

Our Approach to Net Zero and Nature Positive

Our daily lives and business activities are supported by the benefits derived from ecosystems where organisms interact—such as food, water, and climate stability. However, due to the impact of climate change driven by global warming and the degradation of the natural environment, animal and plant diversity is being lost at an unprecedented rate. We are facing a crisis that could deprive both current and future generations of the benefits of ecosystem services. Recognizing that climate change and biodiversity loss are inextricably linked issues that will significantly affect our business over the medium to long term, the Company has established “Creating a Society that Coexists with the Environment” as our materiality.

Net Zero: Thoroughly reducing GHG emissions and, for any remaining emissions, offsetting them with removals realized through forest absorption, CCS (carbon capture and storage), and other means to achieve net-zero emissions.

Nature Positive: Refers to the concept of halting and reversing biodiversity loss to put nature on a path to recovery, which is also reflected in the 2030 and 2050 targets of the Kunming-Montreal Global Biodiversity Framework adopted in 2022.

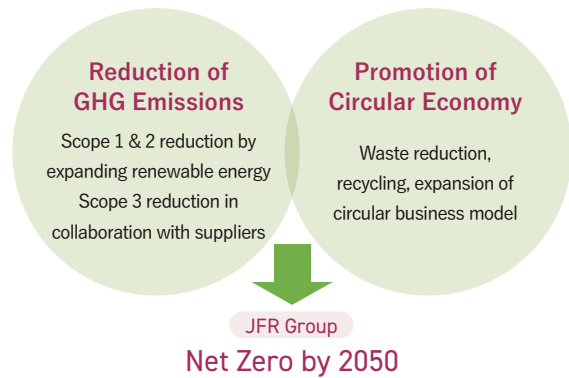
Direction of Initiatives

To achieve net zero by 2050, our Group will focus on two main initiatives: “Reduction of GHG Emissions” and “Promotion of a Circular Economy.” Specifically, we will reduce Scope 1 and 2 GHG emissions (hereinafter referred to as “Scope 1 and 2 emissions”) through robust energy conservation at our stores and the expanded transition to renewable energy (hereinafter “renewable energy”), among other measures. In addition, we will collaborate with our suppliers and customers to reduce Scope 3 GHG emissions (hereinafter referred to as “Scope 3 emissions”) while also promoting resource circulation by strengthening the 3Rs* and expanding circular business models.

*3Rs stand for Reduce, Reuse, and Recycle.

Establishment of Targets

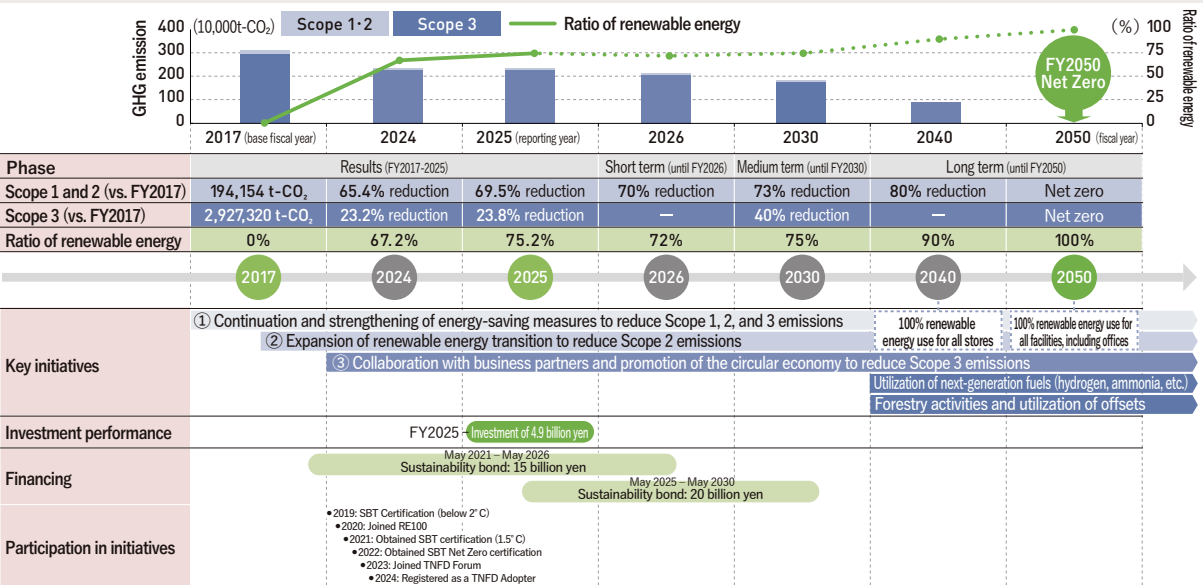
We believe that setting ambitious medium- and long-term reduction targets and developing a roadmap to achieve them is necessary to promote climate change countermeasures across the Group. Pursuant to this approach, we obtained certification through the Science Based Targets (SBT) initiative* in 2019 for our Scope 1, 2, and 3 GHG emission reduction targets. In 2021, we raised our 2030 Scope 1 and 2 emissions reduction target from the previous 40% to 60% (compared with FY2017



levels), and re-obtained SBT certification as aligned with the “1.5° C target.” Furthermore, in February 2023, we obtained SBT certification for our overall “net zero target” for Scope 1, 2, and 3 emissions by 2050.

*The Science Based Targets initiative was established jointly 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's FY2050 Net Zero Transition Plan



*The transition plan is based on the status as of the end of May 2026 and may be revised in the future depending on changes in business strategy.

Major Environmental Initiatives

Scope 1, 2, 3 GHG Emission and Renewable Energy Results

The Company has been calculating its total Group emissions since FY2017. In FY2025, Scope 1 and 2 emissions totaled 59,241 t-CO₂ (69.5% reduction vs. FY2017) and Scope 3 emissions were 2,230,492 t-CO₂ t-CO₂ (23.8% reduction vs. FY2017). The renewable energy ratio reached 75.2%. Furthermore, our Scope 1, 2, and 3 emissions and renewable electricity consumption for FY2025 have been verified by a third party.

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

		FY2017	FY2024	FY2025	
		Actual*1	Actual*1	Actual*1	Compared with FY2017 (base year)
Scope 1 emissions		16,052	14,430	13,635	-15.1 %
Scope 2 emissions	(market-based)	178,102	52,695	45,606	-74.4 %
	(location-based)	184,047	136,692	133,887	-27.3 %
Scope 1 and 2 emissions total*2		194,154	67,125	59,241	-69.5 %
Scope 3 emissions*3		2,927,320	2,247,051	2,230,492	-23.8 %
Total Scope 1, 2, and 3 emissions*2		3,121,474	2,314,176	2,289,733	-26.6 %
Renewable energy ratio (%)		-	67.2	75.2	-

*1. Obtained third-party assurance from LRQA Limited.

*2. Scope 2 emissions used in the total are calculated with market-based data.

*3. Calculated based on the “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.8” (Ministry of the Environment and Ministry of Economy, Trade and Industry, March 2026), the “Emission Factor Database for Calculating Greenhouse Gas Emissions of Organizations Throughout the Supply Chain Ver. 3.6” (March 2026), and IDEA v3.5

* The Group's Scope 1, 2, and 3 emissions are calculated using the above Japanese guidelines and in accordance with the framework of the GHG Protocol, the international standard for supply chain emissions.

Transition to Renewable Energy

Within the Group, most Scope 1 and 2 emissions are generated by operations at Daimaru Matsuzakaya Department Stores and PARCO, with electricity consumption accounting for a particularly high proportion of these emissions. Accordingly, we are pursuing energy conservation and energy efficiency improvements in our stores, while also leveraging our internal carbon pricing (ICO) framework to accelerate the transition to renewable energy. As of the end of FY2025, 10 of 15 Daimaru Matsuzakaya Department Stores locations and 12 of 15 PARCO locations are operated using renewable energy.

Stakeholder Engagement for Scope 3 Reductions

Since Category 1 (Purchased Goods and Services) accounts for approximately 90% of the Company's Scope 3 emissions, it is difficult to reduce them through our own efforts alone; rather, collaborative reduction efforts across the entire value chain are necessary. At Daimaru Matsuzakaya Department Stores, we have been engaging in dialogue with our business partners, tailed to their specific circumstances, regarding such requests as calculating emissions, setting reduction targets, and providing primary emissions data (Scope 1, 2, and upstream Scope 3). In 2025, we also held a briefing session for major business partners to explain the Group's environmental initiatives and encourage them to calculate their greenhouse gas emissions (attendance: 233 companies / 336 participants). Through these efforts, we calculated Category 1 emissions for FY2025 using primary data from 50 companies (compared to 41 companies in FY2024). As a result, Scope 3 emissions decreased by 23.8% compared to FY2017.

Other Initiatives and Investment Results for FY2025

		FY2025 initiatives	Investment amount
① Energy conservation	Expansion of in-store LED lighting	• Number of LED units installed: Approx. 740 units (Cumulative total: 205,310 units, 82.0% of total)	170 million yen
	Electrifying the corporate fleet	• Number of EVs purchased: Cumulative total 174, 47.4% of fleet	102 million yen
	Upgrading to high-efficiency equipment	• Renovation of elevators and escalators	853 million yen
② Expansion of renewable energy	Expanding the shift of stores and offices to renewable energy	• Amount of renewable energy used: 215,897 MWh (Share of renewable energy in total electricity consumption: 75.2%)	3,795 million yen
③-1 Promotion of circular economy	Expansion of circular business such as sharing and up-cycling	• Promotion of fashion upcycling through the “roop” clothing circulation project • Launch of the “MEGRÜS” reuse business (8 stores as of the end of FY2025)	
	Reduction of waste generation and improvement of recycling rate	• Food recycling rate: 92.9% • Recycling of waste cooking oil into domestically produced SAF: Implemented at 11 stores	
③-2 Waste reduction	Conducting dialogues and seminars with suppliers to obtain GHG emission data	• Briefing session held for suppliers: 233 companies/336 participants • Calculation of Scope 3 emissions using primary data	

Addressing Climate and Nature-Related Issues

—TCFD/TNFD Integrated Disclosure—

By leveraging our connections with a wide range of business partners, customers, local communities, and other stakeholders, we are comprehensively addressing environmental challenges through initiatives such as the procurement of environmentally responsible products, the promotion of lifestyles that support coexistence with nature, and the development of stores with high environmental performance. When assessing dependencies, impacts, risks, and opportunities, we will consider the trade-offs between climate change and biodiversity, comprehensively examine scenarios and countermeasures related to environmental issues, and disclose environmental information in an integrated manner.

Governance

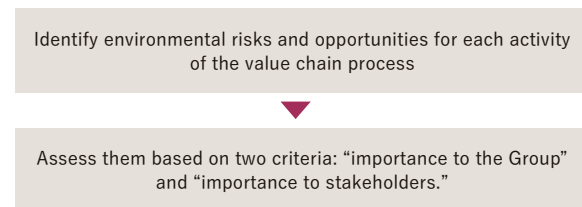
* For information on governance, please refer to **p. 66**

Risk Management

Details of the Process for Identifying and Assessing Climate and Nature-Related Risks and Opportunities

The Group positions risk to be the starting point of our strategy and defines it as “uncertainty that affects the achievement of corporate management goals and has both positive and negative aspects.” We believe that when appropriately addressed, risk will lead to sustainable growth.

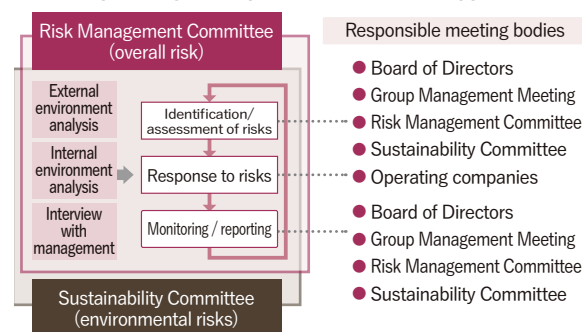
Based on the same understanding, we identify and evaluate both the positive and negative aspects of environmental risks and opportunities.



Details of the Process for Managing Key Climate and Nature-related Risks and Opportunities

The Company conducts more detailed reviews of environmental risks and opportunities through the Sustainability Committee and shares the results with each operating company. Based on these discussions, each operating company incorporates environmental initiatives into its action plans and monitors progress through meetings chaired by the president of each operating company. Progress on these initiatives is monitored at the Group Management Meeting, the Risk Management Committee, and the Sustainability Committee, and is ultimately reported to the Board of Directors. There have been no changes to the management process since the previous fiscal year.

JFR Group management process for risks and opportunities



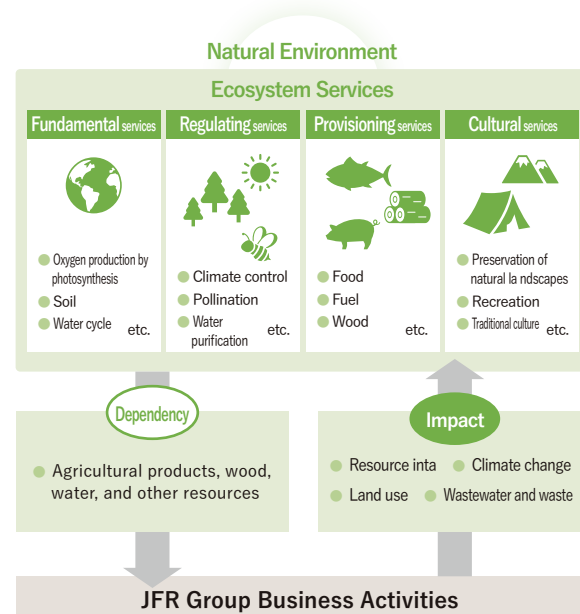
* For details of the process for identifying and assessing environmental risks and opportunities, as well as the status of their integration into the company-wide risk management framework, please refer to **p. 66**

Strategy

Dependencies and Impacts on Nature

The Group's business relies on a wide range of nature's benefits (ecosystem services), including agricultural products, livestock, marine products, natural resources such as wood and water, and natural assets including soil, forests, and seasonal weather. That said, our business activities also impact the natural environment in various ways, including GHG emissions, waste emissions, and wastewater. We recognize the importance of understanding and responding to the relationship between our business activities and the natural environment from the dual perspectives of dependencies and impacts, and of talking prompt action to address the material issues identified through this assessment.

Relationship between business activities and ecosystem services



Evaluating Nature-related Issues Based on the LEAP* Approach

The LEAP Approach is an TNFD recommended, integrated process for identifying and assessing nature-related issues, including contact points with nature, dependencies and impacts, and risks and opportunities.

In FY2023, the Group's main operating company, Daimaru Matsuzakaya, used the LEAP approach to identify and assess nature-related issues (dependencies/impacts, risks/opportunities) at its 15 department stores throughout Japan.

*1. LEAP: stands for Locate, Evaluate, Assess, Prepare

Outward Appearance of Dependencies and Impacts

We created a heatmap based on “ENCORE” (a TNFD recommended tool for identifying nature-related dependencies and impacts) to understand the dependence and impact of the department store business on nature across the entire value chain, as well as the degree of such dependence and impact. We then confirmed the degree of dependence and impact on natural capital in direct operations (store operations and store development) and upstream in the value chain (procurement).

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
Department store operations	Direct operations	Store operations									
		Store development	H	M							L
	Upstream (procurement)	Apparel	M	VH	VH			M	L		M
		Household goods		M	M			M	L	VL	M
		Agricultural products	M	H	VH	H	H	H	H	H	VH
		Livestock products	VH	VH	VH	VL	H	M	M	L	M
		Marine products	VH	M	VL	VL	H	H	M	H	M
		Paper products	M	VH	VH				VL		
		Store development	H	M							VL

Impact Heatmap

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

The heatmap analysis identified a high level of dependency on water resources (provisioning services) in the upstream value chains of apparel and agricultural, livestock, and marine products, as well as in flood control and land stabilization (regulating services). In terms of impact, the analysis showed that water usage and the utilization of terrestrial and freshwater ecosystems represent areas of significant impact.

*For details on identified areas, please refer to the information below.
https://www.j-front-retailing.com/ir/library/pdf/sustainability/2026/1_FRONT_2026_E.pdf

Details of Short-, Medium-, and Long-term Risks and Opportunities

The Company considers it important to evaluate environmental-related risks and opportunities against appropriate milestones, as they may impact our business activities over the long term. Accordingly, the Company defines the period through FY2026, which corresponds to the implementation period of its medium-term business plan, as the short term; the period through FY2030, the target year for the near-term goals under the Science Based Targets (SBT), as the medium term; and the period through FY2050, the target year for achieving net zero under the SBT framework, as the long term.

In response to environmental-related risks and opportunities, the Group formulates and implements strategies based on a back-casting approach, looking ahead to the achievement of net zero by 2050.

Nature and Extent of Impact of Risks/Opportunities on Business, Strategy, and Financial Planning

The Company recognizes that its core retail and developer businesses are particularly vulnerable to the impacts of ecosystem degradation and climate change, especially in the procurement and quality of products and raw materials, store operations, and energy procurement costs, which are essential for business activities. Accordingly, the Company conducts annual scenario analyses to identify the risks and opportunities posed by ecosystem degradation and climate change and their impacts on the Group, to verify and enhance the resilience of its strategies based on a FY2030 outlook scenario, and to examine the need for additional measures.

In our analysis, we referenced multiple existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), then envisioned two possible futures as shown in the table below. For each scenario, we examine the risks and opportunities for our business.

Estimated temperature rise	Scenario (Assumed world)
Less than 1.5°C/2°C*1	Highly ambitious scenario aiming to limit the increase in global average temperature to below 1.5° C compared to pre-industrial levels A world in which environmental policies and regulations are strengthened, markets align with these measures, and the pace of climate change and ecosystem degradation slows. • Introduction of carbon pricing • Spread and expansion of renewable energy • Increased interest in eco-friendly products • Development of stores and urban areas with high environmental value
4°C*2	Scenario prioritizing economic growth, based on a continuation of current policies A world in which no new environmental policies or regulations are introduced, markets do not align with sustainability goals, and climate change and ecosystem degradation continue to worsen. • Intensification of natural disasters (sharp decline in customer traffic, business suspensions) • Shift toward a “two-season” climate (loss of seasonal distinctiveness, erosion of traditional culture) • Loss of production regions • Disruptions to procurement and logistics routes

(Existing scenarios referenced)

*1 Transition: “Net Zero Emissions by 2050 Scenario (NZE)” (IEA, 2025)

Physical: “Representative Concentration Pathways (RCP2.6)” (IPCC, 2014)

*2 Transition: “Stated Policies Scenario (STEPS)” (IEA, 2025)

Physical: “Representative Concentration Pathways (RCP8.5)” (IPCC, 2014)

Based on these scenarios, we identified climate and nature-related risks and opportunities across each activity in the value chain and business processes of our core businesses, namely the Retail Business (department stores and shopping centers) and the Developer Business, by examining each activity within the value chain and business processes, in accordance with the TCFD and TNFD recommendations.

Risks, Opportunities, and Financial Impacts Under Relevant Scenarios, and Related Strategies and Resilience Measures

The Company identified environmental risks and opportunities and assessed their importance based on two criteria, the “importance to the Company (impact x urgency)” and the “importance to stakeholders.” For items assessed as particularly significant, we evaluated their financial impact from both quantitative and qualitative perspectives and formulated corresponding countermeasures.

↑ 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	Category	Time Horizon			Theme	Description	Financial Impact		Current measures	Target business		
		Short-term	Medium-term	Long-term			1.5°C/ 2°C scenario	4°C scenario		Retail	Developer	
Climate and nature-related risks and financial impact of particular importance to the JFR Group												
Transition risks	Policy & Regulations	Climate		○	○	Carbon pricing	•Increased costs associated with introduction of carbon taxes and emissions trading schemes	➡	➡	•Reduction of GHG emissions through proactive energy conservation measures at stores and expansion of the shift to renewable energy •Medium- to long-term cost reductions through the introduction of high environmental performance equipment •Financing through Green Bonds	○	○
	Technology	Climate	○	○		Energy savings	•Increased investment for introduction of high-efficiency equipment	➡	➡	•Consideration of cost-efficient and strategic investments	○	
	Market	Climate	○	○		Renewable energy	•Higher procurement costs due to increased demand for renewable energy-sourced electricity	➡	➡	•Use of internal carbon pricing •Reduction of procurement risks and reductions of medium-to long-term costs through an appropriate mix of renewable energy procurement methods	○	○
	Climate & Nature		○	○		Trade-offs	•Reputational damage resulting from the inability to balance the procurement of low-carbon energy with consideration for local ecosystems	➡	➡	•Certification as a Nature-Friendly Site •Implementation of supplier survey regarding biodiversity initiatives	○	○
	Reputation	Nature	○	○		Waste	•Reputational damage due to increased waste generation or improper waste management	➡	➡	•Selection of appropriate waste management contractors, management guidance and training for store staff •Plastic recycling •Reduction of food waste through employee-led community composting initiatives	○	○
	Climate		○	○		Logistics	•Increased transportation costs due to delays in adopting new technologies for resource-efficient and effective logistics and packaging	➡	➡	•Reduction in delivery frequency, modal shift, and joint deliveries •Elimination of cardboard usage by adopting reusable garment bags and boxes (AnotherADdress)	○	
Physical risks	Acute	Climate & Nature	○	○		Natural disasters	•Decline in revenue due to store closures caused by extreme weather and increasingly severe natural disasters •Loss of sales opportunities for products and services due to disruptions in procurement and logistic channels •Increased costs for restoring damaged buildings	⬆	⬆	•Increased resilience of stores and business sites through BCP preparation •Improvement of disaster prevention performance at stores	○	○
	Chronic	Climate & Nature		○	○	Temperature and precipitation patterns	•Decrease in revenue resulting from rising energy costs due to higher temperatures, adverse health impacts on people, and a reduction in the range of agricultural and marine products available •Decline in revenue and disruptions to procurement and logistic channels due to a shift toward a two-season climate and changes in rainfall patterns •Decline in sales due to construction delays caused by an increase in extremely hot days	➡	➡	•Review of product demand composition and sales promotion plans •Regular review of BCPs and implementation of BCP training	○	○
Climate and Nature-Related Opportunities and Financial Impacts of Particular Importance to the JFR Group												
Resource efficiency	Nature	○	○			Water	•Cost reductions through efficient water usage	➡	➡	•Use of water-saving equipment •Use of rainwater and greywater	○	○
Energy sources	Climate	○	○	○		Energy conservation	•Reduction of energy procurement costs through the transition to high-efficiency equipment	➡	➡	•Upgrading to high-efficiency equipment, including transition to refrigerants with low global warming potential	○	
Products and services	Climate & Nature	○	○	○		Eco-friendly products (business partners)	•Revenue growth through business opportunities gained by providing eco-friendly products and services and promoting decarbonization across the entire value chain	⬆	⬆	•Requests to business partners to expand handling of eco-friendly products and services •Recycling of waste cooking oil into SAF (Sustainable Aviation Fuel) •Implementation of briefings for business partners on decarbonization initiatives (2022, 2025)	○	
Market	Climate & Nature	○	○			Eco-friendly products (customers)	•Revenue growth through increased assortment of eco-friendly products •Revenue growth through acquisition of new customers by proposing sustainable lifestyles	⬆	—	•Conducting customer awareness surveys on sustainability •Upgrading to eco-friendly packaging materials such as FSC-certified •Implementation of customer-participation recycling programs •Recycling of seasonal gift campaign catalogs •Use of upcycled materials in products and in-store decorations	○	
	Climate & Nature	○	○	○		Circular business	•Expansion of new growth opportunities through entry into circular businesses	➡	—	•Expansion of circular businesses such as the fashion subscription service "AnotherADdress" •Expansion of store locations for the reuse business "MEGRUS"	○	
	Climate & Nature	○	○	○		Creation of stores and communities with high environmental value	•Revenue growth through acquisition of new tenants by transforming stores into high environmental value facilities •Increase in visitors through promotion of green infrastructure that considers biodiversity and landscape across entire areas	➡	—	•Acquisition of environmental certifications for new development projects (ZEB, CASBEE, etc.) •Stabilization of funding through the use of green bonds •Promotion of renewable energy use in stores •Rooftop urban beekeeping and rooftop greening •SHINSAIBASHI Green Project	○	○
Resilience	Nature	○	○			Adaption	•Stable procurement through improved traceability of raw materials	➡	➡	•Supplier surveys on biodiversity to understand production conditions	○	○
	Climate & Nature	○	○			Energy	•Improved energy resilience through diversification of renewable energy procurement methods	⬆	⬆	•Development of a renewable energy procurement portfolio from medium- and long-term perspectives	○	○

Estimated financial impact for 2030

Risk type	Theme	Description	1.5°C scenario	4°C scenario
Transition risk	Carbon pricing	Increased costs associated with introduction of carbon taxes and emissions trading schemes*1	¥1.2 billion (FY2050: ¥0)	¥0.7 billion (FY2050: ¥0)
Transition risk	Renewable energy	Higher procurement costs due to increased demand for electricity derived from renewable energy*2	¥0.8 billion	¥0.4 billion
Physical risk	Natural disasters	Lower profits due to store closures caused by intensified extreme weather events and natural disasters*3	¥5.2 billion	¥10.3 billion
Business opportunity	Energy efficiency	Reduction in energy procurement costs through the introduction of high efficiency equipment*4	¥0.4 billion	¥0.4 billion
Business opportunity	Environmentally high-value stores and urban development	Revenue growth through the acquisition of new tenants through transition to stores with high environmental value*5	¥1.1 billion	-

(Basis for calculating the quantitative financial impact)
*1 Estimated by multiplying the JFR Group's Scope 1 and Scope 2 emissions as of FY2030 by the carbon price per t-CO₂.
*2 Estimated by multiplying the JFR Group's electricity consumption as of FY2030 by the price premium per kWh for renewable energy-derived electricity compared with standard electricity rates.
*3 Estimated by multiplying historical revenue losses due to store closures caused by natural disasters by the projected future frequency of flooding events.
*4 Estimated by multiplying the JFR Group's projected energy savings as of FY2030 by energy procurement costs.
*5 Estimated by multiplying the JFR Group's real estate revenue as of FY2030 by the projected rate of change in new contract conclusion fees for buildings with environmental certification.

Major parameters

Parameters				Source
Carbon tax	2030	1.5°C 4°C	157\$/t-CO ₂ * 87\$/t-CO ₂	“Net-Zero Emissions by 2050 Scenario (NZE)” (IEA, 2025) “Stated Policy Scenario (STEPS)” (IEA, 2025)
	2050	1.5°C 4°C	250\$/t-CO ₂ 87\$/t-CO ₂	
High electricity prices due to renewable energy				“Japan’s Energy 2020” (Ministry of Economy, Trade and Industry / Agency for Natural Resources and Energy, 2021)
Frequency of future flood occurrence				“Representative Concentration Pathways (RCP8.5)” (IPCC, 2014)

*The 2030 figures are estimated based on the IEA's World Energy Outlook 2025 (WEO2025)

Summary of Resilience

Based on the above scenarios, the Group analyzed the impact of climate change and ecosystem degradation and examined our countermeasures, confirming that the measures that we have already implemented and planned are effective and flexible enough to reduce risks and contribute to the realization of opportunities under all scenarios.

Regarding increased costs due to the introduction of carbon taxes and the impact of natural disasters on revenues, we will systematically and steadily implement measures to mitigate the associated financial

risks, including expanding the adoption of renewable energy by the use of sustainability bonds and similar instruments. Additionally, we will leverage our unique strengths in sharing, upcycling, and reuse businesses to promote circular economy initiatives that contribute to the growth of our group and the realization of a decarbonized society.

By promoting initiatives that address both the risks and opportunities associated with environmental issues, the Company will enhance management resilience.

Metrics & Targets

The Group recognizes that biodiversity loss and climate change are inseparable issues and is committed to addressing both through an integrated approach. To this end, we have established and pursue metrics and targets aligned with the global 1.5° C goal, as well as metrics and targets for the efficient circulation of resources and will continue to advance our initiatives accordingly.

To clarify the accountability of executive officers with respect to climate-related issues, we have established a target for the reduction rate of Scope 1 and 2 emissions as one of the non-financial performance indicators used to determine performance-linked stock compensation under the executive remuneration system.

*For information about our officer remuneration system, please see the link below.
<https://www.j-front-retailing.com/english/company/governance/governance05.html>

*For more information, please refer to the TCFD/TNFD Report.
https://www.j-front-retailing.com/ir/library/pdf/sustainability/2026/_J_FRONT_2026_E.pdf

Indicators and targets used by the JFR Group to manage climate and nature-related risks and opportunities

Metrics	Target year	Description of target
GHG emissions	2050	Achieve net-zero GHG emissions across Scope 1, 2, and 3*1
	2030	Reduce Scope 1 and 2 emissions by 73% (vs. FY2017) *2 Reduce Scope 3 emissions b 40% (vs. FY17) *3
Ratio of renewable energy in the electricity used for business operations	2050	100%*4
	2040	90%
	2030	75%
Food recycling rate	2030	Achieve a food recycling rate of 85%
Development of eco-friendly products	2030	Expand the sales volume of eco-friendly products, including certified products
Environmental Certification Rate for Newly Developed Properties	2030	Achieve a 100% environmental certification rate for newly developed properties

*1. Obtained SBT certification in FY2022 for Net Zero targets
*2. Obtained SBT certification in FY2021 for the “1.5°C target” (60% reduction vs. FY2017 before the target was revised)
*3. Obtained SBT certification in FY2021 for “1.5°C target”
*4. Joined RE100 in 2020.

Human Rights

In recent years, there has been growing concern over human rights issues such as discrimination and forced labor occurring within global supply chains. Companies are expected to conduct business activities in a manner that respects human rights. In line with the ‘UN Guiding Principles on Business and Human Rights,’ our company places respect for human rights as the foundation of all our business activities. By continuously engaging in human rights due diligence, we are committed to realize business practices that respect human rights in collaboration with our employees and business partners, thereby enhancing our corporate value.

Governance

Human Rights Policy

In 2019, the Company established the “JFR Principles of Action” and the “JFR Principles of Action for Supplier”, which incorporate our Human Rights Policy. Based on internationally recognized human rights standards*, this policy sets out the Company’s approach to ensuring respect for human rights in its business activities and to building a responsible supply chain. The policy applies to all directors, officers, and employees, and the Company also encourages its business partners to understand and comply with its principles.

* “International Bill of Human Rights,” “Guiding Principles on Business and Human Rights,” “The ILO Declaration on Fundamental Principles and Rights at Work,” “The Ten Principles of the UN Global Compact”

* For more information on our human rights policy, please click the link below.
https://www.j-front-retailing.com/english/sustainability/pdf/diversity04/Human_rights_policy_e.pdf

Promotion System

*For details regarding sustainability governance, please refer to **p. 66**

Human Rights Due Diligence

We continuously conduct human rights due diligence based on our Human Rights Policy. This includes identifying and assessing adverse human rights impacts across our supply chain, taking measures to prevent or mitigate such impacts, and conducting regularly assessments of our business partners, engaging in dialogue with them as necessary.

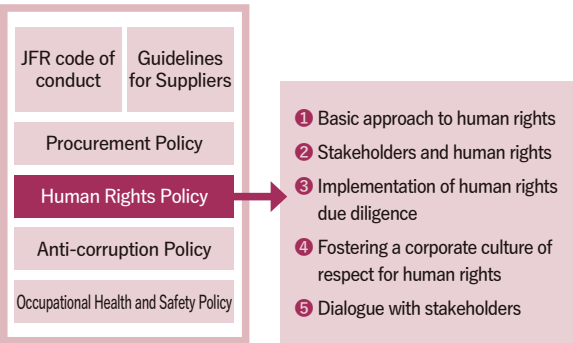
Risk Management

Process for identifying, evaluating, and reporting human rights risks

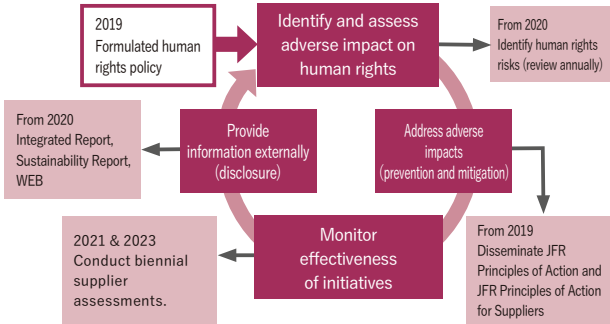
Regarding human rights risks (potential adverse impacts on human rights) faced by stakeholders who may be negatively affected by our business activities, we have mapped the value chain across our entire operations and comprehensively identified key issues that may arise in each area of our operations. These risks were then evaluated based on their severity (scale, scope, and difficulty of remediation) through repeated deliberations. Based on this, the findings were discussed in the Sustainability Committee, which serves as an advisory body to the President and Representative Executive Officer, to identify the salient human rights risks, and confirmed measures to prevent and mitigate those risks.

The results of the discussions in the Sustainability Committee are reported to the Board of Directors.

JFR Principles of Action / JFR Principles of Action for Suppliers



Overview of Human Rights Due Diligence



Strategy

The Company has identified “Increasing the number of value co-creation partners” as a materiality issue. Together with our various partners, including business partners, employees, and local communities, we will make respect for human rights the foundation of our business activities, thereby contributing to the realization of a sustainable society and our own sustainable growth.

Materiality	Commitment
Increasing the number of value co-creation partners	We will share our thoughts and ideas on sustainability with others and establish a partner foundation for the values of “Co-creation of Excitement,” “Co-prosperity with Communities,” and “Co-existence with the Environment” along with fulfilling our social responsibilities, such as human rights due diligence, toward realization of a sustainable society

Measures to prevent and mitigate salient human rights risks in the JFR Group

	Business partners	Our Group	Customers
Stakeholders	Employees of suppliers, store operators, cooperating companies, and business partners *Includes second-tier and subsequent tiers	Employees of the JFR Groups including parttime workers in stores and temporary workers dispatched by suppliers	Customers and local residents
Content	Manufacturing, wholesales, service provision, and construction	Commercial facilities, store operations (including remodeling, advertising, facility management, sales promotion, etc.), sales (including e-commerce), planning and construction	Use of products and services
Salient human rights risks	- Forced labor - Foreign labor conditions - Low wages - Discrimination (gender, LGBTQ, etc.) - Harassment - Child labor - Long working hours - Right to access - Occupational safety and health	- Harassment - Long working hours - Discrimination (gender, LGBTQ, etc.)	- Violation of customer privacy (personal information and right of publicity) - Expressions of discrimination through advertisements, - Product safety and physical safety at facilities
Prevention and mitigation measures	- Dissemination of the JFR Principles of Action for Suppliers - Implementation of human rights due diligence - Assessments-----2021, 2023 - Information briefings-----2019, 2022, 2025 - Seminars-----2024 - Dialogue with business partners and requests for improvement - Dialogue based on assessment results and individual cases	- Dissemination of the JFR Principles of Action - Implementation of human rights education (harassment prevention training, e-learning, etc.) - Establishment of hotline and harassment consultation desk - Conducting harassment surveys - Formulation of a customer harassment response policy and utilization of the response guidelines - Measures to prevent long working hours, monitoring employees who work long hours, and providing management training Promoting the use of paid leave and implementing measures to reduce overtime	- Establishment of a customer service center - Quality inspection of products (Consumer Product End-Use Research Institute) - Protection of personal information - Creation of safe, secure, and resilient stores - Promotion of barrier-free store design

► Penetration of the JFR Principles of Action for Suppliers

Through briefings, assessments, and other engagement activities, we encourage our business partners, including their own suppliers, to understand and comply with the JFR Principles of Action for Suppliers, which incorporate our Human Rights Policy.

(Status of Implementation of the Principles of Action)

2023: 78.1% (60.9% in 2021)

*Percentage of companies reporting in the assessment that they understand and comply with the Principles of Action for Suppliers.

●JFR Principles of Action for Suppliers

<https://www.j-front-retailing.com/english/sustainability/supply-chain/supply-chain02.html>

► Implementation of Human Rights Assessment

Since 2021, the Company has been conducting supplier assessments to confirm the status of our business partners in areas where initiatives are required throughout the supply chain. In 2023, the second assessment was conducted, with a focus on respect for human rights

*The third assessment is scheduled for implementation in 2026.

(2023 Assessment Results)

- Number of responding companies: 1,652; response rate: 50.4% (up 9.8 percentage points from 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.

* Evaluates the status of initiatives to respect human rights on a four-tier scale from A to D, based on our company’s standards.

(Actions taken based on the result)

- In 2024, we engaged in dialogue with a total of 112 business partners across the Group through direct meetings and email communications, sharing recognition of the importance of business and human rights initiatives in corporate activities
- In response to requests for support in building knowledge on business and human rights, we held a webinar led by external experts for our business partners to promote understanding of the importance of respecting human rights and provide fundamental knowledge on the subject (January 2025; 63 participating companies).
- We held a briefing session for the major business partners of Daimaru Matsuzakaya Department Stores to explain the JFR Group’s approach to value co-creation and showcase our environmental and human rights initiatives (November 2025; 233 companies / 336 attendees).

► Employee Training on Human Rights

In 2020, the Company adopted a Declaration on the Elimination of Harassment, viewing it as one of the human rights risks. The company is committed to eliminating and preventing harassment. We conduct an annual harassment survey of all employees, including part-time and temporary workers, and implement human rights training for managers based on the results. Additionally, we offer annual e-learning courses to ensure that all employees across the Group make respect for human rights a personal issue. E-learning participation rate in FY2025: 90%

► Harassment Consultation Desk and Internal Reporting System

●Harassment Consultation Desk

To eradicate and prevent harassment, the Company has established Harassment Prevention Committees and a Harassment Consultation Desk at each Group company. These mechanisms enable quick responses to any issues that arise and prevent their recurrence.

*Number of consultations in FY2025: 61 cases

●Whistleblowing System

For details, please see **p. 80**

Metrics & Targets

The Company is using dialogue with our business partners via the assessments to reduce human rights risks throughout the supply chain by increasing the proportion of business partners whose initiatives are aligned with the Guiding Principles on Business and Human Rights.

Metric	Target	
	2026	2030年
Human rights assessment results (% of B ratings or higher)	35%	40%

A rating of B or higher indicates that initiatives are being implemented in line with the UN Guiding Principles on Business and Human Rights.

Stakeholder Engagement

With stores in major cities throughout Japan, the Company has built a long history through encounters and connections with diverse local stakeholders, including customers and business partners. These relationships form the foundation of our business, reflecting our longstanding commitment to creating value together while remaining closely attuned to local cultures and lifestyles. In addition to co-creation through our business activities, we seek to understand our stakeholders’ opinions and expectations through various communication opportunities, including dialogue and surveys, and incorporate these insights into our management and business operations. By deepening this two-way engagement, we aim to contribute to the realization of a better society and quality of life, while enhancing sustainable corporate value.

Customers

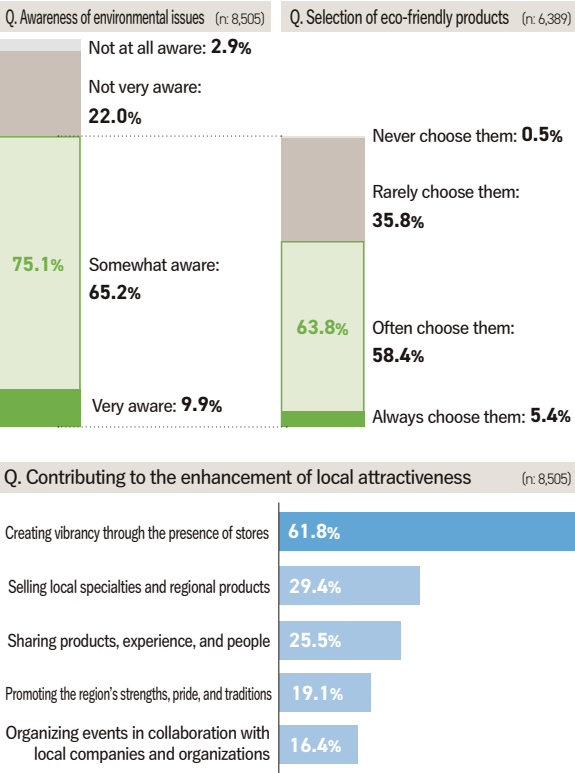
Since 2024, the Company has conducted an annual survey to gather opinions on sustainability-related initiatives, including customers’ awareness of environmental issues and the extent to which the Daimaru, Matsuzakaya, and PARCO stores contribute to their local communities.

* Survey Overview Period: June 12 to 30, 2025 (19 days), Number of respondents: 8,505
Method: Web-based survey (distributed through the Daimaru Matsuzakaya and PARCO email newsletters)

(Survey Results)

The FY2025 survey revealed that more than 70% of respondents consider environmental issues when shopping, and of those, just over 60% purchase or use eco-friendly products and services. Furthermore, regarding contributions to local communities, the highest valued aspect was the presence of our stores and their contribution to the vibrancy within their surrounding areas. In addition, we received nearly 3,000 valuable comments, including opinions and requests regarding the Group.

The Company will continue to conduct these surveys on an ongoing basis, factor in our customers’ expectations and concerns regarding the environment and use the findings to further enhance its business activities and initiatives.



Business Partners

In November 2025, Daimaru Matsuzakaya Department Stores held a briefing session for business partners. This was the third such event, following those in 2019 and 2022. During the session, we explained the JFR Group’s approach to value co-creation, presented specific examples of co-creation, and outlined our efforts regarding the environment and human rights.

The event also provided a valuable opportunity for dialogue, with participating business partners sharing their views on topics such as approaches for collaborating with local communities and labor-related issues. *(Attendance: 233 companies / 336 participants)*



Business partner briefing session by Daimaru Matsuzakaya Department Stores

MOTHERHOUSE Ltd.
Executive Vice President

Yamazaki Daisuke

What impressed me most at the briefing session was hearing the management team speak directly, in their own words, about their vision. I felt their message resonated with what we experience on the front lines every day, creating a meaningful connection to our story. The event went beyond merely sharing information, allowing us to deepen our understanding and exchange perspectives.

Our company focuses on initiatives that reflect the unique characteristics of the local communities where our stores operate. In response to questions about regional collaboration, we saw firsthand the Group’s sincere commitment to sharing values and working together to address challenges. This experience greatly strengthened our trust in the JFR Group as a co-creation partner.

As consumer behavior continues to evolve and diversify, we aspire to be a company that helps to transform the retail landscape in Japan. We are confident we can take on exciting and distinctive challenges together with the JFR Group, and we have high expectations for creating new value in the years ahead.

Local Community

Kyushu Tankentai

Launched in 2018, Kyushu Tankentai is a regional co-creation initiative by Hakata Daimaru in partnership with local governments, businesses, and producers across Kyushu and Okinawa. The project uncovers and promotes the region’s lesser-known treasures, including cuisine, crafts, and cultural traditions.

One example is our collaboration with Tsushima City in Nagasaki Prefecture. The project addresses the growing problem of marine plastic waste by partnering with local residents and organizations to run awareness-raising initiatives, such as creating Christmas trees from washed-up debris, that deepen public understanding of environmental challenges.

Another example is Kurume Kasuri, a traditional textile passed down for generations, primarily in Kurume City, Fukuoka Prefecture. Designated an Important Intangible Cultural Property of Japan, Kurume Kasuri is a valuable cultural asset, and we are committed to preserving it for future generations. By working closely with local producers, we support efforts to sustain and pass on traditional craftsmanship. Approximately 20 businesses participate in the Kurume Kasuri Grand Exhibition, held once a year at Hakata Daimaru, creating new opportunities for connections and expanding sales opportunities. Through the Kyushu Tankentai team, we highlight the unique appeal of Kyushu and Okinawa and work together with local communities to create a sustainable future for the region.



Kurume Kasuri Grand Exhibition at Hakata Daimaru, Fukuoka Tenjin Store

Hakata Daimaru Co., Ltd,
Kyushu Tankentai

Ito Keiichiro

As a department store, how do we listen to the voices of local communities, address their challenges, and create new value together? The Kyushu Tankentai pursues this question every day.

To date, we have visited 119 municipalities across Kyushu and Okinawa. Together with local governments and business operators who support our activities, we have undertaken a wide range of initiatives. We visit communities in person, listen to local voices, understand their aspirations, and work side by side with them. By leveraging the strengths of a department store, including its venue, expertise, and connections, we take on the challenge of addressing regional issues. This commitment to being rooted in the community is the foundation of who we are.

Going forward, we will continue our journey to enrich Kyushu’s future by serving as a bridge among producers, customers, and local communities, while creating opportunities for co-creation that bring happiness to all.

Ueno and Okachimachi

Since Matsuzakaya Ueno was founded in 1768, we have enriched the daily lives of the people in this community while cherishing our connections with local merchants’ associations, tourism organizations, local businesses, and business partners.

At Okachimachi Panda Plaza, adjacent to the store, we host events throughout the year in collaboration with local businesses and government agencies, contributing to the revitalization of the wider community. We also undertake a variety of community-based initiatives, including the Shitamachi Cultural Festival, organized in collaboration with a local university, and in-store decorative displays based on designs created through the *Musubi no Hata (Flags of Connection) Project *, which brings together elementary school students from Ofunato City in Iwate Prefecture and Taito City. The project was launched in the wake of the Great East Japan Earthquake.

* A workshop program jointly conducted by Daimaru Matsuzakaya Department Stores and Tokyo University of the Arts since 2014, with the aim of supporting communities affected by the Great East Japan Earthquake through artistic activities.



Advertising banner designed by the “Flags of Connection Project,” Matsuzakaya Ueno Store

Store Manager, Matsuzakaya Ueno

Yamazaki Shinji

Store Manager, PARCO_ya Ueno

Matsui Ryoko

The Ueno and Okachimachi area is a neighborhood where transportation, culture, education, and commerce have intersected since the Edo period to the present, creating a place where people’s daily lives and diverse cultures have converged. As a retailer deeply rooted in this community, we are committed to creating new value and enhancing the neighborhood’s appeal while addressing the expectations and challenges of our stakeholders. Going forward, building on the trust we have cultivated over many years, we will leverage the respective strengths of Matsuzakaya Ueno and PARCO_ya Ueno. Together with the local community, we will further enhance the unique value of Ueno and Okachimachi and help weave a new chapter in the area’s history that will carry forward into the next generation.

Stability Governance and Risk Management

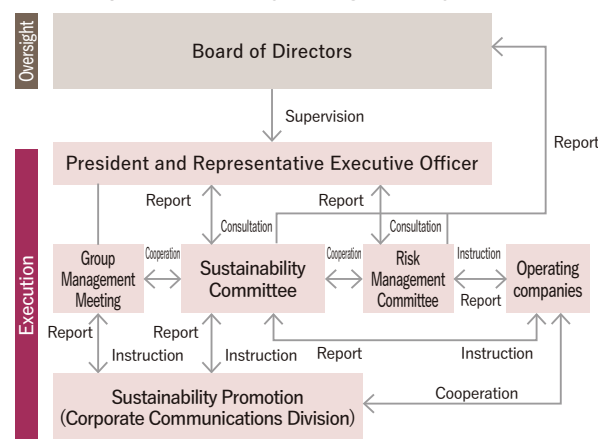
At the Company, the President and Representative Executive Officer bears ultimate responsibility for management decisions related to sustainability, and we have established a governance framework to enhance the effectiveness of our sustainability management. Furthermore, we define risk as “uncertainty that affects the achievement of corporate management goals and has both positive and negative aspects.” Risk management is positioned as “activities to enhance corporate value by managing risk in a rational and optimal manner from a company-wide perspective.” The Company aims to achieve sustainable corporate growth by appropriately addressing both the positive and negative aspects of risk

Governance

We have established a Sustainability Committee to serve as an advisory body to the President and Representative Executive Officer. The Committee discusses strategies that contribute to the sustainable growth of our Group’s businesses, as well as sustainability-related matters, including environmental and human rights issues, and monitors the progress of Group-wide initiatives. Furthermore, matters deemed critical to promoting sustainability management across the entire Group are deliberated and approved by the Group Management Meeting, which serves as the highest decision-making body for business operations.

Meanwhile, the Board of Directors receives reports on matters discussed by the Sustainability Committee and those deliberated and approved by the Group Management Meeting, and oversees the setting of goals, response policies, and implementation plans.

JFR Group’s sustainability management system



Main agenda items of the Sustainability Committee

FY2024 (2 times)	- Employee engagement with materiality - Group-wide KPI progress report - Lecture by an external instructor on “The Relationship Between Long-Term Corporate Value Enhancement and Non-Financial Activities”
FY2025 (4 times)	- Future approaches to renewable energy procurement - Updates on environmental and human rights risks - Group-wide KPI progress report - Lecture by an external instructor on “Introducing Renewable Energy for Net-Zero Transition” and “Unconscious Bias”

Board of Directors Skill Matrix

In selecting candidates for the Board of Directors, the Company uses a skills matrix to clarify the expertise and experience expected of directors. Given our promotion of sustainability management, we have identified “environment,” “society,” “governance,” and “human resources and organizational development” as skill categories, and we select directors who can appropriately oversee our sustainability initiatives.

For details regarding the Skill Matrix, please refer to [p. 71](#)

Incorporating non-financial indicators into the officer remuneration system

Since FY2021, “reduction of Scope 1 and 2 emissions” and “ratio of female managers” have been set as non-financial metrics for determining performance-linked remuneration under the officer remuneration system. These are linked to the KPIs in the Medium-term Business Plan to clarify the responsibility of executive officers for achieving the targets for climate-related issues and to function as an incentive for realizing and promoting sustainability management.

For details regarding the Officer Remuneration, please refer to [p. 73-74](#)

Risk Management

The Company has established a Risk Management Committee to comprehensively manage all sustainability-related risks, including those associated with environmental and human rights issues, across the company based on the recognition that risk management is extremely important for business operations. The Committee deliberates on important matters, including the identification and assessment of risks and the determination of which risks should be reflected in our strategies. As risk is positioned as the starting point for strategy, we seek to link risk and strategy in order that risk management enhances corporate value. The deliberations of this committee are shared with the Sustainability Committee.

Furthermore, the contents of the deliberations held by the Risk Management Committee and the Sustainability Committee, as well as matters approved by the Group Management Meeting, are reported to the Board of Directors in a timely manner. Under the supervision of the Board of Directors, these matters are reflected in the Group’s strategies and addressed accordingly.

For details regarding the Risk Management System, please refer to [p. 78-79](#)

Introduction	Create and Bring to Life “New Happiness.”	Business Strategies for Discontinuous Growth	Business Portfolio	Foundation for Value Creation	Data Section
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Sustainability Bond Reporting (11th unsecured bond)

To contribute to solving both environmental and social issues through its business activities, the Company issued a 20 billion yen Sustainability Bond in May 2025, its second issuance since May 2021.

Business Category	Output	Outcome	Impact	Use and amount of funds
Creating a society that co-exists with the environment				
Green buildings	• Building overview The Landmark Nagoya Sakae Construction Costs	• Status of building certifications/verification (Certification, Type, Rank, and Date Obtained) ▶ Achieved Nagoya City Building Environmental Planning System (CASBEE Nagoya) S-Rank Certification (FY2022). *As the building opened in June 2026, reductions in electricity consumption and Scope 1 & 2 GHG emissions will be reported beginning with FY2026 results.	Co-existence with the Environment (realization of a decarbonized society).	Total allocation: ¥1,832 million.
Renewable energy	• Amount of electricity purchased from renewable energy sources: 215,887 MWh	• Share of electricity derived from renewable energy sources in total electricity consumption: 75.2% (up 8.0 ppt YoY)		Total allocation: ¥3,830 million.
Clean transportation	• No. of leased EVs: Declined by 10 units in FY2025 ※Based on parking facility renovations (174 in total, 47.4% of fleet).	• Reduction in CO₂ emissions by electrifying corporate fleet: approx. 383 t-CO₂ per year (Calculated by comparison with the emissions of gasoline vehicles in the same category.)		Total allocation: ¥102 million.
Enhancing community vitality				
Regional revitalization	• Number of stores operated in the area of the Former Foreign Settlement of Kobe around Daimaru Kobe 50 stores as of FY2025 year-end	• Community Revitalization Initiatives ▶ Continued to hold regular events in the local Hyogo and Kobe areas, including the “Kobe Western Confectionery Festival,” “Kobeichi,” and “Old Settlement Valentine’s Day” ▶ Hosted “Hyogo-no-Kuni,” an initiative to promote globally the excellence of craftsmanship and manufacturing traditions from Hyogo Prefecture’s five historic regions (Settsu, Harima, Tajima, Tamba, and Awaji). ▶ Held the “Hyogo Prefectural Kobe Commercial High School Sales Training Event for Student-designed Products.” Students sold original products made with ingredients from Hyogo Prefecture in collaboration with local confectionery shops as part of practical sales training. • Customer traffic to Daimaru Kobe: 10,067,000 people in FY2025.	Sustainable urban development that leverages local assets centered around retail facilities.	Total allocation: ¥1,306 million.
Start-up and business succession support	• Investments and financing provided by JFR MIRAI CREATORS Fund to 17 startup companies. • Investment and financing provided by Pride Fund to one regional SME facing business succession challenges	• JFR MIRAI CREATORS Fund portfolio company: NearMe, Inc. ▶ Operates an AI-powered on-demand shared mobility service that enables efficient ride-sharing transportation. • Pride Fund portfolio company: Shoeido Co., Ltd. ▶ Founded in 1901 (Meiji 34) in Miyakonojo, Miyazaki Prefecture, as a traditional Japanese confectionery shop. Engaged in the manufacturing and sales of confectionery products.	Contribution to regional economies through innovative business models and the creation and preservation of jobs by sustaining local industries.	Total allocation: ¥1,750 million.
Status of asset allocation: Amount of issue: ¥20,000 million. Amount allocated: ¥8,820 million. Unallocated balance: ¥11,180 million.				Total amount allocated: ¥8,820 million.

External Assessment

Selected for the Dow Jones Best-in-Class (DJ BIC) Asia Pacific Index (DJBIC Asia /Pacific) for the fourth straight year.	Selected as a constituent of MSCI Select Leaders Index 2026 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	Selected as a constituent of MSCI Japan Empowering Women Index (WIN) 2026 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	Selected as a constituent of FTSE JPX Blossom Japan Index
Selected as a constituent of FTSE JPX Blossom Japan Sector Relative Index 	Selected as a constituent of FTSE4 Good Index Series 	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 for sixth straight year in CDP Climate Change Survey 2025 	Recognized as an ECO-First Company by the Ministry of the Environment 	Selected as an Environmentally Sustainable Company at the 7th ESG Finance Awards Japan 	Received “Gold” rating in the PRIDE Index for the 5th consecutive year.

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