

Scenario Analysis at 1.5°C-2.0°C

Definition of qualitative assessment and response measures for risks/opportunities at 1.5°C-2.0°C

Risk/Opportunity	Subcategory	#	Risk/Opportunity Items	Business Impact Assessment (Qualitative)	Impact	Response Measures for 2030
Transition Risks	Policies/Regulations	1	Increased costs due to introduction of carbon pricing	Carbon pricing, which is being introduced in many countries around the world, is expected to be introduced in Japan as well, which will result in a significant cost increase for us as companies that use energy sources such as electricity, city gas, and gasoline.	Large	<ul style="list-style-type: none"> Response to cost increase due to the introduction of carbon pricing (carbon tax) <ul style="list-style-type: none"> As we achieve 100% renewable energy at our business sites that have their own power receiving agreements, we will begin negotiations this fiscal year to promote the transition to renewable energy at leased properties such as tenant stores. Transition to renewable energy at our business sites with their own power receiving contracts will be completed this fiscal year (4 business sites in FY2023) By negotiating to increase the percentage of renewable energy at leased properties, such as tenant stores, we aim to achieve 100% renewable energy at all business sites by 2040 Further promotion of energy conservation at our business sites <ul style="list-style-type: none"> We will rebuild renewable energy facilities by promoting the introduction of ZEB, mainly in new stores. We will aim to introduce EVs for all company vehicles by FY2040 for the purpose of decarbonization Response to the increase in operational costs due to the introduction of Internal Carbon Pricing (ICP) <ul style="list-style-type: none"> We will obtain knowledge about ICP introduction and develop a consensus within the company to decide whether or not to introduce ICP. We will select businesses and facilities to introduce ICP, and assume their cost burden and carbon price in advance. We will aim to introduce the system in FY2025.
		2	Stricter regulations for reporting GHG emissions/energy consumption	Information disclosure and reporting are required in accordance with the laws and regulations such as the Energy Conservation Act, the Act on Promotion of Global Warming Countermeasures, and the Fluorocarbon Emissions Control Act, and costs such as personnel expenses are incurred in compiling and organizing related information. In addition, additional costs will be incurred for the treatment of substitutes for chlorofluorocarbons associated with refrigerants by manufacturers of air conditioners, which will be reflected in product prices. This will result in lower sales for the major electronics retailers as a whole, including our company, which will have to deal with all of these laws and regulations.	Medium	<ul style="list-style-type: none"> Response to changes in information disclosure practices due to external initiatives <ul style="list-style-type: none"> Flexible response to changes in TCFD-related information disclosure methods and supply chain emissions (Scope 3) calculation and reduction methods to respond to the Corporate Governance Code and various international initiatives such as ISSB We will formulate emissions reporting methods as part of "emissions visualization" to manage year-over-year progress toward GHG emissions reductions by SBT and for easy viewing by stakeholders
		3	Compliance with environmental laws	There is a risk of penalties, etc., if reporting requirements and emission regulations related to GHG emissions are not met to the required level. In addition, in the event of a lawsuit, etc., there will be costs for attorneys and courts. Furthermore, failure to comply with environmental laws and regulations will result in a loss of support from investors and other stakeholders, leading to problems such as a decline in stock prices.	Medium	<ul style="list-style-type: none"> Strengthen governance structure for compliance with environmental laws <ul style="list-style-type: none"> The Climate Change PJ will discuss how to respond to risks and opportunities related to climate change related laws and regulations, and after deliberation by the Sustainability Committee, the matters will be discussed by the Board of Executive Officers and the Board of Directors for final decision
		4	Stricter plastics regulations	By the use of plastics regulated in accordance with regulations related to the circular economy, and by the requirement to take measures to reduce the amount of virgin plastic used (e.g., use of inorganic fillers, paper, recycled plastic, and bio-plastics), the procurement costs of plastic bags and packaging materials, the procurement costs of electrical appliances that use plastic, and the disposal costs of plastic waste will be reflected in product prices, resulting in a decrease in sales volume. This will result in higher packaging costs for major electronics retailers (especially EC).	Medium	<ul style="list-style-type: none"> Initiatives to eliminate plastic materials from shopping bags <ul style="list-style-type: none"> We will aim for zero plastic content by switching to paper bags, etc. (Cost increase due to introduction of paper bags: Approx. 200 million yen in 2030) Reduction of plastic materials in packaging materials <ul style="list-style-type: none"> To reduce bubble wrap packaging for transportation, which is increasing as e-commerce business expands, we will consider the possibility of using paper cushioning materials, etc. Replace all cushioning materials with non-plastic materials by 2030 Reduction of the impact of increased procurement costs for electrical appliances and plastic waste disposal costs by optimizing the use of plastic resources throughout the entire supply chain <ul style="list-style-type: none"> We will grasp GHG emissions throughout the supply chain and request suppliers to reduce emissions in Scope 3 We will rebuild the resource recycling cycle, including reuse and resale <ul style="list-style-type: none"> Extend the service life of products by expanding the cleaning business for air conditioners, washing machines, etc. We will optimize the use of plastic resources by further expanding recycling areas in EC stores
	5	Orders and regulations governing the procurement of raw materials, existing products and services	Climate change and circular economy regulations are forcing regulations to rethink their supply chains. In response, our company will be required to take actions, such as formulating a policy for selecting products to handle that takes into account sustainability, and these actions will require costs.	Medium	<ul style="list-style-type: none"> In accordance with SBT based on scientific grounds, we will set a target of a 25% reduction in Scope 3 categories 1 and 11 compared to FY2021, and implement measures to manage and reduce GHG emissions throughout the supply chain <ul style="list-style-type: none"> In order to build more thorough relationships with suppliers, we would like to regularly conduct surveys and collect information on suppliers' ESG initiatives, achieve our sustainable procurement rate target of 70%, and promote increased business with suppliers who respond to our survey (by FY2030) 	
	6	Increased costs to respond to stricter regulations on the use of certain substances, such as chlorofluorocarbons	Costs will increase to upgrade air conditioning equipment at each business site to equipment that is compliant with the regulations (e.g., non-fluorocarbon equipment). In addition, this will be a cause of higher selling prices for products that comply with regulations for use by manufacturers of air conditioners and other products.	Small	<ul style="list-style-type: none"> Replacement of equipment in response to tightening of regulations <ul style="list-style-type: none"> We will replace air conditioning equipment at each business site, when new, stricter regulations are enacted We will flexibly respond to future revisions of laws and regulations <ul style="list-style-type: none"> It is possible that we will make the transition from "CFC substitutes" to "green refrigerants" towards carbon neutrality in 2050 	
	7	Increased costs due to the introduction of low-carbon and renewable energy technologies (Or cost reduction)	As every competitor declares ambitious GHG reduction targets towards carbon neutrality, the introduction of renewable energy/energy saving facilities in stores and offices will be required, leading to increased costs.	Medium	<ul style="list-style-type: none"> Implementation of decarbonization through a combination of renewable energy procurement, energy saving, and carbon credits <ul style="list-style-type: none"> We will optimize cost increases due to equipment investment by optimizing the balance between investment in renewable energy and energy-saving facilities by ourselves, as described in #1, and external procurement (external procurement of renewable energy, PPAs, etc.), depending on the external environment. We will introduce storage batteries at 60 business sites by FY2040 to promote off-grid consumption (installation cost: approx. 200 million yen) We will work on reducing the number of company vehicles through efficient vehicle management, and complete the transition to EVs by FY2040 We will aim to introduce EVs for delivery and construction vehicles by 2040 	
	8	Increased costs due to rising energy prices	Increased demand for electricity due to progress in electrification to reduce GHG (greenhouse gas) emissions will lead to higher electricity prices, which will increase energy costs at each business site (logistics/delivery will also be affected if EVs are used). In addition, fossil fuel prices will rise during the transition period due to reasons such as restrictions on investment in fossil resources, and fuel costs for company vehicles used for logistics/delivery of products will increase.	Large	<ul style="list-style-type: none"> We will control cost increases by optimizing the balance between investment in renewable energy and energy-saving facilities by ourselves, as described in #1, and external procurement (external procurement of renewable energy, PPAs, etc.), depending on the external environment. We will aim to introduce EVs by FY2040 for the purpose of decarbonization <ul style="list-style-type: none"> In addition to promoting the transition to EVs for company vehicles in FY2040, we will aim to introduce EVs for delivery/construction vehicles by 2040 Realization of decentralization of emissions during delivery by implementing shared delivery among suppliers Improve infrastructure related to the introduction of EVs (EV charging facilities at each business site and networking of facilities) We will ensure thorough energy management to reduce consumption and periodically review suppliers to mitigate electricity price increases 	
	9	Delayed response to shift in consumer demand for environmentally friendly products	Demand for environmentally friendly lifestyles will increase as consumers become more environmentally conscious and electricity prices rise as society becomes more electrified. If the company lags behind its competitors in offering environmentally friendly lifestyles that meet demand, it will result in a decline in the number of customers visiting its stores due to a deteriorating image associated with its efforts to address environmental issues, resulting in a decline in sales.	Large	<ul style="list-style-type: none"> Strengthening sales of environmentally friendly products and promoting renovations to improve the functionality of the home environment to achieve carbon neutrality at home <ul style="list-style-type: none"> We will review the definition of environmentally friendly products to enable the setting of medium- and long-term targets that can respond to changes in consumer preferences (from FY2024 results) By promoting sales of energy-creating, energy-storing, and energy-saving products, we will support customers in reducing CO₂ emission We will disclose sales results from FY2024 in order to expand energy-saving gas water heaters and smart life-related products (initiatives to promote EV charging facilities, home storage batteries, and V2H penetration) Creation of environmentally friendly and energy saving stores Proposal of electricity from renewable energy sources to general consumers and small businesses. Ensure stable procurement of downstream CO₂-free electricity. 	
	10	Reputation damage due to passive response to climate change	Stakeholders' interest in corporate efforts to achieve a low-carbon society will increase in the future. When manufacturers upstream in the supply chain are researching and developing various environmentally friendly products, if major electronics retailers, the point of contact with consumers, are reluctant to address climate change, they will be regarded as a bottleneck in the diffusion of environmentally friendly products and will lose reputation from manufacturers and markets, leading to a decline in stock prices and sales.	Large	<ul style="list-style-type: none"> Strengthen sales of environmentally friendly products and promote renovation to improve the functionality of the home environment in order to achieve carbon neutrality at home <ul style="list-style-type: none"> Same as #9 Creation of environmentally friendly and energy saving stores Same as #1 Engagement in practice with suppliers to collaborate on initiatives to reduce emissions We will participate in the GX League's main working groups and take a leading role in subcommittees of the Major Electronics Distributors Association, to further improve evaluation by various evaluation agencies Implementation of educational activities for customers through stores and the corporate website 	
Physical Risks	Acute	11	Risk of business shutdown due to severe wind and flood damage	In the event of a large-scale typhoon, torrential rain, etc., at stores or logistics/delivery bases, sales may decrease due to a decrease in the number of store customers, disruption of employee commuting routes, and a decrease in sales opportunities due to inventory shortages or damage at logistics/delivery bases, but the occurrence and impact are limited.	Small	<ul style="list-style-type: none"> Establishment and promotion of a business continuity management system that takes climate change risk into account <ul style="list-style-type: none"> We will include climate change risk in our risk management system and make it a risk factor in the Risk Management Committee in order to control climate change risk in our business continuity management system In the event of a disaster, it is expected that the initial response of each department will be different, so we will consider formulating a BCP for each department at the time of the initial response We will establish a system to select products to be urgently prepared in the event of a disaster and to distribute them to stores on a priority basis (batteries, flashlights, mobile batteries, cassette stores, etc.) By controlling distribution inventory in preparation for supply chain disruption, we will strengthen our resilience (adaptability and elasticity)
		12	Damage to the company's bases due to severe wind and flood damage	In the event of a large-scale typhoon, torrential rain, etc., at stores or logistics/delivery bases, costs associated with inventory damage due to water at stores and logistics/delivery bases and repair costs due to damage are expected to increase, but the occurrence and impact are limited.	Small	<ul style="list-style-type: none"> Same as #11
	Chronic	13	Increased air conditioning costs and other electrical energy consumption due to rising average temperatures	Increased use of electrical energy, including air conditioning in stores, offices, logistics centers, etc., due to the rapid rise in average temperature caused by global boiling.	Medium	<ul style="list-style-type: none"> We will promote off-grid consumption by introducing offsite PPAs to increase the ratio of PPAs to total electricity from the current 2.66% to 12% in FY2030, with the goal of exceeding 20% in FY2050 By improving operational efficiency through the introduction of AI, we will shift labor to the system (to eliminate labor shortages), and reduce electricity consumption by reforming store operation formats (downsizing stores, etc.)
		14	Decreased sales due to fluctuating demand for seasonal products caused by rising average temperatures and other weather changes	Decrease in sales due to extended summer season as a result of higher temperatures and slump in winter products due to mild winter.	Small	<ul style="list-style-type: none"> Creation of new business models that are not affected by seasonal factors Creation of new businesses such as subscription, reuse, etc. (weather derivatives, insurance products, etc.)
Opportunities	Products/Services	15	Increased sales from climate change-responsive products and services	Sales of environmentally friendly products, such as air conditioners and refrigerators, and services, such as plans to introduce electricity from renewable energy sources, will increase due to the strengthening of various environmental regulations in response to climate change, the environmentally friendly nature of products offered by manufacturers, and increased consumer awareness.	Large	<ul style="list-style-type: none"> Strengthen sales of environmentally friendly products and promote renovation to improve the functionality of the home environment in order to achieve carbon neutrality at home <ul style="list-style-type: none"> We will review the definition of environmentally friendly products to enable the setting of medium- and long-term targets (from FY2024 results) By promoting sales of energy-creating, energy-storing, and energy-saving products, we will support customers in reducing CO₂ emissions Expansion of energy-saving gas water heaters and smart life-related products (initiatives to promote EV charging facilities, home storage batteries, and V2H penetration) <ul style="list-style-type: none"> Annual target number of units to be sold (FY2030) Eco-Cute: 9,300 units, Eco-Jozu: 4,180 units, Water-saving toilets: 18,000 units, EV charging facilities: 2,000 units, V2H: 400 units, Home storage batteries: 110 units (However, the target number of units will vary depending on the introduction of government subsidies and other sales support measures) Creation of environmentally friendly and energy-saving stores As described in #1
		16	Alliances with startups and other companies related to environmentally friendly lifestyle	Sales will increase by investing in climate change-related startups and forming alliances with other companies to provide products and services related to the environmentally friendly lifestyles that customers demand. Environmentally friendly lifestyles include the sale of energy-creating, energy-storing, and energy-saving products and services that contribute to the realization of a carbon-neutral society and a circular economy (solar power generation, storage batteries, fuel cells, etc.), as well as products and services related to smart homes (various energy-saving equipment, CO ₂ and temperature sensors, etc.) and high-performance renovation of the home environment that combines these products and services.	Large	<ul style="list-style-type: none"> Establishment of a carbon neutral business model through alliances, etc., with a view to forming a capital alliance <ul style="list-style-type: none"> We will change shopping bags and cushioning materials to plastic-free materials We will offer storage batteries to raise awareness of off-grid consumption among users of solar power generation systems sold by our company (approx. 1,500 sales in 2012), as their FIT period comes to an end We will sell renewable energy electricity for general consumers and environmentally friendly products as a package Promotion of collaborations with startup companies that promote circular business centered around the circular economy
	Resource Efficiency	17	Cost reduction through introduction of renewable energy/energy saving	Energy costs can be reduced by actively utilizing various climate change-related incentives and introducing renewable energy and energy-saving facilities. At the same time, the stable procurement of renewable energy will be possible without being affected by supply and demand.	Medium	<ul style="list-style-type: none"> With the introduction of offsite PPAs, we will set a goal to increase the ratio of PPAs to total electricity from the current 2.66% to 12% in FY2030 and to over 20% in FY2050 We will introduce storage batteries at 60 business sites by FY2040 to increase the off-grid consumption rate (provisional estimate of installation cost: approx. 200 million yen)
		18	Cost reduction through energy efficiency improvements related to transportation	Energy costs can be reduced by proactively utilizing various climate change-related incentives, introducing energy-efficient EVs, and collaborating with the supply chain to improve transportation efficiency. Collaboration with the supply chain will also contribute to Scope 3 reductions.	Medium	<ul style="list-style-type: none"> Promotion of transportation efficiency throughout the supply chain <ul style="list-style-type: none"> Introduction of EVs for the purpose of decarbonization (FY2040) Optimization of transportation and delivery routes by reorganizing bases as part of efforts to improve delivery efficiency Decentralization of emissions during delivery by implementing shared delivery among suppliers Promotion of carbon zero emissions through the introduction of renewable electricity at logistics bases (FY2040)
		19	Cost reduction by responding to the risk of rising raw material costs	As laws and regulations related to climate change evolve, the cost of procuring plastic shopping bags and packaging materials, the cost of procuring electrical appliances that use plastic, and the cost of disposing of plastic-based waste may increase. However, costs can be reduced by reducing the use of plastic materials in plastic shopping bags and packaging materials and by optimizing the use of plastic resources throughout the supply chain.	Medium	<ul style="list-style-type: none"> We will aim to achieve zero plastic material content by promoting the transition to paper bags (Cost increase associated with the introduction of paper bags: Approx. 200 million yen in 2030)
Resilience	Reputation	20	Increased sales due to improved consumer reputation as a result of proactive response to climate change	By properly addressing environmental issues, we can gain the support of more environmentally conscious consumers, which will improve our reputation and lead to increased sales.	Medium	<ul style="list-style-type: none"> Conduct educational activities related to climate change countermeasures and the realization of a sound material-cycle society as part of efforts to attract core fans, and secure sales and profits by strengthening the appeal of products with significant decarbonization effects Realization of a waste-free circular economy through the subscription and leasing of electrical appliances
		21	Risk reduction by strengthening disaster resilience in logistics networks and stores	The degree of impact is small because disasters related to climate change are relatively controllable.	Small	<ul style="list-style-type: none"> Formulation of a BCP for business continuity in the logistics center only (as the operation is different from the existing BCP) Review of disaster resistant ancillary facilities (shutter guards, smoke-proof hanging wall materials) Conduct discussions to promptly implement countermeasures in response to the damage to suppliers (Merchandise Department, Logistics Management Department, Sales Management Department, etc.)