

SUSTAINABILITY

Sustainability

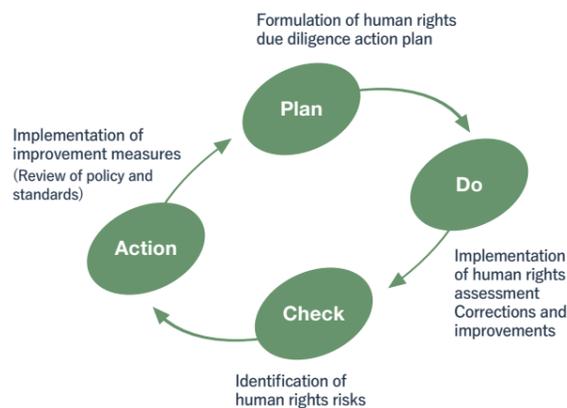
Social Initiatives

The environment around companies is changing, as seen in prolonged COVID-19 and human rights issues in supply chains. Social structure and consumption behavior have greatly changed due to its impact and it also has a great impact on corporate business activities. The Group aims to create a sustainable supply chain by sharing its views of sustainability with suppliers and fulfilling social responsibilities with suppliers. And we will work with suppliers to create a work environment in which the human rights of the people working in the supply chain will be protected and they will be able to continue to work in good health.

Human rights due diligence

There is increasing concern about human rights issues in Japan and abroad, such as forced labor and discrimination in supply chains and companies are expected to conduct business activities that respect human rights.

The Group follows the PDCA cycle of human rights due diligence in accordance with the Guiding Principles on Business and Human Rights established by the United Nations and basing all its business activities on respect for human rights. By doing so, we will realize the business activities that respect the human rights of consumers, suppliers, and employees and contribute to realizing Well-Being Life for stakeholders.



Human rights assessment

From October to December 2021, we assessed 7,415 suppliers to see the dissemination status of the JFR Principles of Action for Suppliers. As for human rights, we checked their efforts in accordance with the “human rights policy” included in the Principles of Action.

We received responses from 3,012 suppliers, and as a result, they were found to generally comply with the human rights policy and we saw no human rights risks to which we should pay close attention in this assessment.

On the other hand, as some suppliers had not yet in place human rights policies or guidelines, we will share the importance of human rights efforts through dialogue to encourage them to make improvements.

Identification of human rights efforts

In 2022, the Group identified anticipated human rights risks considering its business characteristics. And as subjects for considering their impacts on human rights, we identified “employees,” “suppliers (primary suppliers),” and “consumers (customers).”

References

- International human rights guidelines for business including the United Nations Guiding Principles on Business and Human Rights and the Japanese Government Action Plan on Business and Human Rights

Human rights risks

	FY2022
Employees	<ul style="list-style-type: none"> • All forms of discrimination and harassment • Excessive and unreasonable working hours • Occupational health and safety • Health deterioration caused by an increase in telework due to COVID-19 • Leakage of personal information and privacy violation
Suppliers (Primary suppliers)	<ul style="list-style-type: none"> • Forced labor and child labor • Restrictions on freedom of association and collective bargaining • Lack or non-payment of wages • Excessive and unreasonable working hours • All forms of discrimination and harassment • Rights of foreign labor • Occupational health and safety • Unfair dismissal of non-regular workers caused by a decrease in demand due to COVID-19 • Indirect involvement in human rights risks in supply chains due to geopolitical disputes, etc.
Consumers (Customers)	<ul style="list-style-type: none"> • Lack of safety in products and services due to insufficient quality checks and illegal inspections • Accidents caused by improper use of products • Health damages caused by alcohol, processed food, etc. • Personal information leakage and privacy violation

- The JFR Group Risk List created by exhaustively extracting the Group’s risks
- The “results of the supplier assessment” conducted in fiscal 2021
- The “results of harassment questionnaire” given to all employees in the Group

We will focus on identified human rights risks, and at the same time, considering constantly changing environment around human rights, we will review human rights risks periodically and continuously.

Prevention and remedy of human rights risks

In order to prevent and remedy human rights risks, for employees, the Group disseminates the Principles of Action and provides human rights education. For suppliers, we disseminate the Principles of Action for Suppliers and engage in dialogue continuously for improvement. For consumers (customers), we have customer consultation desks and Consumer Product End-Use Research Institute, which conducts tests and provides consulting services concerning product quality. We will also strive to provide accurate and easy-to-understand information.

Initiatives for employees to respect their human rights

In 2020, the Group adopted a Declaration on the Elimination of Harassment to eliminate and prevent harassment, which it considers as one of human rights risks. The Harassment Prevention Committee and the Harassment Consultation Desk are in place to take prompt action at the time of occurrence and prevent a recurrence. In addition, we have a whistleblowing system* that enables all officers and employees of the Group and all people working in the Group (including part-time workers and temporary staff from suppliers) to directly notify the Compliance Committee of any compliance-related problems and ask for correction.

*The number of reports to the JFR Group Compliance Hotline in fiscal 2021: 46

Assessment concerning the JFR Principles of Action for Suppliers

From October to December 2021, we assessed the suppliers who have supported the JFR Principles of Action for Suppliers for the first time to see the status of understanding of and compliance with the Principles of Action.

<Overview>

Companies that conducted the assessment: Head office of J. Front Retailing, Daimaru Matsuzakaya Department Stores, 7 associated companies

Scope:

7,415 suppliers (primary suppliers) with whom the JFR Principles of Action for Suppliers are shared

Assessment criteria

- Suppliers who answered “Yes” to 80% or more of total questions

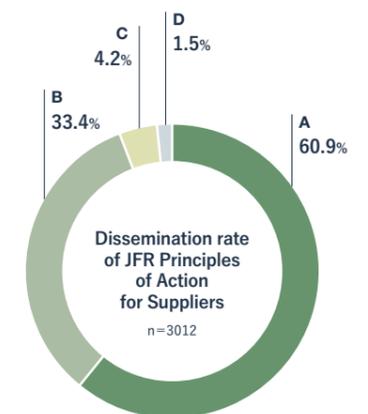
(16 or more out of 19 questions) are deemed to comply with the Principles of Action.

- Suppliers who answered “Yes” to less than 30% of total questions (5 questions or less) are candidates for dialogue, which is the next step.

<Assessment results>

The response rate was 40.6% with 3,012 companies responding. Approximately 60% of the suppliers answered “yes” to 80% or more of total questions, which is a measure of the degree to which the Principles of Action have permeated, and we deem that the Principles of Action are being disseminated.

And the percentage of the suppliers with whom we would engage in dialogue was only 1.5%.



No. of questions answered “Yes” out of 19 questions	No. of suppliers who answered
■ A: 16 or more (80% or more)	1,833
■ B: 10 or more	1,008
■ C: 6 or more	126
■ D: Less than 6	45

<Action after assessment>

When some problems are found in disseminating the Principles of Action, the Group provides a venue for dialogue with relevant suppliers as necessary. We will share the results of assessment with suppliers and make them understand our view of supply chain management and the importance of complying with the Principles of Action through dialogue while grasping the situation of suppliers and encouraging them to make improvements.

Going forward, the Group will strive to make suppliers understand and support the importance of complying with the Principles of Action and respecting human rights. We will work to further disseminate the Principles of Action by holding explanatory meetings for suppliers and other means to create a sustainable supply chain.

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To Realize Well-Being Life for Customers

The Group thinks of Well-Being Life as both mentally and physically, socially and environmentally fulfilling life as well as material and economic wealth. We are working with suppliers to create new customer experience and bustling communities centering on our stores using our commercial production capability and real estate assets to realize Well-Being Life for customers.

Provision of excitement to daily life and creation of customer experience

The Entertainment Department of Parco is working with partners including suppliers that have excellent content and unique creators to provide excitement to customers' daily lives and exciting new customer experience through attractive art, culture, and entertainment.

For the Entertainment Department of Parco, see page 50.

Collaboration with local communities and creation of bustling communities

The Group is working with local communities and partners to create new collaboration with local communities and draw crowds to them through the development of local areas centering on its stores and their revitalization by *chisan-chisho* to realize Well-Being Life for stakeholders.

We are also working with local business operators to revitalize local communities by merging with online centering on the areas in which our stores are located.

For community development, see page 52.

Creation of store environment that is strong in disaster and epidemic prevention and reassures customers

The Group is working in an organized way to thoroughly prevent infection by verifying the measures we have taken so far and compiling the JFR New Infectious Disease Response Manual. The stores of Daimaru Matsuzakaya Department Stores and Parco periodically provide disaster training and BCP training and take safety and security measures, such as creating an environment that does not have the three Cs and strengthening air conditioning in buildings, to prevent the COVID-19 infection.

Daimaru Matsuzakaya Department Stores

Project for coexistence with local communities Think LOCAL



Think LOCAL is a project to consider local problems and support the area. The company operates the Best of Japan Delivered to Your Door from Local Food Mart, which sold recommended delicacies online mainly from the areas in which its stores are located. While the company strengthens online sales, each of its stores strives to coexist with a local community.

Hakata Daimaru

Kyushu Tankentai



Under the Kyushu Tankentai (literally Kyushu expedition team) project, the department store employees visit cities in Kyushu and cooperate with the government in collecting information on, finding, and offering a broad introduction of excellent food, crafts, culture-based experience, which are not yet widely known, to promote *chisan-chisho* and revitalize Kyushu as a whole. The Kyushu Tankentai visited 89 cities by June 2022 and was certified as an information communication ambassador by each city.

Parco

Crowdfunding BOOSTER



Parco is evolving its initiatives for local revitalization using crowdfunding BOOSTER, which is jointly operated by Parco and Campfire, Inc. The Shizuoka MIRUI Project that helps businesses in Shizuoka try something new and solve problems was launched through collaboration between Shizuoka PARCO, the Matsuzakaya Shizuoka store, Shizuoka Shimbun, and Shizuoka Broadcasting System. And in 2021, the Mikke! KYOTO project that helps sell new products and communicate the appeal of Kyoto by displaying them in the store was launched through collaboration between the Daimaru Kyoto store and The Kyoto Shinkin Bank.

Daimaru Suma store

Public library Kobe City Myodani Library



photo/Takeshi asano

The Daimaru Suma store invited Kobe City Myodani Library in March 2021 when the store was renewed. It is the first public library in a department store in Japan. A lot of wood from Rokkusan is used for benches in the library. We created a relaxation space in which local people get together while enjoying shopping in the department store.

Acquisition of third-party assurance

The fiscal 2021 data shown on the right have received independent third-party assurance from LRQA Limited to ensure reliability.

Environment	Energy usage	428,049 MWh	Waste disposal volume	26,637 t
	Renewable energy usage	62,156 MWh	Waste recycling volume	12,845 t
	Scope 1 emissions	14,004 t-CO ₂	Waste generation volume	13,792 t
	Scope 2 emissions	108,808 t-CO ₂	Food waste disposal volume	4,211 t
	Scope 3 emissions	2,420,492 t-CO ₂	Food waste recycling volume	1,678 t
	Water usage	2,449,396 m ³	Food waste generation volume	2,533 t
Society	Share of women in management positions	21.3%	Share of women returning to work after taking childcare leave	95.3%
	Employment rate of disabled people	2.66%	Paternity leave usage rate	43.6%
	No. of employees taking childcare leave	88 people	No. of occupational fatalities	0 people

Sustainability bond (9th unsecured bond) reporting

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 decarbonized society				
Green building	<ul style="list-style-type: none"> Overview of eligible projects Construction of the main building of Daimaru Shinsaibashi store (FY2019) Construction of Shibuya PARCO (FY2019) 	<ul style="list-style-type: none"> Status of building certification/confirmation (timing / certification level) Main building of Daimaru Shinsaibashi store: Osaka City building environmental plan system, ranked A (FY2019) Shibuya PARCO: Tokyo building environmental plan system, graded 3rd (2021) 	Leading a decarbonized society and creating a global environment for future generations	Amount already allocated ¥6,000 million
Renewable energy	<ul style="list-style-type: none"> Purchased renewable energy-sourced electricity: 62,156 MWh 	<ul style="list-style-type: none"> Share of renewable energy-sourced electricity in total electricity consumption: 20.3% (up 10.3% YoY) 		Amount already allocated ¥300 million Amount allocated in FY2021 ¥1,053 million
Green procurement	<ul style="list-style-type: none"> No. of leased EVs: 13 in FY2021 (145 in total, 39% in total) 	<ul style="list-style-type: none"> Reduction in CO₂ emissions by electrifying corporate fleet: Approximately 393 t-CO₂ a year (Calculated by comparing with the emissions of the same type of gasoline vehicles) 		Amount already allocated ¥90 million Amount allocated in FY2021 ¥80 million
Energy efficiency	<ul style="list-style-type: none"> No. of LEDs installed for replacement: Approximately 1,600 in FY2021 (224,600 in total) 	<ul style="list-style-type: none"> Reduction in CO₂ emissions by switching to LED lighting: Approximately 11,230 t-CO₂ a year 		Amount already allocated ¥590 million Amount allocated in FY2021 ¥249 million
Coexistence with local communities				
Socioeconomic improvement and empowerment (Community)	<ul style="list-style-type: none"> No. of tenants operating around Daimaru Kobe store in the Former Foreign Settlement in Kobe: 54 	<ul style="list-style-type: none"> Initiatives to revitalize communities Local revitalization project by producers in Hyogo, H LABO Sale of local Banshu textile masks Kobe Market to introduce and sell attractive products in local areas such as Hyogo and Kobe Customer traffic to Daimaru Kobe store: 7,636,000 people 	Together with local people, creating prosperous future-oriented communities in which people gather, centering on our stores	Amount already allocated ¥2,000 million Amount allocated in FY2021 ¥1,137 million
Promotion of diversity & inclusion				
Socioeconomic improvement and empowerment (Women/disabled people)	<ul style="list-style-type: none"> No. of times of holding JFR Women's School (Not held due to COVID-19 in FY2021) Cost for Mother Recruitment ¥2,894,000 in FY2021 	<ul style="list-style-type: none"> Status of appointment of women to management positions (consolidated) Share of women in management positions in FY2021: 21.3% No. of the participants of JFR Women's School (annual) (Not held due to COVID-19 in FY2021) No. of people employed through Mother Recruitment (annual): 1 in FY2021 	Realizing a highly diverse society in which everyone recognizes each other's diversity and flexibly demonstrates his/her individuality	Amount already allocated ¥20 million Amount allocated in FY2021 ¥3 million

<Status of asset allocation> Amount of issue: ¥15,000 million; amount already allocated: ¥9,000 million; amount allocated in FY2021: ¥2,522 million; total amount allocated: ¥11,522 million; amount not yet allocated: ¥3,478 million

External recognition

Selected as the constituent of MSCI Japan Empowering Women Index (WIN)* for five consecutive years 2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	Selected as the constituent of FTSE Blossom Japan Sector Relative Index FTSE Blossom Japan Sector Relative Index	Included in A List in 2021 CDP climate change survey for the second consecutive year CDP A LIST 2021 CLIMATE	Selected as the constituent of SNAM Sustainability Index 2022 SNAM Sustainability Index 2022
Selected as FY2021 Nadeshiko Brand NADESHIKO BRAND 2022	Recognized as White 500 in Large Enterprise Category under 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program 健康経営優良法人 2022 Health and productivity ホワイト500	Received "gold" rating in PRIDE Index 2021 work with Pride Gold 2021	Awarded IR Grand Prix 2021 IR Grand Prix 2021

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