

Disclosures in Accordance with TCFD Recommendations

Introduction

The Valuence Group recognizes that climate change is one of the most important management issues related to our business activities. To resolve the issue, we intend to strengthen our governance structure, analyze the impact of climate change risks on our business, take appropriate measures to deal with climate change risks, pursue opportunities for growth, and incorporate related measures into corporate strategy. Accordingly, we endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). We address climate change in a proactive manner, and we disclose relevant information toward our goals of realizing environmental and social sustainability, as well as sustainable growth for our company.

Governance

Board Oversight

The Valuence Group recognizes that addressing sustainability, including climate change, is one of the most important management issues we face. Our Board of Directors deliberates and approves resolutions on important matters related to sustainability.

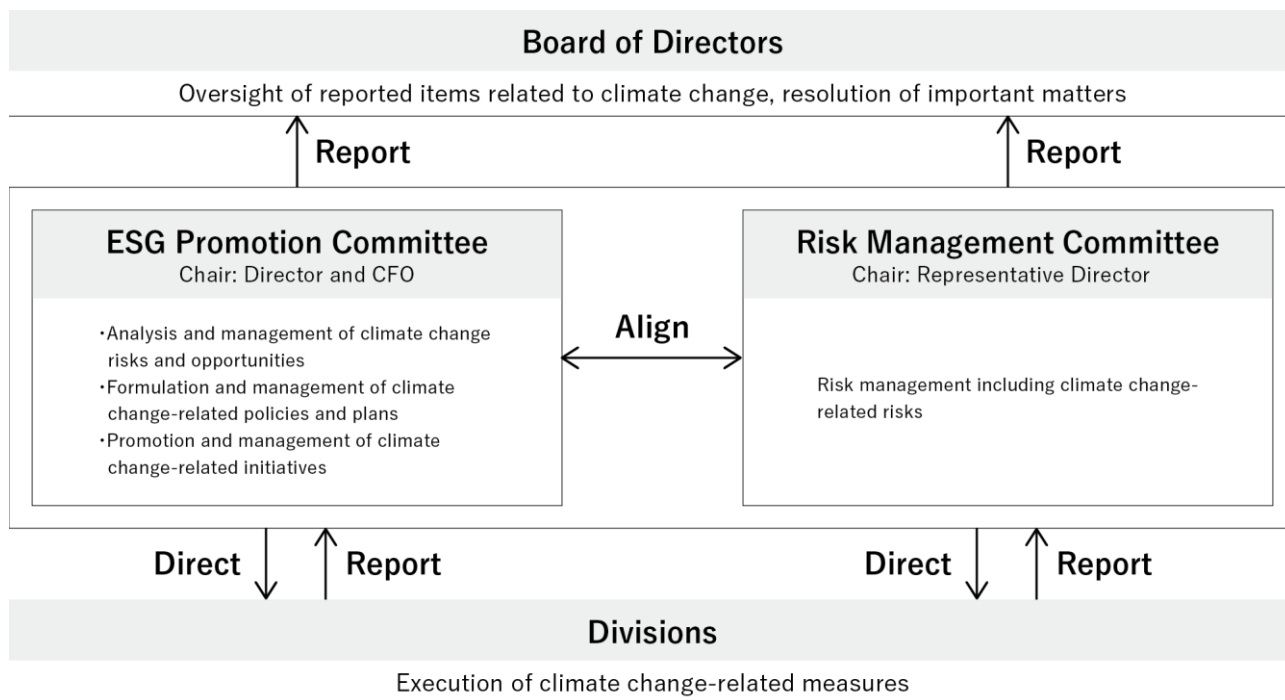
We established an ESG Promotion Committee, which reports to the Board of Directors on sustainability plans and progress. Reports are made on a quarterly basis, and these reports include discussions of climate-related risks and opportunities. The Risk Management Committee reports after the Committee meeting to the Board of Directors on topics related to overall risk management, including climate change-related issues.

The Board of Directors receives reports on discussions and resolutions made in the ESG Promotion Committee and the Risk Management Committee. The Board discusses and deliberates Valuence Group policies and action plans for addressing environmental issues, and then supervises the execution of those plans.

The Role of Management

The Representative Director serves as chair of the Risk Management Committee and has ultimate responsibility for the execution of managing the risks including climate change risks, within the Valuence Group. The Director and CFO in charge of ESG promotion chairs the ESG Promotion Committee and has executive responsibility for sustainability initiatives, including the management of climate change issues.

Climate Change Governance



Risk Management

The Valence Group selects activities, focusing on our mainstay businesses, to be addressed by the ESG Promotion Committee. The ESG Promotion Committee examines risks and opportunities related to climate change in detail.

The ESG Promotion Committee reports its discussions and deliberations to the Board of Directors. Risks and opportunities found to be particularly important are reflected in Group management strategies and managed by the ESG Promotion Committee.

In addition, the results of climate change risk analysis and the progress of initiatives to address climate change are shared with the Risk Management Committee, the body responsible for group-wide risk management, and the status of risk management on climate change is monitored by the Risk Management Committee. The ESG Promotion Committee and the Risk Management Committee work in cooperation to manage climate change-related risks.

Strategy

Risks and Opportunities Over the Short-, Medium-, and Long-Term

We believe in the necessity of establishing and examining milestones for climate change-related risks and opportunities, as these risks have the potential to impact the Valence Group over the long term. We examined climate-related risks and opportunities for the years 2025, 2030, and 2050, which we consider short-, medium-, and long-term time frames.

Process for Determining the Impact of Risks and Opportunities on Business, Strategic, and Financial Plans

We conducted scenario analyses to understand the risks, opportunities, and impacts of climate change on the Valuence Group. These analyses also assessed the resilience of Valuence Group strategies and the need for further measures. We included the value chain of our mainstay businesses in the analyses, addressing the purchase and sale of luxury brand goods, antiques, and fine art.

Risks were identified from the perspective of transition risk (regulatory, technology, market, and reputation) and physical risk (acute and chronic). We then scored the degree of impact of the risks with consideration for financial perspectives, employee safety, and social reputation.

We assessed transition risk referencing the Net Zero Emissions by 2050 Scenario (NZE) of the IEA (2021). We assessed physical risk referencing the Representative Concentration Pathways (RCP8.5) of the IPCC (2014).

Scenario Analysis Results and Strategic Resilience

The Valuence Group recognizes the importance of ongoing strategic resilience improvements to achieve carbon neutrality. To this end, we consider specific measures to transfer, avoid, or mitigate risks, while also responding to opportunities.

We incorporate matters we deem particularly important into our group strategy, managing these matters accordingly.

The table below details risks and opportunities, responses, and resilience strategies.

Reference Scenarios

Projected World Situation		Adopted Scenarios
Transition Risk	Below 1.5°C Scenario	Net-Zero Emissions by 2050 Scenario (NZE) IEA (2021)
Physical Risk	4°C Scenario	Representative Concentration Pathways (RCP8.5) IPCC (2014)

Summary of Valence Group Climate Change-Related Risks and Opportunities

Climate-Related Risks and Opportunities			Summary	Timing	Degree of Impact	Response
Risks	Transition Risks	Regulatory/ Legal	<ul style="list-style-type: none"> • Policies to curb GHG emissions (carbon tax, etc.) • Increase in procurement, transportation, and other costs due to tighter regulations • Increase in greenhouse gas emission reduction costs (purchase of green energy certificates, etc.) • Increase in energy procurement costs (renewable energy due to geopolitical risks, etc.) 	Medium Term (2030)	Medium	<ul style="list-style-type: none"> • Adopt renewable energy • Select suppliers (offset companies)
		Technology	<ul style="list-style-type: none"> • Increase in costs due to higher unit costs associated with the conversion to renewable energy • Opportunity loss due to delays in conversion to renewable energy 	Short Term (2025)	Low	<ul style="list-style-type: none"> • Pursue energy conservation
		Market	<ul style="list-style-type: none"> • Increase in procurement costs (shipping materials, etc.) 	Short Term (2025)	Low	<ul style="list-style-type: none"> • Convert from cardboard to returnable packaging • Reduce usage by consolidating shipments
			<ul style="list-style-type: none"> • Increase in capital cost due to lower ESG rating 	Medium Term (2030)	Medium	<ul style="list-style-type: none"> • Pursue ESG compliance • Engage in proactive communications • Acquire third-party certifications
		Reputation	<ul style="list-style-type: none"> • Impact if the climate-related response is deemed insufficient: - Loss of opportunities to collaborate with business partners - Damage to reputation among consumers - Decreased ability to attract top talent; low employee engagement 	Short Term (2025)	High	<ul style="list-style-type: none"> • Leverage digital transformation (DX) for more efficient operations • Strengthen partnerships with various initiatives and associations • Engage proactively in ESG initiatives and ESG disclosures
	Physical Risks	Acute	<ul style="list-style-type: none"> • Impact of natural disasters caused by climate change: - Shutdown of store and office operations - Increase in insurance and repair costs for damage to stores and offices - Logistics stoppages due to supply chain disruptions - Damage to goods in transit - Injuries to employees 	Medium Term (2030)	High	<ul style="list-style-type: none"> • Write and publish a disaster-response manual • Conduct disaster drills • Implement a safety confirmation system for employees • Stockpile disaster-response supplies • Earthquake proof buildings and systems • Purchase insurance
		Chronic	<ul style="list-style-type: none"> • Increase in procurement costs due to logistics slowdowns • Increase in air-conditioning use and higher utility costs (due to rising average temperatures, etc.) • Decrease in the number of store visitors due to weather extremes and spread of infectious diseases • Impact of sea level rises on stores and offices located in coastal areas 	Long Term (2050)	High	<ul style="list-style-type: none"> • Diversify purchase channels, including tie-ups • Expand use of online purchasing • Decentralize logistics centers • Strengthen toB and toC sales in the Japanese market
Opportunities	Resource Efficiencies		<ul style="list-style-type: none"> • Curb electricity costs through energy conservation • Curb transportation-related resources and energy by improving shipping method efficiencies 	Short Term (2025)	Medium	<ul style="list-style-type: none"> • Reduce operating costs through the efficient use of resources (use LEDs in offices and stores, etc.)
	Energy Sources		<ul style="list-style-type: none"> • Lower electricity procurement costs in connection with the spread of renewable energy sources • Use energy sources with low carbon emissions • Leverage policy incentives • Use new technologies 	Medium Term (2030)	Low	<ul style="list-style-type: none"> • Reduced CO2 emissions through vehicle decarbonization
	Products and Services		<ul style="list-style-type: none"> • Increased scarcity of resources, resulting in higher second-hand prices for luxury brand goods • Increase in demand for reuse/recycling due to the spread circular economies 	Short Term (2025)	High	<ul style="list-style-type: none"> • Expand markets for existing services in line with the proliferation of reuse • Popularize reuse among general consumers through educational activities • Create new business opportunities through collaboration with operating companies and organizations • Gain customer trust and increase corporate value by taking a proactive approach to climate change
	Market		<ul style="list-style-type: none"> • Increase in financing opportunities through increased ESG investments (green bonds, etc.) 	Medium Term (2030)	Medium	<ul style="list-style-type: none"> • Pursue financing through green bonds, etc.
	Resilience		<ul style="list-style-type: none"> • Creation of new business opportunities through the pursuit of climate change measures 	Short Term (2025)	—	—

As a result of the scenario analyses described above, the Valence Group once reconfirmed the following key transition risks: the loss of business opportunities due to inadequate responses to climate change; reputation damage; the ability to attract talent; and employee engagement. In terms of physical risks, we recognized the impact of natural disasters on physical stores, offices, and warehouses as a major risk.

At the same time, we reaffirmed that the emergence of circular economies presents an opportunity to

expand the reuse market, which aligns with our mainstay businesses. To this end, we strive to achieve carbon neutrality, driven by the belief that our response to the risks identified will lead to business opportunities and enhanced corporate value.

In particular, we are working with a sense of urgency to address risks having the highest degree of impact. Specifically, we participate in and endorse various initiatives, expand disclosure on our efforts to address climate change, and work to reinforce systems in preparation for disasters. In addition to reducing Scope 1 and 2 emissions, we are also considering measures to reduce Scope 3 CO2 emissions. We will prioritize categories having high emissions, aiming ultimately to achieve carbon neutrality.

Metrics and Targets

The Valence Group uses greenhouse gas emissions as an indicator of our efforts to address climate change. Our goal is to become carbon neutral throughout the value chain by FY2030.

Going forward, we will work to grasp our present situation, including the calculation of greenhouse gas emissions, and discuss specific measures to reduce environmental impact, as well as to further enhance our disclosures on climate change.

Updated JULY 14, 2023