

Sustainability

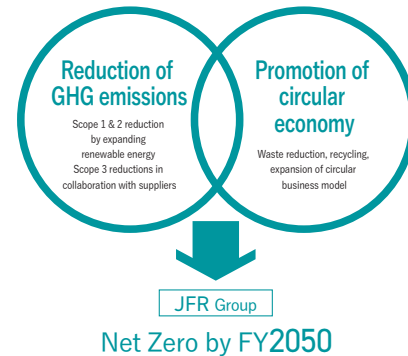
Aiming for Net Zero in 2050

Recently, climate change has progressed to an extremely serious level, endangering not only future generations, but all people, including all of us alive today. Recognizing that the risks and opportunities associated with climate change will have a significant impact on the Group's business strategy, we are working to achieve net zero greenhouse gas emissions*1 across the entire value chain by 2050.

Direction of efforts towards net zero emissions

To achieve net-zero emissions by 2050, the Group will focus on both "Reduction of GHG emissions" and "Promotion of circular economy."

Specifically, we will work to reduce Scope 1 and 2 GHG emissions (hereafter: Scope 1 and 2 emissions) through extensive energy conservation and increased use of renewable energy in our stores. Scope 3 GHG emissions (hereafter: Scope 3 emissions) will be reduced by collaborating with our suppliers and customers as well as promoting resource recycling through the enhancement of 3Rs and expansion of circular business.

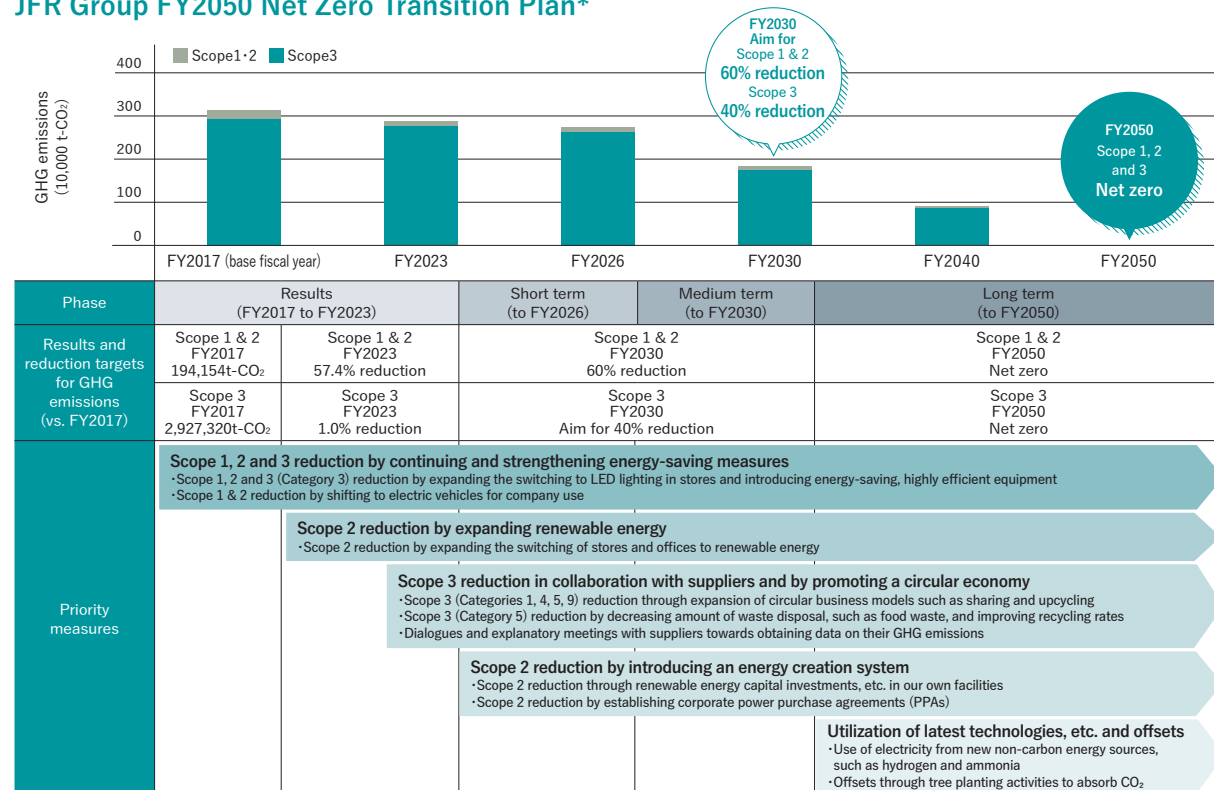


Targets

The Company recognizes that setting ambitious medium- and long-term reduction targets and developing a roadmap to achieve them is a prerequisite for promoting climate change action throughout the Group. Based on this, we obtained certification through the Science Based Targets (SBT) initiative*2 in 2019 for our Scope 1, 2, and 3 GHG emissions reduction targets. In 2021, we reacquired SBT certification with a "1.5° C target," raising our 2030 Scope 1 and 2 GHG emissions reduction targets from 40% to 60% (vs. base year 2017). In February 2023, we obtained SBT certification for net zero emissions of Scope 1, 2, and 3 by 2050.

*1. A thorough reduction of GHG emissions, with the remaining emissions being reduced to practically zero after subtracting the amount removed through forest absorption, CCS (CO₂ capture and storage), etc.
*2. CDP was jointly established in 2014 by CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) to enable companies to set ambitious emission reduction targets in line with the latest climate science.

JFR Group FY2050 Net Zero Transition Plan*



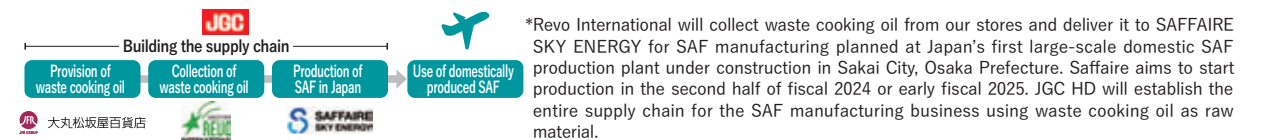
*The plan is current as of the end of May 2024 and may be revised depending on future business strategies.

Major Environmental Initiatives

Resource recycling of waste cooking oil ~ Fry to Fly Project

In September 2023, Daimaru Matsuzakaya Department Stores joined the "Fry to Fly Project," an initiative for recycling waste cooking oil to achieve the first large-scale production of sustainable aviation fuel (SAF) in Japan.

As of August 2024, Daimaru Matsuzakaya is providing waste cooking oil from restaurants and side dish shops in seven of its stores. These seven stores generate approximately 73 tons of waste cooking oil per year (FY2023 results), which accounts for about 47% of the total generated by all stores. We will continue to consider expanding the number of participating stores and will communicate the importance of resource recycling to our customers by holding events that will serve as opportunities to raise awareness and spread the use of domestically produced SAF.



Acquisition of FSC®-CoC Certification

J. Front Design & Construction manufactures a large amount of custom-made furniture and store fixtures to meet the needs of its customers, mainly hotels, commercial facilities, and offices. In October 2023, as proof that it properly manages and processes products made of wood from forests that have acquired forest management certification (FM certification) or from other low-risk wood, the company acquired FSC®-Chain of Custody (CoC) certification* for its Osaka factory and its sales department, which serves as the customer contact point for its products.

*Chain of Custody (CoC) certification guarantees the processing and distribution process of products made from FSC®-certified wood until they reach the hands of consumers.



New upcycling brand "reADdress" to build a recycling-oriented model

AnotherADdress is a fashion subscription business launched in March 2021 by Daimaru Matsuzakaya Department Stores. AnotherADdress emphasizes the intrinsic value of fashion and sustainable initiatives, with the aim of shifting to a business model that is highly sustainable for society and the environment.

In December 2023, we launched the upcycling brand "reADdress" in the hope of giving new value to clothing and other items that have become difficult to rent due to stains, dirt, scratches or other reasons, in order to enjoy them once again by extending their life. Going forward, we will continue to build a circular business model for the realization of a sustainable society.



Initiatives for reducing Scope 3 emissions

Since more than 90% of our Scope 3 emissions are from Category 1 (procured products and services), it is extremely difficult for us to control and reduce our Scope 3 emissions through our own efforts. Therefore, Daimaru Matsuzakaya will encourage its suppliers through dialogue to calculate their GHG emissions. For suppliers who have already done so, Daimaru Matsuzakaya will ask them to set reduction targets and promote step-by-step initiatives.

Past initiatives for the value chain

Dissemination of policy	Briefing session for suppliers (253 companies participated)
Understanding current situation	Survey on CO ₂ emissions (sent to 330 companies)
Requests to calculate / reduce	Continuous direct dialogue and onsite visits

Introduction of Internal Carbon Pricing

Internal Carbon Pricing (ICP) was introduced in February 2024. By converting internal CO₂ emissions into monetary values, the Company aims to visualize the effect of CO₂ reductions and the cost of reductions to foster awareness of decarbonization, and to promote decision-making linked to decarbonization investments. We believe that anticipating future carbon taxes and other incurred costs, and taking proactive measures to address them, will lead to cost reductions from a long-term perspective and opportunities for business creation.

(Internal carbon price: 10,000 yen per ton of CO₂/t-CO₂)

Information Disclosures in Line with TCFD / TNFD Recommendations

In May 2019, the Company endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Furthermore, in November 2023, we endorsed the principles of the Taskforce on Nature-related Financial Disclosures (TNFD) and joined the TNFD Forum. Based on the frameworks for both recommendations, we will disclose information in line with the four categories of governance, risk management, strategy, and metrics and targets. Additionally, we will continue to work toward comprehensive solutions, recognizing that climate change and biodiversity loss are inseparable issues.

Governance TCFD TNFD

To promote sustainability management across the entire JFR Group, the Company is responding to environmental issues (including climate and nature-related matters; same applies below) and incorporating initiatives that will lead to solutions to these issues in our business strategy. These are then deliberated and approved by the Group Management Meeting, the highest decision-making body for business execution. Furthermore, policies on environmental issues deliberated and approved by the Group Management Meeting are shared within the Sustainability Committee, which meets at least twice a year, and the Committee formulates action plans for the Group's environmental issues and monitors the progress.

The President and Representative Executive Officer chairs the Group Management Meeting as well as the Risk Management Committee and the Sustainability Committee, which are both advisory panels under his or her direct control. The President thus bears final responsibility for management decisions related to environmental issues, including climate-related issues. The content deliberated and approved by the Group Management Meeting and the Sustainability Committee is ultimately reported to the Board of Directors.

The Board of Directors receives reports on the deliberations and approvals made by the Group Management Meeting and the Sustainability Committee, and discusses and oversees the Group's target setting, policies, and action plans for addressing environmental issues.

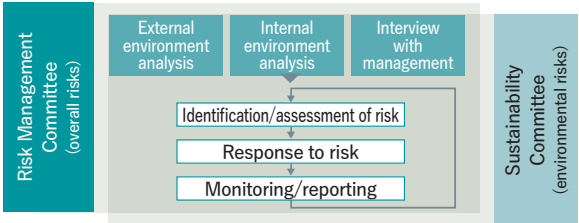
In selecting candidates for the Board of Directors, we use a skill matrix to clarify the expertise and experience we expect from directors, and "environment" is one of the items. By appointing directors capable of providing appropriate oversight of specific action plans and regular reviews, and of monitoring the status of initiatives for continual improvement of environmental plans, we are enhancing the effectiveness of our efforts to address environmental issues.

Risk Management TCFD TNFD

The Group considers risk to be the starting point of strategy. We have defined risk as "uncertainty, both positive and negative, that affects the achievement of corporate management goals."Recognizing that environmental risk management is extremely important for management, we have established a Risk Management Committee to manage various risks, including environmental risks, in an integrated manner across the entire company."

Environment-related risks and opportunities are examined in more detail by the Sustainability Committee and shared with each operating company. Each operating company incorporates environment-related initiatives into action plans and confirms the progress of the action plans through discussions at meetings headed by the president of each operating company.

JFR Group risk management process



Strategy TCFD

The Company considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of the potential impact on its business activities over the long term. Accordingly, the Company has positioned the implementation period of the Medium-term Business Plan up to FY2026 as the short term; the period up to FY2030, which is the short-term target year set by SBTi, as the medium term; and the period to FY2050, which is the SBTi net zero target year, as the long term.

The Company conducts scenario analysis to understand the risks, opportunities, and impact of climate change on the group, and to examine the resilience of its strategies and the necessity of further measures by envisioning the world in fiscal 2030.

In the analysis, we referenced multiple existing scenarios announced by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), then considered two world scenarios: the below 1.5°C/2°C scenario that envisages the goal of the Paris Agreement of striving to limit the increase in the global average temperature to below 2°C above pre-industrial levels; and the 4°C scenario that envisages a world in which no new climate-related policies or regulations are introduced.

Existing scenarios referenced

Possible world	Existing scenarios
Below 1.5° C / 2° C scenario	Net-Zero Emissions by 2050 Scenario (NZE) (IEA, 2023)
	Representative Concentration Pathways (RCP2.6), (IPCC, 2014)
4° C scenario	Stated Policy Scenario (STEPS), (IEA, 2023)
	Representative Concentration Pathways (RCP8.5), (IPCC, 2014)

The Company assessed the importance of the identified climate-related risks and opportunities based on two assessment criteria: the "importance to the Group (degree of impact × urgency)" and "importance to stakeholders." For items that were evaluated to be of particular importance, we

assessed the financial impact of two scenarios, a 1.5° C/less than 2° C scenario and a 4° C scenario, from both quantitative and qualitative perspectives for FY2030, and developed countermeasures for each scenario. Risks and opportunities

for which it is difficult to obtain information to quantitatively assess the financial impact have been evaluated qualitatively, and the results are indicated in three levels according to the slope of the arrow.

Climate change risks and opportunities of particular importance to the JFR Group and their financial impacts in FY2030

↑ : Impact on JFR Group's business and finances expected to be very large
↗ : Impact on JFR Group's business and finances expected to be somewhat large
→ : Impact on JFR Group's business and finances expected to be negligible

Type of climate-related risks and opportunities		Timing of emergence			Climate-related risks and opportunities of particular importance to the JFR Group	Financial impact		Measures
		Short-term	Medium-term	Long-term		Below 1.5 °C/2 °C scenario	4 °C scenario	
Risks	Transition risks	●	●		● Increase in costs associated with introduction of carbon tax, etc.	Approx. ¥1,500 million*1	Approx. ¥1,300 million*1	● Reduction of GHG emissions through aggressive energy conservation measures in stores and expansion of renewable energy switching to achieve the 2050 net-zero target
		●	●	●	● Increase in costs associated with the development of properties with high environmental performance and the installation of equipment	↑	↑	● Financing through Green Bonds, etc. ● Introduction of cost-effective equipment
		●	●	●	● Increase in investment for introduction of high-efficiency energy-saving equipment	↗	↗	● Introduction of internal carbon pricing ● Cost-effective and well-planned investment considerations
		●	●		● Increase in renewable energy procurement costs due to increased demand for electricity derived from renewable energy	Approx. ¥700 million*2	Approx. ¥300 million*2	● Introduction of internal carbon pricing ● Reduction of renewable energy procurement risk and mid- to long-term costs through diversification of renewable energy procurement methods ● Improvement of energy self-sufficiency through installation of renewable energy equipment in the company's facilities, etc.
	Physical risks	●	●		● Decrease in revenue due to store closures caused by natural disasters	Approx. ¥5,200 million*3	Approx. ¥10,300 million*3	● Increased resilience of stores and business sites through BCP preparation ● Improvement of disaster prevention performance of stores
Opportunities	Energy sources	●	●	●	● Decrease in energy procurement cost due to introduction of high-efficiency energy-saving equipment	Approx. ¥400 million*4		● Upgrade to high-efficiency energy-saving equipment at the appropriate time
	Products and services	●	●		● Decarbonization of the entire supply chain and expansion of earnings by responding to increased demand for environmentally friendly products and services	↑	↗	● Expansion of environmentally friendly products and services handled ● Recycling of waste cooking oil as domestically produced SAF ● Collaboration with suppliers to reduce food waste through the use of AI demand forecasting systems, etc. ● Dialogue with suppliers toward decarbonization, including encouraging suppliers to calculate GHG emissions and holding briefing sessions to link Scope 3 emissions data
	Markets	●	●	●	● Expansion of new growth opportunities through new entry into the circular businesses ● Expansion of profits through acquisition of new customers by proposing sustainable lifestyles	↑	↗	● Expansion of circular businesses such as sharing and upcycling, including the fashion subscription business "Another Address" ● Launch of circular businesses through effective use of M&A and CVC* investments
		●	●	●	● Expansion of profits due to increased opportunities to acquire new tenants through conversion to stores with high environmental value	Approx. ¥2,500 million*5	—	● Acquisition of environmental certifications for newly developed properties (ZEB, CASBEE, etc.) ● Promotion of energy conservation in stores toward realization of RE100

*CVC (Corporate Venture Capital): A mechanism to efficiently and effectively promote business co-creation through investment in promising start-ups. In FY2022, the Company established the "JFR MIRAI CREATORS Fund" to promote open innovation.
(Basis for calculation of quantitative financial impacts in FY2030)
*1 Calculated by multiplying JFR Group Scope 1 and 2 GHG emissions as of FY2030 by the carbon price per t-CO2 (parameters: 1.5° C scenario 140\$/t-CO2, 4° C scenario 120\$/t-CO2)
*2 Calculated by multiplying the JFR Group's electricity consumption in FY2030 by the price per kWh of electricity derived from renewable energy compared to the regular electricity rate.
*3 Calculated by multiplying the amount of lost sales due to store closures caused by past natural disasters by the frequency of future flooding (Source: "Representative Concentration Pathways (RCP2.6)(RCP8.5)" (IPCC, 2014)).
*4 Calculated by multiplying energy procurement costs by the amount of energy saved by the JFR Group as of FY2030.
*5 Calculated by multiplying the JFR Group's real estate revenues as of FY2030 by the rate of change in new contract conclusion fees for buildings with environmental certification.

Based on the above scenarios, we have analyzed the impact of climate change and examined our countermeasures and have confirmed that the measures the Group has already implemented and planned are effective and flexible enough to

reduce risks and contribute to the realization of opportunities under any of the scenarios. We will continue to work to enhance the resilience of our management.

Metrics & Targets TCFD

The Company has established two metrics for managing climate-related risks and opportunities: Scope 1, 2, and 3 GHG emissions and the ratio of renewable energy to total electricity used in business activities.

JFR Group's Scope 1, 2 and 3 GHG emission results*1 (Unit: t-CO2)

	FY2017	FY2022	FY2023	2030	2050
	Results	Results	Results	Target	Target
Total Scope 1 and 2 emissions	194,154	109,785	82,757	-57.4 %	
Breakdown					
Scope 1 emissions	16,052	13,714	14,021	-12.7 %	
Scope 2 emissions	178,102	96,071	68,736	-61.4 %	
Scope 3 emissions*2	2,927,320	2,761,669	2,898,436	-1.0 %	
Ratio of renewable energy (%)	—	33.6%	52.9%	60%	100%*3

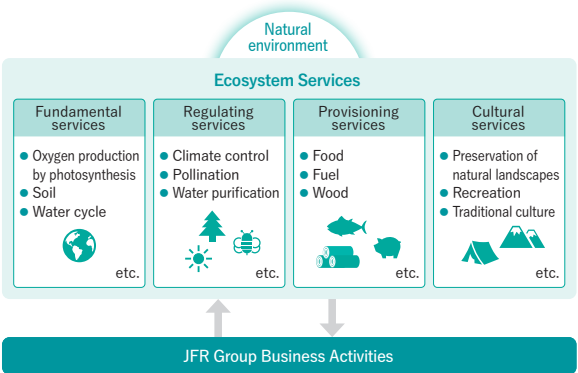
*1. Obtained third-party assurance from LRG A *2. Certified by SBT *3. Joined RE100 in 2020

Strategy TNFD

As a retailer with its main business in department stores and shopping centers, the JFR Group is in contact with a wide range of stakeholders, including business partners, customers, and local communities. We will leverage this connection to promote nature-positive initiatives through our business, such as procuring environmentally friendly products, proposing lifestyles that are conscious of coexistence with nature, and developing stores with high environmental performance.

Our Group is dependent on the many blessings of nature (ecosystem services), such as soil, forests, and a climate with four seasons, in addition to agricultural products, livestock products, marine products, wood, water and other resources. On the other hand, our business activities impact the natural environment in various ways, such as GHG emissions, waste emissions, and water discharge. The Company recognizes the importance of understanding and responding to the relationship between our business activities and the natural environment, specifically the “dependency” and “impact” of both.

Relationship between business activities and ecosystem services



LEAP*3 based assessment of nature-related issues

The LEAP approach is an integrated process recommended by TNFD for assessing nature-related issues, including locating your interface with nature, evaluating dependencies and impacts on nature, and assessing risks/opportunities.

In FY2023, Daimaru Matsuzakaya Department Stores, one of the Group's main operating companies, identified and assessed nature-related issues (dependencies/impacts, risks/opportunities) based on the LEAP approach for its 15 department stores located throughout Japan.

*3 LEAP: stands for the four-step process of Locate, Evaluate, Assess, and Prepare

(i) Appearance of dependencies and impacts (Locate)

The dependencies and impacts of the entire value chain in the department store business and the degree of dependency/impact on natural capital in direct operations (store operations and store development) and the upstream value chain (procurement) were determined based on ENCORE, a tool recommended by TNFD for creating heatmaps and identifying dependency/impact on nature.

Dependency Heatmap

Business	Value chain	Sector	Provisioning services		Regulating services									
			Textiles and other materials	Surface water	Groundwater	Pollination mediation	Soil quality	Water quantity regulation	Water quality	Mass flow mitigation	Climate regulation	Controlling spread of disease	Flood and storm control	Landform stabilization and erosion control
			Control spread of pests											
Department store operations	Direct operations	Store operations												
	Upstream (procurement)	Store development		H	M								VL	L
		Apparel	M	VH	VH			M	L				M	L
		Household goods		M	M			M	L		VL		M	VL
		Agricultural products	M	H	VH	H	H	H	H	H	H	VH	VH	H
		Livestock products	VH	VH	VH	VL	H	M	M	L	M	M	L	L
		Marine products	VH	M	VL		VL	H	M	H	M	H	H	M
		Paper products	M	VH	VH			M			VL			
		Store development		H	M								VL	L

Impact Heatmap

Business	Value chain	Sector	Land/freshwater/ocean-use change			Pollution/depollution				Resource usage	Climate change
			Use of terrestrial ecosystem	Use of freshwater ecosystem	Use of marine ecosystem	Air pollution	Soil pollution	Water pollution	Waste	Water usage	GHG emissions
Department store operations	Direct operations	Store operations				M	H	H	M	H	
	Upstream (procurement)	Store development	VH			M	M	M	H		H
		Apparel	H			H	M	M	M	VH	
		Household goods				M	H	H	H	H	H
		Agricultural products	VH	VH			H	H		VH	
		Livestock products	VH				M	M		VH	H
		Marine products		VH	H		H	H			
		Paper products				M	H	H		VH	
		Store development	VH			M	M	M	H		H

VH Very High H High M Medium L Low VL Very Low

(ii) Identification of stores to evaluate for risks/opportunities (Locate)

Using the Risk Filter Suite (ecosystem and water risk analysis tool) from WWF, Aqueduct (water risk analysis tool) from WRI, and other tools, we verified the state of ecosystems in areas where our stores are located. In addition, we evaluated the importance of each store location based on our own criteria (land and building ownership, sales size, etc.). As a result, Daimaru Shinsaibashi was identified as a store of particular importance for biodiversity conservation.

(iii) Sorting out the factors behind dependencies and impacts on nature (Evaluate)

Of the business activities at Daimaru Shinsaibashi, we have sorted out the factors with significant dependencies and impacts on the ecosystem services in the value chain: “Store Development,” “Clothing and Food,” and “Packaging Materials.”

(iv) Assessment and response to risks and opportunities (Assess, Prepare)

Based on the sorting out of dependencies and impacts on ecosystem services at Daimaru Shinsaibashi in steps (i) to (iii), we identified and evaluated nature-related risks and opportunities that could affect our business activities and discussed activities to address them. In addition, we qualitatively evaluated the impacts to our business activities on three levels (major, medium, minor) based on two criteria: “importance to our company” and “importance to our stakeholders.”

Assessment and response to risks and opportunities

Item			Details of risks/opportunities	Impact	Details of activities
Risk	Physical	Acute	● Decrease in revenues due to store closures caused by extreme weather and increased natural disasters	Large	● Strengthening the resilience of stores and offices through BCP development ● Improvement in disaster prevention performance of stores
		Chronic	● Increase in energy costs due to rising temperatures	Medium	● Upgrading to high-efficiency energy-saving equipment at the right time
			● Earnings instability due to a decrease in the number of agricultural and marine products handled owing to crop failures, lower quality, and reduced harvests ● Decrease in number of customers visiting stores and changes in sales owing to rising temperatures and changing rainfall patterns	Medium	● Discussion and strategy development for the procurement risks of critical food raw material
	Transition	Policy and regulations	● Increase in costs due to tighter regulations on GHG emissions	Medium	● Reduction of GHG emissions through aggressive energy-saving measures in stores and increased switchover to renewable energy sources
		Market	● Increased difficulty in store development (exterior and interior design,including additions and renovations) and higher construction-related costs due to a shortage of building materials	Small	● Greater use of domestically produced thinned lumber
			● Decrease in profits due to inability to meet growing consumer demand for sustainable products	Large	● Expansion of environmentally friendly products such as certified products ● Switchover to environmentally friendly packaging materials such as FSC certified products ● Promotion of smart wrapping and simplified packaging options
		Reputation	● Loss of reputation due to inadequate sourcing of sustainably produced goods	Medium	● Expansion of certified products ● Smart delivery (reduction in the number of deliveries)
	● Loss of reputation due to increased waste and lack of proper disposal		Medium	● Introduction of AI demand forecasting service to reduce food waste ● Composting community activities by employees to reduce food waste ● Appropriate response to the Plastic Resource Circulation Act	
	Opportunity	Resource efficiency	● Reduction in costs associated with efficient water usage	Small	● Usage of rainwater and graywater ● Usage of water-saving equipment
		Products and services	● Increase in the property value of buildings due to real estate development with sustainable sourcing of materials and reduced energy use	Large	● Promoting the development of procurement rules and acquisition of various certifications (CASBEE, ZEB, etc.) and emphasizing them externally.
● Increase in revenues due to increased handling of certified/ sustainably produced goods			Large	● Expansion of certified products ● Raising awareness and educating customers about certified products	
Markets		● Continuation and maintenance of store operations due to mitigation of storms, typhoons, etc.	Large	● Establishment of environment for the enjoyment of ecosystem services (e.g., establish rules based on an understanding of location, vegetation, and climate characteristics)	
		● Increase in customer traffic due to real estate development and retail operations (land use) that take biodiversity and landscape into consideration	Medium	● Implementation of rooftop greening and rooftop urban beekeeping	
Capital flow and financing		● Increase in financing capacity due to higher environmental value of buildings	Large	● Acquisition of environmental certification for newly developed properties ● Raising of funds through green bonds, etc.	
Reputation		● Improvement in reputation by providing rooftop gardens and other places for relaxation	Medium	● Rooftop greening and rooftop urban beekeeping	
		● Improvement in reputation by promoting recycling-oriented business	Medium	● Establishment of partnerships with other companies for resource recycling of waste plastics and food waste (e.g., POOL project, domestic SAF project, etc.)	
Ecosystem protection, restoration, rehabilitation		● Reduction of compliance costs by improving traceability of products (especially risk commodities)	Small	● Strengthening of supplier engagement by conducting assessments, etc.	
Sustainable use of natural resources		● Improvement in store brand value through reduced use of paper products and increased use of alternative materials	Small	● Switching to environmentally friendly packaging materials such as FSC certified packaging ● Promotion of paperless packaging	

Metrics and Targets TNFD

The Company recognizes that biodiversity loss and climate change are inseparable issues and has established metrics and targets to comprehensively resolve both issues and promote efforts to achieve them.

Going forward, the Company will continue to improve the effectiveness of our nature-positive initiatives by prioritizing and expanding the scope of our efforts and engaging in active communication, such as by conducting biodiversity assessments of major business partners. We will also work to raise customer awareness by expanding our lineup of certified products.

Metrics and targets used to manage nature-related risks and opportunities for the JFR Group

Target	Year	Details
GHG emissions	2050	Scope 1, 2, 3 Net zero GHG emissions*1
	2030	60% reduction of Scope 1, 2 GHG emissions (vs. FY2017)*1 Aim for 40% reduction of Scope 3 GHG emissions (vs. FY2017)*1
Ratio of renewable energy	2050	100% of energy used in business activities from renewable electricity*2
	2030	60% of energy used in business activities from renewable electricity
Food recycling rate	2030	Food recycling rate of 85%
Development of environmentally friendly products	2030	Expand transaction volume of environmentally-friendly products, including certified products
Percentage of newly developed properties with environmental certification	2030	100% acquisition rate of environmental certification for newly developed properties

*1 Obtained SBT certification *2 Joined RE100 in 2020

*Details are disclosed in the TCFD Report and TNFD Report.

Human Rights

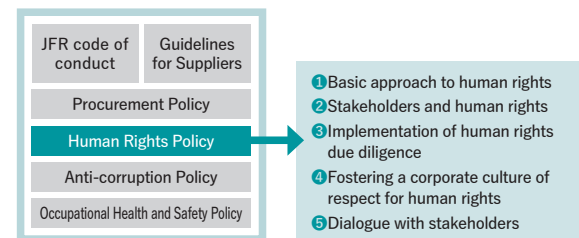
Concern is growing about forced labor, discrimination, and other human rights issues that occur in the supply chain. We are committed to respecting human rights as the foundation of all our business activities in accordance with the Guiding Principles on Business and Human Rights established by the United Nations. By continuously engaging in human rights due diligence, we aim to work with our suppliers to realize business activities that respect human rights.

Human Rights Policy

We established our Human Rights Policy in 2019 in accordance with international human rights guidelines.* The policy outlines our approach to ensure that all officers and employees have a deep understanding of the various human rights issues that are relevant across all of our activities in the business, and that they respond appropriately and with respect for human rights.

*International Bill of Human Rights, the Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact

JFR Principles of Action / JFR Principles of Action for Suppliers



Human Rights Due Diligence

The Company conducts human rights due diligence to identify and assess human rights risks in our corporate activities and to prevent and mitigate such risks.

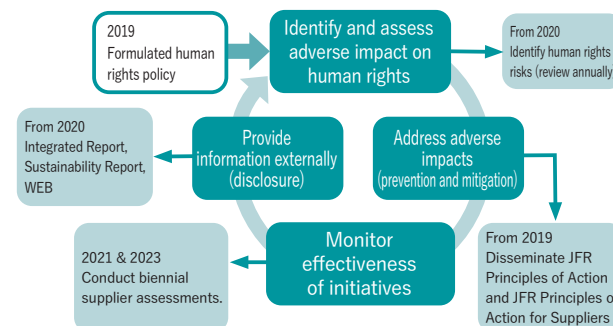
① Identification and assessment of human rights risks

The Company has used the following process to identify and assess the human rights risks (potential negative impact on human rights) of stakeholders who may be affected in relation to the Group's business activities. Through the participation of external experts, including lawyers and the departments in charge at the operating companies, we were able to identify and evaluate human rights risks in a more substantive manner.

Organizing the entire business value chain and exhaustively identifying the human rights issues that can be anticipated for each business line

Evaluate the identified human rights issues in terms of depth (scale, scope, and difficulty of remedy) and likelihood of occurrence, and identify human rights risks that are of high importance to the Group

Human rights due diligence cycle



Significant human rights risks

Value chain	Upstream (Procurement)	Midstream (JFR Group business activities)	Downstream (Use of goods and services)
Stakeholder	Employees of supplier companies, store operators, cooperating companies of business partners	Employees of the JFR Group (including parttime workers in stores and temporary workers dispatched by suppliers)	Customers and local residents
Details	Manufacturing, wholesales, provision of services, construction	Commercial facilities, store operations (including remodeling, advertising, facility management, sales promotion, etc.), sales (including e-commerce), planning and construction	Use of goods and services
Significant human rights risks related to the Group's business	<ul style="list-style-type: none"> Forced labor Child labor Foreign labor conditions Long working hours Low wages Right to access remedies Discrimination (gender, LGBTQ, etc.) 	<ul style="list-style-type: none"> Harassment Long working hours Discrimination (gender, LGBTQ, etc.) 	<ul style="list-style-type: none"> Violation of customer privacy (personal information and right of publicity) Expressions of discrimination through advertisements Health and safety

② Prevention and mitigation initiatives

[Penetration of the JFR Principles of Action for Suppliers]

In 2019, we established the "JFR Principles of Action for Suppliers" including the Human Rights Policy, and we encourage our suppliers to understand and comply with them.

By ensuring compliance from our suppliers, including those from whom we procure goods and raw materials, we aim to link the chain of responsibility and build a sustainable supply chain.

[Employee Training]

In 2020, the Group adopted a Declaration on the Elimination of Harassment and is striving to eliminate and prevent harassment, which it considers as one of the human rights risks. We conduct an annual harassment survey of employees, including part-time and temporary employees, and implement human rights training for managers based on the results of the survey. In 2023, we also carried out an e-learning course on business and human rights for all Group employees (participation rate: 88.7%). We will continue to provide ongoing education so that every employee can deepen their knowledge of respect for human rights and make it a personal issue in their lives.

③ Implementation of human rights assessment

Since 2021, the Group has been conducting supplier assessments to check the status of their efforts concerning matters that must be addressed throughout the supply chain. (In principle, assessments are conducted every other year.)

The second assessment was conducted in 2023 with an emphasis on respect for human rights.

[Summary]

Implementing company	10 operating companies including Daimaru Matsuzakaya Department Stores, PARCO, J. Front City Development
Target	Primary suppliers (1st tier) 3,281 *Narrowed down from multiple perspectives such as human rights risk, sales size, etc.
Period	10/2023 to 12/2023
Questions	Five themes*, Total of 27 questions. *Status of human rights policy and human rights DD efforts, status of understanding of human rights issues in business, status of efforts to address human rights issues, issues in promoting efforts, and penetration status of the JFR Principles of Actions for Suppliers

[Assessment Results]

Responses were received from 1,652 companies, for a response rate of 50.4% (+9.8 percentage points from the previous survey). Of the total, 31.7% of the companies were rated A or B, 55.8% (the largest share) were rated C, and 12.5% (206 companies) were rated D, making them a candidate for dialogue.

	No. of companies surveyed	No. of companies responding	Response rate
2023	3,281	1,652	50.4%
2021	7,415	3,012	40.6%

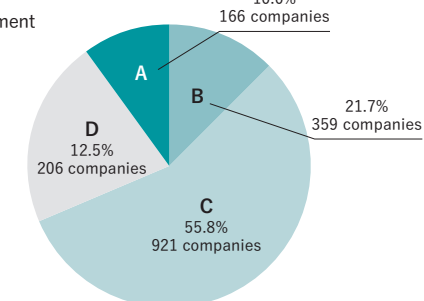
A/B: Making efforts in line with the Guiding Principles on Business and Human Rights

C : Some degree of commitment has been made

D : Candidate for dialogue

Evaluation	Score
A	41~50 points
B	31~40 points
C	16~30 points
D	0~15 points

Full score: 50 points



● Penetration status of JFR Principles of Actions for Suppliers

Of the respondents, 78% answered "Yes" to the question "Do you understand and comply with the JFR Principles of Action for Suppliers (including Human Rights Policy) in your daily business activities?" (60.9% in the previous survey).

[Response going forward]

In the results of this assessment, many companies cited a lack of knowledge, such as "Do not know what to do to respect human rights" and "Do not understand the basic framework of business and human rights" as reasons for the lack of progress in their efforts related to business and human rights.

Based on this, we intend to hold expert-led seminars and provide reference information to our suppliers. In addition, we will also provide opportunities for dialogue with our suppliers as necessary to share assessment results, to gain their understanding of the importance of business and human rights initiatives, to understand their situation, and to encourage them to make improvements.

Establishment of Harassment Consultation Desk and Whistleblowing System

● Harassment Consultation Desk

In order to eradicate and prevent harassment, we have established a "Harassment Prevention Committee" and a "Harassment Consultation Desk" at each Group company and are working to respond promptly to any problems that arise and prevent them from recurring.















*In FY2023, there were 41 consultations regarding harassment.

● Whistleblowing System

The Group's Whistleblowing System allows all directors, officers, employees, and anyone working for the Company (including part-time employees and temporary staff from suppliers) to directly notify the Compliance Committee of compliance-related problems, including human rights violations and corrupt practices within the JFR Group, and request corrective action. In addition to internal reporting, we have also set up an external reporting system (legal counsel). In accordance with the Whistleblower Protection Act, the Group's internal regulations strictly stipulate protecting the confidentiality of whistleblowers and prohibit any prejudicial treatment of whistleblowers.

*In fiscal 2023, there were 61 reports to the JFR Group Compliance Hotline

Progress on 2023 Materiality Targets

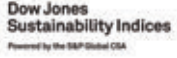











Materiality	Metrics	FY2030 target	FY2023 results and major initiatives
Realization of decarbonized society  	● Scope 1 and 2 GHG emissions	● 40% reduction (vs. FY2017)	● 57.4% reduction in Scope 1 and 2 emissions (vs. FY2017) ● Renewable energy rate 52.9% ● Renewable energy usage 157,454MWh (purchased and generated)
	● Renewable energy rate in total electricity used in business activities	● 40%	
	● Energy creation	● Expansion of onsite generation and consumption of renewable energy in collaboration with new power companies	
Promotion of circular economy  	● Waste disposal volume (including food)	● 15% reduction (vs. FY2019)	● 30.8% reduction in waste disposal volume (vs. FY2019) ● Weight of items collected via ECOFF for recycling: approx. 377t *Cumulative total approx. 1,845 tons from 2016 to 2022 ● Added men's line for "AnotherADdress" and launched upcycled brand "reADdress" (Daimaru Matsuzakaya Department Stores) ● Participation in the "Fry to Fly Project," which aims to produce domestically produced sustainable aviation fuel (SAF) from waste food oil (Daimaru Matsuzakaya Department Stores)
	● Total weight of items collected via ECOFF for recycling	● 1,500t in total	
	● Recycling and reuse	● Expansion of recycling and remanufacturing of used products in collaboration with business partners and consumers	
	● Businesses including sharing, subscription, and upcycling	● New entry into businesses such as sharing and upcycling through collaboration with business partners	
Management of the entire supply chain  	● Scope 3 GHG emissions	● 10% reduction (vs. FY2017)	● 1.0% reduction in Scope 3 emissions (vs. FY2017) ● Conducted assessment on respect for human rights (response rate: 50.4%, penetration rate of Principles of Action: 78%) ● Revision of human rights risks in FY2023 ● Conducted e-learning on businesses and human rights
	● Dissemination of JFR Principles of Action for Suppliers	● Assessment response rate 80%, penetration rate 25%	
	● Business activities in which human rights are respected	● Expansion of human rights due diligence ● 100% implementation rate of human rights education for employees	
Promotion of diversity & inclusion  	● Share of women in management positions	● 26%	● Share of women in management positions 22.5% ● Employment rate of people with a disability 2.89% (June 2023) ● Career Forum held for female manager candidates ● LGBT-related events (Daimaru Tokyo, Shibuya PARCO)
	● Extension of retirement age	● Expansion of operating companies introducing retirement age of 65 years	
	● Employment rate of people with a disability	● 2.6%	
	● Fostering a corporate culture of diversity	● 100% employee penetration of diversity & inclusion ● Development of products, services, and sales areas for LGBT and other diverse customers	
Realization of work-life integration  	● Turnover rate due to childcare and nursing care	● Less than 1.0%	● Turnover due to childcare and family care 2.0% ● Percentage of male employees taking paternity leave 87.5% ● Conducted employee satisfaction survey (satisfaction rate 67.7%)
	● Paternity leave usage rate	● 100%	
	● Work style	● Establishment of systems and evaluations to build an organization that can work anytime, anywhere	
	● Employee satisfaction	● 60%	
Realization of customers' healthy/safe/secure life  	● Ethical consumption	● Started to strengthen the handling of certified products related to food safety and environmental preservation	● Sale of certified products ● Opening of Welpa in Urawa PARCO (Feb 2024) ● Strengthening of the "Hair Evaluation Testing" business area for hair care products (Consumer Science Laboratory) ● Revision of manual on overseas safety
	● Mental and physical health	● Expansion of entertainment business fields such as culture, art, and traditional culture ● Launch of wellness business	
	● Rate of customer awareness and empathy for sustainable activities	● 30%	
	● BCP, disaster prevention, epidemic prevention	● Increased sophistication of BCP and strengthening of epidemic prevention measures ● Strengthening of contactless customer touch points through communication using digital technology	
Coexistence with local communities  	● Community development	● Development that contributes to improving the attractiveness of cities and creating lively towns by taking advantage of local characteristics such as culture and history ● Shift to CSV in stores (making stores sustainable) throughout the Group	● Opening of HAB@KUMAMOTO (Apr 2023) ● Concluded comprehensive partnership agreement with Kumamoto Pref. (Hakata Daimaru) ● Signed agreement with Taito City and Local Food Cycling Co., Ltd. for shifting to a recycling-oriented lifestyle (Daimaru Matsuzakaya) ● Implemented plan to support the development of sales channels for SMEs using Booster (crowdfunding) ● Presentation of "Future Co-Prosperity Project" by Kyushu Expedition and FINANCIE (Hakata Daimaru) ● "Think LOCAL" initiative for coexistence with local communities (Daimaru Matsuzakaya Department Stores)
	● Collaboration with local communities	● Promotion of regional revitalization through collaboration with government, educational institutions, NGOs, and NPOs ● Promotion of regional revitalization through the discovery and dissemination of local content, such as local production for local consumption	

Sustainability bond reporting (9th unsecured bond)

In May 2021, the Company issued sustainability bonds of ¥15.0 billion to contribute to resolving both environmental and social issues through business activities.

Project category	Output	Outcome	Impact	Use and amount of funds
Realization of a decarbonized society				
Green buildings	● Overview of eligible projects ● Construction of main building of Daimaru Shinsaibashi (FY2019) ● Construction of Shibuya PARCO (FY2019)	● Status of building certification/confirmation (timing/certification level) - Main Building of Daimaru Shinsaibashi: Osaka City: Osaka City Building Environmental Planning System Earned A ranking (FY2019) - Shibuya PARCO: Tokyo Metropolitan Building Environmental Planning System Earned Grade 3 ranking (2021) ● Electric power reduction - Daimaru Shinsaibashi Main Building 2,166MWh increase (vs. FY 2014*) - Shibuya PARCO 2,500MWh reduction (vs. FY 2014*) ● Scope 1 & 2 GHG reductions - Daimaru Shinsaibashi Main Building 7,836t-CO ₂ reduction (vs. FY 2014*) - Shibuya PARCO 875t-CO ₂ reduction (vs. FY2014*) *Estimated for 2014, the last full year before reconstruction (due to reconstruction, the building structure is not identical)	Leading a decarbonized society and creating a global environment for future generations	Total allocation: ¥6,000 million
Renewable energy	● Purchased renewable energy-sourced electricity 157,443MWh	● Share of electricity derived from renewable energy sources in total electricity consumption: 52.9% (up 19.3 ppt YoY)		Total allocation: ¥3,040 million
Green procurement	● No. of leased EVs: 21 in 2023 (177 in total, 47.6%)	● Reduction in CO ₂ emissions by electrifying corporate fleet: approx. 389t-CO ₂ a year (Calculated by comparison with the emissions of gasoline vehicles in the same category.)		Total allocation: ¥261 million
Energy efficiency	● No. of LEDs installed for replacement: Approx. 19,500 in FY2023 (189,700 in total)	● Reduction in CO ₂ emissions by switching to LED lighting: approx. 9,485t-CO ₂ a year		Total allocation: ¥1,230 million
Coexistence with local communities				
Socioeconomic improvement and empowerment (community)	● No. of tenants operating near Daimaru Kobe in the Former Foreign Settlement in Kobe: 52 at end of FY2023	● Initiatives to revitalize communities - Kobe Market to introduce and sell attractive local products from Hyogo and Kobe - Under the theme of "Old Settlement Valentine's Day," the "Valentine Chocolat Promenade," an event involving local businesses and the entire Old Settlement, was held under the symbol of "Chocolate covered BE KOBE" - Promotion and sales of attractive products from the local Hyogo city of Kobe, "Handmade Souvenirs Close-up" and "Hyogo Koku" - Utilizing bus stop waiting areas in Pascal Mita, Mita Flower Town, Takataya Kahei Park in Awaji and Sumoto Bus Center to directly sell items from department store basement food markets to distant customers. ● Customer traffic to Daimaru Kobe store: 9,903,000 people	Together with local people, creating prosperous, future-oriented communities where people gather centering on our stores	Total allocation: ¥4,440 million
Promotion of diversity and inclusion				
Socioeconomic improvement and empowerment (Women/people with a disability)	● No. of times JFR Women's School was held (4 times in FY2023) ● Cost of Mother Recruitment ¥13,302,000 in FY2023	● Status of appointment of women to management positions (consolidated) Share of women in management positions in FY2023: 22.5% ● No. of participants in JFR Women's School (annual): 33 people in FY2023 ● No. of people employed through Mother Recruitment (annual): 6 people in FY2023	Realizing a highly diverse society in which everyone recognizes each other's diversity and flexibly demonstrates his/her individuality	Total allocation: ¥29 million
<Status of asset allocation:> Amount of issue:15,000 million; amount already allocated: ¥15,000; amount allocated in FY2023: ¥0				Total amount allocated: ¥15,000 million

External Assessment

Selected as a constituent of Dow Jones Sustainability Asia/Pacific Indexes for first time 	Selected as a constituent of MSCI Japan ESG Select Leaders Index* 	Selected as a constituent of MSCI Japan Empowering Women Index (WIN) for seventh consecutive years 	Selected as a constituent of FTSE Blossom Japan Index for second consecutive year 
Selected as a constituent of FTSE Blossom Japan Sector Relative Index for third consecutive year 	Selected as a constituent of FTSE4Good Index Series for second consecutive year 	Selected as a constituent of S&P/JPX Carbon Efficient Index 	Selected as a constituent of Morningstar Japan ex-REIT Gender Diversity Tilt Index 
Selected as an A-list Company in the CDP Climate Change Survey 2023 for fourth consecutive year 	Recognized as an Eco-First Company by Ministry of the Environment 	Selected as an Environmentally Sustainable Company at the 5th ESG Finance Awards Japan 	Received "Gold" rating in the PRIDE Index for third consecutive year 

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