

Information disclosure based on TCFD Recommendation

GEO Holdings Corporation considers climate change to be a priority issue that affect its business. As such, it is actively engaged in group-wide climate change countermeasures. The TCFD recommendations suggest that all companies should disclose information based on the four items of “governance,” “strategy,” “risk management,” and “metrics and targets.” The Group discloses climate-related information in line with the four disclosure items of the TCFD recommendations.

1. Governance

To address, plan, and implement sustainability-related issues, the GEO Group has organized a Sustainability Information Disclosure Project Team headed by the executive officer in charge in the President Office to compile sustainability information.

The project team compiles and submits the results to the Representative Director, who oversees the progress of the sustainability strategy, climate change risk management, and growth opportunities, and discusses and supervises them at meetings of the Board of Directors held when necessary.

The Board of Directors is responsible for formulating management plans, deliberating and deciding on important matters related to the execution of the Company's operations, and supervising important matters at Group companies. In addition, the Company has adopted an executive officer system to clarify the division of management strategy functions and business execution functions, and to ensure prompt decision-making and business execution. The role of the Board of Directors and other related policies are described under Corporate Governance.

The GEO Group considers the strengthening of corporate governance, including sustainability initiatives, to be one of the Group's most important issues, and will further strengthen the structure of directors and audit committee members by improving the transparency of management and ensuring compliance with laws and regulations, as well as establishing a Sustainability Committee to manage the progress of each target.

The GEO Group Corporate Governance: <https://www.geonet.co.jp/english/ir/management/governance/>

2. Strategy

To identify climate change-related risks and opportunities that may affect the Group's finances, we conducted two scenario analyses: 1.5°C (anticipating progress in decarbonization) and 4°C (anticipating further global warming), based on data from the IEA and the IPCC.

Definitions of the scenarios

Target period : Envisioning the world centered on 2030

Scope : Major operating companies of the Group

GEO HOLDINGS CORPORATION, GEO CORPORATION, GEO STORE CORPORATION,
2ND STREET CORPORATION, GEO CLEAR CORPORATION,
OKURA HOLDINGS CORPORATION, OKURA Co.,Ltd.

Reference scenarios: IEA NZE, IPCC RCP1.9, etc. for 1.5°C、IEA STEPS, IPCC RCP8.5, etc. for 4°C

Scenario worldview

[1.5°C] (anticipating progress in decarbonization)

- The frequency of torrential rains and floods increase, albeit to a more moderate extent than in the 4°C scenario
- Carbon pricing to realize a decarbonized society is being promoted, with carbon prices rising considerably
- Regulations on GHG emissions and energy conservation are tightened worldwide, while the costs of countermeasures associated with the transition are increasing
- Increased environmental awareness leads to an expansion of the circular economy
- Increased interest in climate action leads to considerable increases in ESG-related investment and financing opportunities

[4°C](anticipating further global warming)

- The frequency of torrential rains and floods, as well as the amount of precipitation, increase considerably, with costs for responding to severe disasters increasing as well
- Carbon pricing is more restrained than in the 1.5°C scenario, but the unit price of fossil fuel-derived energy is higher
- Changes in consumption activity lead to higher average temperatures, with decreased sales of winter clothing and winter appliances
- Changes in consumption activity lead to higher average temperatures, with increased e-commerce sales and sales of summer appliances
- Increased interest in climate action is more subdued than in the 1.5°C scenario, but opportunities for ESG-related investment and financing increase

As a result of the scenario analyses, we have the following recognition of identified risks and opportunities as well as future countermeasures.

In the 1.5°C scenario, we expect expansion of the circular economy in response to growing environmental awareness and the increase in the number of buyers of reused products thanks to the greater spread and ease of purchase, while the unit price of energy is expected to increase as renewable energy makes up a larger part of total energy in step with the transition toward decarbonization, leading to an increase in utility costs for individual stores associated with the store-based business, which may have a significant impact on the Group's finances. We recognize that the 4°C scenario will also have a significant impact on the Group's financial position following from an increase in the unit price of energy, although it will be more subdued than in the 1.5°C scenario.

In response to these risks of increased utility costs, the Group will pursue measures to introduce energy-saving equipment such as LED lighting, insulated windows, and efficient air conditioning equipment, reviewing the temperatures of air conditioners, switching power sources, changing other equipment, and raising awareness about power conservation.

Moreover, our analysis of the 1.5°C scenario suggests that proactive environmental initiatives and appropriate information disclosure could be opportunities that have a considerable impact on the Group's finances in terms of enhancing corporate value and receiving preferential treatment in fundraising. We recognize that such opportunities can have a considerable impact in the 4°C scenario as well, albeit less obviously than in the 1.5°C scenario, while this item is also important from a social responsibility perspective.

Based on the above thinking, the Group will actively disclose corporate information in line with the ESG information disclosure framework, express support for initiatives that address environmental issues, guarantee non-financial information from third-party organizations, and obtain sustainability certifications.

Climate change-related risks and opportunities anticipated by the Group

Climate change risks and opportunities			Materialization timing	Degree of impact		Countermeasures
				1.5°C	4°C	
Physical risks	Acute	Increase in store repair expenses and inventory damage due to more frequent and severe natural disasters	Long-term	small	small	<ul style="list-style-type: none"> Review and strengthen disaster prevention measures, such as disaster manuals Procurement of liability insurance
		Increase in store repair expenses and inventory damage due to more frequent and severe natural disasters	Long-term	small	small	<ul style="list-style-type: none"> Formulate and regularly review the BCP for in-house stores, such as response to POS cash register stops Review and strengthen disaster prevention measures, such as disaster manuals Procurement of liability insurance Strengthen cooperation with suppliers and other business partners Formulate and regularly review the BCP for supply chains
	Chronic	Increase in energy consumption for air conditioning resulting from a rise in the average temperature in summer	medium-term	small	small	<ul style="list-style-type: none"> Introduce energy-saving equipment such as efficient air conditioners and insulated windows Raise awareness about energy saving by reviewing the temperatures of air conditioners
Transition risks	Policies and legal restrictions	Increase in operating costs of the Company's stores and delivery costs due to the introduction and strengthening of carbon taxes and Emissions Trading System	medium-term	medium	small	<ul style="list-style-type: none"> Promote reducing and the recycling of waste materials Choose sustainable suppliers carrying out activities to protect the environment
		Rising unit energy costs due to changes in the power supply mix of electric companies	medium-term	large	large	<ul style="list-style-type: none"> Introduce energy-saving equipment such as LED lighting, insulated windows, and efficient air conditioners Strengthen awareness about energy saving, such as turning electricity on and off frequently
	Market	Decrease in sales of winter clothing, home appliances, etc. due to the rise in the average temperature	Long-term	small	small	<ul style="list-style-type: none"> Analyze seasonal and best-selling products and review the volumes and methodologies associated with the product lineup
opportunities	Products and services	Increase in the number of customers due to the spread of reusable products and ease of purchase as a result of the expansion of the circular economy in response to growing environmental awareness	Long-term	medium	small	<ul style="list-style-type: none"> Strengthen communication about the affinity between our businesses and the circular economy Strengthen information dissemination that improves brand recognition and brand power as a reuse company Improve efficiency by introducing AI in authenticity checks and assessments of reused products
		Increase in sales of specific products (furniture, home appliances, outdoor goods, etc.) and e-commerce due to the rise in average temperatures	Long-term	small	small	<ul style="list-style-type: none"> Analyze seasonal and best-selling products and review the volumes and methodologies associated with the product lineup
		Increased sales of reused luxury goods made from scarce resources due to increasing scarcity and depletion of resources as a result of climate change	Long-term	small	small	<ul style="list-style-type: none"> Analyze seasonal and best-selling products and review the volumes and methodologies associated with the product lineup Improve efficiency by introducing AI in authenticity checks and assessments of reused products
	Market	Proactive environmental initiatives, appropriate information disclosure to enhance corporate value and preferential financing	short-term	large	small	<ul style="list-style-type: none"> Proactively disclose corporate information in line with the ESG information disclosure framework Declare support for initiatives that address environmental issues Obtain assurance from third-party organizations for non-financial information and acquire sustainability certifications Strengthen active dialogues with banks and investors

※Definition of materialization timings: Short-term until 2027, medium-term until 2030, and long-term after 2031

※Calculating the degree of impact: Qualitative assessments of large, medium, and small categories is conducted using external materials, such as those from the IEA and the IPCC as well as our own data, while also making quantitative assessments

3. Risk management

The GEO Group categorizes sustainability-related risks into physical risks (acute and chronic), transition risks (policies and regulations, markets), and opportunities (products and services, markets), and analyzes the timing of their manifestation and the magnitude of their impact.

The Sustainability Information Disclosure Project Team identifies and evaluates sustainability-related risks by collecting data from each business unit and interviewing the persons in charge. The executive officer in charge of the project team is responsible for compiling the identified risks and sharing them with the representative director who are in charge of the project. Through this process, the risks are managed.

The GEO Group has established Risk Management Regulations to prepare for various risks, including climate change, and has established a Risk Management Committee chaired by a representative director to identify and evaluate risks. Countermeasures are determined through discussion and supervision by the Board of Directors after consultation with the executive officers, etc., responsible for each business.

The OKURA Group (OKURA HOLDINGS CORPORATION and OKURA Co.,Ltd.) and the viviON Group (viviON inc, EISYS, Inc., trisys, Inc., and fors, Inc.) have bottom-up reporting systems, while other operating companies have a top-down risk management system to control risks relating sustainability.

4. Metrics and Targets

As part of our efforts to address environmental issues, the Group aggregates and discloses numerical indicators concerning GHG emissions based on the GHG Protocol.

Going forward, keeping in mind the transition to a carbon-neutral society, we will consider setting appropriate emission reduction targets based on trends in the Group's GHG emissions. Numerical indicators concerning GHG emissions are updated and disclosed as appropriate, and may be found via the link below on the company website.

The GEO Group ESG Data: <https://www.geonet.co.jp/csr/esg/>

As of June 28, 2024
GEO HOLDINGS CORPORATION