

## Information Disclosure Based on TCFD Recommendations

December 2023

### ■ Corporate Purpose and ESG Management

Ryohin Keikaku does business in accordance with its corporate purpose: to contribute to the creation of a truthful and sustainable life for all through our products, services, stores and business activities; believing human society rich in heart, with balanced relationship between human, nature and artifacts.”

We aim to build a sustainable society while achieving circularity and coexisting with nature through our product development, services and actions.

Through our core value of “contributing to society and people” our employees and associates will proactively respond to issues facing society and the Earth and make efforts to reduce our environmental burden and respect individual human rights throughout the entire lifecycle of our products, services and actions in all business areas.

Ryohin Keikaku has been committed to ESG management since its establishment in 1980. We will further refine this commitment through 2030 by encouraging people to take part in sustainability activities and by creating a positive social impact. We are working to achieve our goals in the relevant focus areas we have identified.

<b>ESG in Products</b>	We will encourage participation in sustainability activities worldwide by adopting circular design for all products and offering them at affordable prices.
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<b>ESG in Business Activities</b>	We will collaborate with stakeholders to reduce social costs and environmental burden. At the same time, we will contribute directly to solving social issues through our business activities.
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<b>ESG in Communities</b>	We will make a positive impact on society by leading the revitalization of local areas through activities with local communities.
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We have determined four evaluation indices for the above and will regularly disclose results and progress.

#### 1. Build a sustainable society while achieving circularity, and coexisting with nature

- Reduce combustion of fossil fuels and use of their derivatives
- Guarantee ethical production processes
- Encourage participation in sustainability activities

#### 2. Revitalize communities and resolve their issues through localization activities

- Resolve issues arising from an aging society and declining population
- Open stores and revitalize industry and the economy in local communities
- Preserve local communities, the environment and traditional culture

### 3. Promote high employee engagement and acquisition of problem-solving skills

- Maintain a corporate culture of acting proactively and independently
- Be highly sensitive to social issues and finding solutions
- Demonstrate commitment to diversity
- Create of workplaces where anyone can fit in and succeed

### 4. Achieve “public interest and people-centered management”

- Encourage co-owned management
- Earn strong shareholder support
- Earn strong support from residents, customers, local communities and business partners

## **■ Climate Change Initiatives and Information Disclosure**

Ryohin Keikaku recognizes that climate change is seriously impacting society, and aims to achieve the international goals set in the Paris Agreement by working with a wide range of stakeholders, including suppliers, in initiatives to create a sustainable society. In addition, we recognize the importance of disclosing climate-related financial information. We will continue to identify the impact of climate-related risks and opportunities on our business, formulate and implement strategies and enhance information disclosure in line with the TCFD (Task Force on Climate-related Financial Disclosures) framework.

## 1. Governance

Addressing climate change is one of the most important management issues for Ryohin Keikaku, and we have established a governance system centered on oversight by the Board of Directors and the ESG Management Committee.

The Board of Directors receives reports on ESG management-related initiatives as necessary, including those that address climate change, at least twice a year from the Business Management Division, which is the secretariat of the ESG Management Committee. The Board also supervises progress and achievement of targets, and discusses and provides guidance on policies and initiatives. In addition, from FY2022 we have introduced a restricted stock compensation system for directors (other than outside directors), and have added the achievement level of important ESG indices from a long-term perspective to the evaluation index.

The chairman & representative director chairs the ESG Management Committee, which addresses medium- and long-term Company-wide ESG issues. Inside directors, executive officers, and managers of related business divisions participate in the committee's monthly meeting. Committed to improving ESG management in its core business while remaining flexible, Ryohin Keikaku complements the ESG Management Committee with weekly meetings attended by representative directors, other inside directors and executive officers. We are working to enhance effectiveness by engaging in relevant discussions.

### ◆ Board of Directors and Committee Meetings Related to Climate Change

Board of Directors	11/2022	• Reporting information disclosure based on TCFD recommendations
	4/2023	• Interim progress reports on ESG-PJs* including matters related to climate change
	8/2023	• Annual progress reports on ESG-PJs* including matters related to climate change
Executive Advisory Committee	9/2022	• Status reports on ESG evaluation indicators including CDP
	10/2022	• Reports on climate change risk analysis
ESG Management Committee	10/2022	• Reported on Scope 1, 2 and 3 emissions
	2/2023	• Simulated increase in Scope 1 and 2 emissions and policy for reducing them
		• Report on joining the CDP Supply Chain program
	3/2023	• Progress report on Scope 3 emission reduction (environmental impact of logistics)

\*ESG-PJs refers to the company wide projects related to ESG issues implemented during FY2023.

Discussions at ESG Management Committee meetings and weekly meetings attended by representative directors, other inside directors and executive officers are reported to the Board of Directors for deliberation, resolution and incorporation into business strategies and management policies based on risks and opportunities.

Details of our ESG management structure are available at the following link:

<https://www.ryohin-keikaku.jp/eng/sustainability/muji-sustainability/goals/>

## 2. Strategy

### (1) Risk and opportunity assessment and action plans

We identify climate change-related risks and opportunities that will affect our business, and then implement relevant action plans after qualitatively and quantitatively evaluating risks and opportunities based on their importance to business strategy, financial impact in terms of revenue and costs, and the relevant time frame. We organized the outcomes as follows, with emphasis on TCFD reporting recommendations. We plan to accelerate our growth strategy by responding to various risks, mitigating or eliminating their effects, and contributing to global environmental conservation by supplying products that take into account their environmental impact, thereby meeting the growing environmental orientation and expectations of our customers.

#### Assessment of Key Risk and Opportunity Impacts and Action Plans

Key Risks and Opportunities		Specific Potential Impacts	Impact Type	Impact Intensity	Time Frame	Action Plans		
Transition Risks and Opportunities	Regulatory	More stringent GHG emission regulations, incl. carbon taxes	Risk	<ul style="list-style-type: none"> <li>Introduction of carbon taxes on GHG emissions</li> <li>Introduction of carbon taxes, etc., on procured goods, or increase in operating and procurement costs due to GHG reduction measures</li> <li>Increase in transportation and storage costs due to introduction of carbon taxes, etc., for distribution centers, offices and delivery vehicles</li> </ul>	Cost	Medium to Large	Medium term	<ul style="list-style-type: none"> <li>Reduce GHG emissions in accordance with Medium-Term Business Plan</li> <li>Visualize GHG emissions throughout the supply chain and implement reduction initiatives</li> </ul>
		More stringent regulation of plastics	Risk	<ul style="list-style-type: none"> <li>Increase in procurement costs due to increased use of recycled plastics and biomass plastics</li> </ul>	Cost	Large	Medium term	<ul style="list-style-type: none"> <li>Minimize cost increases by eliminating plastics, reducing thickness and weight, and switching to alternative materials for merchandise and packaging</li> </ul>
	Market	Fossil resource price fluctuations	Risk	<ul style="list-style-type: none"> <li>Increase in operating and procurement costs due to rising prices for energy consumed by Ryohin Keikaku and suppliers</li> <li>Increase in procurement costs due to rising prices of raw materials derived from fossil resources</li> </ul>	Cost	Medium to Large	Medium term	<ul style="list-style-type: none"> <li>Promote energy conservation internally and among suppliers</li> <li>Eliminate plastics, reduce thickness and weight, and switch to alternative materials for merchandise and packaging</li> </ul>
			Risk	<ul style="list-style-type: none"> <li>Rising prices for energy consumed by warehouses and delivery companies</li> </ul>	Cost	Large	Medium term	<ul style="list-style-type: none"> <li>Implement energy-saving initiatives at distribution warehouses</li> <li>Reduce energy use in ways such as cooperating with logistics companies to improve transport efficiency and sharing transportation</li> </ul>
		Long-term product use	Risk	<ul style="list-style-type: none"> <li>Decrease in replacement frequency and sales due to long-term product use</li> <li>Decrease in sales due to relative decline in demand for new clothing</li> </ul>	Revenue	Medium to Large	Medium term	<ul style="list-style-type: none"> <li>Promote reuse and recycling</li> <li>Promote product development using recycled raw materials</li> <li>Develop products for long-term use</li> <li>Structure sustainable systems; e.g., commercialize secondary distribution</li> </ul>

	Reputation	Brands known for being sustainable	Opportunity	<ul style="list-style-type: none"> <li>Increase sales by attracting new customers who focus on sustainability</li> </ul>	Revenue	Medium	Medium term	<ul style="list-style-type: none"> <li>Raise awareness of Ryohin Keikaku's commitment to sustainability and ESG by enhancing worldwide communication of corporate purpose, ESG commitment since founding, manufacturing perspectives, new initiatives to resolve social issues, etc.</li> </ul>		
			Risk	<ul style="list-style-type: none"> <li>Loss of customers and decrease in sales due to a decline in competitive advantage resulting from delays in addressing sustainability issues</li> </ul>	Revenue	Medium	Long term	<ul style="list-style-type: none"> <li>Improve ESG management in accordance with the Medium-Term Business plan and enhance information disclosure and communication</li> <li>Draw on external ESG evaluations to accurately identify and appropriately address priority issues</li> </ul>		
		Growing demand for products that use sustainable raw materials	Opportunity	<ul style="list-style-type: none"> <li>Sales growth resulting from increased demand for environmentally responsible products</li> </ul>	Revenue	Medium to Large	Medium term	<ul style="list-style-type: none"> <li>Cultivate and use environmentally responsible materials such as kapok and hemp</li> <li>Switch to environmentally responsible materials and develop products with them</li> </ul>		
				<ul style="list-style-type: none"> <li>Sales growth resulting from increased demand for low-carbon protein foods</li> </ul>	Revenue	Medium to Large	Long term	<ul style="list-style-type: none"> <li>Expand lineup of products that use pests, and soy meat</li> <li>Develop products that use low-carbon ingredients</li> </ul>		
		Physical Risks and Opportunities	Acute	Increase in extreme weather	Risk	<ul style="list-style-type: none"> <li>Increase in loss on disposal of products, etc., resulting from increased damage to stores, distribution centers and other facilities due to extreme weather events including flooding and typhoons</li> </ul>	Cost	Medium	Short term	<ul style="list-style-type: none"> <li>Assess the physical risks of stores and distribution centers</li> <li>Mitigate flooding at sites with high hazard risk, and engage in business continuity planning</li> </ul>
				Rising sea level	Risk	<ul style="list-style-type: none"> <li>Relocation costs resulting from increased risk of flooding where stores and distribution centers are located</li> </ul>	Cost	Medium	Long term	<ul style="list-style-type: none"> <li>Mitigate flooding at stores and distribution centers exposed to high flood risk</li> <li>Thoroughly assess climate change risk before opening stores</li> </ul>
Chronic	Increase in average temperature		Risk	<ul style="list-style-type: none"> <li>Increase in store cooling costs</li> </ul>	Cost	Medium	Medium term	<ul style="list-style-type: none"> <li>Install solar energy equipment</li> <li>Install energy-saving equipment</li> </ul>		
	Changes in precipitation and weather patterns, and rising average temperatures		Risk	<ul style="list-style-type: none"> <li>Increase in procurement costs due to higher prices for materials such as cotton and linen resulting from increased floods and droughts</li> <li>Increase in timber procurement costs due to reduced timber supply resulting from ecosystem changes</li> </ul>	Cost	Medium to Large	Long term	<ul style="list-style-type: none"> <li>Continuously monitor price conditions by country</li> <li>Diversify raw material production areas</li> </ul>		

Impact assessment:

Revenue: Large = ¥10 billion or more; Medium = ¥1 billion to less than ¥10 billion; Small = less than ¥1 billion

Cost: Large = ¥1 billion or more; Medium = ¥100 million to less than ¥1 billion; Small = less than ¥100 million

Impact time frame: Short term = within 2 years; Medium term = Over 2 years to 10 years; Long term = Over 10 years

## (2) Scenario analysis

Ryohin Keikaku believes that mitigating risks and expanding opportunities is essential to sustainably improving its corporate value and social value. We have therefore conducted a scenario analysis of the risks and opportunities posed by climate change.

We referenced several scenarios, as follows:

- ◆ Stated Policies Scenario (STEPS): A scenario presented by the International Energy Agency (IEA) in its *World Energy Outlook 2022* based on public policies. It posits a global average temperature rise of approximately 2.6°C by around 2100 compared with pre-industrial levels, based on policies countries have announced to date.
- ◆ Sustainable Development Scenario (SDS): A scenario in which emissions are gradually reduced in order to keep the increase in global average temperature below 1.5°C compared with pre-industrial levels.
- ◆ Intergovernmental Panel on Climate Change, IPCC RCP 8.5: A scenario that essentially posits the highest level of greenhouse gas emissions.
- ◆ OECD, Global Ambition policy scenario presented in *Global Plastics Outlook Policy Scenarios to 2060*: A scenario that posits successful international cooperation in reducing plastic leakage into the environment to almost zero by 2060.
- ◆ The 1.5°C scenario and the 4°C scenario: The former posits ongoing decarbonization and the latter posits ongoing global warming, with analysis of impact intensity over the medium and long term.

We have qualified financial impact as follows:

- Large: ¥10 billion ≤ revenue; ¥1 billion ≤ cost
- Medium: ¥1 billion ≤ revenue < ¥10 billion; ¥100 million ≤ cost < ¥1 billion
- Small: revenue < ¥1 billion; cost < ¥100 million

### **■ Transition Risks and Opportunities: 1.5°C Scenario (with Ongoing Decarbonization)**

We examined transition risks and opportunities based on the 1.5°C scenario, which posits the introduction of various regulations for decarbonization. Among the significant risks and opportunities identified above, the impact of carbon taxes, changes in fossil resource prices, and more stringent regulations on plastics and changes in the market are significant, so we performed scenario analysis as follows.

#### **Carbon Taxes**

##### **Large financial impact from carbon tax liability as of 2030**

- We quantified carbon taxes and their impact with reference to the IEA's *World Energy Outlook 2022*, and quantified the impact.
- If the Ryohin Keikaku Group does not work to reduce GHG emissions through 2030 and fails to achieve the emission reduction targets\* based on its medium-term business plan, the Group's GHG emissions in Japan and overseas will increase by 2.7 times compared with FY2021 (baseline year). In this case, we expect the

financial impact of carbon tax liabilities will be large.

- On the other hand, we expect that achieving a 50% reduction in Scope 1 and 2 emissions through 2030 based on the medium-term business plan will significantly reduce carbon tax liabilities. We will continue to implement initiatives to reduce emissions, including the use of renewable energy and the installation of facilities to generate solar power for internal use. We will also implement initiatives at our global business sites to reduce GHG emissions in consideration of local conditions.

\* GHG emissions reduction target: 50% reduction in Scope 1 and 2 for the entire Group as of 2030 (compared with FY2021)

## **Fossil Resource Price Fluctuations**

### **Large financial impact from rising energy costs as of 2030**

- We quantified the future price of electricity and its impact with reference to the IEA's *World Energy Outlook 2019*, and quantified the impact.
- We estimate that our electricity consumption in Japan will increase by 5.3 times through 2030 as our business grows if we do not implement initiatives to reduce it, and expect the cost of electricity to have a large financial impact under this scenario.
- In contrast, we expect to reduce energy costs by reducing the amount of electricity we use and increasing the amount of solar power we produce for internal use.

### **Medium financial impact from rising plastic raw material prices as of 2030**

- We quantified the impact on raw material procurement costs for plastic products in our furniture department with reference to global regulations and trends in plastics markets. We wanted to quantify the impact of climate change in and of itself, so we did not include the impact of business growth in our calculations.
- Our scenario set the unit price of plastic raw materials as of 2030 at 1.3 times the price for FY2021 with reference to crude oil price trends presented by the IEA's *World Energy Outlook 2021*. In addition, we set the ratio of recycled materials to total plastic materials we procure as of 2030 at 60% with reference to the Global Ambition policy scenario that the OECD presented in *Global Plastics Outlook Policy Scenarios to 2060*.
- We used the above assumptions for preliminary calculations based on the amount of plastic raw materials procured by our furniture department as of 2021 to forecast the medium financial impact from increased procurement costs in 2030.

## **More Stringent Regulation of Plastics and Market Fluctuations**

### **Large financial impact from decrease in sales of products made with plastics from fossil resources as of 2030**

### **Large financial impact from increased sales of products made with recycled plastics as of 2030**

- We quantified the impact on revenue from plastic products in our furniture department with reference to global regulations and trends in plastics markets. We wanted to quantify the impact of climate change in and

of itself, so we did not include the impact of business growth in our calculations.

- Our scenario as of 2030 assumed (1) a 20% reduction in products made with plastics from fossil resources, and (2) a 60% ratio of recycled materials to total plastic materials we procure, with reference to the Global Ambition policy scenario that the OECD presented in *Global Plastics Outlook Policy Scenarios to 2060*.
- As a result, we forecast a large financial impact from a decrease in sales due to regulations and extended product life for plastic products made from fossil resources. At the same time, we also forecast a large financial impact from an increase in sales from an expanded lineup of plastic products made with recycled raw materials. We therefore forecast that we must pivot significantly from raw materials made with fossil resources to recycled raw materials.

### **Physical Risks and Opportunities: 4°C Scenario (with Ongoing Global Warming)**

- Physical risks and opportunities include the serious likely short-term risk of an increase in extreme weather due to ongoing global warming. We therefore qualitatively analyzed the impact of extreme weather events on our main business sites in Japan and overseas based on a 4°C scenario in which this trend will further intensify.

### **Damage Caused by Natural Disasters**

#### **Number of main business sites expected to experience damage from flooding or storm surge as of 2050: 2 in Japan, 11 overseas**

- We assessed expected damage from natural disasters with reference to the hazard maps of the Ministry of Land, Infrastructure, Transport and Tourism for sites in Japan, and hazard information from the World Resources Institute (WRI) and the Joint Research Centre (JRC) of the European Commission for sites overseas.
- We selected sites exposed to significant impact from among stores, distribution centers and supplier production sites in the countries and regions where we operate, based on metrics including revenue, inventory value and procurement volume. We assessed site damage from flooding or storm surge under the 4°C scenario as of 2050.
- As a result, we forecast that buildings at two locations in Japan and eleven locations overseas are exposed to first-floor inundation of 3.0 meters or more due to flooding or storm surge.

## **3. Risk Management**

Ryohin Keikaku assesses the likelihood of exposure to significant risks using criteria including the intensity and impact time frame. We then take action to minimize the occurrence of risks and the impact if they materialize.

For transition risks and opportunities, we will reduce our carbon tax liability by achieving GHG emission reduction targets in accordance with our Medium-Term Business Plan, and by visualizing and reducing GHG emissions throughout the supply chain. In addition, we will address more stringent regulations on plastics and fossil resource price fluctuations by offsetting cost increases through the use of plastic-free products and



packaging materials, reducing weight and switching to alternative materials. Furthermore, we will consistently communicate our corporate purpose, commitment to ESG since our founding, and our three manufacturing perspectives while expanding opportunities by promoting the use of environmentally responsible materials and product development, and responding to growing demand for sustainable products and services.

We will also address physical risks and opportunities with measures to counter flooding at stores, distribution centers and supplier production sites exposed to high hazard risk in order to mitigate natural disaster risk. In addition to these disaster countermeasures, we will fulfill our responsibilities and contribute to local communities by quickly resuming operations at stores in affected areas and delivering necessary supplies.

Ryohin Keikaku sees climate change risk as one of the most significant risks to which the Group is exposed. Our risk assessment process involves the Compliance and Risk Management Committee, which oversees Group-wide risks. The committee assesses probable exposure to risks at least once a year based on their significance and likelihood of occurrence.

#### 4. Metrics and Objectives

One objective of Ryohin Keikaku’s Medium-Term Business Plan is to design all products from an ESG perspective. A key program for achieving our objectives involves launching environmentally responsible businesses and products that can be reused and recycled as the starting point for creating a positive social impact. This program is inspired by our vision for a future in which society widely reuses and recycles so that existing products become energy-efficient raw materials to be used by future generations, thus helping society by eliminating the need to extract new resources from the Earth. Plastics are a priority issue, and we have launched initiatives to minimize the use of new raw materials derived from fossil resources. In the near future, we will (1) reuse and recycle all products, (2) eliminate plastic waste, (3) shift to alternative materials with low environmental impact, and (4) use only plastic products made from recycled raw materials.

Details about plastic products made from recycled plastic are available at the following link:

[https://www.ryohin-keikaku.jp/news/2023\\_0213.html](https://www.ryohin-keikaku.jp/news/2023_0213.html) (Japanese only)

In addition, we are directly mitigating the impact of climate change with initiatives to visualize and reduce GHG emissions in all our business activities. Specifically, we will use renewable energy and install solar panels.

Committed to achieving our goals, we have formulated the following targets and performance indicators for 2030, and will disclose the results.

Index	Target	Status as of FY2022
GHG emissions (Scope 1 and 2; Group-wide)	50% reduction through 2030 (compared with FY2021)	65,180 t-CO <sub>2</sub> e, 10.1% increase compared with FY2021
Use renewable energy at stores, distribution bases and elsewhere <sup>1</sup>	100% in 2030	In use at select stores In use at the Hatoyama Distribution Center <sup>2</sup>

Install solar panels at independent store buildings, distribution bases and elsewhere <sup>3</sup>	100% in 2030	Installed at the Hatoyama Distribution Center (installation completed in 2014)
Eliminate plastic packaging materials	100% in 2030	Apparel: 74.8% Household goods: 47.0% Food products: Sold by weight at some stores
Design products for re-use and recycling	100% in 2030	Household goods: 36.0%
Reuse post-consumer plastic products we collect	100% in 2030	Volume of post-consumer plastic bottles collected: 1,130 kg Volume of post-consumer plastic bottles reused: 1,130 kg

1. Stores, distribution bases and other facilities for which Ryohin Keikaku manages electric power contracts.
2. A distribution center that Ryohin Keikaku manages.
3. Installation at stores when feasible, given location, equipment, store operating contracts and other conditions.

Scope 1, 2 and 3 GHG emission data is available on our website:

<https://www.ryohin-keikaku.jp/eng/sustainability/environment/climate-change/>

<https://www.ryohin-keikaku.jp/eng/sustainability/muji-sustainability/number/>

### ■ **Future Responses to TCFD Recommendations**

The analyses presented here confirm the resilience of our business under either the scenario in which the international community cooperates to limit temperature rise to less than 1.5°C, or the scenario in which climate change is not addressed and the temperature rise is 2.6°C to 4°C. We will also minimize risk and make the most of opportunities with the goal of increasing corporate value through initiatives that include using renewable energy, reducing the use of raw materials derived from fossil, using environmentally responsible materials and recycling products.

Ryohin Keikaku will continue to disclose appropriate information on climate change, promote dialogue with stakeholders and address external indicators.