

Sustainability

Information Disclosure Based on TCFD Recommendations

TSI HOLDINGS GROUP

Creating a sustainable future with fashion entertainment

2022/10/12

TSI HOLDINGS GROUP

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Toward the Realization of Carbon Neutrality

It is said that the amount of CO₂ emissions in the apparel industry account for 4 to 10 % of all industries combined, and the reduction of CO₂ emissions is the most important issue to be tackled.

Under such circumstances, this April, we identified materialities to realize carbon neutrality by 2050. We will, this time, complete the visualization of Scope 1, 2, and 3, and accelerate the implementation of initiatives for climate change.

We voluntarily promote information disclosure according to the TCFD Recommendations while setting and achieving goals for the reduction of CO₂ emissions. We will submit a commitment letter to acquire SBT certification going forward so that we can achieve the goals based on scientific evidence.

TSI's Materialities

Environment

Global Environment

- ① Climate change
- ② Raw materials
- ③ Waste
- ④ Water resources

The apparel industry causes environmental burdens in various aspects. To bring about a change in the industry, we first visualize environmental burdens, and then build a sustainable business model.



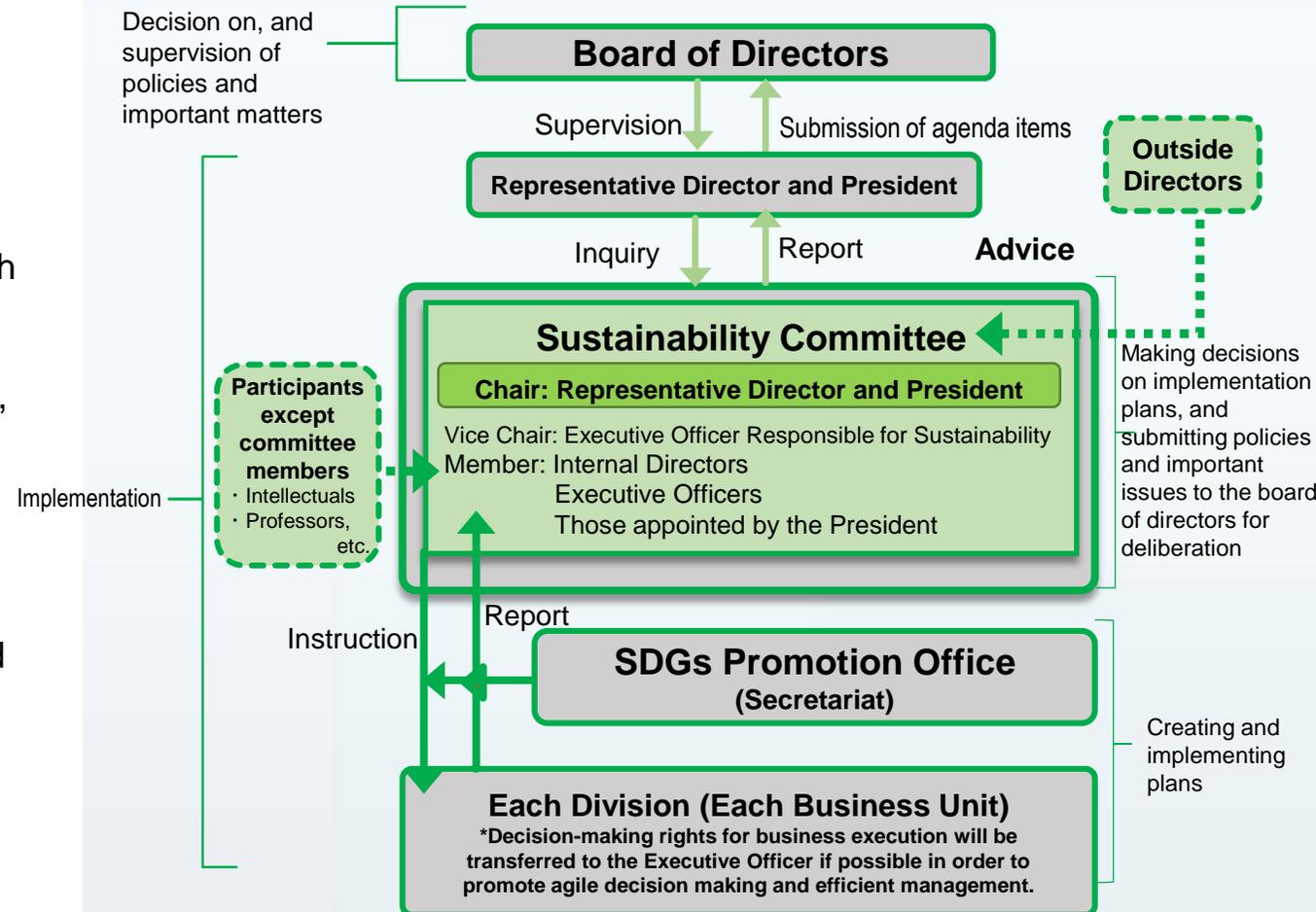
Establishment of the Sustainability Committee

We established the “sustainability committee” to strengthen the governance of the sustainability strategy that combines climate change measures and the management policy/medium-term management plan.

We will expand our business toward a sustainable future through the management of policies and greenhouse gas emissions, establishment of greenhouse gas reduction goals, human rights, and our supply chain management.

We promote sustainability initiatives on a company-wide basis working with the sustainability committee which was established as an advisory organization to the Representative Director and President under the supervision of the board of directors.

Sustainability Committee System



Risk Scenario Analysis

In cooperation with experts, we conducted a risk analysis of important factors impacting the growth of sustainable business at the sustainability committee.

We referred to the existing scenarios developed in line with the Paris Agreement’s target global temperature rises - 4 degrees Celsius and 1.5 degrees Celsius - disclosed by the IPCC and IEA.

We will flexibly review the analysis in accordance with climate change, and the market changes caused by it as well as our management strategies and medium-term management plan.

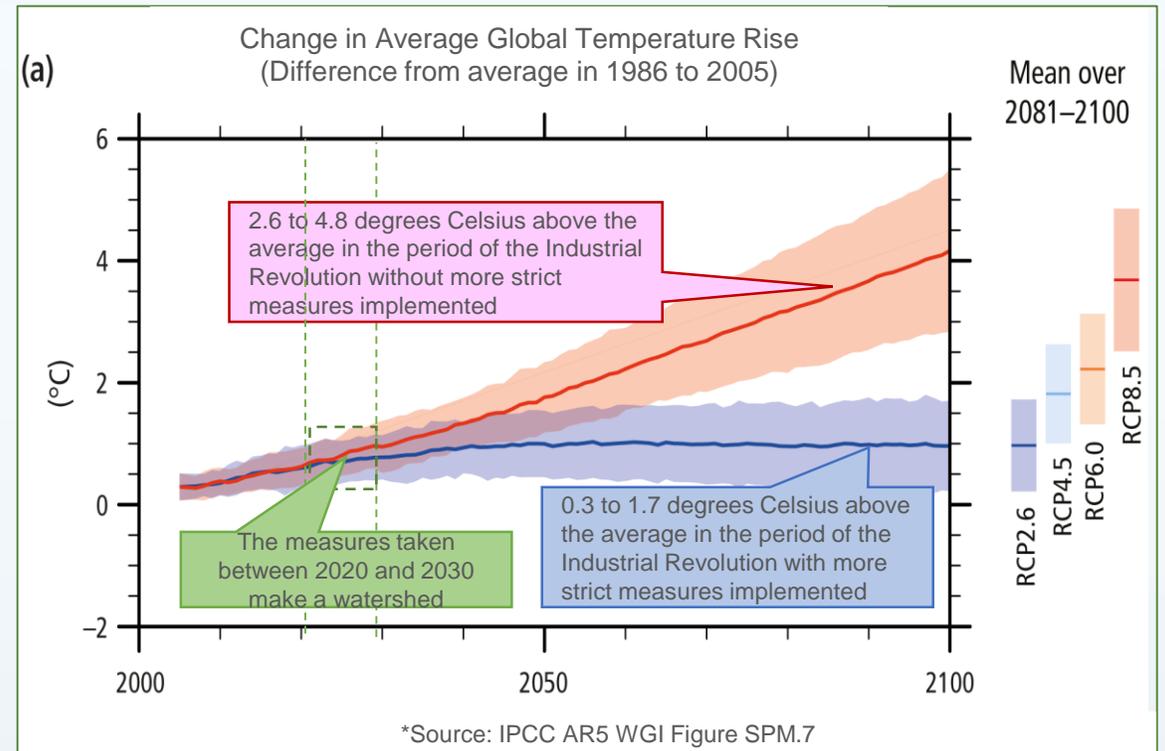
[Official Scenarios for Reference]

- 4 degrees Celsius Scenario: AR5 RCP (Representative Concentration Pathways) 2.6, 4.5, 6.0, and 8.5 as well as AR6 SSP5-8.5 reported by IPCC (Intergovernmental Panel on Climate Change)
- 1.5 degrees Celsius Scenario: SDS (Sustainable Development scenario) reported by IEA (International Energy Agency), and AR6 SSP1-1.9 by IPCC

*SSP1-1.9: Holding global warming to approximately 1.5 degrees Celsius above the average between 1850 and 1900 in 2100 “after slight overshoot,” to realize net-zero CO₂ emissions around the middle of the century.

*SSP5-8.5: A very high greenhouse gas emissions scenario without the implementation of any additional climate change measures. This scenario can be realized only if going for the fossil-fueled social and economic development as shown in SSP5.

Scientific Scenario of Temperature Rise Used for Analysis



We referred to the forecast of changes in the average global temperature by the end of the century in IPCC AR5 RCP. We need to implement specific measures by 2030.

Risk Identification

Category	Classification	Driver	Impact on Business	Impact	
				4 degrees C	1.5 degrees C
Physical Impact	Chronic	Temperature Rise	A decrease in the sales of heavy clothing such as jackets and coats due to the shortened autumn and winter seasons	☉	○
			A decrease in the opportunities for consumers to go out due to a temperature rise, or an epidemic that accompanies it	○	○
			A decrease in the sales of sports or outdoor gear and accessories due to a decrease in the opportunities for consumers to indulge in sports, or outdoor activities	☉	○
			A weak cotton crop caused by droughts, etc., and a hike in raw material prices attributable to water stress	☉	○
	Acute		A decrease in sales caused by store closures due to the increase in the intensity and frequency of large-scale natural disasters	☉	○
			A decrease in sales due to the supply chain disruptions caused by natural disasters	☉	○
Impact by Shift	Reputation	Social Reputation	Diminished customer engagement due to the fixed corporate image as unfriendly to the environment	○	☉
	Market	Temperature Rise	An increase in the costs including the risk evaluation of major business hubs and travel expenses	☉	○
		Change in Customers' Sense of Value	A decrease in sales due to slow response to changes occurring in customer needs along with an increasing awareness about the environment such as an increasing demand for sustainable products	○	○
	Technology	Technology of Environment Friendly Products	A cost increase resulting from switching to environment-friendly materials or manufacturing methods	-	☉
			An increase in the demand for the recyclable raw materials and reusable products that contribute to the realization of the "Recycling-based Society"	-	☉
	Policy	Energy	A hike in production/logistics costs due to skyrocketing fossil fuel and alternative resources costs	○	☉
			Skyrocketing electricity prices and rising production costs due to changes in the energy mix as well as an increase in the electric power production ratios of power generation facilities with low CO ₂ emission factors (renewal energy/new energy/next-generation energy)	○	☉
		Information Disclosure	An increase in operational costs caused by the strengthened information disclosure of environmental issues	○	☉
		Carbon Pricing	An increase in operational costs caused by the introduction of policies to curb greenhouse gas emissions such as a carbon tax, the European Union Emission Trading Scheme, and carbon pricing	-	☉

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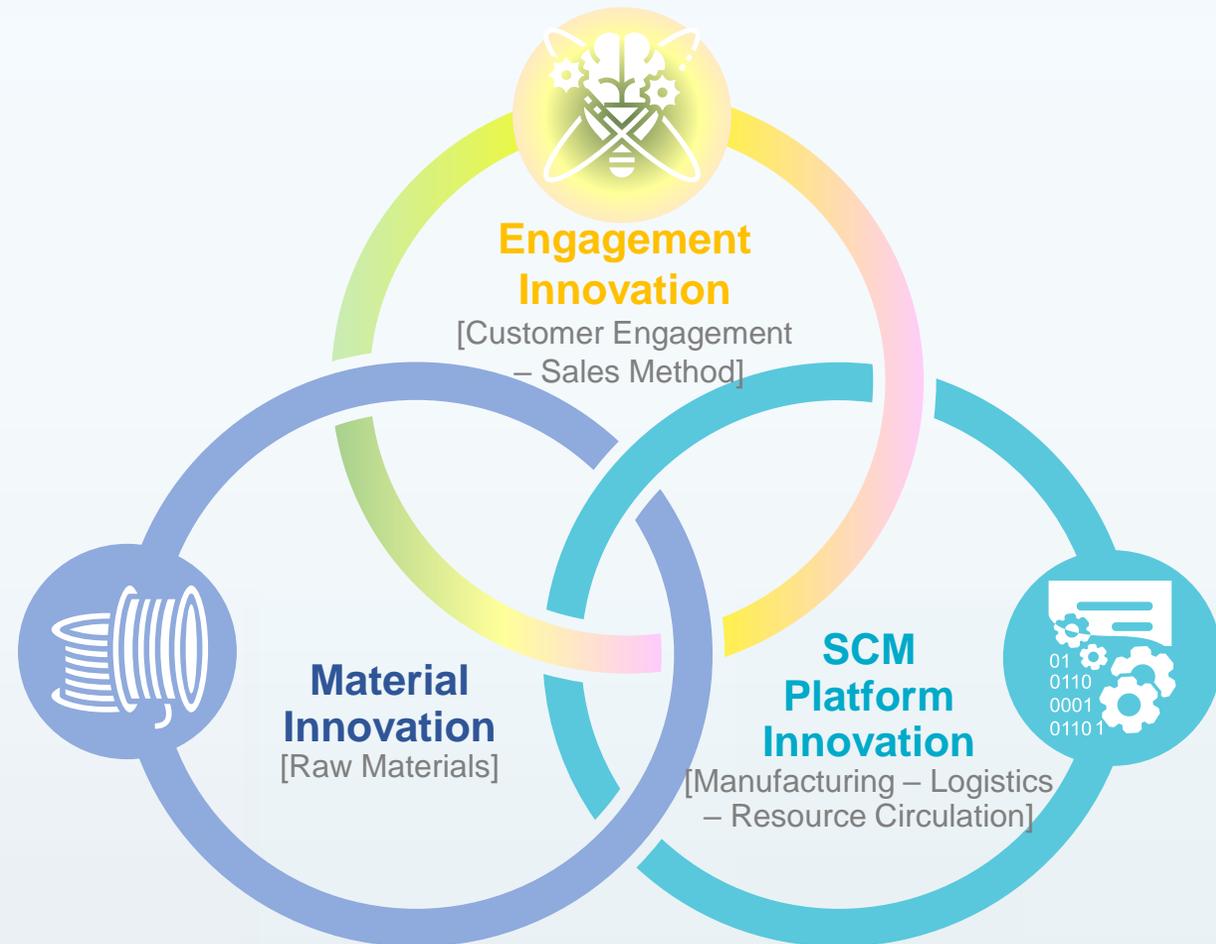
Business Transformation and Innovation Domains

We established three innovation domains in order to create more opportunities while taking risks into consideration.

With an aim to transform the entire value chain, we decided to call raw materials “material innovation,” and the system to review the manufacturing and logistics processes for resource circulation “SCM Platform Innovation.” On top of that, we will build new relationships with customers through “Engagement Innovation.”

We will create more opportunities and values by developing these domains.

The Three Innovation Domains



Strategy toward Carbon Neutrality

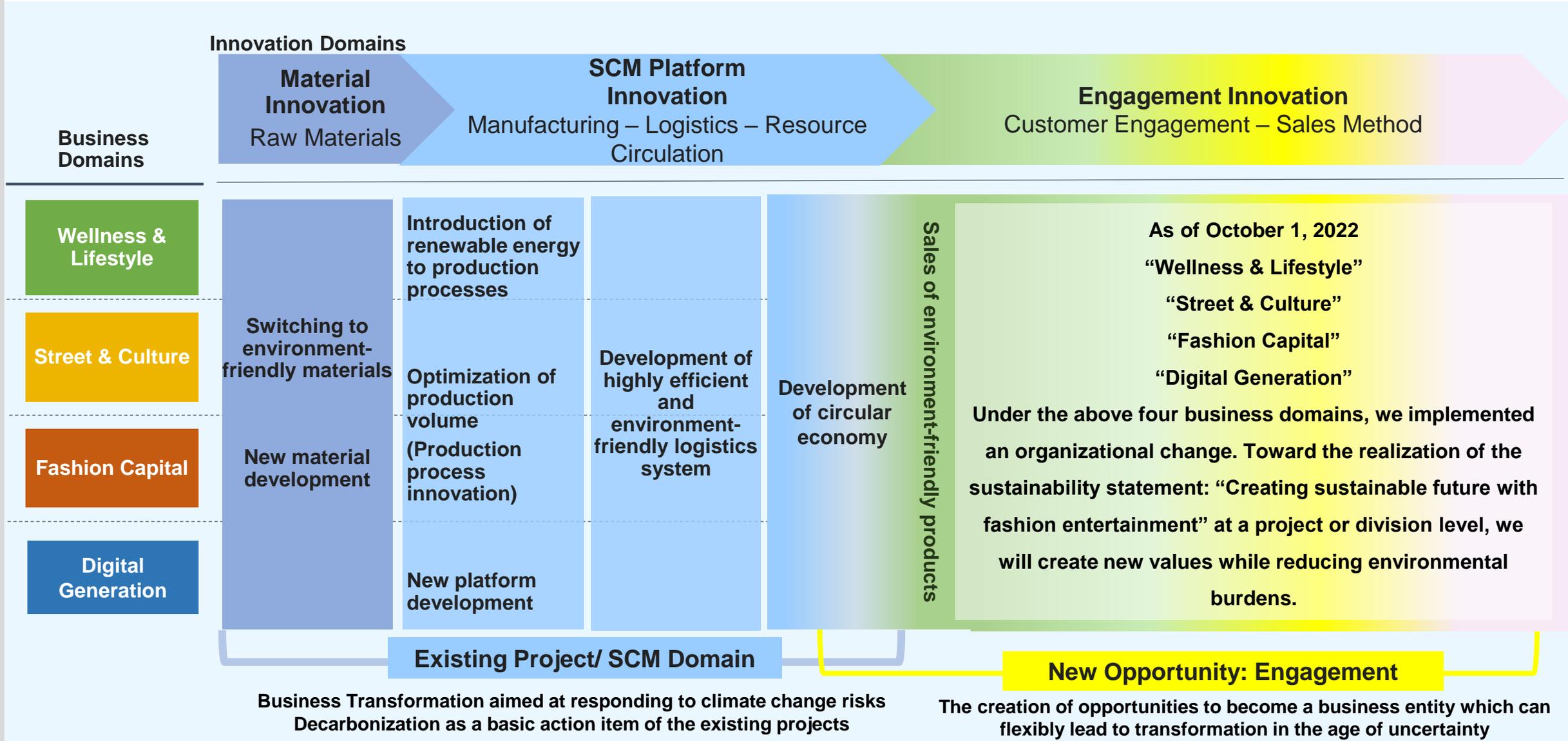
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Visualization of CO₂ Emissions in the Entire Value Chain and Reduction Goals

Toward the realization of carbon neutrality by 2050, we visualized the CO₂ emissions of the entire value chain to reduce the environmental burdens produced by our business as a whole.

As the medium-term milestone for the reduction of CO₂ emissions, we decided to reduce the total CO₂ emissions by 48% for Scope 1 and 2, and by 35% for Scope 3 by 2030, compared with February, 2020.

We will contribute to the preservation of the global environment by achieving the reduction goals for Scope 1, 2, and 3.

CO ₂ Emissions and Reduction Goals			
	Scopes 1 – 3 (total)	Scopes 1 and 2	Scope 3
CO ₂ emissions in February, 2020	305K tons	9K tons	295K tons
CO ₂ emissions reduction goals compared with Feb 2030 level	-35% (-108K tons)	-48% (-4K tons)	-35% (-103K tons)
CO ₂ emissions reduction goals in line with SBT	—	1.5 degrees C (Target) 4.2% reduction every year	WB2 degrees C (Target) 2.5% reduction every year

*The reduction goal for Scope 1 and 2 coincides with the 1.5 degrees C target. The reduction goal for Scope 3 coincides with the 2050 carbon neutrality target. As for CO₂ emissions, all numbers smaller than 1,000 are rounded down to the nearest 1,000 in the above list.