

Baroque Japan Limited Information disclosure in line with TCFD recommendations

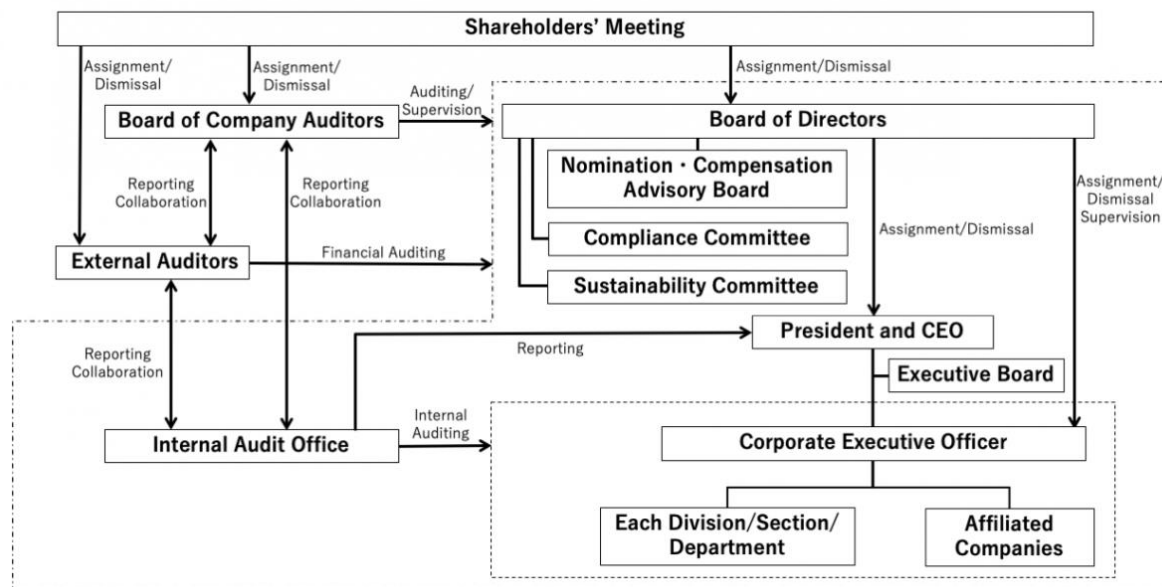
For Baroque, sustainable initiatives do not end at simply making clothes with environmentally friendly materials, rather they are initiatives that aim to create not only a sustainable society, but a sustainable company. And we are working group-wide to achieve sustainable management from the three perspectives of the environment, society, and people.

Based on the TCFD framework, we have collected and analyzed necessary data and have identified our “risks” and “opportunities” regarding the impact of climate change on our business activities. At the same time, we have verified the resilience of the strategy through scenario analysis. Going forward, we will steadily promote countermeasures against the identified “risks” and “opportunities” and actively disclose information.

1. GOVERNANCE

- The **Sustainability Promotion Office** examines and deliberates on basic policies, important matters, risks and opportunities related to climate change. In addition, in May 2022, we established the **Sustainability Committee** to examine sustainability, including climate change risks.
- Matters deliberated and decided by the **Sustainability Committee** are submitted to the Board of Directors.
- Proposals deliberated and decided by the Board of Directors are rolled out to each department and reflected in their respective management plans and business operations.

【Corporate Governance System Overview (Diagram)】



2. STRATEGY

- We perceive “climate change” as one of the medium- to long-term risks for our business. In order to consider our strategies and organizational resilience in light of “climate change” related risks and opportunities, we referred climate change scenarios (less than 2°C scenario and 4°C scenario) made by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), considered the long-term impact on our company until 2050 and performed scenario analysis focusing on the manufacturing retail industry (domestic) such as apparel and accessories.
- In order to prioritize climate change risks, we will focus on the items with the highest impact on the table below due to the likelihood and impact of risks and opportunities. Going forward, the Sustainability Committee will continue to confirm this.
 - ※ Less than 2°C scenario : IEA-SDS, IPCC-AR5 (Fifth Assessment Report)-RCP2.6, etc.
 - ※ 4°C scenario : IPCC-AR5 (Fifth Assessment Report)-RCP8.5, etc.

Major Risks and Opportunities and Responses Related to Climate Change

scenario	factor	change	Risk/Opportunity	Impact on us	Our measures
2°C	Introduction of carbon tax	Increase In procurement costs	RISK	●The introduction of a carbon tax will increase the manufacturing cost of purchased products, which will increase our procurement costs.	<input type="checkbox"/> Promoting appropriate procurement by improving supply and demand forecasts and inventory management. <input type="checkbox"/> Strengthen cooperation with suppliers and reduce procurement costs.
			RISK	●Due to the introduction of various tax systems, including a carbon tax, and the promotion of low-carbon transportation, transportation energy costs and in-house renewable energy procurement costs will increase.	<input type="checkbox"/> We will promote efforts to reduce energy consumption by improving transportation efficiency by strengthening cooperation with logistics companies and by investing in energy saving in our own warehouses.
			RISK	●If the impact of carbon taxes, etc. affects product prices, there is a possibility that customer support will be affected.	<input type="checkbox"/> Reduce the impact of the carbon tax on our company by promoting energy saving and actively utilizing renewable energy.
	Growing demand for information disclosure from outside	Difficult access to capital markets	RISK	●Demands for information disclosure related to climate change are increasing, and inadequate disclosure may affect bank borrowings and issuance of corporate bonds.	<input type="checkbox"/> Promote appropriate disclosure by establishing a system for responding to external disclosure requests such as information disclosure in accordance with TCFD and responses to CDP questionnaires.

Improving environmental awareness of stakeholders	Changes in customer values	OPPORTUNITY	<p>●There is a possibility that our MOUSSY denim and other eco-friendly products will match the growing ethical orientation of consumers and increase our support.</p>	<p>□Promote further development of an environmentally friendly production system.</p> <p><<Examples of current efforts>></p> <ul style="list-style-type: none"> • Reducing water usage • Reducing use of chemical substances • Sewage discharge control, etc.
Improving environmental awareness of stakeholders	Changes in customer values	OPPORTUNITY	<p>●As consumers become more environmentally conscious, demand for products that actively use recycled and environmentally friendly materials is expected to grow.</p>	<p>□We will focus on developing and selling products that use recycle materials and environmentally friendly materials.</p> <ul style="list-style-type: none"> • Organic cotton • Recycled fiber • Regenerated fiber, etc.
Strengthening decarbonization efforts by developers	Stricter occupancy conditions from an environmental point of view	RISK	<p>●Developers' demand for decarbonization of tenants is gradually increasing, but if it is included in the occupancy conditions in the future, it may affect our store opening strategy.</p>	<p>□We will further promote initiatives to reduce the environmental impact within our stores.</p> <ul style="list-style-type: none"> • Reuse of materials and active use of environmentally friendly materials • Switching plastic shoppers to paper/recycled paper, etc.

		Strengthening efforts to reduce environmental impact	OPPORTUNITY	<ul style="list-style-type: none"> ●Attention to environmental considerations is increasing, such as the emergence of commercial facilities specializing in tenants working to reduce environmental impact. ●Promoting environmentally friendly initiatives may lead to store openings and the acquisition of new customers. 	<input type="checkbox"/> We will grow businesses such as the green business “Shelter Green” and the ethical brand “M_” to further promote our sustainability efforts.
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scenario	cause	change	RISK/ CHANCE	Impact on us	Our measures
4°C	Intensification of weather disasters	Increased risk of supply chain disruption	RISK	<ul style="list-style-type: none"> ●Due to the increased risk of drought in cotton production regions, one of the main raw materials for our products, there are concerns that production volume will decline and prices will rise. ●In addition, if suppliers or our bases are damaged, the supply chain may be disrupted, making it difficult to procure raw materials and products stably. 	<input type="checkbox"/> Promote disaster countermeasures at our own logistics bases. <input type="checkbox"/> Strengthen cooperation with suppliers regarding disaster countermeasures, develop new suppliers, consider decentralization, and develop a stable procurement system.

		Intensification of flood	RISK	<p>●The impact on store operations is expected due to the increase in store inundation due to flooding and the expansion of damage.</p>	<p>□In addition to promoting disaster countermeasures at each store, we will strengthen the system for more smoothly collecting information and planning countermeasures.</p>
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【Status of efforts toward “Our measures”】

① Increase in procurement costs due to introduction of carbon tax

After calculating CO₂ emissions and setting specific reduction targets (see 4. METRICS & TARGETS), we are promoting the use of LED lighting in stores and headquarters, and the conversion of electricity used in headquarters, warehouses, and stores to renewable energy. Specifically, at our flagship store, SHL'TTER TOKYO, we have converted 100% of the store's lighting to LEDs, and we have converted power supply for Higashi-matsuyama DC, which is one of our main warehouses, to 100% renewable energy.

② Growing demand for information disclosure from outside

We have established a system to respond to external disclosure requests, such as information disclosure in accordance with the TCFD and responses to CDP questionnaires, and are implementing appropriate disclosure. (This year, we have disclosed our CO₂ emissions calculation results including SCOPE3 and reduction targets,)

③ Changes in customer values

We have set a numerical target for the percentage of clothing made from environmentally friendly materials (see 4. METRICS & TARGETS). From now on, each division will carry out product planning and development with goals in mind. Additionally, we continue to focus on reducing water usage in denim production, and approximately 40,000 products have been produced by reusing purified wastewater during the washing process.

④ Strengthening decarbonization efforts by developers

As part of our efforts to reduce the environmental impact within our stores, when renovating our flagship store, SHL'TTER TOKYO, we used paint made from recycled eggshells on the painted walls, and also renovated some of the existing floors and fixtures. We are promoting the reuse of materials and the active use of environmentally friendly materials. Additionally, we have launched “TUIN greenery” as a concept shop/flagship store for our green business “SHEL'TTER GREEN”.

3. Risk management

- As part of the climate change risk management process, we conduct an annual review of climate change-related risks/opportunities from the perspectives of "current regulations," "new regulations," "technology," "market," and "reputation," etc. And through the Sustainability Committee, we will analyze climate change risks, formulate and promote countermeasures, and manage progress. (Although we conducted a review of climate-related risks/opportunities again this year, no new risks/opportunities were identified.)
- Details analyzed and considered by the **Sustainability Committee** are reported to the Board of Directors, and integrated risk management is carried out company-wide.

4. METRICS & TARGETS

- The calculation results of our company's CO₂ emissions for FY2021 and FY2022 are as follows.

CO₂ Emissions

SCOPE/CATEGORY		FY2022			FY2021			Change [t -CO ₂]
		Emmissions [t -CO ₂]	Proportion [%]		Emmissions [t -CO ₂]	Proportion [%]		
			Scope3	Scope1,2,3		Scope3	Scope1,2,3	
SCOPE1+2+3		100,917		100.0%	105,963		100.0%	-5,046
SCOPE1 (Direct Emmission)		216		0.2%	216		0.2%	0
SCOPE2 (Indirect emissions associated with energy use)		2,670		2.6%	2,823		2.7%	-154
Category1	Purchased products/services	87,384	89.1%	86.6%	93,624	91.0%	88.4%	-6,239
Category2	Capital goods	3,232	3.3%	3.2%	1,824	1.8%	1.7%	1,408
Category3	Fuel and energy related activities not included in Scope 1 and 2	496	0.5%	0.5%	496	0.5%	0.5%	0
Category4	Transportation, delivery (upstream)	2,497	2.5%	2.5%	2,559	2.5%	2.4%	-62
Category5	Waste from business	347	0.4%	0.3%	395	0.4%	0.4%	-48
Category6	Business trip	332	0.3%	0.3%	102	0.1%	0.1%	230
Category7	Employer's commute	466	0.5%	0.5%	464	0.5%	0.4%	2
Category8	Lease assets (upstream)							
Category9	Transportation, delivery (downstream)	2	0.0%	0.0%	2	0.0%	0.0%	0
Category10	Processing of sold products							
Category11	Use of sold products							
Category12	Disposal of sold products	1,643	1.7%	1.6%	1,714	1.7%	1.6%	-71
Category13	Leased assets (downstream)							
Category14	Franchise	1,632	1.7%	1.6%	1,745	1.7%	1.6%	-113
Category15	Investment							
SCOPE3 (Indirect emissions from the value chain)		98,031	100.0%	97.1%	102,924	100.0%	97.1%	-4,893

※ Scope of calculation: Baroque Japan Limited (non-consolidated)

Emission coefficient: Emission intensity database for calculating greenhouse gas emissions, etc. of an organization through the supply chain (Ver.3.3)

LCI database IDEA Version 2.3 and 3.1 Research Laboratory for IDEA, AIST

It may change depending on the calculation and analysis methods required by the market and future refinement.

○ Based on the calculation results of CO₂ emissions, we have set the following sustainability-related Targets.

(1) Manufacturing without over-producing

- Zero final remaining inventory disposal, zero incineration (FY2030)

(2) Reduction of CO₂ emissions

- SCOPE 1, 2 : Reduce CO₂ emissions by 50% by 2030 (compared to FY2021)
- SCOPE 3 : Reduce CO₂ emissions per item of clothing by 20% by 2030 (compared to FY2021)

(3) Effective use and reuse of resources/realization of earth-friendly production

- Raise the proportion of clothing made from environmentally friendly materials to 50% or more by FY2030 (number of products)