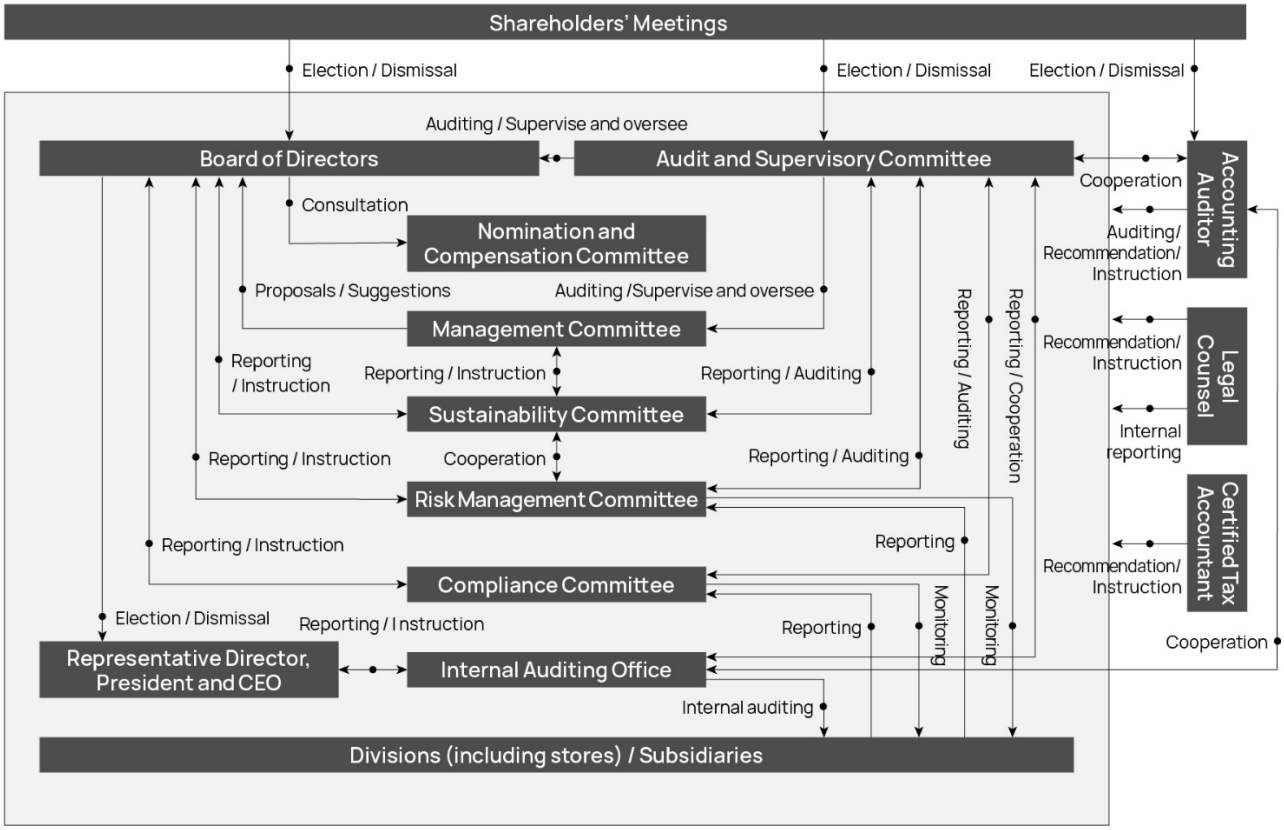
UNITED ARROWS recognizes that climate change is one key management issue in its business activities. Therefore, while strengthening our governance framework, we intend to take initiatives toward analyzing the impact climate change risks have on business operations, developing appropriate measures and 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.

Corporate governance framework



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 4°C or more, below 2°C, and 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

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

Below 1.5 to 2°C scenario

Net Zero Emissions by 2050 Scenario (NZE)" (IEA)

[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)	458 million yen *1	* 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)	2,997 million yen *2	* 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)	3,622 million yen *3	* On-going marketing and verification of measures

[Basis for Calculation of Quantitative Financial Impact]

*1

The percentage of sales from physical stores is approximately 74% (actual figures from FY2024), which is closely related to our profits and sustainable growth. In addition, our stores are concentrated in large cities across Japan, with product distribution centers and headquarters functions also concentrated in the Tokyo metropolitan area. However, in the event of a natural disaster due to extreme weather conditions, fire, or power outages, there is a risk that logistics functions will be disrupted, resulting in a lack of product assortment in stores. Furthermore, since approximately 30% of all stores in Japan are based in Tokyo, the possibility of damage to store facilities, store closures, and interference with product procurement increases if a natural disaster such as a major typhoon or heavy rain occurs in this region.

Assuming that a natural disaster, such as heavy rain forces our stores to suspend operations for five days, the loss is estimated to be approximately 458 million yen.

*2

While a carbon tax has not yet been introduced in Japan, the EU and some Southeast Asian countries are already promoting carbon tax policies. If climate change mitigation policies, such as carbon taxes and emission credits are applied, the cost of crude oil-derived materials and delivery costs are expected to increase for sales of clothing.

Cost of goods sold in FY2024 represents 44.3% of sales for the same period, with delivery and transportation costs accounting for 1.2%. We recognize that an enhanced carbon tax system would have a significant financial impact on our company due to the expected increase in procurement costs.

Looking at past results, the percentage of products containing synthetic fibers has been approximately 35%. If we assume that the price of synthetic fibers derived from crude oil will increase by 10% due to the introduction of a carbon tax, the estimated increase in operating costs will be 2,341 million yen.

In addition, in 2024, the price of gasoline was 181 yen/liter. Taking into account the impact of a carbon tax, if crude oil prices continue to rise, assuming a 35% increase in gasoline prices in 2030 compared to 2024, the increase in transportation costs would be 656 million yen.

Total: Increase in raw material procurement of 2,341 million yen + Increase in transportation costs of 656 million yen = 2,997 million yen.

*3

Following in the footsteps of Europe, the Japanese government announced in 2020 that it would aim to become carbon neutral by 2050, which has led to an increase in environmental awareness among customers and an increase in demand for products with a lower environmental impact. Therefore, we are expanding our lineup of products made from materials with a low environmental impact. Through the sales of these products, we believe that we can meet

the needs of environmentally conscious customers and expect to increase new customers and sales.

Looking at past performance, in the third quarter of the fiscal year ended March 2020, due to the effects of the lingering summer heat and warm winter, same-store sales of fall and winter products decreased by 2.4% from the same period of the previous fiscal year. The fall in sales resulting from this seasonal displacement caused by climate change is calculated to be 3,622 million yen, assuming that this decrease will be compensated by promoting seasonless products and sustainable products.

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

We have set greenhouse gas emissions as an indicator of our efforts to address climate change, and have set targets of reducing Scope 1 and 2 by 30% and Scope 3 by 15% in the fiscal year ending March 2031, with the fiscal year ended March 2020 as the base year. These targets were certified as SBT (Science Based Targets) by “SBTi (The Science Based Targets initiative),” an international initiative, in April 2023.

[Greenhouse Gas Emissions Results/Targets (Consolidated)]

	FY2020 (Base Year) Results	FY2025 Results	Reduction rate in FY 2025 relative to the base year	FY2031 Reduction Target
Scope1	681 t-CO2e	558 t-CO2e	32.5% Reduction	30.0% Reduction
Scope2 (market-based)	10,394 t-CO2e	6,920 t-CO2e		
Scope3	334,321 t-CO2e	343,651 t-CO2e	2.8% Increase	15.0% Reduction