

# Attachment TNFD Analysis of Risks and Opportunities and Actions to Address Them

## ■ Qualitative assessment of biodiversity-related risks and opportunities, and the definition of actions to address them

Risks and opportunities	Subcategories	Risk/Opportunity items	Business impact assessment (qualitative) (Note: Some items have already been addressed, but impact assuming that no action has been taken is listed below.)	Impact	Actions up Through 2030 (Formulated based on comments made within projects and the contents of our Integrated Report)
Physical risks	Acute	Risk of business shutdown due to severe wind and flood damage	<ul style="list-style-type: none"> <li>Opportunity loss due to damage and temporary closure of stores</li> <li>Temporary closure of stores and decline in customer traffic due to natural disasters triggered by climate change (localized torrential rain, major typhoons, etc.)</li> </ul>	Small	<ul style="list-style-type: none"> <li>Establish and promote a business continuity management system (BCMS) that takes nature-related and climate change risks into account.</li> <li>Control climate change risk with the Risk Management Committee taking on the role.</li> <li>Consider the formulation of separate BCPs for initial response by each department, as each department is expected to make different initial responses in the event of a disaster.</li> </ul>
		Damage to the company's sites due to severe wind and flood damage	<ul style="list-style-type: none"> <li>Increased costs due to the disruption of product supply caused by severe disasters</li> <li>Increased capital investment for recovery from flood damage to electrical and other facilities due to typhoons, torrential rain, and other causes</li> </ul>	Small	<ul style="list-style-type: none"> <li>Establish a system to select products to be urgently collected and distributed to stores on a priority basis in the event of a disaster (batteries, flashlights, mobile chargers, portable gas stoves, etc.).</li> <li>Improve operational efficiency through the introduction of AI to shift from manpower to systems (alleviation of labor shortages), and reduce electricity costs by reforming store operation formats (downsizing stores, etc.).</li> </ul>
	Chronic	Increased air conditioning costs and other electrical energy consumption due to rising average temperatures	<ul style="list-style-type: none"> <li>Increased use of electrical energy for purposes including air conditioning in stores, offices, logistics centers, etc., due to the rise in average temperatures</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Establish a system less reliant on external power supply, setting the target of raising off-grid power consumption from 20.5% in FY2023 to over 25% in FY2030 at business sites for which Joshin Denki contracts directly with power suppliers by promoting the introduction of solar power generation systems through off-site PPAs.</li> </ul>
		Decreased sales due to fluctuating demand for seasonal products caused by rising average temperatures and other weather changes	<ul style="list-style-type: none"> <li>Decrease in net sales resulting from the slump in winter product sales due to longer summers and mild winters brought about by rising temperatures</li> </ul>	Small	<ol style="list-style-type: none"> <li>Enhance business initiatives in the home renovation field, which is not affected by seasonal factors.</li> <li>In addition to reuse-related and other support businesses, mobile device-related products, and other businesses, create new businesses and new business formats including subscription-based and reuse-based business.</li> </ol>
Transition risks	Policy/regulation	Orders and regulations governing the procurement of raw materials and existing products and services	<ul style="list-style-type: none"> <li>Difficulty in procuring raw materials for products due to stricter regulations driven by such concerns as human rights protection and nature-related protection</li> </ul>	Medium	<ul style="list-style-type: none"> <li>In order to ensure strong relationships with suppliers, regularly conduct surveys on their human rights-related efforts, collect relevant information, and aim to achieve a survey response rate and sustainable procurement rate of 70%.</li> </ul>
		Increased costs to comply with stricter regulations on the use of specified substances that have adverse effects on ecosystems, such as chlorofluorocarbons (CFCs)	<ul style="list-style-type: none"> <li>Increase in cost of investment in non-CFC equipment and for other purposes at stores</li> <li>Strengthening of the current Act on Rational Use and Proper Management of Fluorocarbons (under jurisdiction of the Ministry of the Environment) is assumed, including the enactment of new related laws</li> </ul>	Small	<ul style="list-style-type: none"> <li>Flexibly respond to future revisions of laws and regulations.</li> <li>A transition from CFC substitutes to green refrigerants is being considered towards carbon neutrality in 2050.</li> </ul>
	Market	Increased costs due to soaring energy prices resulting from climate change	<ul style="list-style-type: none"> <li>Increased energy costs due to rise in electricity prices</li> <li>Increased costs due to rise in energy and fuel prices</li> </ul>	Large	<ul style="list-style-type: none"> <li>Implement thorough control of energy consumption to reduce the amount consumed, and regularly review power suppliers to suppress the rise in electricity prices paid.</li> <li><u>To actively introduce off-site PPAs, acquire the land required and introduce 50 low-voltage off-site PPAs by 2030.</u></li> </ul>
		Delayed response to shift in consumer demand for environmentally friendly products and to consumers' awareness of the need to protect ecosystems	<ul style="list-style-type: none"> <li>Decline in net sales due to failure in responding to the change in consumer preferences towards sustainable products characterized by environmentally friendly features compatible with diverse bioresources</li> <li>Risks that arise if we cannot identify and quickly address market trends relating to our environmental initiatives</li> </ul>	Large	<ul style="list-style-type: none"> <li>Set avoided emissions targets for environmentally friendly products and energy-efficient equipment that are compatible with changes in consumer preferences as well as initiatives that take into account higher electricity efficiency and the use of water resources. Also review the definition of environmentally friendly products (from FY2024 results, color televisions were removed from the list of applicable appliances while drum-type washer/dryers were added).</li> <li>For avoided emissions, actual figures for renovations involving replacement with environmentally friendly products are to be included in the scope of disclosure (FY2025).</li> <li><u>Targeted share of sales (FY2025)</u> <u>Eco Cute: 80%, gas- or oil-powered water heaters: 85%, warm water bidet toilet seats: 50%</u> <u>Note: Products with energy efficiency standard achievement rate of 100% or more for water heaters/Eco Cute and 150% or more for warm water bidet toilet seats</u></li> <li>Promote creation of a waste-free circular economy through efforts to establish new business models based on the subscription and leasing of electrical appliances, buyback of items via the internet, and other initiatives.</li> <li>Commit to climate change and biodiversity action and carry out sufficient disclosure based on TCFD, TNFD, and other frameworks so as to improve our reputation and reduce the cost of building relationships with stakeholders (the cost required to reverse a bad reputation resulting from a lack of proactive efforts).</li> </ul>
	Reputational	Reputational damage due to passive stance on climate change and nature positivity	<ul style="list-style-type: none"> <li>Risk of decline in our market value, including falling share prices, if we are assessed by stakeholders as not being proactive as a company in resolving nature and climate change issues</li> <li>Decline in net sales resulting from reputational damage if we are unable to take environment-related action that consumers expect</li> </ul>	Large	<ul style="list-style-type: none"> <li>Continue to maintain supplier engagement and collaborate on emissions reduction and on nature-related initiatives.</li> <li>Further improve our ratings by various assessment bodies by participating in nature-related working groups through the Ecosystem Society Agency (ESA) and by playing a leading role in the subcommittees of the Major Electronics Distributors Association.</li> <li>Carry out awareness-raising activities targeting customers through our stores and corporate website.</li> </ul>
		Products and services	Increased net sales from environmentally friendly products and services	<ul style="list-style-type: none"> <li>Increased sales resulting from the development of environmentally friendly products and services</li> <li>Increased sales resulting from efforts to address changes in consumers' demand for products driven by the rise in average temperatures</li> </ul>	Large
Opportunities	Markets	Alliances with start-ups and other companies engaged in business linked to environmentally friendly (nature positive) lifestyles	<ul style="list-style-type: none"> <li>Gaining of return on investment from investments in start-ups with shared management philosophies and vision, and from IPOs</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Pursue collaboration with start-ups that are engaged in recycling-oriented business focusing on creating a circular economy or that are promoting nature positivity. Collaborate actively also with ESA member companies through working groups.</li> </ul>
	Resource efficiency	Reduced costs through the efficient introduction of renewable energy and water resources	<ul style="list-style-type: none"> <li>Actively utilize the various incentives available for climate change and water security action to introduce renewable energy facilities and other energy-efficient equipment in order to reduce costs related to energy and water; the introduction of renewable energy facilities will also ensure a stable supply of renewable energy regardless of supply and demand balances in the market</li> </ul>	Medium	<ul style="list-style-type: none"> <li><u>Introduce storage battery systems at 60 stores by FY2040 (at an estimated cost of 200 million yen)</u> to increase the percentage of off-grid power consumption.</li> <li>Engage in negotiations to raise the share of renewable energy used at stores we operate as a tenant and other sites for which we rent space. →Share of renewable energy used in FY2023 was 60.2% for all business sites including stores we operate as a tenant; continue to engage in negotiations to raise the share.</li> <li>Introduce J-eco Parking, a parking lot pavement system featuring material with superior water permeability and retention properties; an irrigation system utilizing rainwater is employed for parking lot greening.</li> </ul>
	Reputational capital	Increased sales driven by improved corporate reputation among consumers as a result of proactively addressing climate change and nature positivity	<ul style="list-style-type: none"> <li>Decline in customer traffic at stores due to increased heat stroke risk</li> <li>Acquisition of customers through the implementation of sustainability-focused initiatives that resonate with the younger generation (millennials, Gen Z), who are the core consumers of the future</li> </ul>	Medium	<ul style="list-style-type: none"> <li>As part of efforts to acquire core fans, work to raise awareness of the Group's action on climate change and on the creation of a society that ensures biodiversity and achieve gains in net sales and profits through stronger marketing of products with high decarbonization benefits.</li> <li>Promote creation of a waste-free circular economy through efforts to establish new business models such as the subscription of environmentally friendly products that are highly efficient in terms of water and electricity use and the buyback of items via the web. For web-based buybacks, aim for 3000 transactions in 2030.</li> </ul>
	Resilience	Reduced risk by strengthening disaster resilience of logistics networks and stores	<ul style="list-style-type: none"> <li>Switching of supply systems in the event that a disaster causes damage to suppliers and logistics centers and disruptions in road networks</li> <li>Firm establishment of BCP and the creation of stores resilient to natural disasters caused by extreme weather events (torrential rain and major typhoons)</li> </ul>	Small	<ul style="list-style-type: none"> <li>Formulate a BCP for logistics centers.</li> <li>Consider reviewing incidental equipment (shutter reinforcements, smoke barrier material) for replacement with disaster-resistant models</li> <li>Hold discussions to prepare for the prompt implementation of response measures according to the damage sustained by suppliers.</li> <li>→From a BCMS perspective, reconfirm response measures to be implemented in the event that suppliers' plants and other facilities are damaged (Merchandise Department, Logistics Management Department, Sales Management Department, Eco Business Promotion, etc.).</li> </ul>