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Together with people, communities, and the environment

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According to recent news, the national average temperature for July 2024 was the highest for the month in the 126 years since the Japan Meteorological Agency started keeping statistics, setting a record for the second straight year. I myself was keenly aware of the global warming crisis during those hot days. Looking back on our business, the Company's principal retail operations are closely associated with the lifestyle and culture of Japan, which have always valued nature in each of the four seasons, adding color to people's lives. We are fully aware that the fading sense of the four seasons due to global warming will gradually affect both people's minds and our business activities.

Global warming is not limited to rising temperatures. It also increases the number of extreme weather events and natural disasters, has a serious impact on ecosystems and agriculture, and can cause social problems such as increasing the chances of people losing their homes. Given that this challenge is developing on a global scale, clearly no one can afford to treat the issue as someone else's problem.

Amidst this growing sense of uncertainty, I accept that creating a future in which we can grow as a company while solving the environmental and social issues that await us

is a major topic that has been passed down from my predecessors.

Since the establishment of Daimaru and Matsuzakaya, the Group has conducted business based on the spirit of its Corporate Credo "Service before Profit" (Those who give priority to service over profit will prosper) and "Abjure All Evil and Practice All Good." In today's terms, this corporate motto means "customer-oriented" and "contribution to society," and expresses our belief that acting with our stakeholders in mind will eventually lead to the development of our business.

The Corporate Credo is the cornerstone of our business operations and the central criteria in all decision-making. In our challenging business environment, with its complex intertwining environmental and social issues, economic trends, and geopolitical risks, it is becoming increasingly important to have unshakable core beliefs.

When we formulated our new medium-term business plan that began this fiscal year, we took into consideration the above factors to draw up Vision 2030, which will help us realize our Group Vision of "Create and Bring to Life 'New Happiness,'" and clarified the future direction of our management.



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— Making materiality personal

The Company advocates sustainability management, which seeks to balance corporate profits and the resolution of environmental and social issues through our business, and aims to realize Creating Shared Value (CSV) that integrates sustainability with our corporate and business strategies.

To this end, it is important for employees to fully understand and practice what it means to “realize sustainability management through CSV.”

At JFR, efforts to increase the awareness and penetration of sustainability as a concept have steadily increased through training and other opportunities. Still, there are employees who do not clearly understand the meaning, nor do they link sustainability to their own work and put it into practice.

As one reform measure, we reviewed materiality in conjunction with the start of our new medium-term business plan. We maintained the substance and meaning, but the wording was changed so that employees could

see sustainability as something that concerned them personally. For example, we changed the phrase “creating a decarbonized society” to “creating a society that co-exists with the environment.” I sincerely hope that each employee will realize that materiality is not simply a company challenge, but one that they should be tackling themselves in relation to their own work. By raising each person's awareness of the materiality of the Company's activities and practicing them with enthusiasm in their own work, we will strive to realize CSV as a company.

— Growth is driven by employees

While a diverse range of human capital is essential to achieving CSV and sustainable growth, I believe that my greatest mission as president is also to develop human resources. I would like to create a cycle in which employees use the strengths of the Company to realize their own wills, which in turn becomes a driving force behind the company's growth. To achieve this, we need to foster a corporate culture that encourages people to take on new challenges. Moreover, we need to invest in human resources who have the will to enhance and improve their skills. In addition, we must take up the will of each individual and allocate resources to those who want to take on these challenges in order to nurture them as businesses.

In July of this year, we held an executive retreat attended by our executive officers and presidents of major operating companies, where we had intensive discussions on the Group's human resources strategy. We also held a discussion with younger employees, which was a great opportunity for

us to realize that there is a gap between what management thinks of human resources strategy and what younger employees are looking for. Going forward, we will take a multi-step, multi-faceted approach so that each employee can design his or her own career and realize a rewarding career in our company. It may take time, but we believe that enhancing the human resource capabilities of each employee will lead to the company's competitiveness and growth.

— From regional “Co-existence” to “Co-prosperity”

The Company operates Daimaru, Matsuzakaya, and PARCO stores in major cities throughout Japan, from Sapporo, Hokkaido in the north to Hakata, Kyushu in the south. We have been working with customers, employees, business partners, communities, and local governments to solve problems, revitalize communities, and create towns and cities that make the most of their local appeal. This role has not changed over our long 300 to 400-year history. It is our pride and great strength that we have grown together with local communities, earning their trust by enriching the places where people gather and interact in the towns where our stores are located.

In recent years, however, due to a combination of factors such as the falling birthrate, aging population, changing family structures, and diversifying values, a number of issues have emerged that could affect the future sustainability of cities: a decline in local economies; a decrease in the number of torchbearers of local traditions and culture; and a weakening of



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social and community ties. In these changing societies, we believe that we need to conduct our business with a greater awareness than ever before of the need to enhance the vitality of the community and prosper together—in other words, to achieve “co-prosperity.”

For example, in 2026, we will open a new commercial facility in Sakae, Nagoya, where we plan not only to open a store, but also to develop initiatives to enhance and revitalize the appeal of the entire city by linking existing stores with other businesses and government agencies in the area.

In March 2024, we also helped to establish a business succession fund called “Pride Fund.” While there are many companies across Japan that provide excellent products beloved by their local communities, business closures due to a lack of successors, funds, and management know-how have had a significant impact on regional economies. Therefore, we hope to contribute to local communities by supporting the succession of businesses rooted there, with a focus on food culture.

— Co-creation with Stakeholders

If we look at the entire retail value chain, our company is located in the middle. Upstream are our suppliers and business partners who provide us with products and services, and downstream are our customers. We are positioned to connect with various stakeholders, encourage them to contribute to society, and work together with them. We also recognize, however, that we are expected to create

new value by making those connections, which will lead to business opportunities.

Since 2016, ECOFF, a Daimaru Matsuzakaya Department Stores program, where customers are encouraged to bring their unwanted clothing and other items to the stores, has fully taken root as a customer-participatory initiative. In 2023, the company began participating in an initiative to provide used cooking oil as a raw material for the production in Japan of SAF (Sustainable Aviation Fuel). We believe that this initiative is significant not only because it is being undertaken by the department store on its own, but also because it has become a larger effort with the support and participation of the food and beverage outlets in the store.

We also place respect for human rights at the foundation of our business activities and encourage our employees and suppliers to understand and agree with the JFR Principles of Action for Suppliers, while promoting internal training and e-learning programs, as well as assessment and dialogue with suppliers.

In the area of sustainability, the demands placed on companies as members of society are changing and becoming more complex as global trends accelerate. There is very little that one company alone can do to resolve these issues. I believe that the more we increase the number of people who work together with us, the greater the positive change we can make in the world. We will share our thoughts and ideas on sustainability with our customers, suppliers, and other stakeholders, and



expand our circle of activities.

As I mentioned already, JFR, as a retailer, has been adding color to our customers' lives through the provision of products and services. We recognize that one of our social roles is to increase the “passion” of society, which has tended to decline in recent years. We have chosen “excitement” as our keyword and hope to create and share exciting consumption and exciting experiences with our customers and employees—in other words, we want to increase the passion in the world by co-creating excitement.

We will contribute to the “Well-Being Life” of our stakeholders by creating new value that stirs the hearts of our customers without being bound by conventional frameworks, enhancing the appeal and vitality of cities, and fostering a culture in which everyone can share in the creation of a sustainable environment and society.